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PHD

**A comparative study of management of change in financial control systems of the British Central and Nigerian Federal Governments**

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**A COMPARATIVE STUDY OF MANAGEMENT OF CHANGE IN  
FINANCIAL CONTROL SYSTEMS OF THE BRITISH CENTRAL AND  
NIGERIAN FEDERAL GOVERNMENTS.**

Submitted by Edward Ola Olowo-Okere  
for the Degree of Ph.D. of the University of Bath.

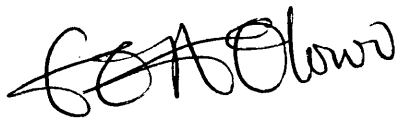
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## ABSTRACT

This study set out to investigate and compare management of change in the financial control systems of the central/federal government of a developed country as Britain and a developing country as Nigeria from 1960 to 1995. Specifically the study focused on the “why”, “how” and “what” of the changes during the period. Also, the impact of military rule on management of change in a developing country as Nigeria was also investigated.

The study was conducted against the background of the following: the poor state of financial control system in Nigerian Federal Government; that important lessons (which can be useful in designing strategies for managing change in the system of a developing country as Nigeria) can be learnt by comparing Nigeria’s change management approach with that of a developed country as Britain, and the paucity of comparative studies on management of change in governmental financial control systems of developed and developing countries.

Drawing on the literature on accounting change, organisational change and public administration the theoretical framework to guide the empirical work was developed. The findings revealed, among others, differences in the main driving forces for change, the activities in the change process, the levels of involvement of bureaucrats in the change process, the main agendas for change and in the incidences of formalistic changes between a developed country like Britain and a developing country like Nigeria. Also, the findings revealed that military rule has influenced the approach to change management in Nigerian Federal Government.

The findings were generalised to the main literature that informed the theoretical framework. Also strategies for managing change in a developing country as Nigeria and possible areas for improvement in the Britain approach were suggested.

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## CHAPTER ONE

### *SETTING THE SCENE*

#### **1.1 BACKGROUND INFORMATION**

A Government administers public assets within a system that has been variously referred to as “government accounting” (Jaruga, 1990; Lüder, 1988), “government accounting and financial management” (Kivanç, 1990; Points, 1990), and “financial administration” (Webber and Wildavsky, 1988). This system has also been referred to as the “financial management system” (Cherbini, 1988). In this study, it is referred to as the “financial control system” (see Jones and Pendlebury, 1988a). The term “government financial control system” refers to all processes, rules and techniques, legal or accounting, that a Government employs to manage public funds and secure proper financial accountability. These processes, rules and techniques comprise the overall strategy employed in controlling public funds and the detail financial control techniques, e.g. those employed in financial planning, monitoring of budget execution, financial reporting and auditing/evaluation.<sup>1</sup>

The government financial control system inherited by a developing country<sup>2</sup> at independence is believed to have been built by and modelled after the system of a colonial power (cf. Dean, 1988; Doh, 1981; Premchand, 1990c; Thavaraj, 1978). For instance, the financial control system in the Federal Government of Nigeria, a former British colony emerged from (or was modelled after) the British Central Government’s system. This system, however, no longer met what Glynn and McCrae (1986) describe as the “historic and constitutional based purpose” of the government financial control system, i.e. ensuring financial regularity and legality (cf. Adams, 1993; Hawkins, 1995; Holman, 1993a and 1993b; *The Economist* of 8 January 1994; *The Guardian* of 3 February 1994; *West Africa* of 15-21 November 1993).

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<sup>1</sup> An outline of these processes, rules and procedures is provided in Appendix A.

<sup>2</sup> Several writers (e.g. Briston, 1978; Dean, 1988; Scott, 1968 and 1970) pointed out the difficulty of defining “developing country”. However, this has not prevented writers from using developing countries (or third world countries) to describe a particular group of countries. In this study, developing countries are conceived as those former colonies that have failed to improve significantly on the models left in their countries by colonial powers. Economic stagnation and political instability are also common features of these countries. They are to be found mostly among countries classified by the International Monetary Fund as low and middle income countries (cf. *The World Bank*, 1994).



More often than not proper financial procedures are not followed, budgets are overspent, funds are misappropriated, audits are irregular and annual financial statements are in arrears of several years.<sup>3</sup> Nigeria's economic ailments (cf. Oyejide et al. 1985), and even the failure of economic pills administered to heal these ailments (cf. Holman, 1993a), have been blamed largely on the failure of the Nigerian Federal Government's financial control system to meet its traditional objectives. Consequently, international concerns for the government financial control system in Nigeria had arisen, as evidenced by the commission of an investigation into the system by the World Bank in 1993 (see Holman, 1993b).

In contrast to the Nigerian Federal Government, the probity of British Central Government is not in question (see Vass, 1990). Rather, the literature (cf. Hopwood, 1984; Likierman, 1990) reveals the widening of pre-1960's conception of financial accountability in the British Central Government to include issues of economy, efficiency and effectiveness since the early 1980s. Similar views have been expressed about other developed countries (see Premchand, 1990b). So, why is the system in the Nigerian Federal Government in such a poor state?

One possible explanation is what would be described here as the "colonial legacy" (Reilly, 1987) thesis. Like many other problems of developing countries, an aspect of the literature tends to attribute the post-independence poor state of the government financial control systems in developing countries to the models that were inherited at independence (Dean, 1988). It was argued that the Colonial Governments were too much pre-occupied with law and order, and that these issues formed the basis of their whole administrative arrangements (Thavaraj, 1978). For example, the focus of the government financial control system was on "legality and control". However, when the colonies obtained their independence, the objectives of Government changed from "custody to development" resulting in increases in the volume and complexity of government business (Doh, 1981). Thus, the government financial control system designed originally for the "law and order" colonial administration came under stress.

There is considerable scope for debate on whether the "colonial legacy" thesis properly explains why the features of the developing countries' government financial control

---

<sup>3</sup> See for instance Hopkinson (1992) for a description of the situation in African countries generally.

systems are what they are. For instance, it does not appear that the financial control system in the British Central Government had advanced significantly beyond the concern for financial regularity and legality in 1960 when Nigeria, for instance, obtained her independence from Britain.<sup>4</sup> For example, Vinter (1979) describes the environment of the expenditure process in the British Central Government during the pre-1960 era as a “jungle”.

It seems that the British Central Government’s financial control system must have been better at adapting than the Nigerian Federal Government’s financial control system over the past years. Thus, it can be argued that the Nigerian Federal Government’s financial control system cannot deliver its objective adequately (in contrast to that of the British Central Government) because it is “out of fit” with its environment. Organisations are “inextricably bound up with the conditions in their environments” (Pfeffer, 1973: 362). Where an organisation does not respond to shifting environmental conditions, a misalignment between it and the environment may occur that can worsen performance (Tushman and Romanelli, 1985). The conditions in the environment of the Nigerian Federal Government, just like those of the British Central Government, have undergone several changes since 1960. It will appear that many changes in the environment of the Nigerian Federal Government that should have been responded to by changes in the financial control system were ignored. For instance, Balogun (1993) observes that large oil revenues in the early 1970s enlarged the scope of public administration which in turn complicated the problem of accountability. It does not appear that this problem, like many others, was addressed by making appropriate changes in the government financial control system.

It seems that differences occurred over time in the attributes of government financial control systems between the British Central and Nigerian Federal Governments after Nigeria’s independence. Differences between management of change<sup>5</sup> in the two systems respectively could have been responsible for these. Therefore, this study will pursue the following three main questions:

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<sup>4</sup> This leaves a room for debate and only an empirical study of the nature we propose in this study can resolve it.

<sup>5</sup> Management of change involves managing the process and content of change, and also its context (see Pettigrew, 1987a).

- How and why did the context of change in the financial control system of the Nigerian Federal Government differ from that of the British Central Government?
- How and why did the process of change in the financial control system of the Nigerian Federal Government differ from that of the British Central Government?
- How and why did the content of change in the financial control system of the Nigerian Federal Government differ from that of the British Central Government?

Wallace (1990) remarks that the literature should focus on designing strategies of how accounting can evolve in developing countries. Since it is the Nigerian Federal Government's system that is defective, an additional question shall be pursued, i.e.

- What can be done to improve the financial control system in the Nigerian Federal Government and how can this be done?

Also, this study aims:

- To develop historical and comparative perspectives (from 1960 to 1995) of the British central and Nigerian Federal Governments' financial control systems.
- To investigate and analyse differences in the contexts, processes and contents of changes between the British Central and Nigerian Federal Governments' financial control systems.
- To develop some propositions on differences in contexts, processes and contents of changes between the British Central and Nigerian Federal Governments' financial control systems that can be tested out in other cases.
- To design a strategy for managing change in the government financial control system of a developing country such as Nigeria.

## **1.2 RELEVANCE OF STUDY**

In contrast to the orthodox view that accounting is a technical phenomenon, a view has emerged that accounting is a product of its environment but it is also involved in constituting its environment (Burchell et al. 1985; Gilling, 1976; Hopwood 1985; Scapens, 1992). Studies that explore contextual influences on accounting change (e.g. Bhimani, 1993; Bruns, 1987; Hertestein, 1987; Laughlin, 1988 and 1991; Palepu, 1987) are growing in number. Nevertheless, some authors (Hopwood, 1987; Laughlin 1987; Roberts and Scapens, 1985) remark that there is still a need for much empirical work on the processes

of intersections between accounting and its contexts. This study fits into this direction of accounting research. Also, there is another important feature of study: it is a comparative study of the changes in two Governments' accounting systems. Some writers (e.g. Briston, 1978 and Nobes and Parker, 1981) stress the advantage of comparative studies of accounting evolution.

Wallace (1990) calls for a deeper understanding of accounting systems in developing countries. This is quite understandable when due consideration is given to the economic situations of most of these countries (cf. Premchand, 1990a; Wallace, 1990 and 1993; Wesberry, 1990) and the relevance of accounting in the economic development process (see Enthoven, 1973 and 1976; Perera, 1989; Samuels, 1990; Scott, 1968 and 1970; UN, 1977). A deeper understanding of accounting systems can be gained by investigating how they evolved, and comparing with the experiences of other countries where environmental conditions may differ. Besides, such studies (of evolution of accounting systems) can provide the "methodological tools" for change in the future (see Helco and Wildavsky, 1981; Laughlin, 1987).<sup>6</sup>

Lapsley (1988) notes that there are still many issues in public sector accounting that have not been researched. Likewise, Helco and Wildavsky (1981) remark that while there are many historical evidences of financial control practices in ancient Governments, there is a scarcity of works on current practices. There now exists a considerable volume of literature on financial control practices in the Governments of developed countries (e.g. Briston, 1981; Brittain, 1959; Coombs and Jenkins, 1991; Else and Marshall, 1979; Flegman, 1980 and 1986; Glynn, 1993; Hardcastle, 1983 and 1990; Henley et al. 1992, Jones and Pendulebury, 1988a and 1988b; Jönsson, 1990; Likierman and Vass, 1984; Pliatzky, 1982; Pollitt, 1977; Sandford, 1992). However, to some extent, Helco's and Wildavsky's remark is still valid about government financial control practices in developing countries. This not to suggest that there are no works on the practices in developing countries. For instance, there are two works that describe financial control practices in the Nigerian Federal Government, i.e. Oshisami, 1992; and Oshisami and Dean, 1984. Nonetheless, while they

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<sup>6</sup> In a similar vein, Pettigrew (1985b: 243) writes that: "People who understand the political and cultural system of their organisations and the impact of changing economic and social trends on the emergence and dissolution of old issues, values, and priorities and the rise of new ones are at least beyond the starting gate in formulating, packaging, and influencing the direction of organisational change."

described practices at certain times, they do not provide the kind of historical and comparative perspectives proposed in this study. Therefore, there is a need for more research on government accounting in developing countries. The accounting system of a developing country's Government even assumes an important dimension when it is recognised that Government constitutes the largest sector of the economy in most of these countries (Enthoven, 1973). This study is therefore a step in the right direction.

Previous studies on the evolution of government financial control systems have focused either on the process of change (e.g. Dean, 1988), content of change (e.g. Murphy, 1985; Points, 1990) or the context and content of change (e.g. Bowsher, 1987; Glynn and McCrae, 1986; Likierman, 1990; Likierman and Bloomfield, 1986; Mosher, 1979). In the view of Whipp et al. (1987), a study on change must concentrate on the "why", "how" and "what" of change to fulfil both requirements for theoretical and practical usefulness. Furthermore, many of the studies are neither analytic nor interpretative (notable exceptions are Bowsher, 1987; Dean, 1988) such that the "why", "how" and "what" of change in government financial control systems remain under conceptualised. Since this study is undertaken in an area where there has been under conceptualisation and inadequate theorisation, its outcome will contribute to theory development.

Regarding the content of change in government financial control systems, some authors (e.g. Humphrey et al. 1993; Pugh, 1988; Riggs, 1960) remark that there exists the possibility that some of the changes are formalistic. Inadequate attention has been given to the need to investigate the extent to which prescribed changes in government financial control systems are realised (notable exceptions are Pendlebury et al. 1992 and 1994; Greer, 1992). Premchand (1990a) observes this gap and makes a plea for this kind of investigation. This study will, among other things, explore this issue.

Many of the previous studies focus on a single country (e.g. Nian and Yunwei, 1990; Lewis, 1989; Swarup, 1990). Some focus on two or more developed countries (e.g. Chapman, 1989; Premchand, 1990c) or on two or more developing countries (e.g. Basanti, 1990; Wesberry 1990). Others focus on developments in an aspect of the system (e.g. Bourn, 1989; Dewar, 1991; Fielden, 1984; Geist, 1981; Friedberg et al. 1991; Likierman and Creasey, 1985; Normanton, 1966; Premchand, 1983; Rutherford, 1990; Thain and

Wright, 1992a and 1992b; Wildavsky, 1986). Therefore, there is a dearth of empirical work that systematically compare the evolution of government financial control systems of developed and developing countries. There is a need for cross-country comparisons (Chan and Jones, 1988), of evolution of the government financial control system, like this study, to explain why practices differ (Nobes 1988). Some other studies focus on an episode of change (e.g. Clarke, 1978; Gray and Jenkins, 1986; Keating and Rosalky, 1990; Metcalfe and Richards, 1984; Omolehinwa, 1989; Thain and Wright, 1989). These studies are believed to be prone to a “proximity bias” since they may not recognise and treat the episode observed as part of a long run developmental process.

Also, the studies on evolution of government financial control systems have not been linked to the rich literature on organisational change (notable exceptions include Colville et al. 1993; Premchand, 1993). Bruns and Kaplan (1987), for instance, remark that many benefits will be derived from linking studies on accounting change to the organisational change literature. This study will explore these benefits by drawing from a considerable volume of organisational change literature and generalising the findings to this literature. As pointed out above, the existing studies fail to address (or do not address adequately) the issues raised, and in the manner proposed in this study. Therefore, much of the relevance of this study lies in the prospect it offers to fill these gaps in the existing literature.

### **1.3 CONCEPTUAL ISSUES: CHANGE AND FINANCIAL CONTROL**

There are no universal definitions for many concepts. Likewise, it is not uncommon for some concepts to be used differently in different settings. Therefore, it is often necessary for researchers to define some of the concepts they use. In this section, an attempt is made to highlight the ambiguities in two concepts, i.e. the terms “change” and “financial control”, and to explain their usage in this study.

#### **Change**

When people write about “change”, they rarely state what is meant by it because they assume that everybody understands it (Goodman and Kurke, 1982). Even though the concept (of change) is ubiquitous (Moore, 1974; Pettigrew, 1985) as it pervades all fields of human endeavour (Goodman and Kurke, 1982; Waltzlawick et al. 1974), it is not well understood. Thus, how change can be understood has been debated in the organisational

change literature. It was argued that since change is an abstract thing (Gawthrop, 1973), its meaning should be located within its context (cf. Kahn, 1982; Wilson, 1992). It was also argued that change cannot be understood without a “temporal measurement” (Albert, 1992) and an “underlying persistence” (Moore, 1974) or “stability” (Smith, 1982).

These basic requirements for the understanding of change have, however, generated further debates. For instance, Tichy (1993) dismisses all definitions of change as problematic because it is difficult to distinguish between change and stability in actual situations since “organisations are always changing”.<sup>7</sup> Wilson (1992) argues that change is a relative concept and reference to it really means the degree of change taking place rather than assuming change is the antithesis of some assumed stability. Since change involves the observation of one or more dimensions of an organisation at two points in time (Albert, 1992; Van de Ven, 1987), it is viewed as “a second-order abstraction”. Woodman (1989), for instance, argues that changes have to be perceived and perceptions may not change simultaneously with external reality. According to him, the question then is when has change occurred? When external reality or perception has changed, or both? Nevertheless, change involves something becoming different in some respect (Ginsberg, 1988) over time. Thus, Nisbet (1969: 168) defines change as “a succession of differences in time within a persisting identity.” This definition of change accommodates “time”, “differences” and “stability” or “persisting identity”, and it is considered suitable for this study.

Traditionally, two types of change have been distinguished in the literature, namely: first- and second-order change (Levy, 1986).<sup>8</sup> Drawing on a large volume of literature, Levy (1986) summarises the characteristics of the two types of changes. According to him, first-order changes are incremental, reversible, logical, rational, continuous, unidirectional and quantitative changes in one or few dimensions, components, aspects and levels within the old state of being that do not alter the world view and paradigm of the system. He defined second-order change as a revolutionary, irreversible, irrational, discontinuous, non-

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<sup>7</sup> However, Mintzberg (1978) asserts that change, incremental or radical, occurs in “spurts”, each followed by a period of continuity.

<sup>8</sup> A more comprehensive list of the terms that have been used to describe these two types of change can be found in Dunphy and Stace (1988) and Levy (1986).

unidirectional, qualitative, multi-dimensional, multilevel and multi-component change that result in a new world view, paradigm and state of being.

The terms “first- and second-order change” are used in this study to avoid unnecessary ambiguities. Laughlin (1991) observes that they are the “customary language” in the organisational change literature. It is noteworthy that the use of the terms “first- and second-order change” in this study assumes a peculiar meaning outside the discussions on organisational change. A first-order change is defined in this study as temporary financial control measures, such as cuts in expenditure figures in the short-term, or alterations to the financial rules, procedures and/or regulations (usually with an administrative circular). These changes occur most of the time unlike the second-order change which is a change involving a permanent long-term improvement in a financial control system that may involve the enactment of a new legislation, an amendment to the existing legislation and/or the issuance of a White Paper.

### **Financial Control**

In any attempt to define the system of financial control, there will arise the need to define clearly the key word “control”. There is, however, no “universally accepted” definition of “control” (Briston, 1981; Chua et al., 1989; Hofstede, 1981; Sawyer, 1973). For instance, in the field of management, there exists numerous kinds of control, e.g. management control, financial control, production control, quality control, operational control and inventory control. There has been the tendency for each individual to define “control” in a manner that suits the kind of control that he has in mind.<sup>9</sup> In this study, however, control is viewed as all methods, procedures, systems and structures in an organisation that are used to direct and co-ordinate activities in order to achieve its goals.

Given the above, there is a framework within which a working definition of “financial control” can be provided. As mentioned above, financial control is a kind of control. If, as it is, there is no universal definition of control, then there can hardly be a unanimously agreed definition of “financial control”. It is therefore, not surprising that several writers (cf. Anthony and Herzlinger, 1975; Archer et al., 1983; Dermer, 1977; Roden and Christy,

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<sup>9</sup> See for instance, the definitions of control given by Lewis (1989: 163), Collins, (1982: 107) and Razek and Hosch (1985: 4)



1986) have defined the concept differently. Here, financial control is seen as all the processes by which an organisation employs its funds to achieve its objectives, which include (but are not limited to) planning,<sup>10</sup> budgeting, monitoring of budget execution, reporting and verification of reports. This definition is similar to how financial control has been defined in the private sector context.

Since the area of concern in this study is the non-profit sector, this definition needs to be refined to make it more suitable. “The private sector has relatively homogeneous objectives” (Henley et al., 1992: 288) which revolve around the profit motive. These objectives can, in one way or the other, be translated into financial terms. This is not the case in the public sector where the consequences of most operations cannot be measured wholly in money terms (Tomkins, 1979). As Tomkins explains, it is extremely difficult to define financial control precisely in the non-profit sector of the economy. Nevertheless, some definitions of financial control in government have been given (cf. Ajayi, 1989; Normanton, 1966; Yamamoto and Watanabe, 1989). In this study, financial control in government is viewed as a system comprising all the methods and procedures, legal and accounting, that are used in government to ensure financial regularity, and economy, efficiency and effectiveness in the administration of public funds. These methods and procedures can be grouped under the main elements of the system, i.e. planning, budgeting, monitoring of budget execution, financial reporting, auditing and evaluation.

#### **1.4 ORGANISATION OF STUDY**

This thesis is organised into eleven chapters. However, it is worthy of note that this is only for the purpose of presentation because the issues contained in each chapter informed or were informed by one or more other chapters (see Figure 1.1 below). The first chapter, i.e. this chapter, introduces the study and provides a guide to the remaining chapters. Specifically, it contains discussions of the issues researched, reasons why the study focused on these issues and objectives that the study set out to achieve.

Three broad categories of literature, namely: organisational change, public administration, and accounting change (including change in government financial control systems) were

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<sup>10</sup> Conventionally, a distinction is drawn between planning and control. This traditional distinction is believed to be arbitrary and has been challenged (cf. Lowe and Puxty, 1989). In fact, Otley and Berry (1980) describes planning as “essentially a feed forward control”.

reviewed in this study. This review covers the three main facets of change, i.e. context, process and content. The overall aim of the literature review was to gain insights into the issues being researched in this study. Given the multi-disciplinary nature of the literature review, it is very extensive and a synthesis of it is presented in Chapter Two. Chapter Two also contains six tentative propositions on the three broad facets of change.<sup>11</sup> These propositions informed the theoretical framework for this study which is discussed in Chapter Three. Also discussed in Chapter Three are the methodological ideas of researchers that influenced the research design, the unit of analysis, the choice of cases, the method of data analysis and the activities in the research process.

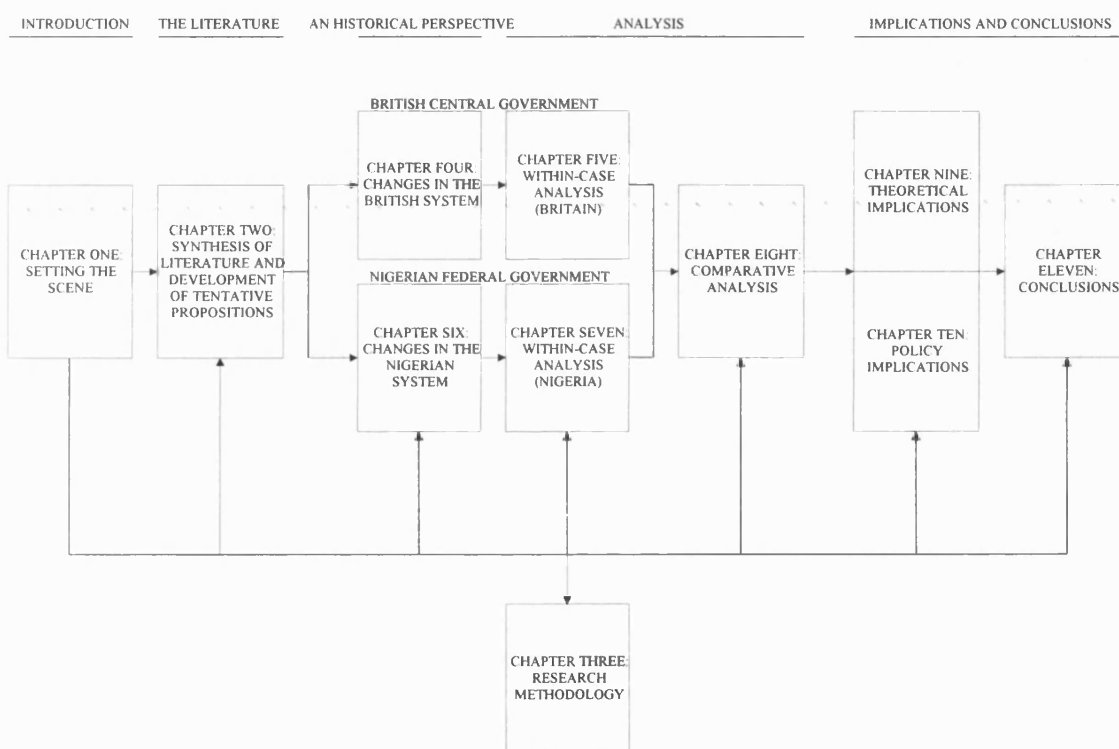


Figure 1.1: Organisation of the Study.

Chapters Four and Five are devoted exclusively to the presentation of the evidence from the cases in the form of an historical account of the changes. In Chapter Four, a rich description of the changes in the British Central Government’s financial control system (from 1960 to 1995) is presented in a chronological order. The chapter also contains a summary of the significant pre-1960 developments. The evidence from the Nigerian case is presented in Chapter Five. Specifically, this chapter contains an overview of the significant

<sup>11</sup> These propositions include two on the military factor in management of change in Nigeria.

pre-1960 developments and a rich description of the changes in the government financial control system (from 1960 to 1995) in a chronological order.

The within-case analyses for Britain and Nigeria are presented in Chapters Six and Seven respectively. The within-case analysis involves discussions of the patterns in the three facets of changes (i.e. context, process and content) and preliminary conclusions for each case. An important focus of this study is the comparison of the context, process and content of changes in the financial control system of the British Central Government with those of the Nigerian Federal Government. This comparative analysis is presented in Chapter Eight. Specifically, the chapter contains discussion of the similarities and dissimilarities in the three facets of changes and the plausible supports for the revised and new propositions.

The theoretical and policy implications of the findings in this study are presented in Chapters Nine and Ten respectively. Chapter Nine contains three sections which deal with the implications of the findings for the existing theories in the three broad categories of literature (i.e. organisational change, public administration and accounting change) respectively. Chapter Ten contains a summary of the defects of the approach to change management in the Nigerian Federal Government, the features of the British approach, suggested strategies for managing change in a developing country such as Nigeria and areas where improvement can be made in the British approach. The last chapter, i.e. Chapter Eleven, contains the main conclusions of this study, the limitations and the areas for further research.

In this chapter, the basic focus and aims of this study were discussed. Also, the rationale for the study, the concepts of change and financial control and the organisation of the study were outlined. In the next chapter, the earlier mentioned three categories of literature are synthesised to generate some propositions on differences in the management of change in governmental financial control system between Britain and Nigeria. Specifically, the literature is synthesised to generate some tentative propositions on differences in the context, process and content of change between the two cases.

**PART I**  
**THE LITERATURE**  
**AND**  
**RESEARCH METHODOLOGY**

## **CHAPTER TWO**

### ***SYNTHESIS OF LITERATURE AND DEVELOPMENT OF TENTATIVE PROPOSITIONS***

#### **2.0 INTRODUCTION.**

When most developing countries obtained independence from the colonial powers, they inherited administrative systems modelled after those of their respective colonial masters. These systems include, among others, government financial control systems (e.g. Dean, 1988 and Premchand, 1990c). It seems, however, that practices in some of these countries differ from their former colonial master's practices over time after independence. Earlier on in this study, it was argued that differences in the management of change in government financial control systems between a developed country as Britain and a developing country as Nigeria account largely for divergence in practices after the latter attained independence.

Change management involves a consideration of the content of change and the context and process in which change occurs (see Pettigrew, 1987a). Thus, these three facets of change, i.e. context, process and content need to be investigated in order to establish differences in the management of change in government financial control systems between Britain and Nigeria. Under context, the forces that drive change and the influences on these forces need to be studied. It is worth noting that these driving forces evoke the process of change. Under process, the focus is on the activities in the change process and factors that influence these activities. The roles that bureaucrats perform in the process of formulating change are also examined under the process. Since the process of change lies at the heart of change management and provides a bridge between the context and content of change, it is a very important facet of change.

Under content, the focus is on what has in fact changed given the various change "labels" (Tomkins and Colville, 1989). A change in the government financial control system is formalistic if it is not practised as it exists on paper. Studies on change in organisation that focus on content of change concentrate on distinguishing between types of change (e.g. Laughlin, 1991; Levy, 1986), the sequence in which they occur (e.g. Miller, 1982; Miller and Friesen, 1980) or both (e.g. Gersick, 1991; Tushman et al. 1988 and 1991). The need to examine cases of "formalistic" changes have not attracted significant attention.

Most developing countries have a certain characteristic in common, i.e. military intervention in their politics. The military factor in reforms in the developing countries' government financial control systems has not been researched. This study examines this factor under the three facets of change. For example, how the stimuli for change under the military may differ from the civilians are examined under the context. Likewise, under the process and content, the ways military rule may affect the roles that bureaucrats perform in the change process and the cases of formalistic changes are examined respectively .

This chapter is divided into three sections under the following headings: context, process and content of change. In the first section, there are speculations about differences between the forces that drive change in government financial control systems of Britain and Nigeria, and the influences on these forces. In addition, there is a speculation about the additional pressure for change that could exist under Military Regimes in Nigeria. In the second section, speculations are made about differences in the activities that are performed in the change process between the two contexts (i.e. Britain and Nigeria). There are also speculations about differences in the tasks that bureaucrats perform in the change formulation process between the British Central and Nigerian Federal Governments, and between Nigerian Civilian and Military Regimes. The last section contains a speculation about differences in the cases of divergence of the substance of change from the form, i.e. cases of "formalistic change", between the two Governments.

## **2.1 CONTEXT OF CHANGE**

Neither of the two traditional perspectives on change, i.e. developmental and epigenesis, suggests that change is not driven by some forces. The debate is rather on whether internal logic or external forces drive change. With the emergence of a perspective that reconciles the two opposing views (e.g. Gersick 1991; Miller and Friesen, 1980; Tushman et al. 1991; Tushman and Romanelli, 1985), this debate seems to have lost momentum. Besides, for several writers (cf. Beer, 1988; Evered, 1980; Ginsberg, 1988; Levy, 1986; Lundberg, 1984), combinations of internal and external factors drive change.

Writers have attributed changes in developed countries' government financial control systems to a number of different factors. Some of these factors can be classified either as internal or external. For instance, some writers emphasise the internal factors, e.g. internal

dynamics and learning (Gray and Jenkins, 1986), dissatisfaction of organisational members and influences of previous changes (Mountfield, 1984). Some others stress the role of forces that may be described as external, e.g. wars (Bowsher 1987; Mosher, 1979). There are other writers (e.g. Glynn and McCrae, 1986; Likierman, 1990; Likierman and Bloomfield, 1986) that did not emphasise a particular source. It is also evident in some of the studies how external forces can generate internal pressures, e.g. war resulting in growth in government size and functions (cf. Bowsher, 1987; Mosher, 1979; Murphy, 1987). In such a situation, change in the financial control system of a Government cannot be attributed to either internal or external forces exclusively.

In fact, there is the argument that whether the source of change is internal or external will depend on where the boundaries of the system are drawn (see Van de Ven and Poole, 1988). In which case different definitions of the boundary of a system may result in different classifications of a particular force of change. However, in the opinion of Pettigrew (1985), even though arguments over the sources of change could be of academic interest, they are “pointless”. For Pettigrew, studies should concentrate on the examination of mixtures of forces of change and the conditions under which they occur. Thus, the concern in this study, under the context of change, is not about drawing distinction between the sources of change. Instead the focus is on the mixture (or combination) of driving forces and the conditions under which they trigger change. Specifically, the interest is in the differences in the combination of forces that drive change in the government financial control systems between Britain and Nigeria, and the influences on these forces.

Writers on change have often distinguished between two types of change, i.e. first- and second-order changes (cf. Dunphy and Stace, 1988; Levy, 1986; Miller, 1982; Miller and Friesen, 1980; Pettigrew, 1985). An aspect of the literature seems to distinguish between the types and/or magnitude of forces that drive these types of changes. In almost all the case studies he surveyed, Levy (1986) observes that crisis appeared as a driving force of second-order changes. By the same token, Pettigrew (1985) remarks that there exists considerable support in the change literature for the view that major change will await crises. Some writers on the evolution of financial control systems in governments (e.g.

Helco and Wildavsky, 1981; Vinter, 1979; Wildavsky, 1986) have also explained that major changes await crises.

However, what is crisis or the nature of these crises? There does not seem to be a clear definition of crisis or an explanation of the nature of crisis. For instance, the term “crisis” may encompass most of the driving forces of change if crisis means environmental “disturbance”, “noise”, “jolt”, “impetus” or “kicks” as Laughlin (1991) observed in the literature. Starbuck (1982), however, remarks that “true crises happen infrequently”. Also, Pettigrew (1985) cautions that it may be dangerous to assume a simple relationship between organisational change and crisis. Therefore, it does not appear that there is yet a “theoretical consensus” (Child and Kiesser, 1981) on a type of driving forces that causes a particular type of change.

Some writers (e.g. Friesen and Miller, 1980; Ginsberg, 1988; Miller, 1982; Tushman et al. 1988 and 1991) suggest that there exists a difference between the magnitude of forces that will drive first- and second-order changes. Some authors (e.g. Levy, 1986; Lundberg, 1984; Tichy and Ulrich, 1984) identify a set of forces that could drive major change. The works of some (e.g. Levy, 1986) suggest that an organisation could respond to any magnitude of driving force by any type of change, although the first response is often a first-order change. Yet others (e.g. Mintzberg, 1978; Tichy, 1983) stress that the organisation may not even respond to all the potential driving forces. For instance, the argument of Mintzberg (1978) that only environmental shifts that are large enough to be perceived usually attract responses suggests that an organisation may not perceive some (smaller) forces at all. In addition, it has been argued that many small factors may have a disproportionate effect at the “critical time” (cf. Robb, 1990). Taking these arguments together, it is not expected that there will be a significant correlation between the magnitude of driving forces of change and the magnitude of change in many episodes of change.

Earlier on, an agreement with the view that suggests the irrelevance of distinguishing between the sources of forces of change was stated. Also it was inferred from some studies that there may be no significant correlation between the type and/or magnitude of environmental shift and the magnitude of change in the organisation. Now attention will be turned to the issue of whether there exists a relationship between the nature of



environmental shift and the aspect of the organisation in which organisational participants may choose to make change.

Tomkins (1982), for instance, states that the nature of a specific environmental pressure will have much influence on how the organisation interprets it. Therefore, since change in the organisation will depend on the perception of the organisational leadership (Romanelli and Tushman, 1988), the nature of the environmental shifts will influence the sub-system (or aspect of the organisation) where change will be made. No wonder Laughlin (1988) and Hopwood (1987) remark that it may be assumed that financial or economic “noise” can drive accounting change, and some findings supported this view (cf. Hertstein, 1987; Palepu, 1987). Government organisation, when viewed as a system, comprises a number of sub-systems. There would obviously be many different environmental shifts (minor or major) to which it may perceive and chose to respond. The Government can respond by making change in any of the sub-systems, and this may not have any serious effect on the other sub-systems depending on the magnitude of change and the coupling between the sub-systems (Van de Ven and Poole, 1988; Weick, 1982).

However, many of the driving forces of second-order change<sup>1</sup> in the government financial control systems that most writers (e.g. Bowsher, 1987; Glynn and McCrae, 1986; Keating and Rosalky, 1990; Likierman, 1990; Likierman and Bloomfield, 1986; Lüder, 1993; McDonald, 1990; Mosher, 1979; Murphy, 1985; Thain and Wright, 1989) identify in their studies on developed countries either have financial impacts on the Government or manifest themselves in the form of their financial impacts. These driving forces include budget deficits, debt management problems, expenditure growth, high and variable inflation, growth in government (size and functions) and war. Therefore, it seems that environmental shifts of a financial nature may drive second-order change in the government financial control system of a developed country.

Most of these writers (e.g. Bowsher, 1987; Keating and Rosalky, 1990; Likierman, 1990; Likierman and Bloomfield, 1986; Lüder, 1993; McDonald, 1990; Thain and Wright, 1989) and others like Gray and Jenkins (1986) and Mountfield (1984) also acknowledge the

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<sup>1</sup> For the definition of change, first-order change and second-order change, as used in this study, please refer to section 3.3.

impact of political stimuli on change in government financial control systems. Lüder (1993), for instance, explains that the political stimuli often come in abundance from rival power centres. Ironically, some studies on developing countries (e.g. Dean, 1989b; Wesberry, 1990) suggest that these sources of political stimuli could also hold back change, e.g. as a result of rivalry and suspicion between power centres. Alternatively, the political stimuli may come from “political ideologies” (Mayston, 1993) or change in political objectives (Likierman, 1984; Thain and Wright, 1992), especially with a new Government (see Keating and Rosalky, 1990; Likierman, 1990; McDonald, 1990). Where the political stimuli come from political ideologies, change in political objectives or a new Government, the underlying pressure for change can be described as political agenda/ideology.

An inference that could be drawn from the literature on the evolution of the government financial control systems is that given political stimuli, environmental shifts of a financial nature and/or political agenda/ideology may drive second-order change in the systems of developed countries. The question then is: what drives change in the developing countries’ government financial control systems? Webber and Wildavsky (1988) remark that the structure of financial control systems that appeared repeatedly in the Governments of ancient civilisations<sup>2</sup> resulted from “parallel efforts to solve” certain problems “common to them all”. These problems included fraud, theft and other administrative excesses and transportation (when funds were wholly or partly in kind).

The present day Governments are facing some similar problems, e.g. growing budget deficits, debt burden, unacceptable expenditure growth, inflationary pressures and other fiscal problems (cf. McDonald, 1990; Premchand, 1990c). Following the observation of Webber and Wildavsky regarding the development of financial control practices in the Governments of ancient civilisations, there is the temptation to hastily conclude that financial or economic pressures coupled with some political stimuli will also drive second-order changes in developing countries’ government financial control systems. However, it will appear that problems cannot drive change in a government financial control system unless a Government perceives them in that manner.

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<sup>2</sup> These include, for example, Mesopotamian city states from third millennium BC., ancient Egypt and Crete (3100-1100 BC.), China (1523-1027 BC.), Japan up to nineteenth century and sub-Sahara Africa (AD. 300-1500),

It seems that there existed (and still exist) various “organisational defects” in the Government of most developing countries. Some of these defects can be attributed to “organisational characteristics” of developing countries, for instance, the lack of interest in an effective financial control systems and the defence of the status quo. According to the “Hombe thesis”, the ineffectiveness of financial control will serve the interests of those in positions of power (Reilly, 1987). In addition, politicians in developing countries may not have an interest in accounting development because they may benefit from a weak financial discipline environment (Wallace, 1993). Similarly, the top bureaucrats in these countries usually do not have an interest in changes to the existing system because they have developed the skill to manage it to their advantages (Reilly, 1987; Riggs, 1960). An inference that could be drawn from these arguments is that politicians and bureaucrats in developing countries may not perceive the potential driving forces of change in the government financial control systems because change may conflict with their personal interests.

Also, “organisational characteristics” can create “perceptual filters” (Starbuck, 1982): organisational defects will mediate perceptions of environmental shifts of, for instance, a financial nature in the Governments of developing countries. This condition may not permit a simple correlation between the emergence of “financial noise” and changes in developing countries’ government financial control systems. Even if these Governments are able to perceive these problems correctly, it is not certain that they will be able to respond appropriately by making necessary changes to their financial control systems. The recognition of problems associated with financial control systems is not an end in itself (Webber and Wildavsky, 1988). There exists in some Governments of developing countries other “organisational defects”, e.g. lack of material and human change resources that may adversely affect their ability to respond. Most developing countries lack both the human and financial resources required to effect change in their government financial control systems (cf. Dean, 1988 and Wesberry, 1990) or accounting systems generally (cf. Perera, 1989; Scott, 1970 and Wallace, 1993). Thus, they may not respond to many relevant shifts in their environments.

Furthermore, much of the literature does not suggest that adverse shifts in economic and financial conditions drive “second-order” change in the developing countries’ government financial control systems. Rather, the literature suggests that such shifts will compound their inability to make “second-order” change (cf. Wesberry, 1990). In fact, a “circular causation” (Riggs, 1960) is likely to emerge whereby the resulting “maladaptive” system becomes increasingly ineffective, affects the performance of government programmes, and further aggravates the bad economic and financial conditions of the Government. Therefore, there may not be a simple correspondence between adverse shifts in the economic and financial conditions of most developing countries’ Governments and “second-order” change in their financial control systems.

The views that have been expressed in the literature on the evolution of government financial control systems seem to suggest that changes in the developing countries’ government financial control systems are driven mostly by extraneous factors, e.g. influences of developments in the developed countries’ government financial control systems and external pressures. For instance, Premchand (1990b) remarks that developing countries usually replicate the changes in the developed countries’ government financial control systems, often without regard to the local context. Similar sentiments were expressed regarding accounting generally (cf. Perera, 1989; Wallace, 1993) and on administrative reform (cf. Adu, 1975; Jreisat, 1988; Kasfir, 1980).

Some writers (e.g. Craner and Jones, 1990 and Dean, 1988) reveal that developed countries often export financial control techniques they evolve to developing countries. For instance, Craner and Jones (1990) state that the West had shipped to developing countries “cosmetic” government financial control techniques long after they became obsolete. In addition, the literature reveals that the United Nations often implores developing countries to adopt certain financial control techniques (cf. Dean, 1988; Doh, 1981). Usually, the United Nations will publish a manual on how these countries can install the recommended techniques.<sup>3</sup> Furthermore, donors may bring financial control reform programs (cf. Ohene-Manu, 1993; Wesberry, 1990) and international lending agencies can make financial

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<sup>3</sup> Some of these manuals are ‘A Manual for economic and functional classification of government transactions’ (United Nations, 1958); ‘A manual for programme and performance budgeting’ (United Nations, 1965); ‘A manual for government accounting’ (United Nations, 1970); ‘Government Accounting in economic development management’ (United Nations, 1977) and ‘Accrual Accounting in Developing Countries’ (United Nations, 1984).

control reforms a part of loan conditionalities to Governments of developing countries (cf. Basanti, 1990; Premchand, 1993). Where aid is attached to change programmes, developing countries' Governments are more likely to implement them (Reilly, 1987; Riggs, 1960).

Following these arguments, extraneous influences are likely to dominate the context of change in developing countries' government financial control systems. These countries will make "second-order" change in their government financial control systems either due to a desire to replicate what developed countries are doing, pressures from donors or recommendation from international bodies, e.g. the International Monetary Fund and the United Nations.<sup>4</sup> These factors differ from shifts in economic and financial conditions of Governments and/or political agenda/ideology that seem to drive change in the government financial control systems of developed countries. However, the literature does not suggest that the economic and financial conditions of the developing countries' Governments have been stable. Rather it suggests that the existence of "organisational defects" in the Governments of developing countries render them incapable of responding to shifts in their financial and economic conditions. Nevertheless, their vulnerability to external influences (due to intellectual dependence and economic dependence) opens up a combination of forces for change in their government financial control systems that are different from those that seem to drive change in developed countries.

Moreover, given the level of political instability and frequent military interventions in politics of most of these countries (cf. Heady, 1979; Odetola, 1982), there is no clear evidence that party politics have developed to a stage that additional pressures can come from changes in the political agenda of Civilian Governments. In most of these countries, there probably exists a developed "political group", i.e. the military, that may come to power with a "political agenda".<sup>5</sup> However, whether financial stress and/or a political agenda will drive change in the government financial control system will depend, to a reasonable extent, on the existence of enough change resources and also political stimuli. Therefore, it can be speculated that:

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<sup>4</sup> The solutions evolved in developed world will be chasing problems in the developing world.

<sup>5</sup> The nature of this political agenda can vary depending on the motives of the military for seizing power (cf. Nordlinger, 1970 and Odetola, 1982). This is also explored further later in this chapter.

*Differences in the stocks of change resources and amounts of political stimuli will lead to differences in the forces that drive change in the government financial control systems between a developed country such as Britain and a developing country like Nigeria.*

#### *THE MILITARY FACTOR IN THE CONTEXT OF CHANGE.*

There are differing views on the impact of military rule on development in developing countries (Odetola, 1982) and the empirical evidence is inconclusive (Heady, 1979). Three main viewpoints have been identified. The first view regards the military as a positive modernising force (Heady, 1979), sponsor of social and economic change (Nordlinger, 1970) and perhaps the most effective supervisory agency for and reliable managers of “directed change” (Odetola, 1982). The second view holds that the military in developing countries is conservative and an inhibitor of social change (Heady, 1979), not an agent of modernisation (Nordlinger, 1970), but frequently in alliance with the oligarchy to preserve the status quo (Odetola, 1982) with an institutionally inherent desire to serve its own “corporate interests” (Nordlinger, 1970). According to this second viewpoint, young officers who may be “reformists” in their approach, may make changes that alter the present but not fundamental and long-lasting change.

The third view hypothesises that the impact of the military varies according to the levels of economic development of developing countries (Heady, 1979). The more backward a country is, the more progressive is the role of the military and vice-versa. Besides, it was argued that military leaders can either be old senior officers who are conservative or young lower rank officers who are radicals (Clapham and Philip, 1985). Thus, the variables that will determine whether a Military Regime will embark on reforms or preservation of the status quo may include the age and ranks of the military leaders, group interests of the military and the level of economic development of a country. In addition, the reason for the seizure of power by the military leaders may influence their attitudes to reforms. For instance, the military may seize power to satisfy national interests (Odetola, 1982), its corporate interests or individual desires for “upward mobility” (Nordlinger, 1970; Odetola, 1982). Any of these may make changes to the status quo necessary.

In Nigeria, for instance, the military usually question certain features of the regime they overthrew as the basis for intervention in each coup d’etat (cf. Adebayo, 1981; Akpan, 1982). These include, among others, mismanagement and embezzlement of public funds

(cf. Balogun, 1983; Ojiako, 1980). Thus, when the military is in power it will attempt to effect changes to rectify those things that it questioned as the basis of intervention. Also observable in the literature on Public Administration in Nigeria (cf. Adamolekun, 1986 and Dlakwa, 1992) is a practice where the military does not like to hand power back to the civilians under the same arrangements and conditions that existed in the previous Civilian Regime or even under the incumbent Military Regime. Thus, reorganisations of Government and even the fashioning out of a new constitution often characterise the period before the handing over of power back to the civilians. When a wind of change is blowing in an organisation, it can be speculated that it will affect the accounting systems (cf. Broadbent, 1992; Hopwood, 1990; Laughlin, 1991).

The literature reveals that the military is more exposed to modern management techniques than other groups in the society (cf. Danopoulos, 1988; Heady, 1979). Moreover, it reveals that the militaries are usually sensitive to the extent to which their countries are underdeveloped (cf. Nordlinger, 1970). It is also believed that the government financial control systems in most developing countries are deficient and that those of developed countries have advanced considerably (cf. Dean, 1988). It therefore seems logical to speculate that the soldiers will try to effect change in the system (and other aspects of Government) when they take over power, even if only to replicate that of which they are aware is being done in the developed world. It could be argued that this does not have anything to do with whether the military, as a force, is conservative or radical (cf. Clapham and Philip, 1985).

Some writers (e.g. Danopoulos, 1988 and Odetola, 1982) contrast the governing style of Military Regimes with that of Civilian Regimes. Danopoulos (1988) observes that the traditional values of the military, i.e. bravery, discipline and obedience, usually determine its governing style. Odetola (1982) also stresses that the military favour centralisation of authority. There is the tendency that the military will attempt to import these virtues into civil governance (cf. Danopoulos, 1988). In so far as this might be possible, this tendency and the issues raised in the preceding paragraphs may require some changes in some aspects of Government, including the system of financial control.

The context of change during the military may extend beyond the desire to break away from the immediate and distant past as argued above. It may also include the desire to replicate changes in developed countries as argued about Governments of developing countries generally. For instance, it has been remarked that the armed forces of developing countries can adhere more closely to imported models of organisation and are more amenable to foreign influence because they look beyond their countries' borders for technology, weapons and managerial skills (Danopoulos, 1988). Following these arguments and the other arguments that they are more exposed to modern management techniques than other groups in the society (cf. Danopoulos, 1988; Heady, 1979) and are more sensitive to the extent of their countries' backwardness (cf. Nordlinger, 1970), it may be expected that the desire to replicate changes that were made in developed countries will be higher under Military Regimes than Civilian Regimes. Thus, it can be speculated that:

*Given their absolute powers, exposure to foreign models and greater vulnerability to extraneous influences, Military Governments will want to adjust the government financial control system to suit military values, to breakaway from the past and to implement their political agenda, there will be extra stimuli for change in the Nigerian Federal Government's financial control system under Military Regimes compared with Civilian Regimes.*

The changes that the military will make when it is in power may be progressive (toward a higher order) or regressive (toward a lower order). For instance, when the military seizes power, they usually suspend (or modify) the constitution (cf. Adebayo, 1981). Certain aspects of checks and balances in Government often disappear with this act. Often, the military centralises power and even in some cases, personalises it (cf. Akpan, 1982; Balogun 1983). Financial accountability, as it exists under a Civilian Regime, often disappears - without a specific authority with the power to hold the Government "to account", what exists is a "link of account" (Stewart, 1984). Thus, it is not unlikely that some of the changes that the military will make may result in weak financial accountability.

## **2.2 PROCESS OF CHANGE**

Writers on change in organisations (e.g. Levy, 1986; Lundberg, 1984; Tichy, 1983; Tichy and Ulrich, 1984) have commonly conceptualised the change process into a number of stages (three or more). It is believed that these models of process of change were



influenced by Lewin's (1951) three-stage force model (Wilson, 1992). There is, however, a debate on the extent to which organisations follow different stages linearly (cf. Kimberly, 1980; Lawler, 1982; Pettigrew, 1985), and the assumption of rationality in organisational processes implied in these models (cf. March, 1981; Starbuck, 1982; Wilson, 1992). There is also the argument that a major transformation may have many stages such that there is no clear beginning or end (see Greenwood and Hinings, 1987).

Nevertheless, certain activities can be identified in a complete change process, regardless of their sequence. For instance, Mintzberg and Westley (1992) assert that a full process of change proceeds through the steps of "learning", "vision" and "planning". Even if an organisation does not go through these steps linearly, it can reasonably be assumed that it will perform the tasks involved in each stage in any order before completing a "full process" of an episode of change. It is not impossible that an organisation may loop backward and/or forward in this process (Kimberly, 1980; Pettigrew, 1985), e.g. by going back to the formulation stage during implementation (Mintzberg, 1978).

Drawing on the models of change process of some organisational change theorists (e.g. Beckhard and Harris, 1987; Levy, 1986; Mintzberg and Westley, 1992; Pettigrew, 1985), the activities in the change process can be classified into five steps. These steps are "problem-sensing", "felt-need for change", "defining the need for change", "planning and acting" and implementation. When there is a shift in the relevant environmental conditions, it can be expected that the members of the organisation will sense or perceive the shift before the organisation can respond. Some writers (e.g. Starbuck, 1982; Starbuck et al. 1991; Tichy, 1983) have stressed the relevance of perception in the change process. Pettigrew (1985) describes this step as "problem-sensing" and states that it involves individual sensing of problems and sharing of the problem sensed. The second step involves "sensing and imprecisely articulating performance gap" due to mismatch between certain features of the organisation and its environment by a small group (Pettigrew, 1985). This is what Tichy and Ulrich (1984) conceptualise as "felt need for change". As they argued, perception of trigger event(s) will lead to a "felt need for change" among key organisational participants.

When the key participants in the organisation begin feeling the need for change, it will seem logical that they will accept that they have to make changes and seek an understanding of the problem. This involves what Beckhard and Harris (1987) and Pettigrew (1985) conceptualise respectively as “defining the need for change” and “the acknowledgement and understanding of the problem”. It is also similar to what Levy (1986) terms “transformation” in his model of process of second-order change. The activities in this step will include diagnosis of the problem, identifying causes, and identifying alternative solutions and their implications (Pettigrew, 1985). For Beckhard and Harris, this step may also include the “choice about whether to change”. This step, as Pettigrew stresses, will lead to the “planning and acting” step or what Levy calls “transition”.

Mintzberg and Westley (1992) remark that once the organisation knows the implications of change it may be necessary to programme its consequences formally. The planning and acting step involves describing the present state of the organisation, stating the future desired state, and defining what the organisation will do differently (Beckhard and Harris, 1987). The activities also include appointing those who will manage the transition (Pettigrew, 1985). The final step is what Pettigrew (1985) conceptualises as stabilising change. This is basically the step of implementing the change programme. Levy (1986) stresses that once the “change programme is institutionalised”, there may also be the need to maintain and probably fine-tune it. In addition, this step also involves getting change to “stick” to the system by harmonising all interrelated structures with the newly emerging state (Pettigrew, 1985).

Following the analogy in the above model of process of change, it can be speculated that when adverse economic, financial or other events occur, Treasury Officials will sense the impact. As these conditions continue and this problem-sensing also spreads to relevant Cabinet Ministers, there will arise a felt need for change among top government functionaries (cabinet ministers and top bureaucrats in the Treasury). At this stage, the Treasury may even make “first-order” change. For instance, Levy (1986) argues that more often than not forces of change are responded to first with a first-order change. Where the condition persists and/or there is sufficient political stimuli, there would be the acceptance

of the need for “second-order” change, diagnosis of the problem and causes and generation of alternative solutions. This stage may involve testing of the preferred alternative in “suitable pilot units” (Lacey, 1989), if pilot-testing is practicable. The relevant statutory activities (legislation or publication of White or Green Paper) will then take place, i.e. officially announcing change. Subsequently, the change programme will be implemented by the Treasury and other relevant government departments.

The process of change that has just been described corresponds almost exactly with what Starbuck (1982) describes as “problem-solving mode”. He accepts that organisations are capable of going into this mode but then dismisses it as abnormal.<sup>6</sup> However, the model is in line with the speculation that problems drive change in the financial control system of the British Central Government. Likewise, some writers (e.g. Helco and Wildavsky, 1981; Humphrey et al., 1993) described changes in the financial control system of the British Central Government as often reactive. Therefore, it can reasonably be stated that after sensing relevant environmental shifts government officials will, if they feel need for change, diagnose the problems and generate alternative solutions, conventional or otherwise, before proceeding to programme and implement change.

However, given the speculated driving forces of change in the system, it will be inappropriate to view the process of change in the system of Nigeria in this sequence. If problems are first sensed, and other phases of the change process sequentially unfold, how can the absence of link (or incongruity) between innovations and their expected outcomes in developing countries (cf. Chikulo, 1981; Jreisat, 1988; Premchand, 1990b) be explained? The process of change in the government financial control system of Nigeria may resemble what Starbuck (1982) describes as “action-generating mode”. This is a mode where choices of action stimulate “the creation of problems to justify the actions” (Legge and Lockett, 1982). This does not suggest that the financial control systems in these Governments are problem-free. It could probably be because there are so many problems with the systems (cf. Basanti, 1990; Dean, 1988 and 1989a; Enthoven, 1973; Wesberry, 1990). In such a situation, an organisation may scan for solutions such that it can match anyone found with relevant problems (March, 1981).

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<sup>6</sup> For instance, he states that often “people leave problems vague and ill-defined”, and that proposed actions may not be relevant to stated problems.

In this sense, though solutions will appear to be driving problems, it is neither because of the competence of the organisational participants nor the existence of a well functioning “action-generating” mechanism as March and Starbuck would respectively suggest. It is rather due to certain organisational characteristics (i.e. organisational defects that “distort perception” of relevant environmental shifts, and the inability to evolve own techniques in the face of a desire to develop quickly) and/or pressure from donors, as argued above. In an “action-generating mode” which was speculated about the process of change in financial control system of the Nigerian Federal Government, the first three stages in the model of process of change described above is either absent or does not precede the remaining two stages. There will also be differences in the way the tasks involved in each of these stages will be performed. Therefore, it can be speculated that:

*Differences in the stocks of change resources available, the interests of top government managers in the effectiveness of the financial control system and the contexts of change in the government financial control systems of a developed country such as Britain and a developing country like Nigeria will lead to differences in processes of change between the two cases. For instance, in contrast to the process of change in the government financial control system of Britain, the process of change in the government financial control system of Nigeria will not include such change process activities as problem-sensing, the development of concern, and the acknowledgement and understanding of problem.*

Even though there is a consensus on the fact that the Executive arm of the Government comprises the political office-holders who have the people’s mandate to govern, and bureaucrats who implements Government policies, “contradictory propositions” have been made on the actual relative roles of these groups in the policy making process (cf. Aberbach et al. 1981; Adamolekun, 1986; Gray and Jenkins, 1985; Riggs, 1964). The contradictory propositions are on the involvement of bureaucrats in the policy-making process. One proposition, i.e. the “conventional model of Government” (Riggs, 1964), follows the “Weberian ideal relationship” between politicians and bureaucrats (Aberbach et al 1981) and distinguishes between political and administrative functions of “rule-making” and “rule application” respectively (Riggs, 1964). This view holds that political and administrative officials play policy-making and policy implementation roles respectively.

There is a considerable challenge (in the literature) to this proposition that treats policy-making as an exclusive province of the politicians. Some writers (e.g. Aberbach et al 1981; Adebayo, 1981; Chapman and Greenaway, 1980; Gray and Jenkins, 1985; Jreisat, 1988;

Putnam, 1973) argue that this conventional model of Government does not capture the reality of the relative roles of politicians and bureaucrats in the policy process. Aberbach et al., for instance, assert that at least it does not give a true picture of the relationships at the more senior level of Government.

The antagonists of “politics-administration dichotomy” advanced a number of plausible reasons why this dichotomy does not hold in actual practice. Some of these reasons include the monopoly of expertise and information by bureaucrats (Aberbach et al 1981; Putnam, 1973), politicians’ lack of sufficient time to address all policy questions (Aberbach et al 1981), and bureaucrats’ length of stay and copious numbers compared with the politicians (Putnam, 1973). It was also argued that the relative role of the politicians and bureaucrats in the policy process is not stationary, but evolutionary (Aberbach et al. 1981; Gray and Jenkins, 1985) and that this relationship may differ among regimes (Aberbach et al. 1981; Adamolekun, 1986), issues, eras and countries (Aberbach et al. 1981).

There is a dearth of empirical support for the “politics-administration dichotomy”. However, there is a considerable amount of empirical evidence in support of the contrary proposition (cf. Aberbach et al. 1981; Adamolekun, 1986; Adebayo, 1981; Chapman and Greenaway, 1980; Gray and Jenkins, 1985). Thus, the conventional model seems to be a normative model rather than an explanation of the reality (cf. Aberbach et al. 1981; Chapman and Greenaway, 1980; Gray and Jenkins, 1985). Considering these, the contrary proposition that bureaucrats play some roles in the policy-making process seems more plausible. However, the question is on the nature and extent of their involvement. Based on the above, it seems that the nature and extent of their involvement may vary depending on a number of variables such as the particular country, the nature of the policy (or issue) and the regime type.

The models of Riggs (1964) and Aberbach et al. (1981) provide some insights into this line of thought. Riggs (1964) suggests that the relative weights of bureaucratic powers differ among fused, prismatic and diffracted models.<sup>7</sup> Riggs’ thesis is that the weights of bureaucratic power in developing and developed countries are relatively great and small respectively. According to these models, the weight of bureaucratic power rises as a

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<sup>7</sup> That is the ideal agrarian, developing and industrial societies respectively.

country starts developing, reaches a very a high level and drops to a very low level as the country becomes fully developed. The inference that could be drawn from Riggs' models is that there would be high involvement of bureaucrats in the policy-making process of developing countries' Governments. On the other hand, the level of involvement of bureaucrats in the policy making process of developed countries will be low or minimal. In fact, the models suggest that bureaucrats in an ideal developed country will not participate in the policy making process.

However, the minimal level of involvement of bureaucrats in policy-making process in developed countries that Riggs' diffracted model suggests appears to be in want of empirical support. The trouble with Riggs' models seems to lie with the direction of the evolution of bureaucratic power's weight and, hence, the relationship between bureaucrats and politicians implied in them. This runs contrary to the progressive involvement, over time, of bureaucrats in the policy making processes revealed by much of the literature and captured in the models of Aberbach et al. (1981).

Aberbach et al. (1981) identify four "images" of relationships between politicians and bureaucrats, i.e. Policy/Administration, Facts/Interests, Energy/Equilibrium and Pure Hybrid Models. The Policy/Administration Model is basically the same as the conventional model of Government earlier described above. The Facts/Interests Model assumes that the bureaucrats "monopolise expertise" such that they make contributions that are distinctive from those of the politicians in the policy-making process. For instance, civil servants bring facts and knowledge while politicians bring interests and values to the policy making process. The Energy/Equilibrium Model holds that both the two groups participate in the policy-making process but initiate different magnitudes of policies. For instance, bureaucrats initiate incremental changes while politicians initiate radical changes. The Pure Hybrid model suggests a fusion of the roles of politicians and bureaucrats, but it is a mere speculation about the relationship between politicians and bureaucrats in the developed world during this (last) quarter of the century.

In the view of Aberbach et al., Images I to III portray an increasing overlap between the roles of the bureaucrats and politicians, and their intellectual origins are progressively more recent. In a similar vein, Adebayo (1981) notes that those that postulated the "conventional

model” did so against the political background of their age. Aberbach et al. state that while their empirical findings generally support image III (energy/equilibrium model), some of the evidence fits image II (facts/interests model) “rather neatly”. A number of other studies (e.g. Chapman and Greenaway 1980; Gray and Jenkins, 1985) approximate the findings of Aberbach et al. rather than Riggs’ Diffracted Model. The Facts/Interests and Energy/Equilibrium Models therefore seem to be a more plausible explanation of the role of bureaucrats in the policy making process in developed countries than the Riggs’ Diffracted Model.

The activities involved in the process of formulating change can be defined as the first four stages in the model of change process that was described earlier, i.e. “problem-sensing”, “felt-need for change”, “defining the need for change”, and “planning and acting”. Applying the Facts/Interests and Energy/Equilibrium models to the process of formulating change in the financial control of the British Central Government, the following speculations can be made. First, that the bureaucrats will commonly initiate “first-order” changes while politicians will champion “second-order” changes. Second, bureaucrats will provide the expertise required in formulating “second-order” changes. Specifically, as subsequent expatriation will show, they will be involved in “problem-sensing”, diagnosing problems, seeking alternative ways of solving problems, and developing a plan of implementation.

What are the tasks that bureaucrats will perform in the process of change in a developing country’s government financial control system? Aberbach et al. (1981) suggest that there are variations in the relative roles played by politicians and bureaucrats in different countries and suggest that these could be due to differences in constitutional provisions, developmental sequences and party systems among countries. It is therefore not surprising that none of the models<sup>8</sup> suggest that the levels of involvement of bureaucrats in the policy making process of Britain and Nigeria will be the same. For instance, the Riggs’ models suggest that the relative roles of bureaucrats in the policy process among developed and developing countries are not the same. Although the direction of the difference they

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<sup>8</sup> That is the models of Riggs that distinguish between the relationship of bureaucrats and politicians in societies at different stages of development and the models of Aberbach et al that depict the evolutionary nature of this relationship.

suggested differs from that of Riggs, Aberbach et al. appear to subscribe to Riggs' view when they liken the state of the relationship between bureaucrats and politicians in developing countries to what existed in the pre-nineteenth century Western Nations.

Given the factors that some writers (e.g. Aberbach et al. 1981; Adamolekun, 1986; Riggs, 1964) suggest may cause variation in the relative roles of bureaucrats and politicians among countries, it appears that bureaucrats' roles in policy process in Nigeria will be different from Britain. They also suggest that there will be differences in the relative roles of bureaucrats and politicians among regime types, and even similar regime types at different times. For instance, the relationship may differ between different forms of Civilian and Military Governments. Besides, because of the evolutionary nature of this relationship (cf. Aberbach et al. 1981; Gray and Jenkins, 1985) it may differ among similar regime types over time.

Some studies on administration and politics in Nigeria (e.g. Adamolekun, 1986; Adebayo, 1981) suggest that bureaucrats over-participated in the policy making process in Nigeria as Riggs' Prismatic Model suggests. Adamolekun (1986), for instance, asserts that politicians allowed bureaucrats to handle policy matters that were not for "high political stakes". The reason, however, is not because bureaucrats do not relinquish the political role, as Riggs argued, but because of politicians' low educational background, preoccupation with politics and lack of time (Adebayo, 1981). However, other studies (e.g. Adedeji, 1981; Balogun, 1983) suggest low involvement of bureaucrats in the policy process under some Nigerian regimes. For instance, Balogun (1983) observes that the Military Regime of 1975 to 1979 disliked the civil servants and did not allow them to dominate its policy process. Also Adedeji (1981) remarks that the Second Republic inherited a "diffident civil service" that was unsure of itself, unwilling to take risks and certainly not willing "to stick its neck in the policy making process". Nevertheless, bureaucrats may still have to play a role in the policy making process in Nigeria if so required by their Second Republic's political masters.

Consequently, it may be assumed that bureaucrats usually participate in the policy making process in Nigeria. However, there will still be the need to address the issue of whether a change in the government financial control system is of a "high political stake". The



answer will appear to be both yes and no, depending on the nature of the change. First- and second-order changes in the government financial control systems are unlikely to be politically sensitive if they do not affect the relationship between the Parliament and the Executive. However, the need for legislation or publication of White or Green Paper to effect “second-order” change suggests that bureaucrats cannot handle it alone. Even in this situation, the level of incompetence of politicians compared with bureaucrats will still demand that they rely more on, and hence high involvement of, bureaucrats in this process.

It therefore appears that there will be high involvement of bureaucrats in the process of formulating change in government financial control system in Nigeria during Civilian Regimes, as in Britain. However, the nature of this involvement, i.e. the tasks they perform, may differ from that of bureaucrats in the process of formulating change in the financial control system of the British Central Government. A basic reason for this is that the tasks involved in the process of formulating change in the speculated “action-generating mode” of the Nigerian Federal Government differ significantly from the speculated “problem-solving mode” of the British Central Government. The former involves planning and acting, and probably justifying actions.

The high involvement of bureaucrats in the policy making process in Nigeria implies that they will participate in both of these stages. The situation will not be radically different under Nigerian Military Regimes. In so far as the military politicians (like their civilian counterparts) will also “seize upon what is available” (Wallace, 1993) in developed countries, Military Regimes’ bureaucrats will not perform as many tasks in the change formulation process as bureaucrats in the British Central Government. Bureaucrats in the British Central Government will participate in the first two stages of change, i.e. problem-sensing and development of concern. Most importantly, they will dominate the crucial stage in the change formulation process, i.e. the third stage that comprises the diagnosis of problems and the generation of alternative solutions. Bureaucrats in developing countries seem not to be capable of performing these tasks, which in part explains the “dependency syndrome” suggested in an aspect of the literature (cf. Dean, 1988 and Wesberry, 1990).

Dean (1988), for instance, states that relevant indigenous sources for the development of government financial control systems in developing countries are often weak. He argues

that there has emerged a pattern of intellectual dominance and dependence between developed and developing countries due to (or feelings of) technical incompetence by nationals of the latter. Suppose the bureaucrats in developing countries have the technical expertise to evolve indigenous techniques, they may still face resource (materials) constraints. Consequently, it can be argued that the tasks that bureaucrats will perform in the process of formulating change in financial control system of the Nigerian Civilian and Military regimes will be less compared with their British counterparts. The speculation therefore is that:

*Differences in the levels of technical competence of bureaucrats in, the stock of change resources (materials) available to, and the contexts of change in the financial control systems of the governments of a developed country such as Britain and a developing country like Nigeria will lead to differences in the tasks that bureaucrats perform in the process of formulating change between the two cases.*

#### *THE MILITARY FACTOR IN THE PROCESS OF CHANGE.*

Regarding the relationship between bureaucrats and military politicians, some commentators have argued that the military usually collaborates with bureaucrats in a sort of partnership to govern the civil populace (cf. Heady, 1979; Odetola; 1982). The basic reason that has been given for this is that military leaders do not have training in the economic planning and administration of civilian programs. However, it can be argued that while this may be true for the first set of Military Regimes in a country, it may not be true for all Military Regimes at all times. For instance, unlike the first set of Military Regimes, subsequent Military Regimes may comprise officers that have earlier participated in Government and, hence, have practical experience in governance. Commentators on Nigerian Military Regimes, for instance, have made two contradictory statements on this (see Adamolekun, 1986). The first statement claims that bureaucrats played essentially the same role as under the Nigerian Civilian Governments, formulating policies on non-controversial issues besides implementing all settled policies. The second view holds that the bureaucrats over participated in the policy process due to the absence of the usual policy makers, i.e. the politicians.

Although Adamolekun seems to subscribe to a view that the impact of military rule on bureaucrats' role in the policy making process is "indeterminate", a careful study of his work and the works of others (e.g. Adebayo, 1981; Adedeji, 1981; Akpan, 1982) suggests

that this is not necessarily so. Rather these studies suggest that the level of dependence on bureaucrats by Nigerian Military Regimes differ from one regime to another. Below, it is shown that by classifying these regimes based on the circumstances in which they come to power, it could be possible to make general statements about the level of their dependence on bureaucrats and, hence, the level of involvement of bureaucrats in their policy process. Adamolekun (1986) had also suggested that it may be useful to classify regimes according to some relevant factors.

Boeker (1989) argues that the circumstances of an organisation's birth play a significant role in "imprinting its initial form" and subsequent changes to this form. It can be argued that the peculiar circumstances in which the military comes to power appear to determine largely its relationship with the bureaucrats and, hence, the extent of its dependence on bureaucrats. Adebayo (1981) suggests that this circumstance could have conditioned the minds of the military leaders on how to formulate policies and also how to implement them. From the works of some writers (e.g. Adamolekun, 1986; Adebayo, 1981; Adedeji, 1981; Akpan, 1982), four main factors that make up these circumstances can be identified. These are whether those who end up as rulers after the coup are the same set of people that planned to take over power before the execution of the coup, the image of bureaucrats before the coup, whether the army unites behind the Military Government and whether there is support for the coup in all parts of the country.

It appears that where those who end up as rulers are the original coup plotters, they usually have a programme of reform that reduces their dependence on the bureaucrats in policy formulation while those who come to power by sheer chance or luck commonly end up depending almost entirely on bureaucrats (cf. Adamolekun, 1986; Adebayo, 1981; Adedeji, 1981; Akpan, 1982). Also, in a situation where the level of integrity of the bureaucrats is high before the coup, the military rulers may rely on them. This partly accounts for their over participation in the policy making process during the two Military Regimes of the period 1966 to 1975 (cf. Adedeji, 1981). The low level of the integrity of the bureaucrats before the 1975 (cf. Adebayo, 1980; Adedeji, 1981) and 1983 coups partly account for the minimal dependence and even the assault on them by these Military Regimes. Elsewhere, Danopoulos (1988) observes that distrust of the bureaucrats by the military causes strains

in their relations. Furthermore, the disunity within the army and the disintegration of the civil populace during the two Military Regimes of the period 1966 to 1975 accounted, in part, for the over participation of the bureaucrats in the policy making process during the period. As Akpan (1982) and Balogun (1983) remarked respectively that bureaucrats are highly skilled in taking advantage of weak political coalition and weak political control. Also, while the two coups of 1966 and the coup of 1993 had supports from some (but not all) tribes, the coups of 1975, 1983 and 1985 enjoyed supports from all sections of Nigeria.

Based on the aforementioned factors, the Nigerian Military Regimes from independence to date fall into two groups. The first group comprises the three Military Regimes of the first half of 1966, 1966 to 1975, and 1993 to date. The second group comprises the three Military Regimes of 1975 to 1979, 1983 to 1985 and 1985 to 1993. The regimes in the first group are those that the peculiar circumstances in which they came to power include one or more of the conditions that may generally lead them to depend greatly on bureaucrats. The second group comprises those that the peculiar circumstances in which they came to power do not include any of the conditions that may generally lead them to depend greatly on bureaucrats. Henceforth, these two groups of Military Regimes are referred to as “Military Regime Type I” and “Military Regime Type II” respectively.

To summarise: it was stated that an aspect of the literature suggests that Military Regimes generally depend on bureaucrats. Using the works of some writers on public administration in Nigeria, it was argued that the extent of this dependence, in fact, depends on several factors. As earlier revealed, the level of involvement of bureaucrats in the policy making process may also vary from issue to issue. At this juncture, attention can be turned to examining the extent to which bureaucrats will participate in the more precise process of formulating change in the government financial control system.

Jreisat (1990) argues that, under an authoritarian regime, change and innovations are obstructed. He argues that attachment to routines and rules become preferred because the basis of career advancement is on rewarding those who comply with central dictates alone and “not those who can follow directions but also still think for themselves”. This will be particularly so under Military Regime Type II, but not necessarily so under Military Regime Type I because, unlike the former, the peculiar circumstances under which the

latter came to power render it dependent on bureaucrats. There is therefore a strong doubt on whether bureaucrats can initiate change under Military Regime Type II. Likewise, Danopoulos (1988) argues that the more autocratic a regime is the more it will disregard and inhibit input from bureaucrats. The peculiar circumstances in which Military Regime Type II comes to power allows it to be more autocratic compared with Military Regime Type I. Thus, unlike the latter that usually depends highly on bureaucrats, the former will tend to disregard input (into the change formulation process) from bureaucrats.

There is the argument that the soldiers are more exposed to modern techniques than other groups in the society (cf. Heady, 1979). In so far as this may be so, the position of Military Regime Type II is strengthened when it comes to the issue of formulating change in the government financial control systems as they do not need to depend on the bureaucrats in determining what to replicate from developed countries. What will remain will be the collection of relevant information from where the change is being copied (i.e. a developed country), developing a plan of implementation and justifying actions.

However, under a Military Regime Type I, bureaucrats may not exercise any fear to initiate ideas about changes to replicate. Given the argument that these regime types usually depend on them, bureaucrats will initiate “first-order” change and make more input into the process of formulating “second-order” changes compared with Military Regime Type II. Likewise, under a Civilian Regime, where civil servants are left completely with formulating policies on issues that are not of a high political stake (see Adamolekun, 1986), they will be able to initiate change and make input into other stages in the change formulation process. Consequently, it can be speculated that:

*Given the autocratic nature of the Military and the exposure of military leaders to modern management techniques, the levels of involvement of bureaucrats in the change formulation process will vary among Civilians and different Military Regime types. For instance, there will be low involvement of bureaucrats in the process of formulating change in the government financial control system during Military Regime type II compared with Civilian Regimes and Military Regime type I.*

### **2.3 CONTENT OF CHANGE**

It seems interesting to us to ask: when has change occurred in the financial control system of a Government? Is it when the Government enacts a legislation (or issues a white or green paper) on a change in the system or when practices actually change? Intuition would

suggest that the latter will accompany the former. In this sense, the question of when has change occurred in the government financial control system is of little relevance, if at all necessary. However, some writers (e.g. Tomkins and Colville, 1989; Humprey et al, 1993; Pugh, 1988; Reilly, 1987; Riggs, 1960 and 1964) appear to suggest that legislation (or issuance of White Paper) on change may not necessarily be accompanied by or result in a change in practices. Pugh (1988) and Reilly (1987), for instance, remark that people can give the appearance of reform and even go through its motions without changing anything in a substantial way. Some of these writers (e.g. Tomkins and Colville, 1989; Humprey et al., 1993; Pugh, 1988) distinguish between prescriptive intent (the espoused form or label) and realised change (or the substance), and note that there could be discrepancies between them. The extent of these discrepancies could vary from partial realisation of prescriptive intent to a situation where the prescriptive intent is completely disregarded in practice.

Riggs (1960 and 1964) defines a situation where forms differ from reality as “formalism”. He argues that formalism exists, for instance, where a change in rule does not lead to a corresponding change in behaviour. In this sense, a change in the government financial control system is “formalistic” where the legislation (or white or green paper) on it does not result in a corresponding change in the actual practice. Some writers (e.g. Danopoulos, 1988; Riggs, 1960 and 1964) remark that “formalism” permeates the bureaucracies of developing countries. Danopoulos attributes this to “social milieu” while Riggs blames it on “overlapping” and “culture lags”. Riggs argues that due to formalism in the bureaucracies of developing countries, change in their administrative system will also be formalistic. His thesis is that the more formalistic an administrative system is to begin with, the less the effect of a change in it on behaviour.

Although the observations of Danopoulos and Riggs would stand without empirical evidence supporting the contrary, it seems that formalism is not necessarily a characteristic exclusive to the administrative systems of developing countries. The discrepancy between constitutional theory on and the reality of the relationship between politicians and bureaucrats in developed countries (cf. Aberbach et al., 1981; Chapman and Greenaway 1980; Gray and Jenkins, 1985) is an instance of a divergence between form and substance. Humphrey et al. (1993) note the debate on the size of the discrepancy between espoused

and realised reforms under the Government of Thatcher in Britain. Likewise, Bowsher (1986) remarks that a change in the US that requires government units to provide cost accounting information was ignored in practice.

Nevertheless, there is no intention to suggest that there exists the same level of formalism in the administrative systems of developed and developing countries or that there is the same likelihood of occurrence of formalistic changes in the systems of developed and developing countries. What is being suggested is that there is a possibility of the occurrence of formalistic change in the systems of developed countries just as in developing countries, even though the cases of formalistic change in the latter are likely to be high compared with the former.

Earlier on, it was argued that developing countries will tend to replicate change in the financial control systems of developed countries. The content of such changes (or replications) will rarely perfectly fit the context of developing countries (Enthoven, 1973; Nobes, 1988). Mismatches between the context and content of reform is likely to influence significantly its success (Premchand, 1990b). For instance, Briston (1978) and Samuels and Oliga (1982) blame the accounting problems of developing countries on their inability to do without importing foreign models (see also Dean, 1988). The aspect of the literature that stated the obvious regarding developing countries' lack of change resources has been cited. It can be argued that the resource constraints will not only render developing countries incapable of evolving practices of their own but also affect their ability (regarding acquisition of equipment and personnel training) to make full use of the techniques copied from developed countries. In so far as inadequate resources will prevent developing countries from fully implementing the techniques they copy, the substance of adopted practices will differ from the form.

Riggs (1964) argues that where a system is realistic, the realism will only continue by the maintenance of a correspondence: civil servants will comply fully with the existing policies and policy-makers will limit their decisions to policies that the Government can realistically achieve. It also requires continuous effort to ensure that both policy-makers and bureaucrats are in touch with the reality. He argues that in this way people will be used to following prescribed rules while policy-makers will learn not to set up impracticable

laws and regulations. The corollary holds that where there is no maintenance of this correspondence, people will become used to not complying with policies and policy-makers will continue making impracticable policies that will “remain as formalistic as their predecessors” (Riggs, 1964). Replicating changes in developed countries’ government financial control systems, as opposed to the original conceptualisation of problems and generation of solutions with due regard to local conditions, by Governments of developing countries will lay a solid foundation for formalism. As Riggs says: the continuous replication of these changes that affect the form, but not the substance of practices in developing countries, will increase formalism.

Earlier, an aspect of the literature revealing that donors often bring change programs to developing countries, or attach importation of foreign models to “foreign aid” was cited (see also Wallace, 1993). Wesberry (1990) observes that such change programmes often disappear within a few years after the assistance ends. In so far as the Government of a developing country may have made a number of such aid-tied changes in its financial control system, it can be expected that there will be more incidences of formalistic change in its system.

Another factor that may contribute to high cases of formalism in developing countries: those in a position of power in these countries do not have a genuine interest in the improvement of the systems (Reilly, 1987). According to the “Hombe Thesis” (see Reilly, 1987), preserving the status quo best serves the interests of those in positions of power. In Reilly’s view, often the idea of advocating reforms and probably providing some evidence of these is to “silence critics at home and abroad”, and “to keep aid flowing”. In which case there could be an enactment of a new legislation, or issuance of Green and White Papers without the commitment of policy makers (see Dlakwa, 1992) to realise the prescribed changes.

In summary, it seems that both the context and process of change in the government financial control systems of developing countries are more likely (than those of developed countries) to produce formalistic changes. It was stated earlier how developing countries may often operate in action-generating mode, as solutions evolved in developed countries drive change in these countries. The high ambiguity that will exist between the prescriptive



intent and the reason for change will often facilitate formalism (see Premchand, 1990b and Jreisat, 1990). Financial stress (coupled with political stimuli) and/or political agenda, it was speculated, mostly drive change in the government financial control systems of developed countries in contrast to developing countries. In addition, it was speculated that bureaucrats in developed countries play greater role in formulating changes in the government financial control system than bureaucrats in developing countries. The high involvement of bureaucrats with the technical expertise, information about deficiencies of current financial control practices and knowledge of what can feasibly be implemented may reduce the occurrence of formalistic change. It can therefore be speculated that:

*Differences in the contexts and the processes of change will lead to differences in the incidences of formalistic change in the government financial control systems between a developed country like Britain and a developing country such as Nigeria. For instance, the incidence of formalistic changes made to the government financial control system of Nigeria during the period 1960 to 1995 will be high compared with those of Britain.*

A change can be described as formalistic where it exists only in form but not in substance, i.e. the new methods and rules prescribed by it are not practised. For instance, where a change is announced but not implemented, it cannot affect practices and it is as such formalistic. Likewise, if the implementation of a change is discontinued for whatever reasons without an official announcement that it has been abandoned, it will constitute a prescribed rule/method that is not practised until a Government makes its abandonment public.

#### *THE MILITARY FACTOR IN CONTENT OF CHANGE*

There is a wide belief that the forces of resistance to change exist in organisations. Many of the models of an organisational change process suggest that the forces of resistance must first be identified and removed before transition can take place. Nadler et al. (1979) argue that the process of change itself can generate resistance and suggest that change be implemented in a way that neutralises resistance. Some writers (e.g. Dunphy and Stace, 1988; Nadler et al, 1979) identify two possible ways of implementing change, i.e. command and collaborative methods. Dunphy and Stace argue that an organisation could employ either of these approaches depending on the circumstances while Nadler et al. stress that the latter approach is preferable. It seems that a collaborative method will be more relevant to implementing change in government administrative systems. Adebayo

(1981), for instance, stresses the relevance of the involvement of bureaucrats in the change formulation process. He argues that it will be easy to sell it to other civil servants where top civil servants accept the change idea. Where they do not, change stands the risk of being sabotaged.

As stated earlier, a peculiar characteristic of many developing countries is the military intervention in politics. The Military Regimes (especially “Type II”) may often “command change”. Under such regimes with coercive machinery, resistance to change can only be passive with the result that many changes may remain formalistic. Where an organisation uses the command method, even though there may not be active resistance to change (especially where there is a coercive machinery in place to take care of any resistance, as under Military Regimes), it may not necessarily realise the prescriptive intent. This is because the members of the organisation can resist change passively by going through the formality of reform without changing anything in a substantial way (Humphrey et al. 1993).

Some writers (e.g. Adebayo, 1981) note the haste, i.e. “military despatch”, with which Military Regimes implement their policies. A “military despatch” approach to the implementation of change may not be suitable for reforms in the financial control system of a Government. The literature suggests that reform in the financial control systems of Governments will take time to implement (cf. Basanti, 1990; Lacey, 1989; Premchand, 1990; Wesberry, 1990), especially in developing countries where the institutional structures for reforms are weak (Basanti, 1990) and resources are inadequate (Lacey, 1989).

Nigeria has been under military rule for the larger part of its life. Military Governments are by nature dictatorial and they rule by Decrees. Under such a regime with coercive machinery, resistance to change by the civil servants can only be passive. Besides, Military Regimes may use the command approach to implement change. It is therefore not unlikely that many of the changes that the military will make will be formalistic.

In the above, speculations were made about differences between how developed and developing countries manage change in their government financial control systems. The

above speculations are interconnected. This is because of the link between the context, process and content of change. What drives change has consequences for how the process of change will unfold. In addition, the way the activities in the change process are carried out will largely determine the success of change.

It was argued that there are organisational defects in the Governments of developing countries that mediate their perception of relevant shifts in the environment. Also, it was stated that there is intellectual dominance and dependence by developed and developing countries respectively. Consequently, it was speculated that there will be differences between the forces that drive change in the government financial control systems of Britain and Nigeria. Military regimes were contrasted with Civilian Regimes, and it was argued that certain peculiarities of Military Regimes will result in additional pressure for change in the government financial control system of Nigeria during their era.

The context of change in the government financial control system of Britain was contrasted with that of Nigeria and it was argued that while problems will drive solutions in the former, solutions will drive problem in the latter. It was also argued regarding the process of change in the government financial control system, that Britain will tend to operate in a “problem-solving mode” while Nigeria will operate in “action-generating mode”. Consequently, it was speculated that there will be differences in the activities performed in the process of change in the government financial control systems and the sequences of these activities between the two cases. There were also speculations about differences in the tasks performed by bureaucrats in the process of formulating change in the government financial control systems between the two Governments, and between military and Civilian Regimes in Nigeria.

There exists the possibility that prescribed change may be disregarded in practice. It was stated that change in the government financial control system that is ignored in practice is a “formalistic change”. It was argued that developing countries are more susceptible to formalistic change compared with developed countries because of the context and process of change in their government financial control systems.

In the next chapter, the methodology of the empirical work is discussed. Specifically, the issues discussed include the theoretical framework, choice of cases and unit of analysis. In addition, the methods of data collection and analysis are discussed.

**CHAPTER THREE**  
***RESEARCH METHODOLOGY***

**3.0 INTRODUCTION.**

Strauss (1987) observes that there is no neat codification of rules of social research methodology. He argues that this is due to differences in social research settings and researchers' aims, investigatory styles and talents. However, he notes that two key issues are faced in any empirical work. These are how to capture the complexity of the phenomena that is being studied and how to make sense out of the data collected. How these twin issues were dealt with in this study are discussed below. First, the methodological ideas of researchers that have influence on the research design are discussed. This is followed by an elaboration on the framework that informed the data collection and interpretation. In the section that follows, the unit of analysis and the study cases are described. In the last section, the steps followed in the research process and the techniques employed in this process are discussed.

**3.1 BACKGROUND TO RESEARCH DESIGN**

Pettigrew (1985a) remarks that many studies on organisational change are deficient because they used limited frames of reference and methodologies to study change. He states that they treat the change project as a single event and consequently fails to capture the immediate and distant antecedents that give change "form, meaning and substance". Pettigrew argues that without longitudinal data, the processual dynamics of change and the relation between the forces of change and resistance to change cannot be captured. He therefore, calls for an approach to the study of change that is "contextual in character". Such an approach will consider the phenomena at a multilevel of analysis, i.e. vertical and horizontal levels, and the interactions between these levels through time (Pettigrew, 1985b). Pettigrew (1985b) observes that this approach will influence the frame of reference, method of data collection, and the nature of data to be collected. The requirements of this contextualist approach (see Pettigrew, 1985a:35-38; Pettigrew, 1985b) have influence on this study's research design and strategies.

The sequences of data collection in studies on organisational change that Mintzberg and Waters (1984) and Pettigrew (1990) used and suggested respectively also have influence

on this study's research design. These require that the chronology of changes that have taken place in the aspect of the organisation being studied be first established before asking the "why" and "how" of change questions. Pettigrew (1990), for instance, suggests that the data that is needed to establish a chronology of the "what" of change could be obtained by interviewing organisational members, and perusing archival data and literature.

The research design used in this study also benefited from the discussions on qualitative studies in the literature. For instance, Miller and Friesen (1982) remark that qualitative studies can provide insights into the relationship between organisational variables and its environments. Strauss (1987) states that they are not just merely useful but often indispensable. In a similar vein, Glaser and Strauss (1967) stress that these studies are often the most "adequate" and "efficient" means of obtaining the required type of data and contending with difficulties of an empirical situation. By the same token, Miller and Friesen (1982) argue that they allow for inclusion of wider factors (evidence) because there is no requirement to subject evidence to any quantification test for inclusion. Nevertheless, they remark that, valuable as qualitative studies of single organisations may be, their limitations will not allow them to realise their potential contribution to knowledge on organisations. They, however, suggest that this limitation can be mitigated by comparing qualitative studies of single organisations with those on other organisations.

Also, Glaser and Strauss (1967) remark that comparative analysis can be used to establish the structural boundaries of a fact. They argue that the comparison of where facts are similar or dissimilar can generate properties of categories that enhance the generality and explanatory power of a theory. Likewise, Scapens (1990) remarks that similar and dissimilar cases can be used to replicate theoretical explanations and extend a theory to cover wider range of situations respectively.

The works of Eisenhardt (1989), Kaplan (1986), Scapens (1990) and Yin (1981 and 1989) on case studies also have influence on the research design. Yin identifies five research strategies, namely: experiment, survey, archival analysis, history and case study. He argues that case study is preferable when, among other things, the research questions are of the form of "why" and "how" and "the relevant behaviours cannot be manipulated" (1989: 19). He stresses that the case study strategy can deal with multiple sources of data (see also

Kaplan, 1986 and Van Maanem et al. 1982). This strategy therefore allows researchers to capture many factors in the study (Kaplan, 1986). The use of multiple sources of data, i.e. “triangulation”, helps to develop a convergent line of inquiry (Yin, 1989) that can counter the threat to validity and reliability of the research (McKinnon, 1988; Scapens, 1990).

Yin argues that the application of sampling logic in case studies, as used in survey research, is “misplaced”. Therefore, there is no need to engage in random selection or looking for a representative case in case studies (Kaplan, 1986). The direction of desired theoretical extension (Scapens, 1990) or “literal” and/or “theoretical” replication logic (Yin, 1989) should determine differences between the cases to be selected. Similarly, Eisenhardt (1989) argues that it is unusual to sample cases from a population when the aim is to build theory from case studies. She argues that cases can be selected either to replicate previous cases, extend emergent theory, fill theoretical categories or provide examples of “polar types”.

Regarding data analysis, Yin (1989) remarks that the ultimate goal of data analysis is fair treatment of evidence, production of compelling analytic conclusions, and ruling out of alternative interpretations. He observes that there are few “fixed formulas” on how to carry out data analysis (see also Miles, 1979) and that much depends on an investigator’s style of thinking together with presentation of adequate evidence and due consideration of alternative interpretations (see also Yin, 1981). Nevertheless, he identifies two main general analytic strategies, i.e. relying on theoretical propositions and developing a case description, and states that the former is more preferable than the latter.

Miles and Huberman (1984) and Taylor and Bogdan (1984) each identifies three phases of data analysis. They describe these phases as “data reduction”, “data display” and conclusion drawing/verification, and discovery, coding data and discounting data respectively. The activities they describe under each of these phases have influence on this research design. Eisenhardt (1989) suggests that where data collection and data analysis are done simultaneously, the researcher will have “a head start” in data analysis, and be able to take advantage of “flexible data collection”. She identifies some features of data analysis, among which are within-case and cross-case analyses. Within-case analysis, according to her, involves detailed write-ups for each case as simple pure “descriptions”.

This allows the emergence of the unique pattern in each case before the generalisation of patterns across cases in cross-case analysis. All these have influence on this research design. Also, a leaf was borrowed from the naturalistic perspective. According to Blumer (1970), this perspective entails studying an empirical world in its natural setting as opposed to studying a simulation of it, an abstraction from it or a “pre-set image” as substitute for it. The naturalistic mode of research involves “greater, if not exclusive, use of qualitative data” (Tomkins and Groves, 1983). Denzin (1970) breaks this mode of research into six interwoven processes, namely: using of prior pictures about the events to be studied; formulating questions and problems about those events; determining the data to be gathered and how they are to be gathered; ascertaining the relationships between those data within an evolving theoretical perspective and using concepts.

### **3.2 THE RESEARCH FRAMEWORK**

Earlier on in this study it was argued that government financial control practices in a developing country (and former colony as Nigeria) and practices in a developed country (and former colonial power) as Britain diverged after the former gained independence from the latter. It was also argued that these differences can be attributed to differences in how these countries manage change in their systems. Thus, this study set out to investigate these differences. Since change management involves a consideration of the content of change and the context and process in which change occurs (cf. Pettigrew, 1987a), this study focuses on issues of “why”, “how” and “what” of change in the government financial control system.

Under context, differences in forces that drive change in the government financial control system between a developed country and a developing country and the factors that affect the potency of these forces are examined. Under process, differences in activities in the change process, the sequence of these activities and the roles that bureaucrats play in the process of change between the two Governments, and the factors that account for differences are investigated. Under content, incidences of divergence between prescribed changes in government financial control practices and realised changes between the countries are compared. In addition, these features of change are compared between the Nigerian Civilian and Military Regimes.



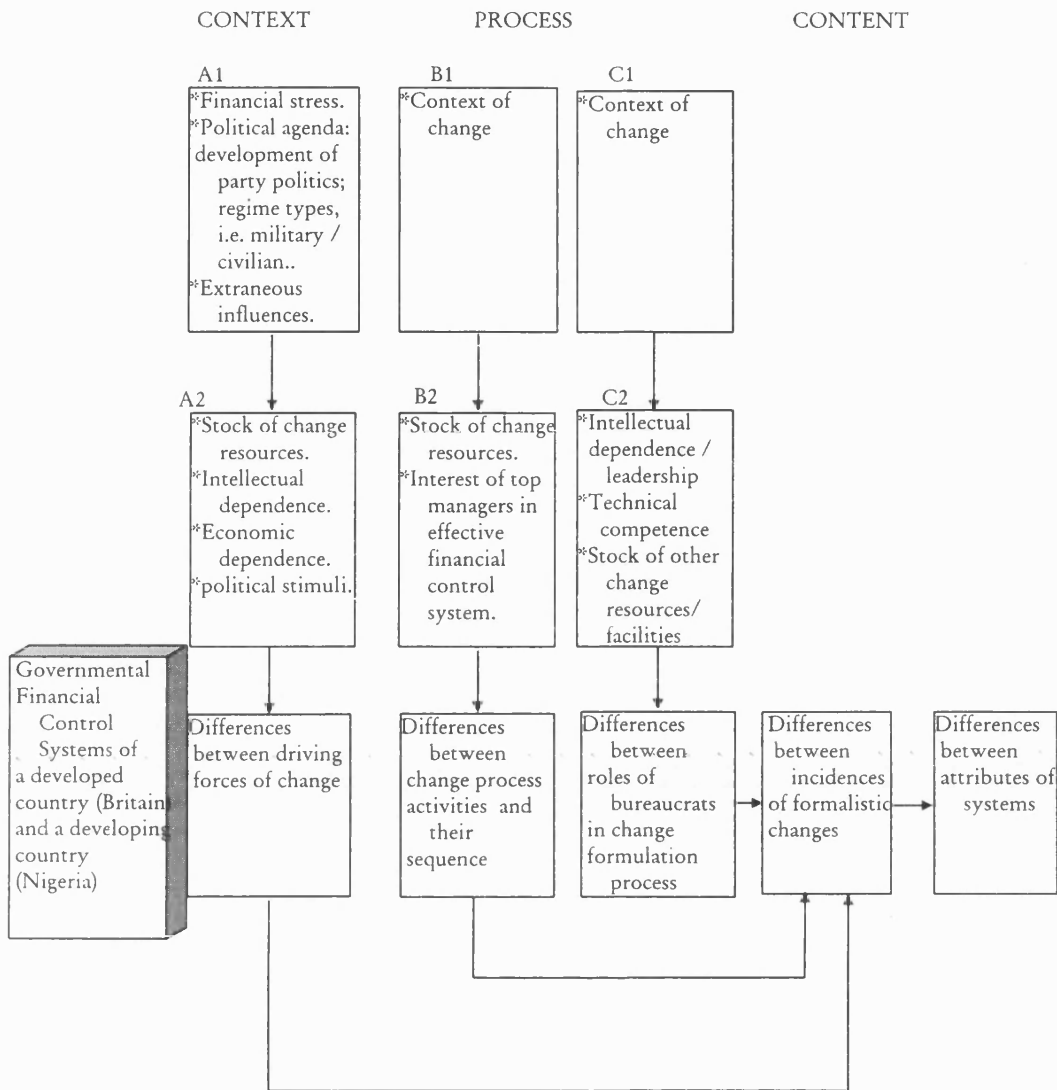


Figure 3.1: The Main Theoretical Framework.

The framework in Figure 3.1 above suggests that the underlying pressures for change in the government financial control system are financial stress, political agenda and extraneous influences. Some variables (see box A2) mediate the potency of these forces, such that differences in these variables may lead to differences in forces that drive change. Since the context of change often evokes its process, differences between contexts may lead to differences in the change process activities and their sequences, subject to certain factors (see box B2). In addition, subject to certain variables (see box C2), some factors (see box C1) may cause differences in roles that bureaucrats play in the change formulation process. This framework also suggests that differences in context and process of change may lead to differences between incidences of formalistic change in (and also the attributes of) government financial control systems.

A subsidiary framework is also needed to form the basis of studying military influences. This is presented in Figure 3.2.

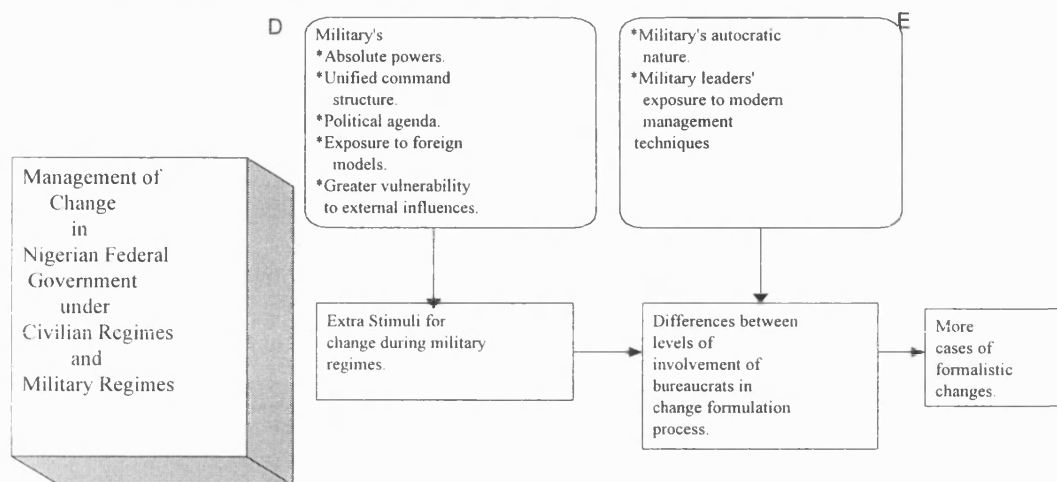


Figure 3.2: Subsidiary Theoretical Framework.

This framework (i.e. Figure 3.2) suggests that some features of Military Regimes (see box D) may result in extra stimuli for change during Military Regimes compared with Civilian Regimes. It also suggests that some factors (see box E) may lead to differences in levels of involvement of bureaucrats in the change formulation process between Military and Civilian Regimes. The low involvement of bureaucrats in the change process will increase the likelihood that change will be formalistic.

### 3.3 UNIT OF ANALYSIS

The focus of this study is on differences in the “why”, “how” and “what” of changes in financial control systems between the British Central and Nigerian Federal Governments. Earlier on, the government financial control system was defined as all the rules and techniques, legal and accounting, that are used in government to safeguard Government’s assets and ensure proper financial accountability. These rules and techniques include those employed in financial planning, monitoring of budget execution, financial reporting, and auditing (see Appendix A).

Changes in the government financial control system can take the form of modification to a technique or rule (e.g. changing the basis of multi-year financial planning); scrapping a rule or technique (e.g. abolishing the “annuality rule”); replacing a rule or technique with another one (e.g. replacing the incremental budgeting approach with the planning and

programming budgeting system); adding a new rule or technique (e.g. introducing multi-year projections) or re-enacting existing rules or techniques (e.g. enacting a statute that there should be annual budgeting when annual budgeting was provided for in the existing legislation). It would seem that various forms of alteration in the government financial control system will be taking place from time to time.

However, it is possible to distinguish between two categories of changes in the government financial control system by what they involve. When an event requiring change in the government financial control system occurs, a Government can make either of two categories of change that are referred to here as first- and second-order changes. A “first-order” change in the government financial control system occurs when a Government chooses to respond to an event with temporary financial control measures, such as cutting expenditure figure in the short-term, or by altering the financial rules, procedures and/or regulations (with administrative circulars from the central controlling body to government departments and units). These changes occur most of the time and are not investigated in this study.

Alternatively, a Government can choose to respond to an event by making a change that is intended to be more of a long-term, permanent system improvement in its financial control system. Such a change is usually so important that the Government will need to announce it, enact a new legislation, amend existing legislation and/or issue a White Paper. In addition, these significant changes, that are referred to as “second-order changes”<sup>1</sup> in this study, do not occur regularly. They (second-order changes) are the changes investigated in this study. Therefore, a reference to change in the government financial control system in this study means a “second-order” change unless otherwise stated.

### **3.4 CHOICE OF THE CASES.**

The choice of British Central and Nigeria Federal Governments as the cases for this study was not informed by any sampling logic. Besides, although Britain and Nigeria are described as developed and developing countries, it is not intended that they are

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<sup>1</sup> It is noteworthy that the usage of the terms “first-order change” and “second-order change” in this study is different from their ordinary usage in the organisational change literature. In the organisational change literature, accounting change of any magnitude will qualify only as first-order change since it will be a change in the observable dimensions of the organisation.

representative samples of these groups of countries. That Britain and Nigeria may not necessarily be representative samples of the two groups of countries or that their selection was not based on sampling logic does not necessarily reduce the value of this study. This study aims at building theories. The propositions it will generate could be tested out in other developed and developing countries to extend their boundaries.

The choice of the cases was nevertheless influenced by a number of reasons. First, the main argument in this study that government financial control practices between a developing country and its former colonial master diverged after independence due to differences in change management. This reduces the choice of countries to pairs of developing countries and their former colonial masters. Second, the researcher is from a developing country, has interest in his country's system and will have better access to data in his country than other developing countries. Coincidentally, the institution where the researcher is studying is situated in his country's former colonial master. There is therefore the added advantage of proximity. The resulting "administrative convenience" (Frey, 1970) is a main influence on the choice of the two cases.

Frey (1970) suggests that countries for study can be selected based on fundamental and extensive differences, i.e. by "maximising diversity". The two cases, i.e. Britain and Nigeria, are respectively non-controversial examples of developed and developing countries. Therefore, they possess such characteristics that are considered relevant to the direction that this study aims to build and extend theories. Etzioni-Halevy (1990), however, remarks that it would make little sense to compare totally dissimilar phenomena. The phenomena that are being compared in the two Governments are not totally dissimilar since the financial control system in the Nigerian Federal Government originally "emerged from" or was "modelled after" the British Central Government's system. Also, Etzioni-Halevy (1990) and Tuene (1990) point out that there could be problem of equivalence when comparing countries. Etzioni-Halevy, for instance, states that there is the problem of whether the phenomena being compared is the same, or has the same significance, in the different settings; whether it meant the same thing to people, actors or participants in the different countries within their cultural contexts. It is strongly felt in this study that the government financial control system's basic structure is the same all over the world and

has the same meaning across nations. Besides, it has been argued that the problem of equivalence is reduced where it is the relationships and change over time that are been compared within and across systems (Tuene, 1990).

### **3.5 AN OVERVIEW OF THE ACTIVITIES IN THE RESEARCH PROCESS.**

Here, a summary of the activities that were carried out in the research process is provided. It must be stressed that each of these activities informed and was informed by other activities. Below, these activities are divided into three phases.<sup>2</sup> The experience gained at earlier stage of the activities helped to shape some aspects of subsequent activities. Thus, the research design was essentially adaptive. After all, as Lawler (1985) states, research on change requires an adaptive research design. It must be stressed that just as this study triangulates between “data gathering classes”, it also triangulates both “within and across research approaches” (Abdel-Khalik and Ajinkya, 1983).

#### **Phase I**

- Peruse of the literature on accounting, organisational change and public administration.
- Synthesis of the literature and the development of tentative propositions.
- Peruse of the literature on research methodology.
- Peruse of the literature (technical and non-technical) to identify the changes that have taken place, and to determine possible key informants.
- Preliminary interview with two key informants in the first case, i.e. Britain, in order to gain some practical experience (besides the literature) to design the fieldwork.
- Design of “descriptive questions” that will guide the interview to be conducted.
- Discussions on these questions with colleagues to ensure that they are adequate. As a result of these discussions, some of the questions were subsequently modified.

#### **Phase II**

- Interviews with the first and second categories of key informants.
- Interviews with the other informants.
- Peruse of the relevant government publications regarding changes in the financial control system and environmental conditions of Government.

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<sup>2</sup> It must be stressed that these phases overlap to some extent, and hence, the division to three phases is for the purpose of exposition here.

- Reconciliation of the data obtained from the aforementioned sources.
- Within-case analysis of data.

The activities described above, i.e. “Phase II”, were carried out first for the British case because of its proximity to the place of study. Subsequently, these activities were performed for the Nigerian case. The advantage of this approach is that the experience gained when carrying out the activities in the first case informed the way they were performed in the second case.

### **Phase III**

- Comparative analysis of data.
- Seeking of plausible supports for the propositions.
- Writing of thesis.

The above shows very briefly how the empirical work was conducted. In the sections that follow, the techniques that were employed in carrying out these activities, and where applicable the processes that were followed, are described in depth.

#### **3.5.1 SELECTION OF THE INFORMANTS**

Glick et al. (1990) identify four ways by which change can be assessed. These include direct observation, records compiled by organisational members (i.e. archival records), panel designs, and retrospective reports from key informants. The first and third methods were used due to the period covered by the study. It is only logical that the study covers a relatively long period because as Lawrence (1984) argues, changes will become obvious only when the phenomena are viewed over a “sufficient span of time”. However, since it is impossible to “go back in time to study past events” observation is not possible (Taylor and Bogdan, 1984: 80) in this study. Likewise, “panel design” cannot be used since it is not possible to “go back in time” to take series of snapshots (Glick et al. 1990) of the events in the change episodes.

Therefore, this study relied primarily on the second and fourth methods. In employing the archival records, Statutes, White Papers, Green Papers and Gazettes, and notes prepared by government officials were used. The application of the fourth method involves interviews with two categories of key informants and some other informants. These informants (i.e. 26

and 28 top officials in Britain and Nigeria respectively) are acknowledged in Appendix N. They, i.e. informants, provided descriptive information about changes in the government financial control system.

Glick et al. (1990) suggest two criteria that can be used to select key informants. First, the expected validity of their descriptive information about the organisation. Second, the anticipated extent of co-operation in providing the required data within a reasonable duration. Likewise, McKinnon (1988) suggests that in selecting informants the length of involvement with organisation, access to social relations and structures, and willingness and ability to communicate should be considered. Also, Taylor and Bogdan (1984) argue that since it will be difficult to specify the exact number of informants in a qualitative study beforehand, a general idea of people to interview and how to find them are sufficient. “Qualitative interviewing”, they argued, requires a flexible research design.

Although the number of informants was not obvious until the conclusion of the fieldwork, the initial design was that the first category of informants will (in each case) consist of about four people (i.e. two each from the Treasury and the Audit Office) who are presently in the employment of Government, have stayed relatively long in government service, and are willing and in positions to supply the descriptive information that is required. It was also planned that a “snowballing” (Taylor and Bogdan, 1984) technique will be used to build up a pool of second category of key informants and twelve other informants in each case. During preliminary interviews with the key informants, they were to be asked to name at least one person who occupied a post with responsibility for accounting development in the Treasury during each episode of change. These persons constitute the second category of key informants. According to the original design, about twelve other persons presently in the employment of Government and with responsibility for financial matters in government departments and units were to be selected by arrangements through key informants in the Treasury and Audit Office, and they were to constitute the category of “other informants”.

However, the number of informants specified in the original design changed during the fieldwork. For instance, more people were interviewed in the Treasury and Audit Departments of each of the Governments than originally anticipated. The process of getting

the second category of informants involves obtaining names of the relevant former senior public officials from the first category of informants, and checking their home addresses from the "Who is Who" book for the respective country. In the case of the Nigerian Federal Government there was only one informant in the second category of informants. Letters were written to 13 retired civil servants and 3 retired military officers but only two persons, i.e. a former Minister of Finance (who turned down the interview) and a former sub-treasurer, responded.<sup>3</sup> However, on the commencement of the interviews, it was found that the first change in the Nigerian Federal Government's financial control system after independence occurred only in 1976. So, when it was realised that replies from the retired officials to interview requests were not forthcoming, more senior civil servants were interviewed.<sup>4</sup>

The process of negotiating access in Britain was not really difficult although very senior persons were involved. The interview requests were made by letters addressed to the targeted informants while interview times were arranged on telephone. The situation was not to be that easy in Nigeria. Negotiating interviews in Nigeria proved to be a very difficult process. Telephone calls and letter-writing did not produce any significant results. Interviews were arranged through personal contacts with interviewees. Due to the existing regulations banning civil servants from talking to the public without official permission and the working conditions under the military, arranging interviews was a long uninteresting process.<sup>5</sup>

Furthermore, some Nigerian civil servants were sceptical about the motives of anyone trying to obtain information regarding how they handle public funds. One of such civil servants, a senior official in the Presidency turned down an interview request by saying: "we do not talk to people about how we carry out our operations here". This problem was solved by obtaining introductory letters from top political officials, e.g. Ministers, Directors-General or Advisers, (see for example Appendix B). It must be stretched, however, that there were a few people that readily granted interviews without following the

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<sup>3</sup> However, during interviews with first category of informants in Nigeria, it was realised that at least two of the retired Civil Servants (i.e. the 2 Accountants-General before the incumbent) earlier approached through letters were dead.

<sup>4</sup> Some of them have put in more than 25 years.

<sup>5</sup> Interviewees have to seek permissions from their superiors in writing and approvals have to come in a similar form.



bureaucratic procedures. (Such interviews took place in the interviewees' homes to avoid being seen violating the regulations.)

In Nigeria many interview appointments had to be arranged and re-arranged several times because interviewees often fail to honour interview appointments (usually without leaving any message of cancellation of appointment). Some of the interviewees insisted on having interviews conducted in their houses rather than offices. Similarly some refused to have their voices taped for fear of being witch-hunted, and allowed only taking of notes.

### **3.5.2 INTERVIEWS WITH THE KEY INFORMANTS**

Denzin (1970) describes the interview as the main source of sociological data and asserts that even though it is usually complemented by other methods, it cannot be replaced. By the same token, Yin (1989) asserts that interview is one of the most important sources of information for case study. He identifies three types of interviews, namely: open-ended, focused and survey. The "focused" form of interviews was used in this study. Yin defines focused interview as a form of interview in which the informant is interviewed for a short time, e.g. an hour. Yin notes that while focused interviews may still be open-ended and conversational, the interviewer will likely follow a set of questions derived from the case study protocol. The interviews with key informants were guided by a list of "descriptive questions" (see Appendix C) and a form<sup>6</sup> highlighting the main items in the theoretical framework (see Appendix D) and conducted between one hour to one and a half hours. (Many of the interviewees could hardly afford to give interviews for more than an hour.) The list of "descriptive questions" were meant to guide the interviews rather than limit questions that key informants were asked. In several instances, informants were quizzed further on the statements that they made.

The interview with the first category of key informants, i.e. informants in the Treasury (or Ministry of Finance) and National Audit Office (or Office of the AG), took place in two settings. In each case, some interviews were conducted with two informants at the same time. The remaining interviews with other key informants in the first category and all key informants in the second category were conducted with one informant at a time. The

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<sup>6</sup> In the case of the Nigerian Federal Government, there are two forms. The second form highlights the second theoretical framework (i.e. figure 3.2).

interviews with two informants at the same time allowed informants to argue out some points among themselves during the meetings. It also allowed one informant to contribute to the descriptive information provided by the other. The effect is that it was possible to obtain a reconciled and possibly complete descriptive information on the areas covered in these interviews.

During interviews, informants were first asked to state whether the list of identified changes in the government financial control system was complete. They were then asked specific questions about the context, process and content of these changes. During this process “probing questions” (McKinnon, 1988) were asked as deemed necessary. In addition, informants were taken through the form highlighting the main issues in the theoretical framework (see Appendix D). Next, they were asked for any other comments they would like to make about the changes. Lastly, informants were asked about the people who participated in the processes of changes and that can provide additional information on the changes.

The use of key informants has some limitations. Glick et al. (1990), for instance, argue that when key informants are used, there is the danger of possibility of errors as key informants may neglect some important events or include unimportant ones. They stress that this situation may arise due to simplification, attribution, lapses of memory or other cognitive process. Nevertheless, the use of key informants is a very useful (if not the main) method of obtaining information about change. A number of respected researchers on change (cf. Mintzberg and Waters, 1984 and Pettigrew, 1985a) have used this method in conjunction with one or more other methods, commonly archival records. In this study, the limitations of using key informants were mitigated by relying on multiple informants rather than a single informant. Glick et al. (1990) note that multiple informants can be used to test validity of information. Moreover, this study focuses on “second-order” changes that are well documented by Statutes, White/ Green papers, and/or Gazettes. There was therefore a good stock of archival records which was used to cross-check some of the information obtained from key informants.

### **3.5.3 INTERVIEWS WITH THE OTHER INFORMANTS**

The interviews with informants in government departments and units other than the Treasury and Audit Office were carried out at different settings with each informant. These interviews were used to obtain information about the actual practice regarding changes that have occurred in the government financial control system. Besides, these interviews were used to collect information about the extent to which bureaucrats in government departments and units (other than the Treasury and Audit Office) participated in the change process.

The interviews were also conducted with a list of descriptive questions. Informants were asked to talk generally about the impact of each of the changes on financial control practices in the departments. Next, they were asked specific questions that would help to determine the extent to which the content of each change has been realised. Also they were asked to talk about the role that bureaucrats in the non-central departments played during each episode of change. Finally, informants were taken through the form highlighting the main issues in the theoretical framework. Informants from more than one government department were interviewed in each of the cases. The reason for interviewing informants in more than one department is to mitigate against the limitations of obtaining data through informants that were discussed earlier. Where applicable, requests were made for reports to corroborate the information obtained through interviews (regarding substance of changes in the system).

### **3.5.4 DATA ANALYSIS**

The general analytic strategy that was employed in this study was “relying on theoretical propositions” (see Yin 1989). As Montgomery et al. (1989: 190) wrote, “observations gain meaning only when interpreted through a theory”. Similarly, Taylor and Bogdan (1984) stress that “data are never self-explanatory”. All researchers draw on their theoretical assumptions and cultural knowledge to make sense out of data (see also Scapens, 1990). Likewise, Van de Ven (1987) expresses similar sentiments regarding studies on change in organisation. He remarks that a theory is needed to make sense of the processual pattern of change. After all the “choice of what to observe and what not to” is guided by some “pre-existing conceptual tags” (Miles and Huberman, 1984) or “a priori theory” about relevant variables (Montgomery et al., 1989). Few researchers, if any, start a study “with empty

minds” (Miles and Huberman, 1984; Pettigrew, 1987). Similarly, Montgomery et al. (1989) argue that since it is not impossible for people to interpret the same evidence in different ways, it is only logical that theories give meaning to observations. In fact, in the view of Miles (1979) research studies that pretend to begin without any assumption usually encounter many difficulties. He argues that such studies could end up producing “an incoherent, bulky, irrelevant, meaningless set of observations” which may not attract anyone to make sense out of it.

Following Miles and Huberman (1984) the data analysis process in this study can be discerned into three interwoven phases, i.e. data reduction, data display and conclusion drawing/verification. Miles and Huberman describe data reduction as involving “selecting, focusing, simplifying, abstracting and transforming raw data that appear in “written-up field notes”. When the data gathering began, a somewhat preliminary data analysis started and attempts were made to begin making sense out of the data. Continuously, the propositions were checked and re-checked to bring them in line with the patterns in the data. In this way, a symbiotic relationship between the propositions and the data was maintained throughout the research process.

The second group of activities in the data analysis was “data display”. This involves organising an assembly of information in a form that “permits conclusion drawing and action taking” (Miles and Huberman, 1984). Specifically, the events and activities were arranged into a chronological sequence such that it was possible to determine which events preceded or are followed by other events (Yin, 1989; Van de Ven, 1987). This was followed by a rich description of the management of change in each of the cases over the period. As Mintzberg (1979) argues, such rich descriptions are required for theory building (see also Snow and Thomas, 1994).

Miles and Huberman (1984) describe the activities in the third phase as involving noting patterns, causal flows, regularity and patterns in the processed data, and testing emerging meanings for their plausibility. Basically two levels of analysis were carried out during this phase. First, there was the within-case analysis where attempts were made to identify the patterns in the context, process and content of the changes in each case. The second level of analysis is cross-case analysis. This involves the comparison of the patterns in the two

cases, comparison of the patterns with the tentative propositions and attempts to leap beyond the data. The attempts to leap beyond the data are important because, as Mintzberg (1979) argues, there cannot be interesting hypotheses unless researchers generalise beyond the data in what could be described as a “creative leap”. As he also argues, it is the human brain, not electronic, that are most capable of achieving creative leaps: it is the researcher rather than the data that generates theory.

George and McKeown (1985) contrast the case study technique with the “quasi-experimental” technique and remark that the line of demarcation between formation and testing of hypothesis in the former is blurred. They argue that this is because case study research process entails “interactive cycling” whereby hypotheses are successively “fitted” to empirical data. This “interactive cycling” may lead to the revision of hypotheses or the search for additional data. Similarly, Scapens (1990) describes case study as a research method whereby theories are used to explain observations. He states that those theories that provide convincing explanations of the phenomena are usually retained and used in other case studies while those that do not are either “modified or rejected”. Accordingly, he argues for a “pattern model of explanation” that involves using theories to explain observations and observations to modify theories. This is similar to the “middle range thinking” (Laughlin, 1990) where a theoretical model is used to inform empirical studies and the data is, in turn, used to enrich the theoretical model (Broadbent, 1992). In the view of Scapens (1990) there should be that sort of two-way interaction between theory and data. This is the approach employed in this study.

For instance, there is no intention to test hypotheses using the “scientific mode of research”.<sup>7</sup> It may be absurd to state that a scientific testing of hypotheses is going to be conducted using only two cases that were even selected without regard to statistical sampling rules. This, however, does not necessarily reduce the value of this study. As Scapens (1990) remarks, hypotheses generated from case studies are useful and can be tested later with larger samples. When a researcher’s aim is to generate theory “accurate description and verification are not so crucial” (Glaser and Strauss, 1967). Glaser and Strauss (1967) argue that this is more so because “evidence and testing never destroy a

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<sup>7</sup> Several authors have described how hypotheses are tested in this mode of research. See, for instance, Abdel-Khalik and Ajinkya (1983), Kaplan (1986), and Tomkins and Groves (1983).

theory” of any generality but can only modify it. They assert that “a theory’s only replacement is a better theory”.

Furthermore, rather than attempting what may later be qualified as forcing connection between theory and observation (see Glaser and Strauss, 1967), this study allowed a “symbiotic” relationship between the data and the propositions. Thus, as the data collection was in process, the propositions were continually checked, the necessary reformulation was noted, new additional propositions were generated, and additional data (where considered necessary) were sought. For instance, not long after the interviews in Britain began, it became clear that the stock of change resources was not a reason for differences in some features of change between Britain and Nigeria as was speculated before the commencement of the fieldwork (see the first, third and fourth propositions in Chapter Two). For example, the interviewees argued that there are no slack resources for change in Government. Besides, the findings revealed that a government’s stock of change resources is not “measurable” as it extends beyond the Civil Service and even the national boundary.

As the interviews continued, other factors that caused differences in the various features of change (besides those that were speculated before the commencement of fieldwork) began to emerge. In addition, other themes (e.g. the main agenda for change, the link and co-ordination of changes and the conditions under which financial stress can drive change in the system) started to emerge from the data. Consequently, the original propositions were continuously revised and attempts were made to generate new ones. This approach resulted in “grounded modifications” (Glaser and Strauss, 1967) to the original propositions and the generation of new “grounded” propositions. It must be stressed that the strategy employed in this study is the demonstration of “plausible support” (Taylor and Bogdan, 1984) for the reformulated and new propositions rather than the testing of propositions.

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**PART II**  
**AN HISTORICAL PERSPECTIVE OF THE SYSTEMS**

## **CHAPTER FOUR**

### ***CHANGES IN THE BRITISH SYSTEM***

#### **4.0 INTRODUCTION**

This chapter contains the case evidence for one of the two cases, i.e. the British Central Government. This evidence is presented as an historical perspective of the system. The emphasis is on the changes between 1960 and 1995. However, an overview of the pre-1960 significant changes are presented (as a background to the post-1960 developments) in the first section. The second section contains a description (in chronological order) of the context, process and content of changes that occurred between the period 1960 to 1995.

#### **4.1 AN OVERVIEW OF THE MAIN EVENTS IN THE PRE-1960 ERA<sup>1</sup>**

The existence of the British Exchequer dates back to the time of King Henry I. It is believed that the Treasury emerged from the Exchequer to handle the administrative functions regarding the management of public funds. As far back as 1688, the Treasury maintains financial records from which a balanced Income and Expenditure Account could be prepared. However, it was doing this under a complex system whereby separate funds and records were maintained for each source of the revenues. This changed in 1787 when the Consolidated Fund was established to cater for revenues from all sources and all Heads of Expenditures. The establishment of the Consolidated Revenue Fund followed the criticisms of the multiple fund system by and recommendations of the Commissioners of Public Accounts in 1785.

The presentation of annual accounts of Income and Expenditure to Parliament began ahead of the 1866 Act with Admiralty accounts in 1832, the Woods and Works Office in 1851, and Revenue Department in 1861. Prior to then, even though Parliament grants civil supply, there was no mechanism for it to determine the legality of government spending.

In 1834, a reorganisation of the Exchequer was undertaken. This involved the transfer of the receipt and issues of funds function to the Bank of England, and detail payment functions to the Paymaster-General. In addition, the Auditor of Receipt and Clerk of the

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<sup>1</sup> This section draws mainly from the literature (e.g. Brittain, 1959; Chubb, 1952; Flegman, 1980; Fletcher, 1991; Jones and Pendlebury, 1988a; Reid, 1966; Rutherford, 1983, 1986 and 1990) on the British Central Government's financial control system.



Pells was replaced by the Comptroller of the Exchequer, an independent officer appointed by the Crown and removable only by the resolutions of the Houses.

Up to 1860, Parliamentary control over the Purse was weak. However, in 1861, by a Standing Order of the Commons, the Committee of Public Accounts was created to examine audited accounts for regularity and to report to the House. This followed the recommendation of the Select Committee on Public Moneys that was constituted in 1856. About the same time as the birth of PAC, the greatest reformer of the British Treasury, Mr. Gladstone, began the presentation of annual Budgets. This statement provided information on revenue and expenditure against estimates of the year about to end, estimates of revenue and expenditure for the year about to begin, and the changes in taxation. Also, Gladstone abolished the holding of unspent cash balances at year end, and introduced what is known as the concept of “annuality” from 1862. Under the annuality rule, unspent cash balances at the end of the year were to be surrendered physically to the Consolidated Fund.

Mr. Gladstone completed his reforms with the Exchequer and Audit Department (E&AD) Act of 1866. As it has been remarked, this reform completed the annual “circle of control”. Among other things, the Act provided for the annual appropriation accounts, audit of the accounts by the C&AG, and presentation of audit reports together with the audited accounts (to Parliament) by the C&AG. In addition, the annuality rule introduced four years earlier was reinforced with its entrenchment in the Act. Following this major reform, there was no other significant event for 55 years except the abortive attempt to introduce accruals system of accounting into government departments. In 1919, the Select Committee on National Expenditure recommended the introduction of accruals accounting into Government. This followed proposals made to it against the background of criticisms of the government accounting system by accountants recruited into the departments after the First World War. A pilot-test was carried out in the War Office and Army from 1919 to 1925 when the initiative was abandoned.

In 1921, some of the outdated provisions of the 1866 Act (e.g. the physical surrendering of unspent cash balances) were repealed and replaced with the Exchequer and Audit Department Act of 1921. The 1921 Act provided for the form of the C&AG’s audit certificate, and the use of the test-audit approach by the C&AG. Also, the Treasury was

empowered to require government departments to prepare commercial-style accounts for their trading activities. The provisions of this Act were made against the background of much fewer cases of financial irregularities in government departments, an increase in the size of the Government, the developments in the accounting process, and the shift of emphasis to economy and efficiency by the PAC. The next significant financial control reform following the 1921 Act did not occur until the post- 1959 era (see section 4.2 below).

#### **4.2 CONTEXT, PROCESS AND CONTENT OF CHANGES (1960 - 1995)**

In this section, the context, process and content of fifteen significant changes in the financial control system of the British Central Government are described. Specifically, this section contains descriptions of the driving forces of change; the activities in the change process; the roles of civil servants in the process of change, how far each of the changes were (or have been) implemented, and the extent to which the prescriptive intents in each of these changes have been realised.

##### **The Public Expenditure Survey (PES) System.**

The PES system is a system whereby the Government reviews its existing public expenditure plans for the next two financial years and formulates for the first time plans for the third year (HM Government, 1989a). It became a feature of the British Central Government's financial control system in the early 1960s. Before its introduction, expenditure decisions were "taken piecemeal" (HM Government, 1961) or "the yearly budgeting was carried out in a fragmented way" (former senior Treasury Official). The then Select Committee of the House of Commons on Estimates expressed reservations on the Treasury expenditure control system. It recommended that an independent committee with "access to Cabinet Papers" be set up to examine its theory and practice (see Fletcher, 1991). The Government responded by setting up an "internal inquiry" (Clarke, 1978) commonly referred to as the Plowden Committee. This Committee made a number of recommendations (see Appendix E) which directly led to the emergence of the PES system (former senior Treasury Official). However, this change cannot be entirely attributed to this

recommendation.<sup>2</sup> There is a need to consider the background of the recommendations of the Select Committee on Estimates and also of the Plowden Committee.

A former senior Treasury Official explained that government spending has since the second World War continued to rise. Regarding the introduction of the PES system, another former senior Treasury Official stressed that:

‘... the background was that public expenditure was growing. It has become a larger part of the GDP.’

Also, a senior Treasury Official stated that PES system was:

‘... a response to a situation where we have problems in controlling the total of public expenditure, and in deciding the allocation to individual departments within that total.’

The Parliamentary pressure for “a more systematic way of planning the public expenditure” was an addition to this economic pressure. A former senior Treasury Official, for instance, remarked that:

‘The Parliamentarians would rightly claim that one element leading to the change was an investigation into the control of public expenditure by a Select Committee in the late 1950s’.

Besides, some of the “insiders” (i.e. senior Treasury Officials) were already dissatisfied with the arrangement that existed then. A former senior Treasury Official stated that:

‘There was a growing belief that it was not satisfactory to budget for a year at a time’.

Similarly, another former senior Treasury Official emphasised that:

‘A big input came from senior Treasury Officials who believed that a new approach was required.’

Some of these senior Treasury Officials served on the Plowden Committee and influenced its recommendations.

The recommendations of the Plowden Committee were accepted by the Government. The civil servants were then asked to translate the recommendations into a coherent system or technique of public expenditure management. The task of designing the PES system was carried out by the Treasury Officials who consulted with the departments and Treasury Ministers at the various stages. A senior Treasury Official (who was also a member of the Plowden Committee), Sir Otto Clarke, took the lead in the Treasury during this process and ensured that the recommendations of the Plowden Committee were “faithfully

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<sup>2</sup> There is even a view that the first proposal to bring about a close link between expenditure and the planning framework was made in July 1950 (see Vinter, 1979).

implemented” (Heady, 1983). He made an enormous contribution to the designing of the PES system:

‘Various individuals and committees played a part in the run-up to the new system, but one man, Otto Clarke, stands out as its architect and master builder’ (Pliatzky, 1982: 42-43).

One former senior Treasury Official argued that:

*‘Sir Otto went beyond what the Plowden Committee recommended. The Plowden Committee only recommended that major decisions should be taken against the background of a forward look. Clarke actually instituted the Survey system which in fact was a planning system, planning all programmes four years ahead at that time’* (emphasis ours).

The PES system was developed at a period when inflation was “not really high”. Then departmental programmes were expressed in volume (or real) terms, otherwise known as “funny money”. Also, the planning horizon was four years. The PES system had since (it was originally developed) changed in a substantial way. For instance, the PES system originally worked in bottom-up approach where the outcome of the surveys formed the basis of ministerial decision for the public expenditure for each year. These days, however, under a system known as “EDX”<sup>3</sup> the PES system operates in a “top-down” approach whereby:

‘... the level of resources is centrally determined by the Cabinet before the bidding’ (An Official in a Department’s Finance Section).

One former senior Treasury Official remarked that the PES system has been “evolving the whole time” and a civil servant described it as “always changing”. The PES system is viewed as a very significant “technical” advancement in the “control of public expenditure” (see Sandford, 1979; Vinter, 1979). The “architect and master builder” of the PES system, in his memoir (i.e. Clarke, 1978) described the basic innovations that it brought into public expenditure management as follows:

‘... classification of expenditure, collective ministerial decisions, bringing time dimension into public expenditure policy, relationship of future resources to future expenditure’ (p. 163).

### **Programme Analysis and Review.**

As time passed by, certain limitations of PES, e.g. taking of old policies as given, came into light. The Treasury was well aware of the situation and had become concerned. It

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<sup>3</sup> EDX is a name used to refer to a powerful Cabinet Committee on Expenditure. It replaced the ad-hoc Star Chamber and became a permanent part of the PES cycle. It is made up of senior figures and “neutral” non-departmental ministers (Thain and Wright, 1994)

sought to remedy the deficiencies of PES by introducing individual programme analysis<sup>4</sup> as part of PES (Helco and Wildavsky, 1981). The Treasury even sent some of its officials to the United States to look at how the Planning Programme and Budgeting System was operating there. However, they could not carry this further due to difficulty in getting the required ministerial backing to neutralise the enormous resistance that awaited the introduction of such a scheme (Helco and Wildavsky, 1981). At about the same time, the advisers of the party in opposition, i.e. the Conservatives, began working on a system that would correct what they saw as the incremental nature of PES. These advisers also went to the United to see how PPBS was working there:

‘They went to Washington. They looked into what was happening in PPBS. They quite liked it and thought that this has some relevance to the British situation. They then tried to modify it to make it applicable in our context. They went to look at this system as advisers in opposition’ (Former Official at CPRS Unit).

These advisers, mostly business executives, were brought into Whitehall by the Conservatives when they were elected to power in 1970, and two of them (advisers) were asked to examine the public expenditure process (Pliatzky, 1982). A former senior Treasury Official stated that these advisers “were critical of the PES system: they said it was purely incremental”. They saw that expenditure increases yearly because programmes were not changed radically. They believed that there was a need to take a fresh look at all the existing programmes and see if they were still necessary or if they could be done in a different way. (They initiated a technique for doing this that was called Programme Analysis and Review.) Gray (1986: 13) described the objectives of PAR as follow:

‘PAR had three broad aims: to increase the co-ordinative and controlling capacity of the centre of Government; to enhance ministerial direction of their departmental activities; and to provide an evaluative mechanism for the PES system.’

The Conservative Government (1970 to 1974) issued a White Paper titled “The Reorganisation of Central Government” (HM Government, 1970) few months after it came into office. In this White Paper the Government sets out its agenda to carry out a reorganisation of Government that will result in:

‘... less government, and better government, carried out by fewer people’ (para. 1).

The review of the expenditure process conducted by the businessmen was in pursuant of the “reorganisation” agenda of Government contained in the White Paper. Pollitt (1984)

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<sup>4</sup> This was originally contemplated as the first step in the PES system (see Clarke, 1978).

and Russell and Sherer (1987), for instance, remarked that the introduction of PAR was one of the main results of this White Paper. The Government saw as one of its tasks “the imparting of greater rationality into” the expenditure process “by introducing mechanisms for evaluating policies, both collectively and individually” (Gray, 1986: 12). A former Official at the CPRS Unit who described PAR as “a critical cost-cutting analytical review of government programmes” remarked that it was introduced because of:

‘... a need to improve management techniques in government; a desire to cut back government activities; a desire to take a critical look at government activities and cut those that are no longer necessary.’

There was no significant input from civil servants into the preparation of the change programme for PAR as it was initiated by government advisers with the Prime Minister’s backing. Thus, the civil servants treated it with suspicion (Heady, 1983). Besides, such activities like determining what a new technique will involve, how it will operate, and what role the centre would play in making the change happen and stick into the system (that civil servants would perform regarding any change) were not performed. Heady (1983) remarked that PAR “had no coherent body of techniques”. There were no specific details of how PAR would operate:

‘Not only was there no systematic idea of how PARs would operate from the initiation stage to implementation, but the system also lacked any strong central organisation, with departments being left to organise their PARs in very much their own way’ (Drewry and Butcher, 1988: 198).

Heady (1983: 187) dismissed the advantages of the flexibility involved in allowing departments to decide how to carry out their own PARs as a reflection of:

‘... the lack of detailed thought on how and where business techniques could be applied in the public sector.’

This idea of taking a fresh look at all programmes did not appeal very well to Ministers:

‘Politically, there was little evidence that PAR received ministerial backing: “depth analysis was unimportant and ministers preferred superficiality’ (Drewry and Butcher, 1988: 198).

Ministers were very sceptical and did not think that it would be a fruitful exercise. For instance, they suggested that about a dozen major policy issues be first analysed and that ministers be allowed to evaluate the debate on their results (Helco and Wildavsky, 1981).

In addition, the Treasury did not have much interest in PAR.

‘PAR had no clients. Ministers did not like to attack each others programmes, departments see evaluation as a threat and the Treasury was interested in nothing more than the totals’ (Heady, 1983: 187).

The businessmen that initiated PAR disappeared very quickly. In the absence of the interest of the Treasury (or another central department) in PAR, it was left with no central authority to drive it. Although the Prime Minister was very much interested in it when he was in opposition, he got quickly distracted from it when he came into office:

‘Once his attention was distracted to other matters, he did not have any kind of bureaucrats who were in charge of the PAR programme’ (Former Official at CPRS Unit).

The next Labour Government regarded PAR with suspicion and had no time for it amid a myriad of fiscal crises. The following Conservative Government officially announced the death of PAR.

### **Government Trading Funds**

In 1973, the Parliament passed the Government Trading Act. This Act empowered the Government to establish Trading Funds for five named bodies, i.e. the Crown Suppliers, Royal Dockyards, Royal Mint, Royal Ordnance Factories, and Her Majesty’s Stationery Office. It also empowered the Government to set up a Trading Fund for any other activity that “consists of or includes trading operations or operations in the nature of trading” where it is “expedient in the interests of improved commercial operation and public accountability” (HM Government, 1989b). The establishment of an activity (or a service) as a Trading Fund removes it from “normal Parliamentary Supply controls” where Parliament vote cash annually for departments and unspent balances at year-end must be surrendered (Henley, 1992). A Trading Fund:

‘... has powers to borrow to meet capital expenditure and working capital requirements, and to establish reserves out of surpluses. Within this framework, it can meet outgoings without detailed cash flows passing through vote accounting arrangements’ (HM Government, 1989b: 12).

The establishment and overall borrowing limit of a Trading Fund requires Parliamentary approval. A Trading Fund, in turn, produces annual commercial-type accounts that are audited by the Comptroller and Auditor General.

The impetus for the establishment of Trading Funds in government is often attributed to the 1968 Report of the Fulton Committee<sup>5</sup> (cf. Fletcher, 1991). One Treasury Official, for instance, stated that:

‘Trading Funds grew out of the Fulton Report published in 1968.... One of the broad ideas of accountable management growing out of the report of the Committee is setting up of certain organisations as Trading Funds (because what they were doing was running businesses) rather than keeping them within the civil service vote accounting system.... They can then plan their businesses with long-term perspectives as businesses would do, and develop arms-length relationship with their clients.’

The Fulton Committee made a number of recommendations on accountable management in government. These recommendations (see Appendix H) seem to be more related to the establishment of executive agencies (to perform the executive activities of the departments as in the Next Steps that are discussed later in this chapter) than the establishment of Trading Funds for the relatively fewer trading operations or operations of trading nature. The Labour Government that set up this Committee was not responsible for the introduction of the Government Trading Funds Bill into Parliament. It does not appear that the then Labour Government implemented any of the Committee’s recommendations on accountable management.<sup>6</sup>

There is, however, a clear connection between the establishment of Trading Funds and a White Paper entitled “The Reorganisation of Central Government” issued by the Conservative Government (that came to power in 1970). In this White Paper, the Government states its intention to reform the government in a way that will result in:

‘... improvements in organisational structure which will lead to improved management’  
(HM Government, 1970, para. 58).

One of the basic products of the reorganisation was the “hiving off” of certain activities to the private sector or to non-departmental bodies (Pollitt, 1984: 93-94; Russell and Sherer, 1987: 7). This is not to suggest that the Fulton Report was completely irrelevant to this

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<sup>5</sup> The Fulton Committee was established by the government in February 1966 to “examine the structure, recruitment and management, including training, of the Home Civil Service, and to make recommendations” (Fulton Report, 1968: 107). The Prime Minister explained to the House of Commons the underlying reasons for setting up this Committee as follows: “the decision to set up a Committee was reached in view of the changes which had taken place in the demands placed upon the Civil Service and of the changes in the country’s educational system: and the time had come to ensure that the Service was properly equipped for its role in the modern State” (Fulton Report, 1968: 107).

<sup>6</sup> A government official believed there was an ulterior motive behind the setting up of the Committee that was influenced by Labour’s attitude to the Civil Service: “Labour sees the Civil Service as represented by the 600 mandarins at the top, looking at their educational background (Oxford-bred), their supposedly characteristics of caution, too clever by half, ability to persuade ministers, not the leading dynamic force that the country needs, etc.’ He argued that this was the verdict that Labour expected the Committee to come up with and it did.



initiative: it would seem that it was remotely connected with this initiative and even other subsequent initiatives. As a senior government official pointed out:

‘The thinking that led to and followed from Fulton, to some extent, still conditions the political and public sector agenda today. It created a climate that the Civil Service is not good at doing things, it is inadequate. It has also created a climate that the private sector is better at doing things. This is in part influenced by the political doctrine of a party but has been fuelled over the years by the sort of ideas contained in the Fulton Report.’

Essentially, the push for Government Trading Funds Initiative came from the politicians. However, the tasks of working out the specific details of how Trading Funds will operate and the accountability arrangements were performed by Civil Servants, especially Treasury Officials. The first Trading Fund, the Royal Mint, was established in 1975. The progress of this initiative, in terms of the number of Trading Funds established, has been slow. For instance, only 3 and 5 Trading Funds have been established by 1989 and 1990 respectively.

The Government attributed the reasons for this to the ambiguities in the 1973 Act:

‘The considered legal advice available to the Treasury is that the “trading or in the nature of trading” provision of the 1973 Act is too imprecise in its meaning, and too unreliable in its application...’ HM Government, 1989b: para. 4.11).

Consequently, and because of the Government’s intention to give some Executive Agencies the benefits of a Trading Fund status, the Government introduced a new Trading Bill in 1989. The Bill sought to widen the powers of Ministers, where the Treasury consents, to establish an activity (or service) as a Trading Fund where this is suitable<sup>7</sup> and would be in the interest of improved management. Since the passing of the Bill, the number of Trading Funds had risen substantially. For instance, between 1990 and 1993 seven additional Trading Funds (mostly from the Agencies) were established.

### **The Cash Limits**

The Government White Paper on “Cash Limits on Public Expenditure” (HM Government, 1976) defines Cash Limit as:

‘a planned limit on the amount of cash that the Government propose to spend on certain activities, or blocks of services, during the coming financial year. For those services financed wholly from the Supply Estimates, they can be thought of as planned ceilings for the services concerned on the total of the Main Estimates and any Supplementary Estimates combined’ (para. 7).

A government official described it simply as a tight control over cash flow where:

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<sup>7</sup> For instance where a substantial part of the revenue of the unit will consist of receipts in respect of goods (or services) produced (or rendered).

‘The department is voted an amount of cash which is also the Cash Limit. If it exceeds that, horrible things happen.’

Introduced officially in 1976, Cash Limits take account of the planned volume expenditure and allow for price and income increases. Once fixed, the presumption is that Cash Limits will not be revised during the financial year unless specific policy decisions result in changes in the level of services to be provided (HM Government, 1976, para. 18).

According to a former senior Treasury Official, this meant that:

‘The departments could no longer assume that they would get their Estimates topped up during the year to maintain the level of their programmes’.

Thus, departments have to absorb fluctuations in prices during the year within the originally agreed Cash Limits.

This change was made necessary by both the needs to solve wider macro economic problems (inflation) and bring public expenditure (which had become an unacceptable proportion of GDP) under control<sup>8</sup>. Of this change, one government official stressed that:

‘The driving force is economic: the need to control for wider macroeconomics, and to control spending in the simplest, most brutal and least sophisticated way possible.’

Similarly, the then Chief Financial Secretary to the Treasury, Lord Barnett remarked that:

‘The underlying driving force for Cash Limits was economic and financial.’

The White Paper on this change contains similar remarks but is very specific about the real macroeconomics dilemma:

‘... in periods of modest inflation, the Estimates presented with the Budget have not provided a good indication of the amount of money likely to be spent during the year ....Thus for the most part, the budget Estimates did not operate as a direct control on the amount of cash spent; and when inflation gathered pace, and especially as the prices of different goods and services increased at very different rates, they became even more inadequate as an indicator of the amount of cash that would be needed during the year’ (HM Government, 1976, para. 3).

This situation was even complicated by the terms in which the Surveys (from which annual Estimates are derived) were conducted, i.e. volume (or real) terms. The PES system was designed in a period when inflation “was comfortably in single figures” (Middleton, 1985) and the defect of conducting PES in volume terms was concealed. As inflation gathered pace and became not just high but variable, differences between outturn and surveys

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<sup>8</sup> The White Paper clearly spelt out the aims of Cash Limits: ‘...to impose greater financial discipline and precision.., contribute to countering inflation by making it clear to the spending authorities and to suppliers that the government’s purchases of goods and services will have to be cut back if prices rise too high” (HM Government, 1976, para. 4).

became very noticeable (e.g. about £5.8 billion in 1974/75). This situation was variously explained:

‘Planning in volume terms led to unsustainable consequences for ministers, e.g. regular July cuts and the unpredictability of the Public Sector Borrowing Requirements (PSBR)’ (former senior Treasury Official).

‘With high and variable inflation rates, it became increasingly clear that it was difficult to control public expenditure in money terms under the volume planning regime.... Under volume planning, you will find that control is lost even when you translate spending into real terms’ (former senior Treasury Official).

The then Chief Financial Secretary to the Treasury, Lord Barnett, also explained that there was a loss of control over public expenditure before the introduction of Cash Limits:

‘Before I introduced Cash Limits, there was a danger (and indeed it was happening) that expenditure was rising faster than we can afford for it to do.’

The situation attracted the attention of the House of Commons’ Expenditure Committee which, upon the conclusion of its investigations, came up with a verdict that:

*‘...the Treasury’s present methods of controlling public expenditure are inadequate in the sense that money can be spent on a scale which was not contemplated when the relevant policies were decided upon....’* (Expenditure Committee, 1975a, para. 3)(Emphasis not ours).

The then Chief Secretary to the Treasury, however, stressed that the need for change was not influenced by Parliamentary pressure or political agenda:

‘There was no Parliamentary pressure for it. Probably our own party in Parliament would have preferred expenditure to rise faster.... It did not stem from Parliamentary pressure, it did not stem from political agenda, it stemmed from the Treasury (my officials and myself) on the need to ensure that we have better control over public expenditure.’

At the same time there was another argument going on in Whitehall about the complexity of the volume planning system. In the words of a former senior Treasury Official:

‘The volume system as was being elaborated upon all the time had become very complex. It was not clear to people, for instance how much they have got. There was therefore the simplistic argument.’

The ministers were concerned about the situation. They were very concerned about inflation and had earlier introduced an income policy, putting a limit on wage increases in each year. Treasury Officials were equally concerned. In fact Cash Limits had been imposed on some types of government expenditure, “several building programmes in central and local governments”, in 1974/75 and 1975/76, as an ad hoc measure, in response to exceptionally high inflation rates. Most former senior Treasury Officials that were interviewed identified some key leaders of change in this particular change, i.e. the

Chancellor, the Chief Secretary and the Deputy Permanent Secretary (Expenditure).

However, one former senior Treasury Official stressed that:

‘There were also departmental Principal Finance Officers who felt that the system was not sustainable.<sup>9</sup> It was an idea that emerged from people talking to each other. It was not just one person who felt the need. *In the way the British Government works, there is more interchange of ideas*’ (emphasis ours).

The ministers called a meeting of Treasury Ministers and Treasury Officials where the concept of Cash Limits was evolved. There was a realisation that you cannot effectively control spending except where there are some cash controls in place. Although Treasury Ministers and Officials agreed that there was a need for Cash Limits, some important questions still remain. As a former senior Treasury Official put it, these questions are:

‘What does Cash Limits mean? Cash Limits on what?’

The Treasury Officials were asked to work out these:

‘The actual design was done by senior civil servants. Once we have agreed on what to do and should be done, they designed the process’ (Lord Barnett, the then Chief Financial Secretary to the Treasury).

First, they worked out these in a fairly broad way. This was followed by discussions with the departments. There was very little the departments can do anyway other than to agree with the idea:

‘Non-Treasury departments, i.e. spending departments, did not like the change and certainly played no role in effectively introducing Cash Limits. Eventually, they had to go along with it. They had no choice in the matter..’ (Lord Barnett, the then Chief Financial Secretary to the Treasury).

‘The departments realised that this required a change in their managerial styles but they saw that Government could not probably do otherwise, and there was a fairly general acceptance of the principle’ (former senior Treasury Official).

The Treasury Officials then worked out in precise details what Cash Limit meant and how it would operate. For instance, there was a consideration of where Cash Limits cannot be logically applied, and the identification of the blocks of expenditure that were to be subjected to Cash Limits. Throughout the period when the practical details of Cash Limits were being worked out by Treasury Officials, there was a constant flow of information between Treasury Ministers and Officials. The Chancellor and Chief Secretary to the Treasury were said to be “very keen on this change”. After the practical details had been

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<sup>9</sup> The departments eventually did not like the sort of change that was introduced.

worked out, the White Paper on “Cash Limits on Public Expenditure” was prepared, approved by the Cabinet and published.

It is noteworthy that the White Paper on Cash Limits was published in 1976 when the British Central Government negotiated and reached an agreement on some loan conditions with the IMF. However, the work on Cash limits began in the Treasury in August 1974 under a committee headed by Sir Douglas Henley. As stated above, Cash Limits have been applied on a limited scale to some categories of government expenditure since 1974/1975. Also, the White Paper was published in April 1976, i.e. five months before the then Chancellor of the Exchequer made public on 30 September 1976 a decision to approach the IMF for a conditional loan or eight months before the Government reached an agreement with the Fund (see Healey, 1989).

It is not unlikely, however, that the need to avoid an embarrassment similar to that of the last quarter of 1976 subsequently had an influence on the Government and its decision to control expenditure more rigorously. Nevertheless, this must be interpreted in the light of the fact that since an alarm about an impending fiscal crises rang in the Treasury in 1973, the government had began making expenditure cuts that were similar to those demanded by the IMF in late 1976. Besides, Parliamentary pressure for financial control reforms had began building up after the evidence that was presented by Mr. W.A.H. Godley (see Expenditure Committee, 1975b: 212-224) to the Common’s Expenditure Committee on the “missing £5 billion” (see Expenditure Committee, 1975a). It must be stressed that there was no “second-order change ” in the government financial control during the immediate post-IMF Crisis years, i.e. 1977 and 1978. And regarding the changes that were introduced from 1979, it would be difficult to assert that the predominance influence was not political agenda/ideology. In conclusion, regarding the impact of the IMF on government financial control reforms in Britain, one is led to hold a similar view to that expressed by Burk and Cairncross (1992) on the general impact of the negotiations with the IMF:

‘... the visit of the IMF mission and the agreement made no lasting change either in government or in followers, neither in expectation nor, in due course, in activities’ (p. xix).

The Cash Limits system is still in place and currently applies to about one-third of the Supply Expenditure. The then Chief Secretary to the Treasury remarked that:

‘We (officials and myself) felt it gave us a more effective financial control system ... than we had previously.’

An officer in a finance section of a department concurs:

‘We became much more meaningfully controlled from 1976 onward.’

However, over the years it has become necessary to supplement Cash Limits with a number of other controls. Cash Limits apply to existing policies implying that ministers may get additional Supply for new policies or increases in levels of services. There was in place a Contingency Reserve that was originally used as “a purely statistical concept”. This was turned to an instrument of control by letting ministers know that new policies or increases in levels of services cannot be accommodated any longer once the Reserve has been exhausted. As one former senior Treasury Official put it:

‘The important thing was psychological: to get it into people’s (ministers’) heads that they had only so much extra to allocate’.

Also, a number of arrangements were introduced to allow some flexibility in this strong annual cash expenditure control regime. For instance, in 1983 the “end-year flexibility scheme” was introduced to allow Central Government departments “to carry forward to the following year under spending of up to five per cent of their capital provision” (HM, Government, 1989b: para. 3.18). A similar arrangement (but only a half per cent) was extended to “running costs provision under gross control” in 1988.

### **Financial Information System (FIS)**

One thing that has not been given enough consideration when blaming PES for the crisis of control in the mid 1970s is that before 1976 the Treasury did not have an integrated system through which it could know how much was spent last month. Such a system is necessary to provide information that would enable action to be taken immediately something goes wrong. A former Senior Treasury Official explained that the system that was in place (before the introduction of FIS) could provide (at about June)

‘the cash outturn for the year, it does not do this on a monthly basis’.<sup>10</sup>

Each department had its own accounting system that could provide this monthly cash outturn but these were not integrated with the Treasury system to provide the Treasury with

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<sup>10</sup> Heady (1983) described this information system as a “primitive management information system”

such information. Therefore, even though the Treasury was controlling spending of departments (often project by project), cash outturn was not monitored on a monthly basis.

In a period of relatively moderate and predictable inflation, spending is not likely to diverge significantly from estimates. Since the emphasis was on not exceeding estimates and there was a good Treasury control to ensure this in a period of moderate inflation, the need for a system for monitoring spending on a monthly basis was not obvious. Thus, the Treasury did not find it necessary to put in place such a system:

‘until the country was experiencing high inflation and having difficulty in controlling public expenditure’(former Senior Treasury Official).

Put slightly differently, “periods of high and unpredictable inflation” make it necessary to have:

‘a system of effective monitoring both to keep in touch with likely outturn and decide where any offsetting action might be taken’ (HM Treasury, 1986, para. 67).

As the Cash Limits system was being considered as a measure to bring public expenditure under control and combat inflation, the idea of a Financial Information System emerged.

They both have the same underlying motives:

‘the need to watch cash flow more carefully and closely than was the case before due to the Government’s financial situation’ (Treasury Official).

For instance, regarding the introduction of FIS, the then Chief Financial Secretary to the Treasury, Lord Barnett remarked that:

‘The underlying pressure was the need to get better control of finances’.

In a similar fashion, the Chairman of a Select Committee of the Commons stressed that there was a realisation that:

‘You cannot succeed in controlling expenditure in total if you do not get down to know how it is spent at the operation level.’

Introduced in 1976, Financial Information System is a computerised system used by the Treasury for in-year monitoring of departmental expenditures. The inputs to this system are obtained from four main sources, namely: a profile of expenditure and receipts provided by each department at the beginning of the year, monthly payments and receipts supplied by the departments through the Paymaster General Office’s APEX, forecasts of outturn for the first half of the year supplied by the departments by mid-year, and forecasts of the outturn for the year supplied by departments towards the end of the year (HM Government, 1989a).

This system helps to monitor departmental cash flow, as it is capable of giving an early signal when there is a likelihood of a department exceeding its Cash Limits.

The Financial Information System was a bureaucratic initiative:

‘This was certainly introduced by officials in the Treasury. They worked it out and I then used it for the control of expenditure. It was done by my officials’ (Lord Barnett, the then Chief Financial Secretary to the Treasury).

Work began on it in August 1974 and Ministers were informed. According to a former senior Treasury Official, when ministers were informed about it,

‘... they just said: “get on with it”. They became very anxious about it because public expenditure had been very difficult to control’.

Treasury Officials informed the departments about it. The departments gave their reactions which were considered appropriately by the Treasury. The service of Authur Andersen & Co. was contracted in order to put in place a durable information system and the necessary equipment. In addition, there was a study of the German system. The Germans had in place a system of monitoring cash flows of departments which involved

‘... tagging every payment to be made by departments by the Paymaster-General’ (former senior Treasury Official).

The Treasury Ministers were kept informed at every stage during the development of the system:

‘... various papers were produced to the Treasury Ministers at various stages’ (former senior Treasury Official).

When the Treasury Officials finally worked out the system, it was presented to the ministers and was accepted by the Government.

The system had since been evolving. According to a former senior Treasury Official, the system

‘... did not work well at the start. During the first year of Cash Limits, there was a great deal of under spending because departments did not really know how much they were spending. The real system (PES) complicated the reporting system - contributing to the abysmal performance of FIS. FIS required the cash spending to be related to the volume (or real) terms programmes.’

Another former senior Treasury Official stressed that “it took a long time to put in place a workable system” because the system was initially designed to control both volume and cash which made it very complicated. However, with the introduction of cash planning to replace volume planning, the system not only became simpler (as it was concerned with



only cash control) but more effective. Another former senior Treasury Official pointed out that availability and cheapness of computer systems had also facilitated improvements in the performance of the system.

### **Efficiency Scrutinies**

Efficiency Scrutinies involve seeking for improvements in particular areas of government activities. Each scrutiny involves examination of departmental activities (or functions) carried out within the department over a short period of time (usually 90 days) with the overall aim of identifying ways of carrying out these activities (or functions) “more efficiently or effectively and at less cost”.<sup>11</sup> The Scrutinies were introduced in 1979 by a Conservative Government that had “a perception that the civil service was inefficient” (Treasury Official). Another Treasury Official stressed that it:

‘came out of the Conservative manifestos that they want to improve the efficiency of the Civil Service.’

Thus, immediately after it came into office, the Conservative Government appointed an efficiency adviser in the person of Lord (then Sir) Derek Rayner, Managing Director of Marks and Spencer, “to advise on the promotion of efficiency and elimination of waste in government” (NAO, 1986a: 7). Supported by a small team, Rayner Unit, Sir Derek Rayner prepared and issued guidance to Ministers on how efficiency Scrutinies are to be conducted.

Although this was unquestionably a political initiative stimulated by the political agenda of a new Government, most government officials pointed out that the initiative was also influenced by a number of other factors. Public expenditure was then regarded as too high.

One Treasury Official stated that:

‘there was an underlying objective that the public expenditure was too large and that there was a need to cut it’.

Another Official asserted that the:

‘Government has a specific target to reduce the Civil Service by 100,000. The initial target was to reduce the Civil Service by 600,000’.

This change is distinct in a certain way from the other changes earlier described. It was championed by an outsider, a businessman, although with a strong backing of the Prime Minister and supported by a small team made up of civil servants. A former senior

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<sup>11</sup> The C&AG observed that Scrutinies have concentrated mostly on efficiency (see NAO, 1986).

Treasury Official who emphasised that “the civil service should have foreseen the need for this change” made the following remarks about the champion of this change:

‘Rayner was one of the very few businessmen brought in by the Government over the years who had really effective impact.’

Similarly, a former official at the CPRS Unit remarked that:

‘Rayner was a businessman with business techniques but who has been in government before.... He knows the bureaucracy and how it works. He challenged it with his Efficiency Scrutinies. He used the insiders to do the job. It was a case of insiders guided by an outsider, not just an outsider but an outsider who himself understood the system very well.’

After Lord Derek Rayner left, the Rayner Unit was renamed as the Efficiency Unit. The number of efficiency studies conducted annually had reduced compared with the early years of this change. As one departmental official described it:

‘Efficiency Scrutinies are still going on but not so many of them as they used to be. At the initial stage there were so many things to look at but as time went by there were not so many of them left.’

In a similar fashion, a Principal Finance Officer remarked that:

‘There has been fewer Scrutinies compared with the early years following the introduction of Efficiency Scrutinies. The practice now is to have fewer Scrutinies but covering larger subjects. In earlier years each department regularly did two or three Scrutinies in a year, sometimes on quite small bits of (subject in) the department. The practice now is much more often to have cross departmental Scrutinies.’

Notable among these cross departmental Scrutinies are Multi-Departmental Review of Budgeting (see HM Treasury, 1986) and Improving Management in Government: the Next Steps (see Efficiency Unit, 1988). Besides the cross-departmental dimension to Efficiency Scrutinies, each scrutiny team now comprises of more (and include senior) people:

‘The 90-day procedure is still in use. The people doing the Scrutinies are usually larger in number and the leader of the team is more senior than was the case in the first place’ (Principal Finance Official).

The increasing tight financial situations of the departments have even continued to encourage them to conduct these studies. As an official in one of the departments stressed:

‘Resources available to departments in real terms are reducing year by year and departments are always looking for new ways of doing things. Efficiency Scrutinies help in this regard.’

There is no doubt that Efficiency Scrutinies have made (and are still making) impacts on the ways that departments conduct their businesses:

‘An awful lot of changes in the department resulted from Efficiency Scrutinies which have been running since 1980. It has become one of the main ways of effecting change in the department’ (Principal Finance Official).

## Privatisation

In her Foreword to the 1979 election manifesto of the Conservatives, the then Party Leader, Margaret Thatcher, was quoted by Pliatzky (1989) as having wrote:

‘The balance of our society has been increasingly tilted in favour of the state....we have to reverse that process....’.

This seems to be what privatisation<sup>12</sup> sought to achieve. A former senior Treasury Official, however, pointed out that privatisation served two purposes:

- ‘1) The financial purpose of raising money for the Treasury and reducing the borrowing requirement.
- 2) The political purpose of reducing the area of state activities and increasing the role of the market.’

Some of the organisations that were privatised were originally in the private sector, i.e. before they were nationalised by the Government. As a Treasury Official put it:

‘some of the organisations that were privatised were initially private sector organisations that were brought into the public sector partly because the private sector could not at the time run them. Some were brought to the public sector for political reasons by the Labour Government after the Second World War.’

Since privatisation began in 1980, a number of these industries as electricity, gas, telecommunication and water have been privatised. Privatisation is an on-going process. As one Treasury Official stated, industries as the

‘British Coal and British Rail are in the process of being privatised’.

It seems that other Government initiatives (e.g. Government Trading Funds and the Next Steps) will keep privatisation alive even when all Nationalised Industries may have been privatised<sup>13</sup>.

Privatisation involves the transfer of ownership of public enterprises (Nationalised Industries) to the private sector. This is achieved by converting government interests in these industries into shares which are then sold to the public. According to a Treasury Official, the Conservative Government set on this course when it came into office in 1979. Regarding the driving force of this change, a former senior Treasury Official wrote that:

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<sup>12</sup> There are two categories of Central Government’s units and bodies that can be privatised. First, there are Nationalised Industries owned by the government almost all of which have now been privatised. Second, there are departmental functions, agencies and Trading Funds which are now facing privatisation under a new label, “market-testing”. The discussions in this section refer to the former group.

<sup>13</sup> For instance, most Next Steps Agencies are expected to graduate into Trading Funds status. As one Treasury Official stressed: “By setting up these functions in this manner (Trading Funds), they are being made to look more like businesses. Therefore, if you later have a political party in power that is in favour of privatisation they become eminently suitable for privatisation because they are operating like private sector organisations”

‘The prime motives for privatisation were ... an ideological belief in free markets and a wider distribution of private ownership: there was also a belief that the monolithic public corporations and their trade unions had played a large part in wage inflation, and a conviction that no commercial organisation can be fully efficient if the government is involved in it’ (Pliatzky, 1989: 107).

Similarly, the Chairman of a Select Committee of the Commons remarked that:

‘There is obviously a lot of political philosophy behind that: that the state should not own and manage what are really (or ought to be) commercial enterprises.... They would probably be run better if they are not owned and controlled by the state.’

He added, however, that:

‘privatisation was also a method of raising funds for government expenditure programmes. In the years when the privatisation programme was at its peak, privatisation proceeds were making quite a big contribution to the funding of government expenditure. The political philosophy was the initial motivation for it.’

In a similar fashion, a Treasury Official stressed that:

‘There was at the time the Government view that much public funds were being wasted on supporting these industries. There was a view that the proceeds of privatisation will reduce public sector borrowing and taxation.’

Therefore, even though “the main driving force was political or ideological”, there was a financial dimension to it. In fact the financial benefits (i.e. proceeds from privatisation and reduction in Government’s financial commitments to the Nationalised Industries) gave it momentum:

‘It acquired momentum as it went along. The Treasury was very much attached to it as it brought a lot of money. It makes a great difference in Public Sector Borrowing Requirements’ (Former Senior Treasury Official).

Similarly, the Chairman of a Select Committee of the Commons remarked that:

‘As the programme started though, the value of privatisation as a source of funding programmes (so that you do not have to borrow or raise more taxes) became obvious. So, the search for new privatisation opportunities.’

The process of designing the privatisation programme was preceded by a political decision on the Nationalised Industries that would be privatised. A former senior Treasury Official remarked that the Government had expected opposition to this programme from the Opposition Parties and employees of these industries. However, as another former senior Treasury Official wrote:

‘the political opposition to privatisation crumbled fairly quickly and the expected trade union opposition largely failed to materialise’ (Pliatzky, 1989: 107).

The civil servants were asked to talk to the management of the affected organisations and the merchant bank that will handle the shares issue. Each Nationalised Industry is

sponsored by a government department and the primary responsibility for its privatisation lies with this department. The whole exercise, however, has been centrally co-ordinated by the Treasury. As a former senior Treasury Official wrote:

‘The Treasury has throughout played a co-ordinating role in the programme, at both ministerial and official levels. The sponsor Department dealing with the affairs of each nationalised industry is in the lead in the privatisation of that industry, but the Treasury division which has a long-standing central responsibility for general policy on the nationalised industries has taken on a similar central function in the privatisation programme. It also takes part in the planning of each operations and has by now become a repository of expertise in this field’ (Pliatzky, 1989: 110).

The departments have to liaise with the Treasury throughout the process of each privatisation exercise. The Treasury has to approve the choice of merchant bank and give clearance for the issue price of the shares.

### **Cash Planning**

Since it was introduced in the early 1960s, the PES system operates on a volume basis. Costs of programmes were expressed in constant (or real) terms or what is widely described as “funny money”. Under this approach, the surveys stated the cost of programmes in volume terms, leaving the cost of programmes in nominal (or cash) terms to be determined by the actual rate of inflation. This leaves the level of public expenditure in cash terms uncertain. Such an uncertainty on the “ways” side meant an equal uncertainty on the “means” side: the public sector borrowing requirements, for instance cannot be easily determined in advance. In the face of “high and variable inflation” expenditure rose rapidly and became an unacceptable proportion of the GDP. In a desperate attempt to bring expenditure under control and counter inflation, the Government introduced Cash Limits on a larger proportion of the volume programmes in 1976. (The Cash Limits were co-existing with the volume plans.)

However, under a volume planning regime, the Cash Limits proved to be useful in controlling expenditure in cash terms only in the current year. The levels of expenditure for the remaining two survey years were still uncertain, as the departments had very strong rationale for asking for their base allocations to be reviewed up in line with inflation. As a former senior Treasury Official explained:

‘In the current year, with the Cash Limits, you can manage to squeeze the cash going into a programme. But when it comes to the following year, there will be a demand to provide the cash necessary to maintain the programme in its real value, since forward programmes were expressed in real terms.’

Therefore, looking at expenditure control beyond a single year, volume planning hampers the effective cutting of expenditure in cash terms. Thus volume planning was working against the objective of the Government:

‘At that time the Conservative Government was trying to cut public expenditure. They found that stating of forward programmes in real terms made it difficult to cut in cash terms’ (Former Senior Treasury Official).

Volume planning, a former senior Treasury Official wrote,

‘was a tortuous system and could be a hindrance rather than a help to control’ (Pliatzky, 1989: 53).

Since it does not help to control spending, one Treasury Official argued that it also “does not really help to curb inflation”. Therefore, as the Chairman of a Select Committee of the House of Commons stressed, the desire “to put a squeeze on public expenditure” and “counter inflationary pressure” led to the replacement of volume planning with cash planning. Besides, the volume planning system was unnecessarily cumbersome, especially when it has to operate in parallel with the Cash Limits, and ministers took notice of this. As a former senior Treasury Official wrote:

‘the new ministerial team in 1979 disliked this system. “All that indexation!” One of them exclaimed. They had a distaste for indexation generally, which they saw as an undesirable mechanism for accommodating inflation rather than as a sometimes necessary protection against its effects...’ (Pliatzky, 1989: 53).

In addition, most officials have become dissatisfied with the system (see also Mountfield, 1984). Within the Treasury, there had arisen the need to harmonise the planning system with other economic management techniques. There was also the simplistic argument: volume planning system was unnecessarily cumbersome to run with the Cash Limits and was not allowing the Financial Information System to work properly. A former senior Treasury Official explained that:

‘When people had seen that the system of Cash Limits has come to stay, they were tired of running it together with the volume planning system. There was a desire to simplify the system within the Treasury. There were requirements to bring the planning system in harmony with other economic management functions of the Treasury, i.e. Public Sector Borrowing Requirements forecasting and Medium Term Financial Strategy. It was difficult to translate the volume figures into cash for these purposes.’

Therefore, there was the feeling among Treasury Ministers and Officials alike that the time had come for a change. Then there was the boost from the Prime Minister. A former senior Treasury Official wrote:

'In 1981, urged on by the Prime Minister, who took a close and well-informed interest in the intricacies of the subject, the Treasury took the plunge and switched at a stroke from volume planning to cash planning of public expenditure' (Pliatzky, 1989: 53).

While the Treasury ministers and officials were feeling the need to change the volume planning system, an independent Committee on Budgetary Reform in the UK (Lord Armstrong Committee, 1980), among other things recommended that public expenditure be expressed in cost terms, i.e. cost-planning<sup>14</sup>. The Treasury's Memorandum<sup>15</sup> to the Treasury and Civil Service Select Committee on the report of this independent committee suggested it used (or experimented with) the cost planning approach in 1980. In this memo, the Treasury stated that:

'In recent years the public expenditure White Paper has contained projections, on a common price base, of government expenditure, revenue and borrowing. In 1980 these projections, which covered a longer period ahead (to 1983-84), were set out in the medium term financial strategy (MTFS) in the FSBR. *Table 9 of the MTFS presented estimates of total general government expenditure, receipts and borrowing in cost terms, i.e. inclusive of assumed relative price effects*' (HM Treasury, 1980)(emphasis ours).

However, when eventually urged by the Prime Minister to change from the "funny money", the Treasury Officials who worked out the change opted for cash planning. Cash planning involves the expression of cost programmes in the survey in cash terms. Cash planning brings expenditure projections to the same basis as that used for calculating the means of financing it, i.e. taxation and borrowing. Cash planning is in harmony with the Government's view "that finance must determine expenditure not expenditure determining finance" (HM Treasury, 1980). In addition, cash planning allows for a straightforward cutting of public expenditure and removes much of the indexations that ministers opposed "philosophically". According to the Chairman of a Select Committee of the Commons, cash planning "has had some success in curbing public expenditure growth".

### **Financial Management Initiatives (FMI)**

FMI is a broad initiative, "a total approach to management" which "covers systems, policies and people" (HM Government, 1989b). The Chartered Institute of Management Accountants described it as an attempt by the Government 'to replace 19th century accounting thinking with a strong 21st century outlook' (ICMA, 1984: 28). It aims at

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<sup>14</sup> This approach to public expenditure planning involves estimating cost of programmes for future years at constant prices plus an estimate of an allowance for the estimated movement in the general price expenditure (see Lord Armstrong Committee, 1980).

<sup>15</sup> Thain and Wright (1989) argue that an inference that could be drawn from this memo is that the Treasury was, in 1980, already "calculating expenditure in the cost terms recommended by Armstrong".

developing strategic planning arrangements at the departmental top management level and simultaneously devolving budgetary control responsibilities down the departmental hierarchy to the line managers. The launching of Financial Management Initiative in May 1992 by the Government represents an attempt to introduce the principles of good management (having a wide application in private sector organisations) into Government. These principles include the need for managers at all levels to have clearly defined objectives, responsibility to strive to achieve value for money in the use of resources, access to information about performance, and access to expert advice and training (see HM Government, 1982).

Although FMI principles represent practices that have been well developed in the private sector organisations, the initiative itself came from within the Government. As the Comptroller and Auditor General stressed, the Government, Parliamentary Committees and the Civil Service had always been concerned about the need to promote efficiency and effectiveness in government (NAO, 1986c). One former senior Treasury Official remarked that this concern dates back to the Plowden Report. He argued that this report had an element of ways of improving management in government. There was also the Fulton Committee Report of 1968. Besides its recommendations on the structure, recruitment, training and management of the Home Civil Service this committee emphasised the need for accountable management in its report.<sup>16</sup> According to HM Government (1994), since this (Fulton) Report was published there has been a continuing response to “the need to develop more professional approaches to management” in the Civil Service. The Conservative Government that came to power in 1970 also declared an intention to improve management in government. It sought to achieve this by reorganising the Government in the belief that reorganisation of government will lead to “improved management”.<sup>17</sup>

Following the return of the Conservatives to power in 1979, there began various activities within the Government aimed at improving management in government. One of these

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<sup>16</sup> Some paragraphs of the report containing recommendations on accountable management are shown in Appendix H.

<sup>17</sup> See for instance HM Government (1970: para. 5), i.e. the White Paper on Reorganisation of Central Government (Cmnd. 4506). Also see Russell and Sherer (1987: 6-8).



activities is the Rayner (or Efficiency) Scrutinies. A former senior Treasury Official wrote that:

‘The FMI represented the flowering, after a time-lag, of seeds which were sown by Derek Rayner while he was on loan to the Government, and which were intended to “change the culture of Whitehall’ (Pliatzky, 1989: 98).

The Efficiency Scrutinies programme was not just about the reviewing of programs (functions or activities) with the purpose of improving the efficiency with which they are performed. It was also concerned with improving management systems in government. Some government Officials argued that the concern of the Rayner Scrutinies for management systems improvement influenced the development of Management Information Systems (MINIS) in the department of Environment. MINIS was subsequently introduced into other departments and is believed to be part of activities within the government that positively influenced the introduction of FMI. Thus, Dewar (1991: 203) argues that:

‘the FMI repeated the familiar refrain for clearer and more quantified objectives; better performance and output measures; allocated responsibility for making the best use of resources; and improved systems, skills, and training’.

In 1981, the Government issued a White Paper on the Efficiency in the Civil Service where it sets out its arrangements for ensuring the achievement of value for money (see HM Government, 1981a). On the Parliamentary side,<sup>18</sup> there was an enquiry to the arrangement for improving efficiency in government by the Expenditure Committee of the Commons during its 1977/78 session. This committee re-emphasised the approach recommended in the Fulton Report, i.e. accountable management (see NAO, 1986c). Again, there was another enquiry on a similar but wider subject (i.e. the systems for improving the achievement of value for money in government) by a Committee of the Commons, i.e. the Treasury and Civil Service Select Committee, during its 1981/82 session. This committee made a number of recommendations to the Government on how it could improve the arrangements for achieving value for money (see TCSC, 1982). There was therefore a great input from the House Commons’ Select Committees. In fact, in its 1987-88 Session, the Treasury and Civil Service Select Committee claimed that:

‘... the FMI was introduced in response to the criticisms of our predecessor Committee’ (TCSC, 1988a, para. 7).

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<sup>18</sup> A discussion of the role of the Committees of Commons in the drive for the management improvement in government can be found in NAO (1986c).

There is also an activity that has been performed by the C&AG for a long time, which was without legal authority but was nevertheless backed and encouraged by the Commons' Committee on Public Accounts. This activity is the conduct of value for money studies which had been performed since "the end of the last century"<sup>19</sup> (Fletcher, 1991). However, it may be too simplistic to treat the introduction of FMI as a result of just the above management improvement efforts. One government official argued that:

'FMI originated from Rayner's Scrutinies' new ways of thinking about management and the political philosophy of the Conservatives since it was in opposition.'

Another stated that:

'Expenditure was rising (at about 44% of GDP). Government was interested in reducing expenditure so as to lower public sector borrowing and also reduce taxation.'

Elsewhere, it was remarked that:

'With the coming of the Conservative Government in 1979, the management movement in government received a new impetus from a Government determined to reduce the size of the public sector in general and Civil Service in particular' (Russell and Sherer, 1987: 8).

Also, the chairman of a Select Committee of the Commons stressed that FMI :

'was intended mainly as a more effective management tool, and a way of controlling expenditure at a micro level within the departments.'

There was the movement for improvement of management in government that goes a long way back, as discussed earlier. Given this condition, economic and political factors triggered the change.

The principles of FMI and how these would be translated into actions in the departments were contained in a launch document prepared by civil servants from the two central departments, i.e. Treasury and the Management and Personnel Office (in the Cabinet Office). This document required the departments to review their management systems, and liaise with the two central departments to develop their programmes for building/improving "top management systems", budgetary control systems and output measurements (or performance indicators). The Financial Management Unit (later Joint Management Unit) was jointly established by the central departments to provide advice and guidance to the

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<sup>19</sup> The direct impact of this on the management improvement movement in the Government is less obvious. One should have expected the C&AG's examination of government financial activities each year with an additional concern for value for money to have prompted an obvious (or direct) response by the government (by improvements in the government's management systems) much earlier.

departments in developing their systems. In addition, access to experts' advice in the Treasury through the Treasury's Expenditure Division was encouraged.

The main thrust of the arrangement for the implementation of FMI was to allow each department to evolve own systems without any imposition from the centre other than the principles that were set out in the launch document. A rationale for this approach was provided before the Treasury and Civil Service Select Committee:

'... many things have failed in the past simply because they have been imposed by the Treasury on departments' (Middleton in TCSC, 1987: Q139).

As Sir Peter Middleton therefore argued (before the Treasury and Civil Service Select Committee) the approach to the implementation of FMI is not:

'... the sort of things which has happened in the past where there has been a mass of stuff from the Treasury which departments have found indigestible, have absorbed and not changed their ways' (TCSC, 1987: Q. 140).

A former government official argued that this approach has slowed down FMI and made it less successful:

'FMI was less successful because it (FMI) was a government-wide activity ... it did not have the same kind of central driving force behind it. It was extremely slow to develop. Departments still drag their feet on it. FMI progressed indeed extremely slowly.'

However, the role played by the central departments got a high mark on the score card of the C&AG:

'Although the central departments (the Treasury and the Cabinet Office) took a leading part in indicating the main lines on which the spending departments should seek to develop their management arrangements, they discharged their duties in an essentially advisory manner... They considered this approach was consistent with the Government view (Cmnd 8616), expressed in response to the Treasury and Civil Service Committee (3rd Report of Session 1981-82), that the central departments should adopt a stronger and where necessary more prescriptive role in reviewing the effectiveness and efficiency with which management operates. I think this is a sound approach in the event (NAO, 1986c, para. 9) (Emphasis ours).

The C&AG provides a rationale for his opinion as follows:

'The wide range of business carried out by government departments suggests to me that departments are best placed to devise, within any framework prescribed from the centre, their own detailed management arrangements. In this way managers will recognise change as coming from within and be more ready to accept the new systems and working practices. At the same time the Treasury's responsibilities for the control of public expenditure provide them with a powerful tool to back up the efforts of departments to increase their administrative efficiency and the effectiveness of their programme expenditure, and to question the suitability of any revised management arrangements which appear to fall short of the general level of departmental achievements' (NAO, 1986c, para. 10).

On the pace of implementation of FMI, the overall view of the C&AG in 1986 was that the government departments have made good progress in developing their systems according to the spirit of FMI:

‘by January 1983 all departments had prepared plans for developing systems designed to achieve FMI objectives (NAO, 1986c, para. 6b(iv)).

‘all departments were developing and introducing financial management systems in accordance with the plans agreed with the Treasury (NAO, 1986c, para. 6g(xxvi)).

‘... most of the departments examined had adhered to their timetables or at worst had not suffered excessive slippage.... In some cases systems require further development to achieve fully satisfactory results... and in one case a timetable had to be revised to reflect subsequent developments... (NAO, 1986c, para. 6g(xxvii)).

An Official at the Management and Personnel Office of the Cabinet Office, in her evidence before the Treasury and Civil Service Committee, remarked that expert opinion about the implementation of FMI suggested that it would take ten years to develop fully in government departments:

‘... Some management Consultants who were asked to give an opinion in 1982, in the early days, said it was going to take ten years for the whole approach to be transformed throughout government - after all we are talking about very large and complex businesses in government - and one has to see this as a long-term programme of Reforms...’ (Mueller in TCSC, 1987: Q149).

Some government officials acknowledged that the FMI was slow to develop. For example, one finance officer in the department made the following remarks on the pace of implementation of FMI:

‘For several years, people were really slow to implement it. Because it was a big change and people find it difficult to actually think their way through and understand how it might benefit. Implementing it was very daunting. Now, the principles of FMI are accepted and implemented but it has taken 13 years.’

However, government officials were very enthusiastic to stress the achievements of FMI. Of FMI, one Senior Treasury Official simply said:

‘That changed everything.’

A Principal Finance Officer in one government department remarked that FMI:

‘... is all pervasive. Everything we do nowadays is governed by the principles of FMI.’

In a similar vein, a finance officer in a department stressed that:

‘The FMI has made a big difference .... FMI has had a huge effect on the way government operates ....’

## National Audit Office (NAO)

The basic structure of what is today known as the NAO was established in 1866 with the enactment of the Audit and Exchequer Department Act (1866). This Act made provisions for the appointment of a C&AG to head the department and to examine Appropriation Accounts of government departments on behalf of and report to Parliament. Over the years, there have been a number of developments in the work of the former E&AD. Apart from the 1921 Act that amended the 1866 Act, these developments<sup>20</sup> were not entrenched in any Act of Parliament. The 1983 Act that created the National Audit Office represents a very significant development in the “Audit” element of the government financial control system over the period under study.

However, there is a wide belief (cf. Dewar, 1991; Fletcher, 1991) that the 1983 Act that established the NAO did not change the duties and powers of the C&AG in any substantial way.<sup>21</sup> The Act is believed to be a codification of existing practices. According to a Deputy Comptroller and Auditor General, the 1983 Act:

‘is mainly a supplementary Act, as much of his work is still based on the two previous Acts (1866 and 1921 Acts). It tackles three main areas:

1. To confirm the status of the Auditor General as an officer of the House of Commons. Everyone had assumed so before but technically it was better to make it absolutely clear;
2. To free the budget of the NAO from all Treasury control and make it only a matter of Parliamentary control;
3. To create the statutory power to carry out the examination of economy, efficiency and effectiveness, particularly to publish reports on them throughout the year.’

The above remarks by a Deputy C&AG on the 1983 Act correspond significantly with the aims of the Act as stated in its preface:

‘An Act to strengthen Parliamentary control and supervision of expenditure of public money by making new provision for the appointment and status of the Comptroller and Auditor General, establishing a Public Accounts Commission and a National Audit Office and making new provision for promoting economy, efficiency and effectiveness in the use of such money by government departments and other authorities and bodies; to amend or

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<sup>20</sup> Some of these developments were codified in an Act of Parliament. For example, the 1921 Act requires the C&AG to meet certain specific requirements in his certification of appropriation accounts. It also allows the C&AG to adopt the systems-based approach in his audit by repealing that part of the 1866 Act which requires him to carry out 100% examination of vouchers. On the other hand, a development like value for money examination was not entrenched in any Act of Parliament.

<sup>21</sup> The only legal modification to the C&AG’s work by the Act was the inclusion of value for money studies in his audits. Fletcher (1991: 53) argues that ‘the effect of this Act was largely to codify existing practice whereby the C&AG’s reports regularly commented on economy, efficiency and effectiveness of operations of government departments and certain other bodies to which government money is granted. VFM examinations had been carried out since the end of the last century, but the Act provided a statutory basis for such work.’ Similarly, Dewar (1991: 198) argues that ‘it was not a watershed, but a consolidation of the extensive value for money work carried out by the former Exchequer and Audit Department over many years....’

repeal certain provisions of the Exchequer and Audit Departments Acts 1866 and 1921; and for connected purposes' (HM Government, 1983b).

The underlying pressure for the creation of the NAO came from Parliament through a number of its Committees and started from about 1977. These Committees believed that the then public audit arrangements did not provide for a truly independent status for the C&AG, as the Government had unacceptable influences on his work and resources. In 1977 the Expenditure Committee of the House of Commons remarked that certain powers of the Treasury over the C&AG<sup>22</sup> contradicted the claim that the C&AG was independent of the Executive arm of the Government (see HM Government, 1980). The Committee also raised the issue of the control exercised by the Civil Service Department over the numbers and grading of the staff of E&AD, and argued that this amounts to an undue influence over the audit work by the Executive.

Both of these issues were also raised by the House of Commons's Procedure Committee in its 1977-78 session. In its 1978-79 session, the Committee of Public Accounts (PAC) stressed that the C&AG needs to be independent to enable him to perform his functions properly. This Committee also argued for the need to remove the limitations on the power of the C&AG to apply its resources, and to grant the C&AG the right of access to some non-departmental public bodies. There were also significant pressures from the backbenchers<sup>23</sup>. Also, the C&AG wanted a review of his audit responsibilities under the existing legislation (i.e. the 1866 and 1921 Acts), and the wording of his audit certificate in the light of "modern conditions" (see Henley, 1980).

In view of the pressures from these Committees, the Labour Government that left office in 1979 began a review of the E&AD's Acts. Not long after it came into office, i.e. in March 1980, the Conservative Government issued a Green Paper on "The Role of the Comptroller and Auditor General" (HM Government, 1980). The Green Paper was issued because the Government believed that change in the audit arrangements has become inevitable, especially given the pressures from the Parliamentary Committees. As a Senior Treasury Official put it:

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<sup>22</sup> For instance, the power of the Treasury to direct the C&AG to examine particular accounts.

<sup>23</sup> A number of authors (e.g. Pliatzky, 1989) emphasised the back-bench pressures in the events leading up to the passage of the 1983 National Audit Act. Pliatzky (1989) describes the backbench pressure as "an aspect of the recurring pressure for a more effective role for the House of Commons". One Treasury Official also remarked that the MP who introduced the National Audit Office Bill was a back-bencher.

‘It was the Government that initiated the debate but the driving force for NAO in its present form came very much from Parliament.’

The Green Paper addressed three main questions:

- ‘(a) What kinds of audit should the C&AG undertake?
- (b) How far should his responsibilities extend?
- (c) What should be his status in relation to Parliament and the Executive?’

The PAC responded to this Green Paper with a number of recommendations. Among other things, PAC wanted the legislation on the public audit arrangements to be updated and the C&AG to be given an extensive power to follow the public money to anywhere, including the Nationalised Industries (PAC, 1981). A former member of PAC (who was on the Committee during this period) described the situation then as follows:

‘There was a lot more money being spent in various quarters that did not seem to be getting a proper check. We were pressing strongly that new powers should be given to the C&AG.’

The Government was neither in favour of a new legislation on the public audit arrangements nor the extension of the powers of the C&AG to include access to the books and records of the Nationalised Industries (see HM Government, 1981).

In 1983, the pressure for change received a boost when a private member’s bill was brought to the House of Commons by Norman St. John Stevas (see Glynn, 1993; Jones and Pendlebury, 1988a). This move was made without any request or pressure from the former E&AD:

‘Much to our surprise, we did not lobby for it, he (Norman Stevas) decided that he would put forward a bill to revise the role of the E&AD’ (Deputy C&AG).

This bill sought to remove the influence of the Executive on the C&AG and make him an officer of the House of Commons. It also sought to widen the scope of the C&AG’s audit to enable him follow the public money to everywhere. In addition, it sought to give the C&AG’s value for money studies a statutory backing.

Although the bill was introduced by a member of the party in power, it initially lacked Government backing and there were oppositions to some aspects of it.<sup>24</sup> Therefore, there were series of negotiations between the proponents of the bill and the Government to get

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<sup>24</sup> The C&AG himself was opposed to the extension of his audit work to cover the nationalised industries (see Jones and Pendlebury, 1988a).

the Government to sign onto the bill. On the side of Parliament, there was a large support for the bill. A Deputy C&AG remarked that at that time,

‘the wish to do something about it was becoming commonly accepted’

Similarly, a senior Treasury Official made the following remarks about the support for the bill in Parliament:

‘There was a feeling on the part of Parliament generally, whatever the party, that a change of this nature will be beneficial. Therefore, it thus got the support. It is not directly political.’

However, the Government was against some aspects of the bill. These include the widening of the power of the C&AG to include the audit of the accounts of the nationalised industries and local governments, as proposed in the original bill. In addition, the Government did not want the C&AG to be controlled by anybody. Equally, the proponents of the bill did not want the Government to have any control (or influence) over the C&AG.

According to a deputy C&AG:

‘ The Government was prepared to accept that. What they did not want was for the C&AG to be directed by anybody else.... It did not want the C&AG to be delivered to the opposition camp.... Parliament has to agree that it will not control the C&AG anymore than the Government.’

Thus, the process of making this change, as a former C&AG put it:

‘proceeded in more or less a kind of a wrestle between the Government and Parliament in which the only clear winner was the C&AG and his Office.’

Similarly, a deputy C&AG made the following remark:

‘...and so the winner, *the clear winner was the C&AG who was not really a party to the wrestle*’ (emphasis ours).

The then E&AD worked with Norman John Stevas and the draftsmen to work out the improvements that were needed, including changes that should be made to amend the existing legislation. According to a member of Parliament who was an official of one of the Accounting bodies during this period, the Accounting Bodies also ‘submitted views on the way in which the NAO should be set up.’<sup>25</sup> There were discussions in the various Committees of the House. With the improvements to the bill, the Government lent its support and it was passed in 1983. With the enactment of this Act, the C&AG’s appointment must be by a motion in the House of Commons by the Prime Minister acting

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<sup>25</sup> In the Green Paper that initiated the debate on the role of the C&AG, the Government did invite interested bodies and individuals, in addition to Parliamentary Committees, to express their views (see para. 64 of the Green Paper).



with the agreement of PAC's chairman (HM Government, 1983b: Sec. 1); the C&AG became an officer of the House of Commons (Sec. 2); the Public Accounts Commission oversees the finances of the NAO (Secs. 2 and 4); the C&AG is empowered to conduct value for money examinations and lays his reports before the PAC (Secs. 6-9); the Treasury ceases to have the power to direct the C&AG to examine particular accounts (Secs. 11 and 12).

### **Next Steps Initiative (NSI)**

The Next Steps Initiative aims at improving the efficiency and effectiveness with which public services are delivered, "within available resources, for the benefit of taxpayers, customers and staff" (HM Government, 1989b: para. 2.2). It is therefore a new approach to achieving the policy objectives of government (to improve the efficiency and effectiveness of public services) that began with the Efficiency Scrutinies in 1979, and was made more elaborate with the launching of the Financial Management Initiative in 1982. It carries the delegation of managerial freedom, the specification of performance indicators, and the measurement of performance in government departments that were envisaged in the FMI a step further by delivering them in units<sup>26</sup> that are "hive-off" from the "monolithic" structure of the government's main departments. This initiative involves the establishment of "clearly designated units" as "Agencies"<sup>27</sup> to carry out 'the executive functions of government, as distinct from policy advice' to Ministers (HM Government, 1989b: para. 2.1). Each of these Agencies is then given certain level of managerial freedom<sup>28</sup> (that is appropriate to its business) which are set out together with its "financial and performance accountability" in an "Agency Framework Document".

The Next Steps Initiative sought to revolutionise the way government's business is conducted:

'The central Civil Service should consist of a relatively small core engaged in the function of servicing Ministers and managing departments, who will be the "sponsors" of particular government policies and services. Responding to these departments will be a range of agencies employing their own staff, who may or may not have the status of Crown servants, and concentrating on the delivery of their particular service, with defined

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<sup>26</sup> These units, Agencies, have different levels of management freedom and financial control regime that are tailored to their individual businesses.

<sup>27</sup> The Efficiency Unit stressed that the term "Agency" was not used in its technical sense but "to describe any executive function unit that delivers a service for the government".

<sup>28</sup> This includes the agency's financial regime and also issues like "freedom to recruit, pay, grade and structure" in the way the Agency may find most suitable (to its business).

responsibilities between the Secretary of State and the Permanent Secretary on the one hand and the Chairmen or Chief Executives of the agencies on the other' (Efficiency Unit, 1988, para. 44).

A former Senior Treasury Official explained the effect of Next Steps on the way the Central Government operates as follow:

'The practical effect of the Next Steps is that Ministers and senior managers will increasingly concentrate on determining policy objectives, performance targets and the resources needed to meet them, while the individual managers at all levels can use their abilities to deliver the services required in the most cost effective way. The changed role for the department is that instead of being responsible through its own line management for all aspects of the agency's business, it limits its control to the setting of strategic objectives and targets and the allocation of resources: in other words management by contract rather than management by command'.

The Chairman of a Select Committee of the Commons described this arrangement as:

'a recognition of the fact that most people in the Civil Service are not involved with policy, and do not really need to be part of the monolithic organisation where everything ended up in Whitehall. There are some functions quite discrete and which can be separated from the core-functions of the department.'

The Next Steps Initiative has been variously described either as "an offshoot of Efficiency Scrutinies" or as arising from FMI:

'The FMI led directly to the current "Next Steps" developments' (Dewar, 1991: 203).

'Next Steps Initiative should not have been necessary if the whole intents of FMI were realised' (Member of the former CPRS Unit).

'In the end ... it was an offshoot of Rayner Scrutinies. It came from Efficiency Scrutinies...' (Senior Treasury Official).

'A logical development from the FMI' (Former Senior Treasury Official).

'It developed from the Efficiency Unit, the successor of the Think-Tank' (Treasury Official).

Both views can be supported. First, the recommendation to set up Agencies came out of a scrutiny<sup>29</sup> on the FMI. Thus, in this sense it arose from FMI. Second, the investigation on FMI was conducted by the Efficiency Unit as a "scrutiny" and within the normal time span (i.e. 90 days) of efficiency Scrutinies. Thus, in this sense it was an offshoot of efficiency scrutiny. However, the Next Steps Initiative is more than just an offshoot of Efficiency Scrutinies and FMI. The initiatives of the Government in the 1980s have a general background from which the Next Steps is not an exception. A former Senior Treasury

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<sup>29</sup> The recommendations were made to address five main issues that emerged from the "Scrutiny" on FMI: "First, a lack of clear and accountable management responsibility, and the self confidence that goes with it particularly among the higher ranks in departments. Second, the need for greater precision about the results expected of people and of organisations. Third, a need to focus attention on outputs as well as inputs. Fourth, the handicap of imposing a uniform system in an organisation of the size and diversity of the present Civil Service. Fifth, a need for a sustained pressure for improvement' (Efficiency Unit, 1988: para. 14).

Official stressed that there were two pressures underlying reform of public services (which has been a high priority for the Government since the early 1980s):

‘first, the critical pressure to reduce the Central Government’s share of Gross Domestic Product (GDP). During the 1970s government expenditure rose as a percentage of GDP from 41% to 49% and the Government decided that something had to be done to reduce it. Second, the pressure to ensure that resources expended in the public sector achieve both maximum value for money and a high quality of service to its customers.’

He explained that:

‘Meeting the dual objectives of providing high quality services whilst reducing the share of national income taken by the Government can only be achieved if those services which remain in the public sector after privatisation are delivered in an increasingly cost effective way. These requirements therefore impose a continuing and increasing need for the public sector to improve its cost performance and its productivity.’

There was also the political push (from the Prime Minister). As a former Senior Treasury Official remarked,

‘The FMI’s progress was not quick enough for people like Mrs Thatcher who wanted to see quick results.’

This desire to accelerate the pace of development of FMI can be inferred from the terms of reference<sup>30</sup> of the Efficiency Unit team.

The Next Steps Initiative came into being in 1988 when the Government announced its acceptance of the main recommendations of the Efficiency Unit’s Report entitled “Improving Management in Government: the Next Steps”. However, similar arrangements had been recommended by a number of Committees going back to 1968. A member of Parliament, Mr John Garrett, remarked that he prepared a paper together with a colleague in the early 1970s in which they recommended the creation of Agencies. It is not clear (from the 1988 Report of the Efficiency Unit<sup>31</sup>) the extent to which the recommendations of the Efficiency Unit were influenced by the recommendations of these Committees<sup>32</sup> and individual MPs. A number of civil servants remarked that the executive agencies

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<sup>30</sup> In an Annex to the Efficiency Unit Report which recommended the establishment of Agencies, the terms of reference of the Scrutiny were set out as follows:

“to assess the progress achieved in improving management in the Civil Service; to identify what measures have been successful in changing attitudes and practices; to identify the institutional, administrative, political and attitudinal obstacles to better management and efficiency that still remain; and to report to the Prime Minister on what further measures should be taken’ (Efficiency Unit, 1988: 33).

<sup>31</sup> In a 1991 Report (see Efficiency Unit, 1991), the Efficiency Unit acknowledged that the essential theme of its 1988 Report can be found in a number of earlier reports (from Fulton Report of 1968).

<sup>32</sup> The Treasury and Civil Service Committee, for instance, in its 1987-88 Session remarked that there were shortcomings in the Report of the Efficiency Unit. It described some recommendations and conclusions contained in the report, among other things, as a “a little more” than “restatements of the conclusions of previous reports” which were not referred.

arrangement in Sweden had an influence on the shape of the Next Steps Initiative in the UK.<sup>33</sup>

The Efficiency Unit report set out the process to be followed in implementing the Next Steps Initiative. The process of implementing this initiative reflects, to a very large extent, what was specified in the report. The centre (comprising of the Treasury and the Office of the Minister for Civil Service) took the lead by preparing and issuing (to departments) guidelines that will help them identify suitable candidates for agency status (see NAO, 1989). In a similar fashion, the Treasury prepared and issued guidelines on the annual reports and accounts of Next Steps Agencies (see HM Treasury, 1991). These guidelines specified the accounting and reporting requirements for “Off-Vote Agencies” (i.e. Agencies that have Trading Fund status) and “Supply-Financed Agencies”. Also, the Prime Minister appointed a second permanent secretary<sup>34</sup> as the Next Steps project Manager. Much of the responsibilities for setting up Agencies rest with the departments. This is in line with one of the recommendations in the Efficiency Unit’s report that:

‘The choice and definition of suitable agencies are primarily for Ministers and senior management in departments to decide’ (para. 19).

The department begins by identifying which of its activities is suitable for an Agency status going by the guidance issued by the centre. When those activities had been identified, the department will review them following what one Principal Finance Officer described as “prior options”, i.e.

‘the alternatives of abolition, privatisation (the preferred Government option if suitable), and contracting out’ (NAO, 1989: para. 13).

Where an activity scales through these “prior options”, even though it will have to go through the same hurdle every three years after it becomes an Agency, the department will proceed to prepare it for an Agency status with the authority of the Minister. This will involve ensuring that there are adequate systems (financial, information and management) in place to enable its smooth operation.<sup>35</sup>

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<sup>33</sup> It must be noted, however, that this is not evidence from the report, as no references were made to practices in other places.

<sup>34</sup> The Efficiency Unit however, recommended the appointment of a full permanent secretary in its report. The report stressed that the successful introduction of change will require an “extremely senior official who has unequivocal personal responsibility for achieving change”.

<sup>35</sup> The measure for this is that it will not constitute “any danger to the public purse and to the provision of services to customers” (NAO, 1989: para. 18).

Less than a year after the Initiative was launched, ten Agencies had been created and 42 Agency candidates identified (see HM Government, 1989a). As at November 1991, 56 Agencies and 30 Executive Units had been created which represent about 40% of the Civil Service (working on Next Steps lines) (HM Government, 1991a). According to the 1993 edition of the Next Steps Review, i.e. HM Government (1993), about 60% of the Civil Service were already on the employment of 92 Agencies, and 31 Executive Units of HM Customs and Excise and 33 Executive Offices of the Inland Revenue were operating on Next Steps lines. It would seem that the Government is set to achieve its targets in this regard. The estimate of the project team is that about 75% of the civil servants would be working in Agencies by 1998<sup>36</sup> (see TCSC 1988a).

However, all is not completely well with this programme. One Principal Finance Officer remarked that they doubt if there is any scope to go further with agencies in his department. Another argued that with the new emphasis of Government on privatisation, the answer to the question - does an activity have to be done within government? - has increasingly been "no":

'Ministers have now, in a large number of cases, decided they can be privatised.'

This situation affects both the agency candidates and also the existing agencies (since the latter are themselves subjected to the test of "prior options" every three years). The Principal Finance Officer went on further to explain the practical effects of this:

'What that means is that the development of Next Steps has rather been frustrated. People have ceased to concentrate on how they are managing the business at the moment as agencies. They have started concentrating on how they are going to get them into the private sector. The Next Steps is one Initiative that has not been seen to its conclusion because it has rather been overtaken by these priorities of Ministers.'

An explanation for this was provided as follows:

'the new Government of 1992 has as part of its objectives the reduction/privatisation of the Civil Service. A new political priority has displaced the old initiative' (Official in a Department's Finance Section).

This turn in the tide of events confirmed the suspicion in the opposition that the Next Steps is:

'a half-way step to privatising something. Reshaping an activity within a government department so that perhaps in the future it could be privatised' (Labour MP).

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<sup>36</sup> An estimated total of 95% of the Civil Service is believed to be engaged in the delivery of services and may eventually find themselves in the employment of the Agencies.

A Government Party member of Parliament and Chairman of a Commons' Select Committee argued strongly against the feeling that there was a privatisation motive behind the Next Steps:

'That is not the prime motivation because in the earlier phases, anything that could be privatised has been identified for privatisation and that has happened to it.... It may well be that something that was set up as an Agency at a later stage can be suitable for privatising as a completely commercial operation.'

### **Changes in Financial Reporting**

Borrowing from Normanton's (1966) classification of the "cycle of control" in Government,<sup>37</sup> the financial documents that Government presents to Parliament can be classified into two broad categories, namely: priori control information and posteriori control information.<sup>38</sup> Priori control information comprises information that Government presents to Parliament as part of the process of obtaining Parliamentary authority to raise and disburse funds in a fiscal year. Posteriori control information comprises information that Government presents to Parliament on its financial activities in the preceding fiscal year. The changes that are discussed in this section fall under priori control information category. The proposal for these changes was set out in the Government White Paper on "Financial Reporting to Parliament" (i.e. HM Government, 1988). In this White Paper, the Government proposed:

1. To widen the content of the autumn statement to include (in so far as it originally does not) the key data on broad allocations to expenditure programmes and expenditure aggregates that were originally contained in the first chapter of Volume I of the PEWP.
2. To present Volume II of the PEWP in separate volumes with each volume containing a department's objectives, output and performance indicators.
3. To publish 2) above in January each year until 1990 and as the Main Estimates from 1991.
4. To publish as either a supplement to the initial Autumn Statement, Summary and Guide to Estimates or Written Answers to Parliamentary Questions the statistical information that were originally contained in the second chapter of the PEWP.

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<sup>37</sup> Normanton (1966) identified two parts in the government cycle of control, namely priori control (i.e. control exercised before government makes payment for the services it consumes) and posteriori control (i.e. the control exercised after government had paid for the services it consumed. The Parliament exercises control on both sides of the control cycle which can be conveniently classified as priori and posteriori controls.

<sup>38</sup> There is an alternative classification made by Likierman (1990). He classified financial documents that government presents to Parliament into three categories, namely: those that provide information, those that seek Parliamentary authorisation, and those that provide accountability. This classification is helpful for analytical purpose. However, when examined more rigorously, it may be found that a particular set of documents may fall into more than one category. For instance, the Appropriation Accounts both provide information (on government spending) to Parliament and provide accountability. Also, some documents (e.g. department reports) that appear to provide information to Parliament are in a sense providing accountability for results, as they report targeted and actual performance during previous years to Parliament.

5. To simplify the Estimates that Government presents to Parliament to seek authorisation.

Before the publication of this White Paper (i.e. HM Government, 1988), as Henley (1992) and Glynn (1993) remarked respectively, the information presented by Government to Parliament had increasingly been under intense criticisms and a subject of extensive discussions (cf. Likierman and Creasey, 1985; Likierman and Vass, 1984; NAO, 1986b). These criticisms appeared to date back to 1972 when the Expenditure Committee of the Commons (in its 1971-72 Session) described the information that Government was providing as inadequate and recommended improvements. The Committee stated that:

‘In the absence of an adequate information system, it is ... impossible to verify in the outturn whether the planned expenditure has occurred and whether it has been effective’

‘We therefore considered whether it would be possible and practical to look for an appropriate information system, based on outputs as well as inputs, covering all items of public expenditure’ (Expenditure Committee, 1972: para. 10-11).

Subsequently, especially following the recommendation of the Select Committee on Procedure (Finance) in 1983,<sup>39</sup> Parliamentary pressure on Government to bring about improvement in the financial information presented to Parliament had intensified. For instance, the Treasury and Civil Service Committee in its 1984-85 Session (see TCSC, 1984) and 1987-88 Session (see TCSC, 1988b) and the Committee of Public Accounts in its 1986-87 Session (see PAC, 1987b) and 1988-89 Session (see PAC, 1989a) made recommendations for changes in the financial information that Government presents to Parliament. The work of these Committees was boosted by the studies conducted by some scholars (e.g. Likierman and Vass, 1984) and the National Audit Office.<sup>40</sup> The recommendations from these Committees attracted responses from the Government (cf., HM Government, 1988 and 1990c) which accepted some of them. Thus, as one Treasury Official remarked:

‘Lots of the initiative impetus came from Parliament, especially the Treasury and Civil Service Committee and the Committee of Public Accounts who felt that the information provided for them was not enough for them to do their jobs. The Committee of Public

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<sup>39</sup> The Procedure (Finance) Committee recommended that the Committee of Public Accounts and Treasury and Civil Service Committee conduct a “full enquiry into the format, structure and content of the financial information” that Government provide to Parliament in view of the results of FMI and its recommendations (see Procedure (Finance) Committee, 1983)

<sup>40</sup> The Treasury and Civil Service Committee in its 1984-85 Session, for instance, acknowledged that: ‘stimulus has been given to our work by the publication in July 1984 of a Survey by Messrs Andrew Likierman and Peter Vass... (TCSC, 1984: para. 2). Among other recommendations, the idea of departmental reports first recommended by TCSC was originally proposed in the Likierman’s and Vass’ (1984) report.

Accounts and Treasury and Civil Service Committee produced reports to which the Government responded.’

Following Ministerial decisions, the Government responses to the recommendations of the Parliamentary committees were prepared by the Civil Servants. Although, as one Treasury Official stressed, much thinking behind the changes came from the Parliamentary Committees, much of the details of what the changes involved were worked out by the Civil Servants. For instance, the Treasury prepared and issued to the departments guidance on the contents of departmental reports.<sup>41</sup> The Treasury’s guidance on “The Content of Departmental Reports” specified the “common core” of departmental reports. This guidance stressed that the “common core” of the report was meant essentially as a response to the issues raised by Parliament. Also, the Treasury gave departments the freedom, after due consultation with the Select Committees shadowing them, to determine the style and content of their reports within Financial and Accounting framework of the Central Government (i.e. HM. Treasury, 1987). The amount of freedom that departments have over the style and content of their reports has now become a cause of concern for the Committees of Parliament. The issues border on consistency and comparability of the information that departmental reports contain over a period of years:

‘Although departments have a considerable amount of freedom in explaining what they are up to, certainly the information needs to be presented on a consistent and comparable basis. Similarly various indicators are included. We want some amount of consistency there from year to year so that departments cannot chose each year the performance indicators that would show they performed well. Once some indicators are used, they should be used consistently form year to year’ (Chairman of a Select Committee of the Commons).

The changes proposed in the Government’s White Paper on “Financial Reporting to Parliament” (HM Government, 1988) have been accomplished except the last one (i.e. the above fifth proposal on the simplification of the Estimates). A move in this regard was made by the Treasury in July 1993 in its memorandum to the Committee of Public Accounts and Treasury and Civil Service Committee (see HM Treasury, 1993). However, the proposal was rejected by both Committees (cf. PAC, 1994b). The Chairman of one of the Treasury and Civil Service Committee explained the circumstances in which the proposal was rejected:

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<sup>41</sup> Likierman and Taylor (1990) remark that direct parallels to the departmental reports can neither be found in the public sector nor in the private sector within and outside the United Kingdom.



‘Recently the Treasury came forward with a proposal to change the form of the Estimates which is still the formal way in which expenditure is approved by Parliament. We took evidence on that and consulted the other committees. We produced a report which resisted the changes that the Treasury was proposing because it seems to us that a substantial amount of details which is currently contained in the Estimate is going to disappear. It is much slimmer, much more summarised and we were not convinced that all the information that will be of use will reappear in the departmental reports.’

In addition to the changes described above, there was another significant development in the priori information presented by Government to Parliament in 1993. In November 1993, the Chancellor of the Exchequer began presenting a Unified Budget to Parliament. Previously, the Budget that was usually presented in March deals mainly with taxation and borrowings while expenditure was contained in a separate document. Over the years, close observers of the government financial control system (outside Whitehall) have argued for the need for tax and expenditure to be contained in a single document (cf. Heady, 1983; Likierman and Vass, 1984; Lord Armstrong, 1980). This view was supported by the Treasury and Civil Service Select Committee (cf. TCSC, 1984)

### **The Citizen’s Charter Initiative**

One opposition MP argued that the changes since the early 1980s had been about improving efficiency and cutting cost without any serious concern for effectiveness. The Government seemed to be acknowledging this when the Prime Minister, in the Foreword to the White Paper on the Citizen’s Charter (HM Government, 1991a), wrote:

‘Privatisation and contracting-out have transformed performance. The programme we are publishing today carries these Reforms further - and into new territory.’

This new territory is the “quality of service”: the central theme of the Charter initiative that was launched in July 1991 is “quality improvement”. The Charter Initiative (see HM Government, 1991b) sees “choice and competition”, to the greatest possible extent, as the main means of bringing about this quality improvement. It also stresses that the citizens, as taxpayers or consumers of public services, must be given value for money by high quality of services provided economically or functions performed “fairly, effectively and courteously”. There is also the attempt to “extend accountability”, during this quality improvement process, by requiring the provision of information about service standards (and performance against standards) to Citizens so that they can act where necessary. Therefore, Government is no longer focusing mainly on cost-cutting and efficiency in its managerial improvement efforts as the opposition MP had alleged.

The principle underlying the Citizen's Charter is that:

'the individual users of public services and the taxpayers who pay for them deserve a good quality services, delivered in a professional way, responsive to the wishes of the customer' (Former Senior Treasury Official).

The objectives that Government seeks to achieve with the Citizen's Charter were set out in the Prime Minister's foreword to the White Paper:

'to raise the standard of public services, up to and beyond the best at present available.... Then we will have services in which the citizen can have confidence, and all public servants can have pride.'

Elsewhere in the White Paper, the focus of the initiative was expressed in its economic context:

'The Charter Programme is about *finding better ways of converting the money that can be afforded into even better services*' (emphasis ours) (HM Government, 1991b: 6).

This reveals the possible presence of financial pressure (that has had continuing presence in the background to much of the financial administrative Reforms by the Government since the last three decades) as part of the background to this initiative. For instance, one senior Treasury Official described the initiative as "primarily political" but then remarked that it is part of the same reform process that started in the early 1980s.

The way the Initiative was projected as the personal initiative of the Prime Minister also shows it was politically driven:

'I take great pleasure in the first set of initiatives under the Citizen's Charter. To make public services answer better to the wishes of their users, and to raise their overall quality have been ambitions of mine since I was a local councillor in Lambeth over 20 years ago' (Prime Minister in his Foreword to the White Paper on the Citizen's Initiative - see HM Government, 1991b).

There is another equally plausible explanation for projecting the reform as a personal initiative of the Prime Minister. There is a conception that Reforms are more likely to attract less resistance and succeed if the Prime Minister is seen to be strongly behind it.<sup>42</sup>

However, one official in a government department stated that the Charter Initiative was purely a political initiative designed to boost the image of an unpopular government:

'It was a political pressure. The Conservatives have got themselves into an unpopular position at the time, and this was a good way for going forward.'

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<sup>42</sup> Scott (1992), for instance, remarked that the initiative has been given a profile by being presented as personal initiative of the Prime Minister.

While stressing that the Charter Initiative can in part be traced to political ideology, Scott (1992: 14) revealed that the Initiative has simply brought together various private sector techniques that have been adopted in the Local Governments:

‘Various techniques for introducing quality management, enhancing consumer responsiveness and empowering consumers have been adopted throughout the public sector over recent years. These policies have now been brought together in the Citizen’s Charter programme. For the conservative Government such Reforms can be in part traced to the ideological concerns with reducing bureaucratic discretion and enhancing consumer choice.... However much of the mechanics of reform is drawn from techniques of quality control developed in managerial Reforms in the private sector, and adopted with rigour by Labour local authorities as by the Government.’

Apart from the argument that the Initiative brought together practices that had already been adopted in the rest of the public sector, it is believed that the Initiative is not entirely new in Central Government. Scott (1992), for instance, traces the origin of “consumer orientation” in government to a document titled “Service to the Public” published by the Cabinet Office in 1988. This document sets out guidelines for the development, in the public sector, of management techniques” with a “consumer-orientation”.<sup>43</sup> The conclusion of Scott (1992) therefore is that almost everything in the Citizen’s Charter Initiative was anticipated in this document. Besides, even though their focus was not specifically on quality improvement, both the FMI, Next Steps Initiative and Departmental Reports contain an element of the Citizen’s Charter, i.e. specification and publication (for internal purpose in the case of FMI) of objectives, performance indicators and results.

Following a political decision to make it happen, the central departments asked the departments and the rest of the public sector<sup>44</sup> to put forward their ideas about the Initiative.<sup>45</sup> The civil servants worked on the political decision and prepared the White Paper. Following the approval of the White Paper by the Cabinet, the Prime Minister announced the Citizen’s Charter Initiative in Parliament in July 1991. Although the Government stressed that the Initiative will set “the agenda” for Reforms for the 1990s, it was in a hurry to realise its intents:

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<sup>43</sup> The document (i.e. Cabinet Office, 1988), for instance, stated the need to define and publish objectives, performance indicators and results. It also stated the need for performance-related payments to staff.

<sup>44</sup> This initiative applies to all public services and hence covers the whole public sector. However, there is an element of flexibility in the application of the Charter principles in different parts of the public sector. The White Paper stresses that: ‘The Citizen’s Charter is not a blueprint which imposes a drab and uniform pattern on every service. It is a toolkit of initiatives and ideas to raise standards in the way most appropriate to each service’ (HM Government, 1991b: 4).

<sup>45</sup> For instance, much of the information on pages 10 to 50 of the White Paper reflects these inputs.

'The task is an ambitious one. We are determined to make it happen as quickly as possible' (HM Government, 1991b: 6).

By the time of the publication of the First Report on the Citizen's Charter in 1992 the tone had changed, the reality of Reforms in the public sector had set in, and Government was emphasising that the Citizen's Charter is a programme to be implemented over a decade. This report (First Report), however, stressed that a great deal of progress has been made.

### **Market-Testing**

Late in 1991 the Government issued a White Paper on "Competing for Quality". This White Paper requires the Departments and Agencies to set, annually, targets for new areas of their activities to be put out for competitive tender. These targets are to be published annually together with the results of the previous years' Market-Testing. It requires the departments to conduct studies to identify the most promising areas for Market-Testing with (and to welcome suggestions on how to improve Market-Testing from) the private sector organisations. In addition, the White Paper sought to induce the departments by specifying that they can apply savings from Market-Testing for the benefits of their programmes.

What does Market-Testing mean? A Principal Finance Officer in one of the departments described it as follows:

'Market-Testing can mean two things. First, in general terms it can mean simply testing anything in the market, any kind of competitive process. Second, in the precise sense in which the term is used in government, it means competition for service currently delivered by departments in which part of the department (in house team) bids against one or more businesses from the private sector.'

This process of putting activities of government departments and agencies on competitive tendering (involving the participation of an in-house team and private organisations) involves a series of activities that are described in Appendix F.

Market Testing could be seen as part of the agenda for Reforms in the 1990s that the Government set out in the Citizen's Charter. Market-testing is one of the four main themes of the White Paper on the Citizen's Charter.<sup>46</sup> The Chancellor of the Exchequer, in his foreword to the White Paper on "Competing for Quality" stresses that:

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<sup>46</sup> The other three themes of the White Paper on the Citizen's Charter are programme for quality improvement in public services (quality), informing the public about standards of service to enable them to act where necessary (standards), and ensuring that the citizens receive value for money from public services that are provided economically (value).

‘This White Paper, which sets out how we propose to expand competition in the public sector, is a key part of the Citizen’s Charter programme. It emphasises the role of public sector managers in buying services on behalf of citizens.’

In fact market-testing is seen as the best means of achieving the quality improvement and value for money envisaged in the Citizen’s Charter. For instance, in the White Paper on “Competing for Quality” the Government asserts that:

‘testing a particular service to see which supplier - in-house or external - offers the best combination of value for money and quality for the user’ (HM Government, 1991c: 3).

However, it would seem that Market-Testing is more of part of the efficiency programme of the Government (that started when the Conservatives came into office) than part of a quality initiative.<sup>47</sup> Some civil servants made the following remarks about Market-Testing:

‘It is driving out efficiency which should eventually reduce the money that we require to operate’ (Finance Officer in a Government Department).

‘It has become a sort of efficiency drive’ (Finance Officer in a Government Department).

‘It was used in the first place in the local governments as a way of reducing the cost of local governments. Because it worked out very well in the local governments, it was then applied in the Central Government’ (Principal Finance Officer in a Government Department).

‘By and large, we have found Market-Testing as an excellent way of actually improving our competitiveness and reducing our costs in ways that we might have not been able to do without the initiative’ (Director of Finance of one Agency).

‘The purpose of Market-Testing is to bring the benefits of competition into public service. This is an approach to improve efficiency within the machinery of government’ (Chairman of a Select Committee of the House of Commons).

Thus, while most of the government officials that were interviewed remarked that the introduction of Market-Testing into the Central Government was politically motivated, many of them were quick to point out the economic/efficiency dimension of it. For instance, one Treasury Official described the background to the introduction of Market-Testing as follows:

‘It was politically motivated in the sense that it was influenced by Government’s feeling that the private sector is more efficient. By putting various tasks to Market-Testing, Government is trying to improve the efficiency with which these activities are performed, whether given to the private sector to perform or the departments do them. There is therefore a mixture of factors coming together there to drive this change’ (Treasury Official).

One officer in the Finance section of one of the departments, however, remarked that though both political and economical factors underlined the change the main reason for change was economical:

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<sup>47</sup> The Government stresses in its White Paper on “Competing for Quality” that: ‘competition does not mean invariably choosing the cheapest service’

‘The main reason is economical. The second part is political because the Conservative Party like to reduce the role of the Civil Service as far as possible. To some extent, it likes to get work to the private enterprises, industries which of course contribute to the Conservative Fund. The biggest driver is economic. One of the most unfortunate thing is that the Conservatives had to increase taxes recently in this country. The Conservative Party has been in power in this country now for a long time and it was known as the Party of low taxation. That has won them many votes in the elections. Now they have had to increase taxes. They are looking for ways of saving money so that they can lower taxes before the next general election.’

Market-Testing has been performed in the Central Government since some years back (cf. Carnagham and Bracewell-Milnes, 1993). It has been part of the government policies since the Conservatives came into office in 1979 to increase competition. The White Paper is quite explicit on this:

‘Since 1979 the Government has steadily opened more Central Government work to competition, both through its market-testing programme and through withdrawing from activities, such as construction, where it is not normally sensible to maintain an in-house operation’ (HM Government, 1991c : 8).

‘Market-testing has so far been largely concentrated on traditional support services. The Government wishes to build on this by opening up to competition new areas, closer to the heart of government (HM Government, 1991c: 12).

In addition, Market-Testing has been carried in the past years in Ministry of Defence,<sup>48</sup> and with considerable success by the local authorities and the NHS:<sup>49</sup>

‘Market-testing started in local authorities when Government started forcing them to carry out market-testing. It was successful in cutting costs in local authorities’ (Director of Finance of an Agency).

In essence, what Government has done with the publication of the White Paper is to give Market-Testing “a new impetus” (HM Government, 1991c: 8), particularly in the core of the government.

Following a decision of the Cabinet to push ahead with the Reforms (and in line with the agenda set out in the Citizen’s Charter), the Civil Servants were required to put together what the new Market-Testing programme would involve and how it would be performed. After the usual consultation with officials in the department, the Treasury Officials prepared the White Paper on Competing for Quality. The White Paper was supplemented by a guidance issued by the Treasury. This guidance contains guidelines on how departments and agencies should carry out Market-Testing on their activities. The Market-Testing programme took off immediately after it was launched. However, it does not

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<sup>48</sup> See for instance, Utley (1994)

<sup>49</sup> An extensive discussion of this can be found in Carnagham and Bracewell-Milnes, 1993. See also Flynn (1994).

appear that it is a programme loved by many civil servants. One Director of Finance in an Agency remarked that:

‘Many departments have been reluctant to come up with programmes for Market-Testing. Those that find it useful (for competition) have come up with Market-Testing programmes’

The economic benefit of Market-Testing is its most common advantage that is often stressed. One former senior Treasury Official, for instance, stressed that:

‘The potential savings from Market-Testing, even where in the end in-house providers win the competition, are considerable. It is estimated that over two hundred and fifty million pounds per year has been saved since 1979 across the whole public sector (including the local authorities).’

However, many of the people that were interviewed (outside the Treasury) emphasised the negative side of Market-Testing:

‘The bad side of it is that it is causing tremendous amount of uneasiness among the staff. People are worried about their future, about their jobs. Market-Testing has affected the morale of staff. Many people joined the Civil Service many years ago as the most secure employment in the country, not necessarily the best wages in the country. Market-Testing is a complete challenge to that security’ (An official in the Finance Section of a Government Department).

‘It has had a huge effect on the morale of staff: they feel threatened. It has really worried people most because of the prospect of losing their jobs: your job can disappear overnight’ (An official in the Finance Section of a Government Department).

‘It has been quite extra-ordinarily disruptive. In many cases, it is generally damaging to morale.... The Market-Testing has extremely depressed the people in Whitehall, especially in the way they are being treated and messed around by the present Government. The Chief Executives of the Next Steps are equally depressed, as they are required to put some of their activities for Market-Testing because of a belief that they could be better run by outsiders’ (A former official at the CPRS Unit).

There is the “pure” privatisation aspect of Market-Testing, otherwise known as “strategic contracting out” or “outside sourcing” which had affected the morale of staff even more. This type of Market-Testing does not involve the participation of an in-house team in the bids, i.e. participation in the bids is exclusively reserved for private sector organisations. The White Paper listed some services that Government had already decided to contract out (see HM Government, 1991c: p.10), and encourages departments to engage in it and to always consider it for new services. A rationale for this was provide in the White Paper as follows:

‘a department may conclude that in-house provision of a service detracts from its ability to concentrate on core functions. Or there may be areas where the private sector will be better equipped to provide a particular activity because it has a better understanding of market needs or specialist advice’ (HM Government, 1991c: pp. 10-11).

One Principal Finance Officer remarked that increasingly, ministers are opting for this second part of Market-Testing:

‘Progressively in many departments, ... ministers are moving away from Market-Testing as such and preferring to proceed with what is called strategic-contracting out.’

### **Resource Accounting and Budgeting**

Traditionally, as in most Governments, the financial control system in the British Central Government operates on a cash accounting basis. Cash accounting basis has proved very valuable in demonstrating custodial accountability to Parliament which has the ultimate control over government finances:

‘Cash accounting has traditionally been the basis upon which most public sector entities have accounted and reported, largely reflecting the benefit this method has in demonstrating compliance with (cash) spending limits’ (OECD, 1993: para. 9).

However, at the end of the first World War, some accountants (that were recruited from outside the civil service to some Government Departments) were very critical of the cash basis of accounting used by the Government (Fletcher, 1991). Proposals for the introduction of accrual basis of accounting were then put to the House of Commons’ Select Committee on National Expenditure. This Committee accepted the proposals and they were tried from 1 April 1919 in the Defence Units of the Government. As Fletcher (1991) remarked, for reasons of the extra expenses of implementation, asset valuation problems and the peculiarities of where the pilot test was carried out, this initiative failed.

With the 1921 Act<sup>50</sup> and subsequently the 1973 Act<sup>51</sup>, a few government units have had to put in place accrual accounting plus cash accounting (where they receive annually voted supply). In 1982, the FMI came on board together with its requirements that government departments improve their information systems (beyond cash information) to provide information on costs (for internal management purposes). In 1983, the Government introduced Property Repayment Services under which departments that were provided with accommodation centrally were required to pay “opportunity cost rentals” through appropriate adjustments to their annual running costs supplies. At about the same time, and in line with the internal charging directive, departments were required to prepare

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<sup>50</sup> The 1921 Act, i.e. the Exchequer and Audit Act (1921), gave the Treasury the power to require government departments to prepare commercial-type accounts for their trading activities.

<sup>51</sup> The 1973 Act, i.e. Government Trading Fund Act (1973) empowers the government to establish Trading Funds for government units whose services involve (or are in the nature of) trading operations. Units established as Trading Funds are required to prepare commercial-type accounts.



Memorandum Trading Accounts that are based on full cost for chargeable services (for internal purposes). This requires the maintenance of accruals accounting system.

The launching of the Next Steps Initiative in 1988 led to the establishment of some government units as Executive Agencies whose nature of accountability and financial performance targets (like the Trading Funds) require that they have and operate accruals accounting system. This Initiative left only the core “departments” (which are decreasing in size due to creation of Agencies and Trading Funds) to operate on non-accrual basis:

‘Over the years, the public sector have increasingly been moving towards reporting on accrual basis. Local authorities, nationalised industries, Trading Funds and next steps had accruals accounting system’ (Treasury Official).

In 1990 ministers decided that all government departments should have in place Capital Asset Accounting system (i.e. Capital Asset Registers) by 1 April 1993. These registers are meant to provide values of assets to facilitate charging for their uses. This in effect laid a foundation for the take off-of a full accrual accounting system. From this date (1 April 1993) Government began a system of charging accruing “Superannuation Costs” against departmental running cost. Thus, over the years as Government was increasing the level of responsibility delegated to managers down the line, it was putting in place various accounting techniques. Some of these techniques were designed to ensure that information about the full costs of services that managers provide are available and that managers are fully charged where appropriate. A rationale for this can be found in the White Paper on Competing for Quality:

‘Where manager’s budget is fully charged for all goods and services used, the incentive to increase efficiency is maximised for costs and savings directly affect the budget’ (HM Government, 1991c: 10).

When the Chancellor of the Exchequer was informing the Committee of Public Accounts and the Treasury and Civil Service Committee about the development of Resource Accounting and Budgeting ahead of the Green Paper on it, he made an explicit recognition of the above developments and stressed that it would build on them:

‘The approach will be similar to that employed in the private sector and in those parts of the public sector-including Executive Agencies and the National Health Service-which already make use of accruals-based accounting. It will also build on the management information and capital assets already being developed in departments’ (PAC, 1994: Appendix B).

The need to have full information about costs of services and charge for these arose directly from the FMI. The existing cash accounting system could not provide the necessary information to account for, assess and evaluate the value for money obtained by managers under an increasing managerial delegation of responsibility regime. It was in recognition of this that Government had continued to introduce more accounting requirements since the 1980s (OECD, 1993). Also subsequent initiatives continue to make the need for government departments to have in place a system that can generate accrual information unavoidable. For instance, the Market-Testing Initiative makes it necessary for departments to operate a sort of accruals accounting system that would enable their in-house teams to participate effectively in their bids. As the OECD (1993: para. 175) stresses:

‘For competition to be possible managers need compute the full cost of providing relevant services in house which accrued costs such as depreciation and interest on capital.’

Therefore, the development of Resource Accounting and Budgeting is to some extent due to the earlier initiatives. For instance, a senior Treasury Official explained that Resource Accounting and Budgeting is a way of pushing ahead the Reforms anticipated under the FMI:

‘Resource Accounting is the next leap of FMI. In a sense what we want to do is to get managers from thinking about the cash to thinking about the cost of all the resources they use over time.’

Although the linkage between Resource Accounting and Budgeting, and the earlier initiatives,<sup>52</sup> especially FMI, is very explicit, there is the need to understand its development in a wider context. Resource Accounting and Budgeting, like many of the earlier initiatives, is designed to ensure that managers improve value for money. An officer in the Finance Unit of a department, for instance, described Resource Accounting and Budgeting as another way of cutting cost and getting the Departments to be more efficient. The drive to improve value for money is not without a context. Underlying the drive to search for ways of improving value for money are a combination of financial pressure and political agenda. Also, the Government believes that private sector management practices

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<sup>52</sup> The Government stresses that the Resource Accounting and Budgeting proposals: ‘are not being put forward in isolation. They originate from the basic principles of sound financial management laid down in 1982 in the Financial Management Initiative. They also underpin other initiatives taken since then, including Next Steps and the Citizen’s Charter’ (HM Government, 1994a: 1).

are better than public sector management practices and had increasingly leaned towards the latter.

‘The Government is committed to a continuing programme of radical improvement in the way the public sector manages itself. Only by taking a progressively more business-like approach can the Government continue to bear down on the cost to the taxpayer of delivering public services whilst improving service standards ...’ (HM Government, 1994a: iii).

Therefore, Resource Accounting and Budgeting can also be viewed as part of the Government attempts to import private sector practices. One senior Treasury Official described it as:

‘bringing in private sector discipline into government.’

Before the Chancellor of the Exchequer announced in his budget address in November 1993 that a White Paper on the introduction of Resource Accounting and Budgeting was in the offing, work had started on designing the system. Two teams had been set up by Treasury Ministers under the direction of a Steering Committee chaired by the Treasury’s Chief Accountancy Adviser. The first team focused on departmental arrangements for resource accounting and had the responsibility for developing accounting principles and framework (based on commercial practice). In addition, it has the responsibility for determining skills and other capacities that are required for resource accounting arrangements in the departments. The second team was charged with the responsibility for determining the implications of Resource Accounting and Budgeting for existing government financial control practices, including the roles of Parliament.

Interestingly, the NAO was involved formally during the process of designing Resource Accounting and Budgeting. The Chancellor of the Exchequer, in a letter to the Committee on Public Accounts, stated that he had established regular consultation between the Treasury and NAO on the development of Resource Accounting and Budgeting. Similarly the C&AG remarked that the NAO had been in close liaison with the teams working on Resource Accounting and Budgeting (see also PAC, 1994, para. 15). The pilot tests on Resource Accounting and Budgeting in departments started about two years before the Green Paper on it was issued in June 1994. These tests were designed to provide assurance on the usefulness of Resource Accounting and Budgeting to both the departments, and

indicate cost of implementation. Its full implementation has been estimated to take between 3 to 5 years (PAC, 1994b). But what do Resource Accounting and Budgeting mean?

By definition:

‘the term “resource accounting” covers a set of accruals accounting techniques for reporting on the expenditure of UK Central Government, comprising departments and their executive agencies including Trading Funds, and a framework for analysing expenditure by departmental objective, relating this to outputs wherever possible. “Resource budgeting” covers planning and controlling public expenditure on a resource accounting basis’ (HM Government, 1994a: 1).

(The key features of Resource Accounting and Budgeting are shown in Appendix G.)

However, Resource Accounting and Budgeting is not designed to replace cash accounting completely or to provide only accrual information. As the Chancellor stressed,

‘Resource accounting will similarly be required to generate cash information for public expenditure planning and control purposes.’

Although this is often seen as a change arising from previous initiatives, it is not just another change. It is a change that may shake the entire government financial control arrangements whose foundation was laid in 1866. For instance, one senior Treasury Official made the following remarks:

‘Resource Accounting takes you back to PES system which is about resource budgeting. If you start looking at the use of resources in accrual terms, you start thinking that you should plan resources in accrual terms. Then what does this mean for Cash Limits, Cash Planning, etc.?’

One senior Treasury Official stressed that Parliament was being given about 7 months to consider the document on Resource Accounting and Budgeting. Thus, there is no doubt about the recognition of the fact that this is a fundamental change. The extent to which this one change may transform the Central Government is not yet fully known by many of the officials. One Principal Financial Official, for instance, remarked as follows:

‘This will lead to big changes in financial reporting to Parliament. It will involve a revolution in the way we control finance in government which I do not think any of us fully understand yet. A more rational and sophisticated planning and matching of resources is expected.’

Nevertheless, the full effect is unlikely to be known until the early years of the next century. This is because, according to the Green Paper, implementation of Resource Accounting and Budgeting in all Departments is not expected to start until 1 April 1998. Also, the resource accounts will not be published until 1999/2000.

## **CHAPTER FIVE**

### ***CHANGES IN THE NIGERIAN SYSTEM***

#### **5.0 INTRODUCTION**

In the last chapter, the “why”, “how” and “what” of changes in the British Central Government’s financial control system from 1960 to 1995 were described. Besides, an overview of some important events in the pre-1960 era was presented. In this chapter, an attempt is made to do the same for the Nigerian case. The first section contains an overview of the significant events in the pre-1960 era. In the second section, the context, process and content of the post-1960 changes are described in a chronological order.

#### **5.1 AN OVERVIEW OF THE MAIN EVENTS IN THE PRE-1960 ERA<sup>1</sup>**

Prior to colonisation toward the end of the 19th century, Nigeria does not exist as a country. The area that was brought under colonial rule as Nigeria existed then as a multitude of clans, kingdoms and empires. Each of these political entities had its own administrative arrangements. However, the financial administrative component is not known to include anything other than systems for collecting tolls and tributes, and keeping of these revenues in the King’s treasury. The funds were commonly used to finance wars and defray other state’s expenses, e.g. the maintenance of the King’s usually large family, making of rituals, etc. There was no formal system of financial accountability involving, for instance, the presentation of audited accounts to a particular body exercising some powers over the King’s treasury.

On 1 January 1900 Nigeria came into existence when the British Central Government formally assumed responsibility for her administration. Prior to this, Lagos has been formally annexed since 1861 by the British. Besides, the Royal Niger Company, a British company trading in Nigeria, was granted a Charter in 1866 to enable it maintain law and order in the areas where it was trading in Nigeria. Nevertheless, Nigeria was not administered as a country until 1914 when the Lagos Colony, Northern Nigeria Protectorate and Southern Nigeria Protectorate were merged by Lord Lugard.

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<sup>1</sup> This section draw on Akpan, 1979; Balogun (1983), Jeffries (1938 and 1956), and the researcher’s knowledge of financial control practices in the Nigerian Federal Government.

In 1922, Lord Lugard established a Legislative Council that included some Nigerians. However, this council had no control over Lugard's Executive Council as it was a mere advisory council. In addition, given that the Colonial administration in Nigeria was responsible and accountable to the Secretary of State for the Colonies, Nigeria could be viewed as a section of a department in the British Central Government. The expatriate colonial officials ran the Government almost exclusively until 1952.

A representative government was established in 1952 following Macpherson's Constitution of 1951. This Constitution provided for a Westminster system of government in Nigeria and the appointment of Nigerians as Ministers. However, the Ministers that were appointed in 1952 were not assigned any Ministry. Besides, the Governor-General was still the Head of Government. Basically, the Government was not fully accountable to the Nigerian Parliament under this arrangement. Nevertheless, the final stage of the installation of the British administrative system in Nigeria took place between 1952 and 1960. In fact, with Lyttleton (Federal) Constitution of 1954, the installation of the doctrines and institutions of Parliamentary Government in Nigeria could be said to have been completed.

Following the changes introduced to Macpherson's Constitution by Lyttleton Constitution of 1954, the administration of the Government was transferred to Nigerians (although under the watchful eyes of the Governor-General) in 1957 with the appointment of a Nigerian as the Prime Minister and Head of Government. It is worthy of note that while the political development was taking place, the accounting system in the Nigerian Federal Government was being built by the colonial officials.

A year prior to the appointment of a Nigerian as the Prime Minister, the codification of the accounting process began with the enactment of the Audit Ordinance of 1956.<sup>2</sup> This statute established the legal basis of auditing in Nigeria and is still the main statute on Audit. Moreover, most of its basic provisions were entrenched in the post-independence Constitutions. It provided for the preparation of annual accounts, audit of Government Accounts by the Director of Federal Audit (now Auditor-General for the Federation) and presentation of audited accounts to Parliament together with the Director of Audit's Reports through the Financial Secretary to Parliament. In addition, it provided for the

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<sup>2</sup> Now Audit Act of 1956.

appointment and removal of the Auditor-General, and defined his functions, power and reporting responsibility.

Two years later, the Finance (Control and Management) Ordinance of 1958,<sup>3</sup> was enacted. This provided for the establishment of the Consolidated Revenue Fund (CRF) and other Funds, defined the relationship between CRF and other Funds and prescribed rules for the operation of the Funds. It provided for legislative control over public funds. In addition, it specified the duties of the Finance Minister in the administration of public funds and defined the custodial accountability process. Like the Audit Act, most of the provisions of the 1958 Act were incorporated in the post-independence Constitutions.

Finally, in 1960, Nigeria adopted a Constitution which together with the aforementioned Acts provided a “circle of control” similar to what obtains in the British Central Government at that time. There was no significant financial control reform until 16 years later (see section 5.2 below).

## **5.2 CONTEXT, PROCESS AND CONTENT OF CHANGES (1960 - 1995).**

In this section, significant changes that occurred in the Federal Government’s financial control system from 1960 to 1995 are described under ten headings. In each case, the underlying pressures for change, the activities in the change process, the roles top civil servants performed in the change process, the extent to which changes were implemented, and the extent to which the prescriptive intents in each change have been realised are discussed.

### **Revised Financial Regulations (RFRs)**

Unlike the British Central Government, there was no significant formal change in the Nigerian Federal Government’s financial control system until 1976. During the 15 years following independence the Government was confronted with various political problems (part of which culminated in a bloody 3-year civil war) that did not allow financial control issues to attract any significant attention. Even the Financial instructions (FIs) which were compiled and issued during the colonial era were not subjected to a comprehensive review

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<sup>3</sup> Now Finance (Control and Management) Act of 1958

until 16 years after independence.<sup>4</sup> This was despite the ambiguities that arose in the use of the Financial Instructions after independence. Some of these ambiguities include changes in nomenclatures of officials referred to in the FIs, changes in currency (from Pounds to Naira) and different economic climate. A senior official in the Office of the Auditor-General (AG) explained why the FIs were not revised during the early post-independence period:

‘Pre-independence Financial Instructions contained some ridiculous provisions. However, political pressures did not allow the civilians in the First Republic to do anything about it.’

However, after the end of the Civil War in 1970, the political problems reduced drastically. The whole of the government administrative system began to receive attention. For instance, a committee was set up in 1972 to review the Public Service. Besides, the first oil boom in Nigeria that began in 1973 led to increased economic activities. For example, government expenditure increased by 94% and 133% in 1974 and 1975 respectively over the immediate preceding year compared with the increases of 52% and 10.4% in 1972 and 1973 respectively (see Appendix K). This influenced the revision of the FIs. For instance, on why the FIs were revised in 1976, one senior official in the Ministry of Finance remarked that:

‘This was an era of oil boom and massive economic activities.’

It must therefore be stressed that the revision was undertaken during the first oil boom in Nigeria. For instance, Balogun (1983) remarks that the administrators in the Gowon era were faced with the dilemma of what to do with the oil windfall unlike the problem of scarcity faced during the colonial era. Understandably, the provisions of the financial instructions compiled in a period of low economic activities must have appeared “ridiculous” or “old-fashioned” (to the Civil Servants) during the oil boom era, as some of them remarked below:

‘Most of the provisions of the Financial Instructions were British adaptation not very workable in the Nigerian environment. When we attained independence we need to reflect that in the Financial Regulations’ (Senior official in the Office of the Accountant General for the Federation - AGF).

‘It was a document we were using before our independence. By the time we became independent and we were operating on our own, it was discovered that some of the

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<sup>4</sup> There is a view that the Financial instructions were subjected to a mild review (after independence) in 1962 (see Public Service Review Commission, 1974). Phillips (1985), however, remarks that the FIs were not reviewed until 16 years after independence. Also, he argues that Nigerian financial regulations are “known more for their immutability than dynamism”



regulations had become old-fashioned and they were no more relevant'(Former senior official in the Office of the AGF).

'Financial Instructions were a straight-jacket order from the colonial officers on how government transactions must be conducted. Government found that some of the orders in the Financial Instructions were outdated. Some nomenclatures were changed' (Deputy Director of Finance and Supplies in a Ministry).

'The provisions of the Financial instructions were outdated, archaic and ridiculous .... It was originally designed to suit colonial administration... ' (Senior official in the Ministry of Finance).

'Most of the things contained in the Financial Instructions were no longer practicable' (Internal Auditor in a Ministry).

Under a Military Government whose policy formulation process was essentially dominated by top civil servants,<sup>5</sup> the civil servants began pressing for a review of the FIs in 1974:

'The initiative came from the civil servants' (Deputy Director of Finance and Supplies in a Ministry).

'The initiative came from the Civil Servants, Permanent Secretaries, who prevailed on the military that they wanted a review' (An official in the office of the AGF).

'The Treasury first felt the need for change' (Senior official in the Ministry of Finance).

'The initial felt-need for change was from the Office of the AGF' (Senior official in the Office of the AGF).

The Udoji Commission that was set up in 1972 to review the civil service also felt that the FIs needed to be revised. This commission which comprised mainly top (serving and retired) civil servants submitted its reports in 1974. In the report, the Commission pointed out some deficiencies in the government accounting systems and procedures:

'It is generally accepted that the Financial Instructions are a restriction on personal initiative and often tedious in application.... Areas requiring reform or greater compliance include internal audit and the Tenders Board, but there are further procedures which could be modernised, such as the authorisation of advances, payment vouchers and write-off of losses. Given greater delegation, chief executives could be relieved of many trivial functions' (Udoji Commission, 1974: 61).

The Commission suggested some remedies, and recommended a revision of the Financial Instructions inherited from the Colonial Government. In addition, the Commission made recommendations for a "results-oriented" Civil Service in its report.

Phillips (1985) argues that the "results-oriented" principles contained in the Commission's report also influenced revision of the FIs. Similarly, the official explanation for the change also emphasise the Udoji Commission Report:

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<sup>5</sup> Permanent Secretaries during this era are fondly referred to as "Super Permanent Secretaries". They had so much influence on the then Head of State such that the Supreme Military Council became just a rubber stamp for policies formulated by Civil Servants (see Adamolekun, 1986; ).

‘The complexity which Government business has assumed in recent years has made it imperative to take a closer look at the manual by which accounting arrangements are regulated. The Financial Instructions ... have been revised not because they were fundamentally defective, but because there have been changes in the philosophy of management of Government business. The principles underlying the philosophy were stressed in the Udoji Report’ (FRN, 1976: d).

However, the official explanation leaves a considerable scope for debate. For instance, the outcome of the review bears no resemblance to the recommendations of Udoji Commission. In fact, the advent of the oil boom in 1973 directed the intention of the Federal Government primarily to the part of the Report that recommended increase in the salaries of civil servants (cf. Omolehinwa, 1989). Also, pressures from civil servants for the review of FIs began months before Udoji submitted his Committee’s report and were motivated by the desire to have more freedom to spend. For instance, it was stated in the preface to the RFRs that:

‘The pressures exerted in the past to have the Financial Instructions revised have more often been motivated by the desire to have the tender procedures modified so that the pace of award may be accelerated and “inconvenient” restraints removed’ (FRN, 1976: d).

In 1974, the Minister of Finance set up a committee whose members were drawn mainly from the Treasury to review the FIs. This committee reviewed the Financial Instructions and submitted its report towards the “tail-end” of 1975. The report was approved by the Government. In accordance with the provisions of Financial (Control and Management) Act of 1958, the Minister of Finance issued the revised instructions in 1976 as “Revised Financial Regulations”. The revised financial regulations bore great resemblance to the FIs. One official in Office of the AGF remarked that:

‘They called it “Revised” because ... majority of the FIs were still there. It was not something outright new.’

Also, as with the FIs, the revised regulations are preoccupied with regularity and control. The “results-oriented” Civil Service recommended by the Udoji Commission was not accommodated in the Revised Financial Regulations. As Phillips (1985: 254) remarks,

‘One fails to find where the management as distinct from the administrative aspects of public finance (that is the pursuit and attainment of objectives effectively and efficiently) are provided for in the revised regulations. ...it is hard to see what greater room there is, even in the revised regulations, for an officer to pursue an objective without having to thread through cumbersome financial and accounting procedures.’

The procedure for government transactions remains cumbersome and disallows initiative. The repetitive checking that Udoji Commission recommended for elimination from the regulations (see Udoji Commissions, 1974: para. 261) remained almost in the same

quantity as in the FIs. In addition, the recommendations of the Udoji Commission on adequate delegation of accountability of financial operations to operational level (see Udoji Commissions, 1974: para. 261) were not accommodated in the revised regulations. This further attests to the argument that the drive to revise the FIs did not come from a desire to implement the recommendations of the Udoji Committee.

Many of the Civil Servants that were interviewed remarked that the Revised Financial Regulations were since overdue for revision. Some even argued that ordinarily they should be reviewed every four or five years. It does not appear that a comprehensive revision of the Financial Regulations (FRs) is on the priority of the Government. What Government has done over the year is to issue multitudes of administrative circulars which had almost replaced the FRs. As a senior official in the Ministry of Finance revealed,

‘Copies of the FRs had almost disappeared completely from government offices.’

Two separate panels have been set up to review the FRs after the 1976 edition was published. These panels were constituted by the AGF. The two panels submitted their reports in 1981 and 1987 respectively. According to a senior official in the Office of the AGF, these reports “did not see the light of the day.” He explained that these panels were

‘...dominated by accountants but reports have to pass through the administrators who can put them in the “cooler”.’

Major revisions were made to the FRs by the 1988 Civil Service Reforms.<sup>6</sup> However, following the suspension of the 1988 Civil Service Reforms and the repeal of the enabling Decree, the Government had directed civil servants to revert to the regulations in place before 1988, i.e. the FRs of 1976 and the relevant circulars.

### **The 1979 Constitution**

The 1979 Constitution made a number of changes in the Federal Government’s financial control system. The changes affected mainly the areas of budgeting, operation of Consolidated and Contingencies Funds, audit and legislative control over public funds. The Constitution saddles the President with the responsibility for preparation of annual budgets. Specifically it requires the president to cause budget for the next following year to be prepared and laid before the National Assembly. This provision alters the provisions of the main federal legislation on financial control, i.e. Finance (Control and Management) Act of

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<sup>6</sup> The 1988 Civil Service Reforms is discussed later in this section

1958, which assigns the responsibility for annual budget to the Minister of Finance <sup>7</sup> (see Federation of Nigeria, 1958: Sec. 13).

Prior to the 1979 Constitution, where the annual Appropriation Bill has not been passed by Parliament the Minister of Finance may authorise warrants for issue of moneys from the Consolidated Fund as he may deem fit, but not exceeding the level of those services prevailing in the previous financial year, for a maximum period of four months or until the Appropriation Bill is passed (Federation of Nigeria, 1958: Sec. 17(1)). The 1979 Constitution replaces the Minister with the President and extends the period of authority to spend in default of Appropriation Act from four to a maximum of six months (Sec. 76). In addition, the 1979 Constitution stipulates that Parliament can make provisions for the establishment of a Contingencies Fund by law and authorise the president to make advances from the Fund to meet expenditures arising from what he may consider as urgent and unforeseen events (Sec. 77(1)). Before 1979, the law allows the establishment of a Contingencies Fund (of a specified amount) from which the Minister of Finance may authorise withdrawals (see Federation of Nigeria, 1958: Sec. 15).

The Office of the Auditor-General for the Federation was created and made independent of the Executive by the provisions of the 1979 Constitution. This effectively meant the transfer of the Audit Department from the Executive arm of the Government. Contrary to the Provisions of the main federal audit legislation (i.e. the Audit Act of 1956) that requires his predecessor, the Director of Federal Audit, to present his report to the Minister of Finance who will lay it before Parliament,<sup>8</sup> the Auditor-General was empowered by the 1979 Constitution to lay his report directly before the National Assembly (i.e. Parliament). Prior, to the 1979 Constitution, the President can overrule the opinion of the Federal Director of Audit on any matter relating to Public Accounts and report this to Parliament (Federation of Nigeria, 1956: Sec. 15). However, the 1979 Constitution made this impossible. Provisions for his appointment and removal were also entrenched in the Constitution.

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<sup>7</sup> The 1958 Act, as amended is still the main Financial Management Act of the Federal Government. It was followed during the First Republic and the subsequent military era.

<sup>8</sup> Section 9(3)(ii) of the 1956 Act did provide that the Director of Federal Audit can transmit his report to the Parliament through the Speaker and Senate President to the Houses of Representative and Senate respectively if he feels that the Minister did not present his report in good time (see Federation of Nigeria, 1956).

The Constitution stipulates that the AG is to be recommended by the Federal Civil Service Commission, appointed by the President and confirmed by the Senate (Secs. 79 - 80). In addition, he cannot be removed from office before the retiring age stipulated by law save by the president acting on an address supported by 2/3 of the Senate asking for his removal (Sec. 81). Before the 1979 Constitution, the Director of Federal Audit is appointed by and holds office at the pleasure of the President (see Federation of Nigeria, 1956: Secs. 3 - 4).

As in the 1956 Act, the salary of the AG was made a charge on the Consolidated Revenue Fund (Sec. 78). However, unlike in the 1956 Act where the amount of his salary was stated (see Federation of Nigeria, 1956: Sec. 3(1)), the 1979 Constitution only includes a clause that his salary and conditions of service cannot be altered to his disadvantage after his appointment (Sec. 78). However, it does not appear that these provisions went far enough to guarantee his independence. His staffs were still recruited by the Civil Service Commission and their salaries were subjected to normal annual budget rules,<sup>9</sup> since the Constitution is silent about these matters. A senior official in the Office of the AG remarked as follows on the constitutional provision on the AG's salary:

'It is one of those eye-catching changes.... It is cosmetic. It does not really improve his independence. It does not really add anything to him. But they think that once they say his salary is charged on the Consolidated Account he becomes independent automatically. The salaries of his staff are still budgeted and while his own is just about N50,000, that of his staff amounts to about N60,000,000. So you can still squeeze the AG by giving him his salary untouched and then giving him half of the salary for his staff.'

The Constitution enhanced the powers of the AG and widened his jurisdictions. It provides that he shall not be subjected to the direction or control of any person (or body) in the exercise of his functions (Sec. 79(4)). His jurisdiction was widened beyond the 1956 Act as he was empowered to follow public money to anywhere it may go. For instance, before 1979 Constitution, the Director of Federal Audit can only audit the accounts of public enterprises if the President directs him to do so (Federation of Nigeria, 1956: Sec. 9(1)). However, the 1979 Constitution provides that the AG shall audit and report on

'...the public accounts of the federation and of all offices, courts and authorities of the federation, including all persons and bodies established by law entrusted with the collection and administration of public moneys and assets' (Sec. 79(2)).

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<sup>9</sup> It was reported that the budget for the Office of the AG was considered by the PAC in 1981 (see Oshisami and Dean, 1984).

Undoubtedly, the AG is empowered by the Constitution to audit all public corporations and parastatals. However, doubts were expressed whether it was the spirit of the Constitution that the AG should audit even the accounts of organisations where the Federal Government is just a creditor (see Oshisami and Dean, 1984).

However, the AG never really followed the public money to everywhere it went, as was provided in the 1979 Constitution. In 1981 the Auditor-General pointed out the practical difficulties of performing this constitutionally assigned function. While he accepted his responsibility to audit parastatals and public enterprises, he declared his intention to use private audit firm to perform this function and provided guidelines on how this would be carried out (see Auditor-General for the Federation, 1981). Up to 1984 when the Government empowered parastatals to appoint their auditors, auditors were appointed for them by the AG:

‘The parastatals had since 1984 being empowered to appoint their auditors’ (Séniór Official, Office of the AGF).

The exercise of the power of the AG “to follow public money to anywhere it may go” had earlier been resisted by some parastatals and this resistance was supported by the Institute of Chartered Accountants of Nigeria (Oshisami and Dean, 1984). Without an amendment to the constitution, its provisions prevailed until 1984 after the military returned to power. The 1989 Constitution that was prepared for the aborted Third Republic provided an opportunity for the military to reflect in the Constitution the change that was made in 1984 to the jurisdiction of the AG. The 1989 Constitution dumped Sec. 79(2) of the 1979 Constitution that empowered the AG to “follow public money to anywhere it may go” and its provisions (shown below) reflect the current practice:

‘The public accounts of the Federation and of all offices and courts of the Federation shall be audited by the Auditor-General...’ (Sec. 83(2)).

‘Nothing in subsection (2) of this section shall be construed as authorising the Auditor-General to audit the accounts of or appoint auditors for government statutory corporations, commissions, authorities, agencies including all persons and bodies established by an Act of the National Assembly, but the Auditor-General may -

(i) a list of auditors qualified to be appointed by them as external auditors and from which the bodies shall appoint their external auditors;

(ii) a guideline on the level of fees to be paid to external auditors;

(b) comment on their annual accounts and auditor’s reports thereon’ (Sec 83(3)).

There is a scope for debate on whether the changes entailed by the above provisions on the jurisdiction of the AG made a significant difference on financial accountability in

Government. The AG was not able to cover effectively the financial activities of the core of Government. For example, it was revealed in 1994 that about \$12.7 billion of oil revenues was kept in a dedicated account in the Central Bank of Nigeria (CBN) by the Military Government (Okigbo Commission, 1994). Over 90% of this amount was spent outside the normal government financial control system and without regard to Financial Regulations. The AG did not “follow this money” even though he was not forbidden by any Decree:

‘I am not aware of any Dedicated Account. It may be a contrivance at the CBN. The AG does not audit any Dedicated Account’ (Senior Official, Office of the AG).

In addition, no member of the public has ever seen the accounts of the foreign aids received by the Nigerian Government and the AG does not follow them:

‘... no Government of this country has ever sought to explain how it utilises the external assistance it receives from other nations. This fact is even more disturbing when it is realised that what is at issue involves funding amounting to billions of dollars. United Nations Development programme (UNDP) figures state that external assistance commitments for Nigeria totalled \$3.4 billion in 1991. When that is compared with the ... \$7.442 billion in revenue expectations for that year, it is clearly seen that a sizeable chunk of national income is not being publicly accounted for’ (Financial Guardian, Editorial, 20 December 1993).

The 1979 Constitution also attempted to further improve financial accountability in Nigeria by specifically giving some powers of investigation to Parliament. For instance, it empowered Parliament to direct or cause to be directed an investigation into the conduct of any person or body charged or intended to be charged with administering moneys appropriated or to be appropriated by Parliament so as to expose corruption, inefficiency or waste (Sec. 82). However, there is no evidence that this constitutional provision was ever evoked by Parliament in the Second Republic. As Johnson (1989: 76) remarks:

‘...the Executive, especially the Ministers were not challenged in their extravagance and fraudulence activities as later discovered after the 1983 coup.’

Furthermore, Johnson explains that the Second Republic legislature had no control over its own finances, did not control the spending of the Government, and appears prodigal and extravagant:

‘In the first three years of the Assembly, the lawmakers that should scrutinise the proposals of the Executive gave more money to the Executive. ... The legislators might not be oblivious of the fact that they could only get contract if more money is released from the consolidated revenue fund. ... It seemed cynical that a house expected to prune down the spending of the Executive had to add more to it. Two issues arise out of this. First, it reduces the power of the Legislature and consequently its image and second, it shows that the legislators are prodigal and extravagant or perhaps fraudulent. ... votes of the National Assembly and the Office of the President were not subjected to any scrutiny. ... the National Assembly had no control over its spending.’

On the whole, the changes in financial control introduced by the 1979 Constitutions are not known to have resulted in any significant improvement in financial accountability. For instance, in 1987 the Accountant-General remarked that:

‘...between 10% to 15% of Government’s annual recurrent budget is lost through stealing, wastage and misappropriation’ (Daily Times of 5 August 1987: 6).

This refers to the amount known by the Government and does not even include capital expenditure which Inanga (1987) believes “constitutes avenues for financial leakage”.

At best, the provisions of the Constitution improved financial control institutions on paper. On why the 1979 constitutional changes did not appear to have significant impact on financial accountability, a senior official in the Ministry of Finance made the following remarks:

‘You could probably make a distinction between institutions which exist to carry out certain functions and their actual effectiveness in carrying out those functions .... Those who held power ... did not allow those institutions to perform.’

Also, he believes that people were still mixing the practices before 1979 with the way they were supposed to do things from October 1979 when the Second Republic began:

‘The hang-over of Parliamentary System did not allow the Presidential System to work.’

In a similar vein, Johnson (1989) remarked that the entire Constitution was doomed to fail from the onset and its overall effect was a disaster.

These financial control changes came largely as a result of the new system of government (US Presidential system) adopted by Nigeria. For instance, the Director of the Federal Audit or any of his staffs did not lobby the military or Constituent Assembly for the creation of the Office of the Auditor-General and all that goes with it:

‘It was the magnanimity of the Constituent Assembly.... It was a gift from those who drew the Constitution’ (Senior official in the Office of the AG - on the provisions of the 1979 Constitution relating to the AG).

An Official in the Office of the AGF explained the source of the Constitution as follow:

‘We borrowed 80% of the provisions of the Constitution from America.’

That 80% of the provisions were borrowed from the American Constitution may be an underestimation. For instance, Johnson (1989) made the following remarks about the Constitution:

‘...the wordings of the 1979 Constitution seemed lifted from the original text of the 1787 Constitution of America (p. 74).



'The wordings of the 1979 Constitution were only a shade different from the 1787 Constitution of America. The resultant effects are government organs made after American culture with Nigerian Operators. The outcome was a disaster that ended up in the termination of the Second Republic whereas the copied constitution is still alive in its home base' (p.70).

Johnson (1989) believes that the 1979 Constitution was "part of the grand design of imperialism". This is an exaggeration, however, since Nigerians were not forced to copy the American Constitution by the Americans.

The adoption of US Presidential System during the second half of the decade of 1970s really need not be a surprise. According to a senior civil servant, there began "massive visits" of Nigerian Government officials (military and civil servants) to the United States in the early 1970s. Most of them took interest in US government practices. Besides, not only were Nigerians dissatisfied with the First Republic's Parliamentary System (Forrest, 1993), the relationship between the Military Regime (of 1975 to 1979) and Nigeria's former colonial master, Britain, was not particularly good. First, the regime was characteristically nationalistic and thereby wanting to remove any colonial influence on Nigeria. Second, the regime disagreed with Britain on a number of issues, particularly the independence of some African countries. The climax of the strained relationship was the nationalisation of British Petroleum by the Regime in 1978.

Under a Military Regime with a purpose and direction, and a distaste for civil servants (cf. Adamolekun, 1986; Balogun, 1983), the civil servants made no visible contribution to the changes entrenched in the Constitution. The military constituted a Constitution Drafting Committee (CDC) in 1975 comprising mainly academics, politicians and professionals. However, the choice of a new political arrangement and the main ingredients of the Constitution were dictated by the military. The then Head of State, General Murtala Muhammed, declared to the members of the CDC during the inauguration ceremony that his Supreme Military Council had decided that the country needed, among others, an executive presidential system of government (see. Muhammed, 1975). In a similar fashion, he outlined other ingredients of the new political order to be entrenched in the Constitution. Thus, the members had to keep themselves informed on US Constitution. The situation was such that commentators on the 1979 Constitution (e.g. Maduagwu, 1992) could not help

expressing doubts whether the members of CDC, although distinguished in their careers, were anything more than the military's "secretaries" for the drafting of the Constitution.

The military leaders must have been particularly interested in those provisions that will bring sanity into the administration of public moneys in Nigeria. As one senior official in the Ministry of Finance explained,

'One of the reasons it (military) overthrew the Civilian Government was because of corruption. Since the soldiers ruled for such a long time, before handing-over to the civilians again in 1979, they had to bring up all those safeguards.'

The need for the Military Regime (of 1975 to 1979) to put in place measures that will safeguard the public money was not due to the corruption under only the Civilian Regime that was overthrown in 1966 but also the previous Military Regime. Several writers (e.g. Adebayo, 1981; Akpan, 1982 and Balogun, 1983) observe that corruption reached an epidemic proportion under the previous Military Regime (of 1966 to 1975). Similarly, a senior official in the Ministry of Finance stated that when the Military Regime that set up the CDC seized power from the previous Military Regime in 1975

'... there were so many Commissions of Enquiries. What were the subjects of these enquiries? Corruption and mismanagement of public funds.'

### **Programme Performance Budgeting System**

Since the early 1970s there has been a growing interest in the introduction of Planning Programming Budgeting System (PPBS). As one senior official in the Federal Ministry of Finance explained, this followed visits by "massive teams" of Nigerian Officials (drawn from the state and Federal Governments) to the United States:

'Massive teams of Nigerian Officials were going to US about twice in a year. There was growing interest in it (PPBS) in the US and returning officials brought it.'

Some of the officials attended courses in American Institutions where they were thought about PPBS, among other things. One of these officials explained that 40 of them that attended a course at Pittsburgh University in 1977 received lectures on PPBS.

The first move to introduce PPBS in Nigeria was made by the Western State Government in 1972 and it was used in 1972/73 fiscal year (Oshisami, 1992).<sup>10</sup> In 1973, the Federal

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<sup>10</sup> According to Oshisami (1992), the state planned to introduce Programme Budgeting and Performance Budgeting in 1972/73 and 1973/74 fiscal years respectively, and move to full PPBS in 1974/75 fiscal year. The interest in the use of PPBS continued in the states (Ogun, Ondo and Oyo states) that were created out of the old Western State in 1976. However, as Omopariola (1989) remarks, this interest had worn out and PPBS had been abandoned in Oyo State, for instance, before 1984.

Government showed interest in the introduction of PPBS at the federal level. However, this “did not move beyond the level of intention” (Oshisami, 1992) before the idea was abandoned. The interest in PPBS was rekindled by the Udoji Commission in its report of 1974. As part of its recommendation for a “results-oriented” civil service, the Commission recommended the adoption of PPBS (see Udoji Commission, 1974).<sup>11</sup>

In 1977 the Federal Ministry of Finance set up a team (comprising of some of its senior officials and researchers from the Nigerian Institute of Social and Economic Research) to review the government budgeting system. The team visited USA, Indonesia, Philippines and Japan to study these countries’ budgeting system in order to recommend (for Nigeria) some of the suitable aspects of these systems (see Federal Ministry of Finance, 1977 and Omolehinwa, 1989). The team recommended the introduction of PPBS. The Federal Government “agreed in principle” to introduce PPBS (cf. Akinyele, 1983b; Oshisami and Dean, 1984) but referred the team’s report to the Permanent Secretaries. The Permanent Secretaries expressed doubts on the capability of the Civil Servants to implement the budgetary technique. Consequently, as Oshisami (1992: 75) puts it, the adoption of PPBS by the Federal Government (following the report of the special team of the Federal Ministry of Finance)

‘...failed even before installation because of implementation capability in the then Budget Division of the Federal Ministry of Finance.’

The report of the team went into the “cooler” like earlier attempts by the Federal Government to reform the budgeting system were shelved. Thus, even though successive Governments were aware of the defects in the budgetary system as documented in the reports of some committees (e.g. Okigbo Commission, 1980; Federal Ministry of Finance, 1977; Udoji Committee, 1974), nothing really happened until a Civilian Government came to power in 1979. As Akinyele (1983b: 13) puts it:

‘The need to reform the budgeting system has been in the minds of successive Administrations for many years although nothing concrete had emerged.’

Not long after coming into office, the Civilian President appointed Chief Akinyele as an Adviser on Budget and Director of Budget. (Chief Akinyele was instrumental to the

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<sup>11</sup> However, the government did not give the “results-oriented” aspect of the Report any serious attention, as it was preoccupied with the implementation of improved conditions of service aspect of the Report (see Omolehinwa, 1989).

introduction of PPBS in Western State in 1972 and is believed to have good experience in the uneasy task of implementing PPBS.)<sup>12</sup> Chief Akinyele remarks that he was mandated, upon appointment, to introduce PPBS into the Federal Government (see Akinyele, 1983b). In November 1980, the then President explained to the National Assembly (in his budget proposals) that his Government had, upon taking office, recognised the need to reform the budgetary system. He then declared that his Government will put in place a budgetary system that is expected “to strengthen the linkages between planning, budgeting and performance evaluation and review through a feedback arrangement” (Shagari, 1983). The President’s declaration on a budgetary reform followed a sole political initiative:

‘The initiative was from the politicians’ (Senior Official, Ministry of Finance).

However, the political initiative met a sizeable number of PPBS “apostles” among the Civil Servants in a relevant central Department like Federal Ministry of Finance.<sup>13</sup> But it was not until after the President informed Parliament about the reform that his Budget Adviser officially briefed the Civil Servants (see Omolehinwa, 1989). Supported by a team of Civil Servants in his Office, the Budget Adviser did much of the homework on the introduction of PPBS. After all, that was part of the job he was appointed to do.

The introduction of PPBS in Nigeria was seen by the civil servants as a way of ensuring a smooth operation of the newly introduced Presidential System:

‘...part of the efforts to make the Presidential System work’ (Senior Official, Ministry of Finance).

The then Budget Adviser, however, remarked that the introduction of PPBS was not necessarily a constitutional requirement of Presidentialism (Akinyele, 1983a). Going by the claim of the Budget Adviser, Nigeria did not adopt the American version of PPBS outright. The Budget Adviser had argued that neither the PPBS nor the ZBB developed in the US or practised elsewhere can serve the Nigerian need (see Akinyele, 1981). This, according to him, was because these budgetary techniques were developed to serve a “cultural or political” need different from that of Nigeria. He declared in 1981 that Nigeria was

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<sup>12</sup> See Omolehinwa (1989). PPBS was introduced by the Western State following a feasibility study by Chief Akinyele (see Akinyele and Bennett, 1972). Also, see Akinyele (1980) where the experience of the Budget Adviser is well documented.

<sup>13</sup> One of them believed so much in PPBS that he once asserted, when he was a Deputy Accountant-General, that PPBS ‘has been used with tremendous success’ in a number of places (see Iyeyemi, 1977: 35).

adapting rather than adopting PPBS, and he called the Nigerian version of PPBS “Programme Performance Budgetary System”<sup>14</sup> (Akinyele, 1981).

Four Nigerian institutions, namely: the Administrative Staff College of Nigeria (ASCON), the Centre for Management Development (CMD) and the Institutes of Administration at Obafemi Awolowo University (then University of Ife) and Ahmadu Bello University were approached by Akinyele. Akinyele’s objective was to see the possibility of the institutions forming a “Consortium” ‘to achieve a concerted and co-ordinated approach about training, organisation, methods and standards in the implementation of his budgetary reform exercise’ (Omolehinwa, 1989: 399). This was followed by a two-day workshop attended by representatives of these institutions and experts, including foreign experts like Premchand from IMF (see Omolehinwa, 1989). As part of the effort to put the reform in place, some Nigerian officials were sent on a training course on PPBS for six months at the Institute of Training and Organisational Development in Pittsburgh, USA.

The implementation of PPBS in Nigeria began in 1981 in the Ministries of Agriculture, and Housing and Environment and was extended to more ministries in 1982. It was a “crash programme”, as the Government planned to implement the budgetary reform in three years (i.e. 1981-1983) because it wanted quick results (see Akinyele, 1981). Consequently, as one senior official in the Ministry of Finance remarked PPBS:

‘...was not systematically implemented.’

Ironically, the Government’s desire to reap the results of PPBS was probably not without the knowledge of the practical difficulties encountered in other countries during implementation of PPBS (cf. Wildavsky, 1986). Also, this may have been with the recognition of what Omolehinwa (1989) describes as “a variety of institutional, economic and political factors” that confronted the effective implementation of PPBS in Nigeria (besides the common difficulties). For instance, the Budget Adviser remarks that the successful implementation of PPBS may not be inhibited by only the obvious ones of manpower and technical resources, but more critically “political considerations and interest” (Akinyele, 1983a). In addition, the reform lacked the support of the Ministry of

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<sup>14</sup> The original US version of PPBS is Planning Programming Budgeting System. It is doubtful, however, if the term “Programme Performance Budgeting System” originated from Nigeria. The version of PPBS recommended by the UN was termed “Programme and Performance Budgeting” (see UN, 1965).

National Planning that dominates capital expenditure budgeting process and believes that a successful implementation of PPBS would take away its power (Omolehinwa, 1989).

By the end of 1983 when the military sacked the Civilian Regime there was no evidence that PPBS had been fully implemented. After the military seized power the programme lost political backing. By 1984, traces of PPBS (e.g. stating of anticipated targets) had disappeared from the budget. Even before the Civilian Regime was sacked (i.e. while PPBS was being implemented) it was observed that the official budgeting tradition (of “minimal government”, preoccupation with short-term programmes and focus on “details of administrative expenditure”) underlined Civil Servants’ “attitudes to budgeting” (Ukwu and Ero-Phillips, 1983). Omolehinwa (1989: 403) made the following assessment on the status of PPBS in the Nigerian Federal Government by the end of 1986:

‘-objectives of expenditures had not been identified, let alone the means of achieving them;

-the multi-year aspect of PPBS which the budget office had hoped to introduce had not materialised;

-the anticipated targets which materialised at one stage had disappeared;

-the willingness to “spread the gospel” of budgetary reform according to PPBS continued only in the Ministry of Defence.’

One senior official in the Office of the AG believed that it was the early departure of the civilians that prevented a successful implementation of PPBS in Nigeria:

‘The civilians did not last long enough to make it work.’

Although there was no official announcement that Government has or was abandoning it, PPBS is not visible in budgeting in the Nigerian Federal Government any longer. Also, as the below remarks of Civil Servants suggest, the Nigerian Federal Government does not even use a specific budgeting technique but rather all available techniques, i.e. “composite budgetary system”:

‘I cannot see it in practice. Budgeting in the public sector is not geared towards the achievement of any programme’ (Senior Official in the Office of the AGF).

‘It is no longer being implemented. Interest in it has died down. Our present budgeting system is a composite thing. In some cases incremental, and sometimes some elements of zero-base budgeting’ (Senior Official, Ministry of Finance).

‘Budgeting system in Nigeria is a mixture of all available systems. On paper we may say we are still using PPBS’ (Senior Official in the Office of the AGF).

‘We have not abandoned it. The only thing is that it is not being applied as it should’ (Senior official, Ministry of Finance).

‘We do not talk about it in government circle any more’ (Senior Official in a Ministry).

However, one senior official in the Ministry of Finance remarked that someone approached the Minister of Finance (in about October 1994) to rekindle interest in PPBS. The officials in the Ministry were said to have objected because of the motive behind it:

‘Six months ago, someone approached the Minister to rekindle interest in PPBS for selfish financial interests (e.g. from running seminars). Officials unanimously objected to it.’

### **Public Accounts Committee (PAC)**

The practice of constituting a Public Accounts Committee (by Parliament from its members) to consider the Auditor-General’s annual audit report has been a feature of the Nigerian Federal Government since the colonial days. Precisely, it was first set up in 1951 when quasi-Parliamentary style of government was adopted by Nigeria as part of the measures introduced to improve legislative control over public expenditure (see Ajayi, 1989). Up to the end of the first republic on January 15 1966, the Nigerian PAC system conformed very much with the British practice. Consequent upon the intervention of the military in January 1966, certain sections of the Constitution were suspended while some others were modified. For instance, the provisions relating to Parliament were modified to replace Parliament with a Supreme Military ruling Council (SMC). Similarly, provisions relating to assumption of power only by elections were suspended.

Even though the SMC could not operate exactly the same way as Parliament, it was assigned powers similar to those previously exercised by Parliament. Similarly, the Parliamentary practice of constituting committees for some purposes and/or to perform some delegated functions were not thrown out. Thus, the SMC can also constitute a PAC to consider the Auditor-General’s report. (What would have been really interesting is for the SMC to constitute the PAC from among its members, i.e. the coup leaders.) However, the PAC usually comprises of “a number of eminent civil citizens and a military representative” (Public Service Review Commission, 1974). This committee has the same powers and functions as the usual PAC (constituted from and by Parliament). However, top Civil Servants attach little importance to the PAC’s decisions during Military Regimes. Many Permanent Secretaries usually do not appear in person before the PAC to respond to issues raised in the audit reports on their ministries (cf. PAC 1979). Oshisami and Dean (1984: 159) blame the military for this:

'Indeed, it could be argued that the tendency for the audit department to have been neglected by government, coupled with the deterioration of accountability during 13 years of military rule have been largely responsible.'

The PAC lacks the power to force Permanent Secretaries to appear before it. Similarly, it cannot force the ministries to implement its decision as it affects them (Fayemi, 1991). The reports of PAC do not usually attract sufficient attention from the ruling military council. Besides, the PAC was not regularly constituted by the military. For instance, after the PAC sat in 1975/76 to consider the audit reports relating to the year ending 31 March 1970 and some years before the 1969/70 financial year (see Oshisami and Dean, 1984) it was not convened again until mid-1979 when the military had less than 4 months to hand over power to the civilians (see Fayemi, 1991; Oshisami and Dean, 1984). The 1979 PAC met to consider audit reports relating to 1970/71 to 1974/75 financial years (PAC, 1979). In essence, the 1979 PAC was convened to consider the financial reports that relate to the period of a previous Military Regime, leaving the audit reports relating to the regime that convened it (i.e. the audit reports on the financial statements of 1975/76 to 1978/79) intact. Thus, the relevance of a PAC under the military can be questioned. It does seem that the Military Regime's PAC is a cosmetic thing designed to confuse the public to believe that the soldiers are accountable when, in fact, they are not.

When the civilians came to power in 1979, the usual PAC was constituted by Parliament in accordance with Section 58 of the 1979 Constitution. However, it would appear that this committee did not consider any audit report or accounts of the federation. (Not a single report of the work done by the PAC during the Second Republic was available.) One is therefore compelled to agree with Fayemi (1991: 225) when he wrote that:

'the PACs during the 2nd Republic were virtually moribund as no single work was performed throughout the life span of that administration.'

However, it is difficult to put the blame for this situation entirely on the Legislators. After all the accounts of the Government for the first year of the Second Republic were not submitted for audit until about four years later (and after the military had sacked the civilian administration).<sup>15</sup> It must be stressed that the Shagari administration was not interested in the financial activities of the Military Regimes because it promised before the military hand over power that the military will not be probed.

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<sup>15</sup> In 1984, the Conference of Auditor-General for the Federation and State Directors of Audit reported that the last Accounts of the Federation submitted for audit was for 1980 (see Inanga, 1987).



When the military sacked the Civilian Government in December 1983 it did not convene the PAC. The Military Regime rather set up military tribunals to try Second Republic Politicians and recover public assets misappropriated by them. The trials continued until the end of August 1985 when the regime was overthrown in a coup d'etat.

‘Since the coup of 1983 up to 1987 there was no PAC’ (Senior Official, Office of the AGF).

‘The PAC was not functioning before the 1987 Decree. Since the National Assembly has been disbanded by the military nobody was performing the duty of the Committee’ (Senior Official, Office of the AGF).

After two years in power the second Military Regime in the post-2nd Republic military era promulgated a Decree on 3 April 1987, Decree 8 of 1987, establishing a Public Accounts Committee. However, one official in a Ministry argued that the PAC is part of the Constitution and that

‘...what Babangida did was to re-enact its existence.’

Although officials in the Ministry of Justice drafted the PAC Decree, the initiative to re-enact the PAC came from the Military:

‘The idea came from the Military in power’ (Senior Official in a Ministry).

One official in the Presidency explained that the promulgation of a Decree to re-constitute the PAC by a Military Regime conformed with the military’s manifestos upon seizing power:

‘When the military came to power, one of its cardinal programme was accountability. It stresses accountability.’

However, as he added:

‘When the soldiers got to power they began their looting, what they had professed to correct.’

As one senior official in the Office of the AGF explained the Government

‘thought it was necessary *to, at least, appear to be* transparent and, hence, enacted a Decree to put the PAC in place’ (emphasis ours).

In a similar vein, a senior official in the Ministry of Finance remarked that the PAC was re-enacted because of

‘high spending coupled with the rein of corruption and misappropriation.’

However, the re-enactment of PAC need be put in the context of the reform that began in 1986 with the introduction of SAP. One of the five stated objectives of SAP is “to achieve

fiscal and balance of payments viability over the period” July 1986 to June 1988. However, the fiscal deficits in 1986 was about 96% compared with 61% and 58% in 1984 and 1985 respectively (see Appendix K). The overall position of Balance of Payments slide from favourable in 1984 and 1985 to adverse in 1986<sup>16</sup> (see Appendix K). Fiscal indiscipline was believed to be largely responsible for this. It would seem that the regime’s commitment to SAP’s objectives, rather than a commitment to public accountability, led to the re-enactment of PAC. The functions of PAC entrenched in the Decree reveals government concern for fiscal indiscipline:

‘The Committee shall -

(a) examine such audited accounts of the Federation and of all offices and courts of the Federation and the Auditor-General’s report thereon as may, from time to time, be referred to it by the Armed Forces Ruling Council;

(b) examine -

(i) the accounts and reports of Ministries and Departments of the Government of the Federation; and

(ii) the audited accounts of statutory corporations, boards and other such government bodies,

as may from time to time, be referred to it by the National Council of Ministers;

(c) *determine the causes which led or might have led to any excesses over approved appropriations;* and

(d) perform such other functions as may be assigned to it from time to time by the Armed Forces Ruling Council or the National Council of Ministers, as the case may be (FRN, 1987: Sec. 4) (emphasis ours).

According to the Decree, a member of the PAC shall be appointed for a two-year term of office and may be re-appointed for another two-year tenure. The members of the Committee together with the Chairman are appointed and can be removed by the Head of the Military Government.

The PAC was regularly constituted until 1993 when the tenure of the last committee expired. In the face of the political crisis that began that year, the reconstitution of PAC has not been a priority of the Government:

‘Up to late last year we had one but when its term expired it has not been reconstituted. We are still waiting’ (a senior official in the Office of the Auditor-General remarked in November 1994).

‘My department was called twice, i.e. 1992 and 1993, to respond to the AG’s Report. Last year we were not called at all’ (a senior official in the Presidency in 1985).

Even when the PAC was regularly constituted (i.e. from 1987 to 1993), its impact was not felt. For instance, the looting of public treasury during this period rose to a point that

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<sup>16</sup> The overall position of balance of payments was an adverse of N0.8 billion in 1986 compared with a favourable amount of N0.3 billion in 1985 (see CBN, 1992).

commentators begin wondering which of the Nigerian Regime types is more corrupt: is it the military or the civilians? This should not be surprising since the Military Regime that promulgated the PAC Decree was never committed to a Government and society free of corruption. For example, while the regime was putting a PAC in place, it was tacitly encouraging looting of the public treasury by freeing all those who were convicted of theft of public money by a previous Military Regime. It even went as far as returning the seized illegal wealth and reinstating the ranks of officers that were punished for misappropriation of public funds.

### **Privatisation and Commercialisation**

Privatisation involves the sale of government companies to private individuals or corporate bodies. Commercialisation, on the other hand, involves the reorganisation of, institution of profit-making orientation in and discontinuation of government subventions to government parastatals. Countries like UK, USA, Italy, Turkey, Germany, Holland and Canada are known to have embarked on either privatisation or commercialisation of government companies or both (see Usman, 1989a). Nigeria joined the “league” of these countries in 1988. However, it is noteworthy that while the Privatisation and Commercialisation programme of the Federal Government announced in 1986 was the first at the federal level, it was not the first in Nigeria.<sup>17</sup>

Consequent upon attaining independence, Government engaged in setting up different companies to accelerate development. This left the Government with substantial holdings in companies. There was also the Indigenization Decree of 1977 that aimed at putting the control of the economy in the hands of Nigerians. This Decree provided that certain categories of companies be entirely owned by Nigerians and reduced substantially the proportion of foreign holdings in others. To fully implement this Decree many of the foreign holdings were bought over by the Federal Government:

‘The Indigenization Decree of 1977 increased government holdings in private companies’  
(an official in a Ministry).

Besides, the oil boom in the 1970s made the Government to embark on huge economic activities including investments in many commercial ventures (cf. Usman, 1989b).

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<sup>17</sup> There was a privatisation programme in one of the states of the federation before the Federal Government announced its decision. Samuel Ogbemudia ordered the privatisation of government owned hotels in Bendel State upon his election in 1983 (cf. Etaghene, 1985).

Consequently, Government had control over a large number of enterprises. However, many, if not all, of these companies were poorly managed and constitute nothing more than “drain pipes” for Government’s resources.<sup>18</sup> Many of them were making either little or negative returns and even relied on annual subventions from the Government to pay salaries of their staffs.<sup>19</sup> For as long as the oil boom lasted (i.e. up to about 1981), financing of these enterprises was not really much of a “headache” for the Government. A common response of the Government to the abysmal performances of its parastatals was the dissolution and reconstitution of the boards. This response continued into the early 1980s when the Nigerian financial and economic crises began.

With the advent of the oil glut in 1981, there began balance of payments problems, debt crises and huge budget deficits. There emerged a growing concern about the financing of these “money guzzlers”.<sup>20</sup> For instance a national newspaper remarked as follows in its editorial:

‘Federal Government enterprises had for long constituted themselves into citadels of inefficiency and corruption. While there may have been an earlier need for Government to play an activist role in the economy, it is clear that this need cannot now justify the colossal waste of public funds evident in most government owned companies. With the collapse of the national economy .... it became evident that the nation simply could no longer subsidise such levels of inefficiency’ (National Concord of 25 January 1988. Editorial, p.2).

In fact the issue became a topic for public debate (Anka, 1985) and the Government was not completely indifferent to the situation. For instance, the Civilian Government that was in place when the financial crises began, i.e. Shagari Administration of 1979-1983, set up the Onosode Commission in 1981 to look at the performances of government parastatals (see Onosode Commission, 1981). The Military Regime that overthrown the civilians also set up the Hakim Committee in 1984 to review government parastatals. Both of these committees came up with a similar verdict: that Government should privatise and commercialise some of its parastatals.

When the Government’s financial crises began in the early 80’s, the civilian administration of 1979-1983 approached the Fund and the Bank for a short-term balance of payment

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<sup>18</sup> Many reasons have been advanced for this (see, for instance, Oshisami and Dean, 1984).

<sup>19</sup> For instance, government equity in the parastatals was yielding an average annual return of 1.39% (see United Bank for Africa Plc, 1993).

<sup>20</sup> Many Officials in the Ministry of Finance referred to public enterprises as “money guzzlers”

support. The Fund and the Bank responded with the conditions that Nigeria reduces the public sector by reducing public expenditure and subsidies (Usman, 1989b) and adopts market approaches to the management of its economic and debt crises (Olukoshi, 1990b). This would have involved the commercialisation and privatisation of some public parastatals, but the leading members of the party in power during the civilian administration of 1979-1983 were “sucking” the public enterprises.<sup>21</sup> Therefore, the administration was handicapped and could neither commercialise nor privatise government parastatals:

‘... many of the leading stalwarts of the ruling National Party of Nigeria (NPN) depended on the state, and its control of the key sectors of, and enterprises in, the economy for the promotion of their personal economic interests’ (Olukoshi, 1990b: 88).

‘The regime was particularly reluctant to remove subsidies and commercialise public enterprises because many stalwarts of the ruling National Party of Nigeria (NPN) owed their enormous wealth to the direct control which they exercised over the parastatals and the marketing of rice, fertiliser and petroleum products’ (Olukoshi, 1990a: 31).

The economic stagnation that followed the civilian administration’s inability to agree with the IMF and the World Bank was part of the immediate causes of the coup that sent the Civilian Government packing:

‘... major international banks insisted that unless the Shagari Government was able to conclude an accord with the IMF, they would not be able to offer fresh commercial credits to the country. Similarly, Nigeria’s official creditors and, in particular, the US Eximbank and the British Export Credit Guarantee Department (ECGD) refused to insure exports to Nigeria until an agreement was reached between Lagos and the IMF. It was against this background that the Shagari administration was overthrown in December 1983 in a military coup d’etat led by General Muhammed Buhari’ (Olukoshi, 1990b: 90).

Since then the Fund and the Bank have just simply assumed a “role” in the governance of Nigeria. The Military Regime that came in by the end of 1983 was more disposed to commercialisation and privatisation. Based on the recommendations of the Hakim Committee and pressures from the IMF, the Government opted to embark on the privatisation and commercialisation of some enterprises. As the then Military Head of State, Major-General Buhari, puts it,

‘Government had opted to retain viable companies and run them on commercial basis but to sell other parastatals that really are draggery in the sense that people misapplied the property, especially I think some of them in the Ministry of Agriculture like the fisheries ... and some like diary farms and so on’ (New Nigerian of 25 July 1985, p. 5).

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<sup>21</sup> The administration did not dispute this fact. For instance, Oshisami and Dean (1984: 285) referred to the comments of a powerful Minister in the administration and a leading member of the ruling party as follows: ‘Dr. Dikko, Minister of Transport, ... in 1981 ... attributed the poor performance of parastatals to mismanagement, tribal chauvinism and *the tendency of their administrators to regard them as their own personal empires*’ (emphasis ours).

The regime, however, disagreed with IMF's idea of privatising all commercial enterprises. The Government rejected other demands of the Fund and the Bank, like devaluation of currency, and asked them to steer clear of the management of Nigerian economy. The financial conditions of the Government did not improve and a section of the military felt Nigeria needed a good relationship with the Fund and the Bank. It was this section of the military that eventually sent the Buhari Administration out of power in August 1985 before it could do anything concrete on the issue of privatisation and commercialisation:

'In many respects, the Babangida coup represented the outcome of a struggle in which those forces favouring the acceptance of the IMF and its conditionalities gained the upper hand' (Olukoshi, 1990b: 94).

'... Probably the first time in Africa that a government overthrow has been caused at least in part by failure to reach agreement with the IMF' (Financial Times of 28 August 1985).

The Military Government that seized power then began negotiating with the IMF. In January 1986, the President announced in his budget speech that the country was embarking on a SAP. One of the policy measures of SAP is the rationalisation of the public sector through privatisation and commercialisation of public parastatals (see Babangida, 1986; FRN, 1986b; Phillips, 1990b). It was the Structural Adjustment Programme (SAP) that opened the door for a final decision of the Government on privatisation and commercialisation of public enterprises. (This was just one of the many changes that resulted from the acceptance of IMF conditionalities and the introduction of SAP. The other changes are Debt Conversion, Civil Service Reforms and Rolling Plan that are discussed below.)

Although it was obvious that the Privatisation and Commercialisation programme "was part and parcel of SAP" (Daily Times of 20 December 1993, Editorial, p.14) that comprises IMF conditionalities, the Government was able to justify the programme with internal factors. While inaugurating the Technical Committee on Privatisation and Commercialisation on 17 July 1988, the Chief of General Staff gave the official reasons for privatisation as follows:

'Government's decision to privatise some of the companies was necessitated by various embarrassment, allegations of tribalism and fraud arising from such companies .... It was also realised that a lot of federal and state government-owned companies were not performing well enough when compared with similar companies in the private sector' (Observer of 24 February 1989, p.3).

Usman (1989a: 7), however, argues that the decision to privatise

'was not arrived at by the Government as a result of its own critical evaluation. As a condition for their support for our Structural Adjustment and economic stabilisation policies, both the IMF and the World Bank insisted on a significant reduction in public expenditure, selective withdrawal of subsidies and the adoption of other policies as would foster the efficient use of resources.'<sup>22</sup>

He further argues that:

'...in spite of the work of a number of implementation committees and several national seminars and conferences on the subject, one is hard put to find any clear-cut analysis of the issues leading to the formation of a clear-cut set of objectives that the programme is designed to achieve.... No sound conceptual basis for our privatisation programme' (Usman, 1989a: 16).

Many of the civil servants that were interviewed also remarked that Privatisation and Commercialisation were part of SAP:

'An era of reform when Government wanted to revive the economy' (a senior official, Office of the AGF).

'Part of SAP' (a senior official in a Ministry)

'There was an economic undertone for it. There was also the advice from the IMF and the World Bank. It was part of SAP ingredients' (a senior official, Ministry of Finance).

However, the arguments of Usman (1989b) are justified by how the events unfolded after the Government declared (on 1 January 1986) its intention to embark on a programme of Privatisation and Commercialisation. After the announcement, a number of committees and sub-committees were set by the Government to sort out the implementation issue. Several trips were made to Nigeria by the IMF, the World Bank and the United Nations Development Programme teams to help the Nigerian Government with the tasks involved in a programme of Privatisation and Commercialisation.

This went on for almost two years before the guidelines for the implementation of Privatisation and Commercialisation programme was ready for Government's consideration and approval. The enabling Decree for the programme was not even ready until about 30 months after the decisions of Government to embark on the programme was made public. In addition, a committee to carry out the Privatisation and Commercialisation programme was only inaugurated on 27 July 1988 (see Observer of 28 July 1988, p. 1).

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<sup>22</sup> For instance, Aboyade (1987) remarked that privatisation is a way of improving public sector's efficiency.

That was after (and in response to) threats and pressures from the IMF and the World Bank:<sup>23</sup>

‘... the Government, bowing to pressures from IMF and World Bank, ... took concrete steps in 1988 to commence the privatisation and commercialisation of 96 federally-owned parastatals’ (Olukoshi, 1990b: 99).

Thus, it is difficult to disagree with Usman (1989a:17) when he states that:

‘The inevitable conclusion one comes to from looking at the available evidence is that privatisation was “hoisted” upon us as just another policy in the mix that is now referred to as Structural Adjustment Programme. That it was only after accepting the measure that we began to give any serious thought to its concept and implementation.’

After its inauguration, the Technical Committee on Privatisation and Commercialisation (TCPC) began to implement the Privatisation and Commercialisation programme. The World Bank was very much involved in the programme as it provided technical supports:

‘The World Bank mapped out training programme to actually equip the staff involved in the Privatisation and Commercialisation.... The World Bank also assisted with equipment, for instance computerisation to make the work of TCPC easy’ (a senior official, Ministry of Finance Incorporated).

At the time when the Government announced its decision to embark on the programme, it had around 500 companies and parastatals that gulps about 40% of its annual capital budget (Usman, 1989a). By 1993 Government had sold about 55 of these companies (see United Bank for Africa Plc, 1993 and Daily Times editorial of 20 December 1993, p. 14). Similarly, many of the companies that were listed for partial or full commercialisation (see FRN, 1988b) have been commercialised. The Technical Committee on Privatisation and Commercialisation completed its tenure by the end of 1993. It was to be replaced by a permanent body, i.e. the Bureau for Public Enterprises. Although the Decree for the establishment of this body was ready in 1993, the Government did not replace the Technical Committee on Privatisation and Commercialisation until January 1995 (see Ani, 1995).

The privatisation programme seems to have stopped by the end of 1993, as no government company was privatised in 1994. The reason for this has been attributed to the absence of

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<sup>23</sup> According to a Nigerian Newspaper, the IMF and the World Bank were displeased that the government ignored the issue of withdrawal of subsidies in its 1987 Budget. Also, they feared that the government may have forgotten the privatisation programme. In response to this situation, the IMF did not issue any report to endorse the government’s SAP performance for the second half of 1987. Also, the World Bank threatened release not to the outstanding balance of \$252 million (of the \$452 million trade policy and export development loan approved for the country in support of SFEM) unless the government makes progress on the issues of petroleum subsidy and privatisation (The Guardian of 6 October 1988).



attractive government companies that can be privatised. The turbulent political situations of the last two years may have also had its toll on the programme. The conclusion one can draw from the 1995 budget is that the Government has suspended the privatisation programme, at least for now. (In the place of privatisation, Government has introduced contract leasing from January 1995. This is discussed later in this section.) Ironically, Government stressed that it is still committed to a programme of privatisation. The Head of the current Military Government remarked (in the Vanguard of 4 April 1995, p.5) that:

‘Government will continue moving towards disengagement from activities that are best performed by the private sector to enable us devote more attention to our primary task of governance’ (also see Ani, 1995).

At the same time, in what amounted to a reversal of policy, the Nigerian Military Government plans to acquire the unissued shares of four of the biggest banks that have been privatised (Reuters World Report of 8 May 1995). The Minister of Finance told a daily newspaper that the Government took the decision to acquire shares in the banks because the banks are “deputy Central Banks” (Reuters World Report of 8 May 1995). It must be stressed that Government had been unable to live with the fact that these companies are no longer under its control.<sup>24</sup>

The Federal Government is still continuing with the commercialisation aspect. In the 1995 Budget, six government parastatals were listed for full commercialisation during the year 1995<sup>25</sup> (see Ani, 1995). However, the commercialisation aspect of the programme had particularly not been a success. For instance, the companies listed in the budget for full commercialisation have either been listed for full or partial commercialisation since 1988. The Government may well have to reverse the suspension of the privatisation programme and do something more drastic about the companies listed for full commercialisation (in the 1995 Budget) or face the “music”, as the IMF and the World Bank are not pleased. Nigeria currently needs an agreement with the Fund and the Bank on a Medium-Term Economic Programme to enable it negotiate debt relief from creditors owed about \$30

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<sup>24</sup> A senior official in the Ministry of Finance stated that when the boards of government parastatals were dissolved late in 1994, government sent a circular to the chief executives of the privatised banks inviting them for a brief, as if they were still government appointees. The chief executives of the banks were said to have responded by informing the government that they were no longer its appointees, and that they have been duly appointed by their companies’ shareholders at their respective Annual General Meetings.

<sup>25</sup> These companies are NITEL PLC, National Electric Power PLC, Nigeria Airports Authority, NIPOST, Nigerian Railway Corporation, and Nigeria Coal Corporation.

billion and also to obtain an extension of the Bank's support (Reuters World Report, 5 May 1995). The Bank's resident economist in Nigeria, Mr. Hutcheson, was quoted as saying that Nigeria's 1995 Budget offered no progress in some important areas because the budget

'... called for a suspension of the privatisation programme and reaffirmed the past failed policy of commercialisation for key public enterprises' (Reuters World Report, 5 May 1995).

If the Fund and Bank are upset with the suspension of the privatisation programme, one wonders what their reactions would be to the Government's plan to regain control over some of the privatised enterprises.

### **Debt Conversion Programme**

Debt Conversion involves converting debt into other financial instruments and has many variants.<sup>26</sup> Debt-Equity Swap, the variant of Debt Conversion adopted by Nigeria in 1988 involves the conversion of a debt instrument into equity holdings. When employed by a debtor nation, it will involve the conversion of foreign debt of the country into local currency which the holder of the debt instrument will then invest in the equity stock of the debtor country's companies.

In recent decades, Debt-Equity Conversion has been adopted by debtor nations (usually developing countries) as part of their debt management strategies. Since the early 1980s, countries like Argentina, Brazil, Chile, Mexico and Philippines embarked on Debt-Equity Conversion programmes (Akinnifesi, 1987; Inanga, 1987; Ozo-Eson, 1987). Nigeria officially adopted the Debt-Equity Conversion as a strategy for the management of her external debts in 1988 when the President declared in his budget Speech that authentic external debts of Nigeria "will be considered for conversion to equity investment" (Babangida, 1988).

In the early 1980s the Federal Government found itself entangled in a debt-crisis the magnitude of which could be hardly imagined few years before then. At independence, Nigeria's external debt was relatively small and even a decade later, i.e. after the end of the Civil War of 1967-1970, it was put at about \$684.3m<sup>27</sup> (see First Bank of Nigeria, 1989). The debt-crisis surfaced after cycles of oil booms and busts. Following the oil boom of

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<sup>26</sup> The variants of debt conversion schemes include debt-equity swap, debt-cash swap, debt-export swap, debt-peso or buybacks and debt-debt swap.

<sup>27</sup> This figure even dropped to \$308.9m in 1971 (see First Bank of Nigeria, 1989).

early 1970s, government expenditure rose dramatically. When an oil bust started in 1977, Nigeria began contracting debt. In 1978, faced with a foreign exchange-crisis (Olukoshi, 1990a), Nigeria contracted two “jumbo loans” of \$1.45 billion.<sup>28</sup> In the aftermath of the oil market uncertainty created by the Iranian Revolution of 1979, oil prices picked up. With the advent of another era of boom, and a big one for that matter,<sup>29</sup> government expenditure experienced even a more rapid rise. Thus, when the oil prices suddenly collapsed towards the end of 1981,

‘a crisis of immense proportions, much more severe than the relatively mild one of 1978, hit the Nigerian economy’ (Olukoshi, 1990b: 85-86).

Fiscal deficit (as a percentage of GDP) had risen from 4% in 1980 to 6.6% in 1981 and 10.1% in 1982, i.e. more than double the 1980 ratio (see Appendix K). Before the middle of 1982, it was clear that Nigeria was in a serious financial crisis and the then civilian administration introduced austerity measures with the Economic Stabilisation Act of April 1982. This Act sought, among other things,<sup>30</sup> to reduce government investment expenditure by 40%.

The country’s financial conditions did not improve with measures introduced under this Act. In fact, the situation continued to worsen as the oil receipts continued to drop<sup>31</sup>: trade arrears increased, credit lines were blocked, exports to Nigeria were refused insurance by credit guarantee agencies and fresh loans could not be obtained from the financial institutions.<sup>32</sup> The Government had to approach the IMF for support in 1982. This was followed by series of negotiations (intercepted by negotiation breakdowns) between various Nigerian Governments and the IMF/World Bank until 1986 when SAP was introduced.

SAP has as one of the measures for achieving its objectives the reduction of “the country’s external debt burden” (see FRN, 1986b). However, following the commencement of SAP in 1986, Nigeria’s external debt rose dramatically. For instance, the external debt stock

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<sup>28</sup> Before this time the largest single loan contracted by Nigeria was a sum of \$80m obtained in the early 1970s for post war economic reconstruction agricultural projects (see Olukoshi, 1990a).

<sup>29</sup> Oil prices had risen from a mere \$14.9 per barrel in 1978 to \$33 per barrel in 1979 and \$44.4 per barrel in 1980.

<sup>30</sup> The 1982 Act is a package of strict import restrictions, tight monetary controls and stringent fiscal policies.

<sup>31</sup> Oil receipts constitute more than 80 % of the export earnings which dropped from \$27.8 billion in 1980 to \$11 billion in 1983 (cf. Oyejide et al. 1985).

<sup>32</sup> This is discussed extensively in Olukoshi (1990c), for instance.

estimated at \$18.9 billion by the end of 1985 rose to about \$28.3 billion by the end of 1987, i.e. 18 months after the commencement of SAP (Omoruyi, 1995). As debt continued to rise in the face of dwindling oil revenues, it became increasingly impossible for the Federal Government to meet its debt obligations. For instance, in early 1987 Nigeria could not meet interest payments on Promissory Notes (Forrest, 1993).

Before the introduction of SAP, Nigeria's basic solutions to the debt-crisis were debt-rescheduling and refinancing.<sup>33</sup> During the first eighteen months of SAP, the Government continued with this approach, but with more rigour. However, the debt-crisis was still of a magnitude that it would appear that no serious attempt has been made to tackle it. This situation was due to two basic reasons. First, dramatic improvement in Nigeria's foreign earnings still has to await another round of oil boom. Second, as Aikhomu (1988) remarks, debt rescheduling and refinancing "offer only temporary relief" and additional measures must be taken "to control our external debt".

In April 1984, a refinancing agreement between the Central bank of Nigeria and the uninsured creditors provided that upon request by the creditor and mutual agreement with CBN each promissory note holder has the options of redeeming them in Naira for long term investment purposes in Nigeria. Drawing possibly on this agreement, some firms in Netherlands, Norway, Sweden and Germany proposed Debt-Equity Swap with Nigeria in 1987 (see Business Concord of 7 July 1987: 1-2). Before this period, a Nigerian prominent Economist, Professor Sam Aluko had recommended Debt-Equity Conversion for Nigeria (Ndiomu, 1987).

During 1987, the US Government changed its rules on investment by US banks in third world countries by allowing them to own 100% equity in these countries (cf. Business Vanguard, 3 September 1987: 11). This action of the US Government must have expanded the Debt-Equity Conversion market. Around this period, Nigeria's Promissory Notes were trading on the second market at 30% discount (of face values) thereby making debt-swap attractive to Nigeria (Olukoshi, 1990c). Besides, since the introduction of SAP, the visits of the IMF and the World Bank officials had increased. Usually, they come to review the

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<sup>33</sup> Debt-refinancing involves the issue of new financial instruments to replace debts that have matured for payment while debt-rescheduling involves postponement of the retirement of maturing debts until a later time in the future. The objective of both being to achieve temporary relieves from the burden of debt.

progress of SAP and suggest additional measures to the Government. They put the Debt-Equity Conversion idea to the Government. As a senior official in the Office of the AGF remarked:

‘Government thought the debt-burden was too much, and was looking for a way to reduce the debt-burden. So all sorts of advice came’.

This programme was “approved in the 1988 Budget” (Aikhomu, 1988). Put differently, in the 1988 Budget “the Government agreed to the use of debt/equity conversion” (Ahmed, 1988). So much importance was attached to Debt-Equity Conversion that it was entrenched in the Budget as one of the thrusts of policies for achieving the Budget’s objectives. Many Nigerians would argue that the Debt-Equity Conversion initiative came with SAP (cf. Danmadami, 1987; Mailafia, 1987) and they would be right. The first indication that Government would do something concrete to reduce the external debt burden came in the SAP document (see FRN, 1986b). The Civil Servants that were interviewed explained that it was a way of reducing the debt-burden but then remarked that the debt swap programme is part of SAP:

‘The initiative was from SAP’ (a senior official, Ministry of Finance).

‘Part of SAP’ (a senior official, Ministry of Finance).

By the time the Government indicated in the 1988 Budget its intention to begin a Debt-Equity Conversion programme, the details of how the scheme will work have not been sorted out. The Government set up a Debt Conversion Committee (DCC) and charged it with the responsibility for designing and implementing the Debt Conversion Programme (DCP) in Nigeria (see Appendix I for the composition and functions of the Debt Conversion Committee). The DCC took about 6 months to work on the Debt-Equity Conversion guidelines, and they received supports from World Bank’s staff. In the interim, several seminars and conferences were organised by government agencies on Debt Conversion Programme. The guidelines were released in July 1988 after they have been approved by the Government. The programme took-off in 1988 after the release of the Guidelines. In that year two auctions were held where a total of \$138.3 million worth of debts was redeemed.

The guidelines were amended in 1989 by the DCC in order to simplify the process of approving applications for Debt-Equity Conversion and to widen the scope of the

programme. Although some years after the programme began, the amounts of debts redeemed began to suffer a downward trend, the Debt-Equity Conversion continued until towards the end of 1993 when it suffered a set-back occasioned mainly by the political crisis that began in that year and the reversal of government policies that followed another military take-over in November 1993. According to a senior official of the Ministry of Finance, there was no Debt-Equity conversion throughout the whole of 1994. He attributed this to the movement of Nigeria back to a regulated (or fixed) foreign currency exchange regime. Government Officials are hoping that the programme will come back on track in 1995 with the abolition of fixed foreign currency exchange system. In fact, a senior official in the Ministry of Finance stated that some organisations in the US submitted applications for the debt-equity swap in 1995.

### **The 1988 Civil Service Reforms**

Not long after the military overthrown the civilian administration at the end of 1983, it began rationalising the Civil Service. This exercise involved massive retrenchments and retirements of civil servants. The then Military Government saw this as a way of cutting down government expenditure which has consistently being in excess of revenues. This was in fact a response to the demands of the IMF and the World Bank that the Government, among other things, reduce expenditure and budget deficits:<sup>34</sup>

‘When the Government resumed negotiations with the Fund in February 1984, it readily accepted to implement these “acceptable” recommendations of the Fund. As a practical demonstration of its commitment in this regard, the Buhari administration reduced the budget deficit from N6.2 billion in 1983 to N3.3 billion in 1984. A massive retrenchment of workers in the public sector was also carried out and cost recovery measures in health and education were introduced alongside all manner of levies’ (Olukoshi, 1990b: 91).

On 18 March 1988 the Government set up the Dotun Phillips Committee to review the structure of Civil Service. The Committee comprises mainly people outside the core of Civil Service and includes a military officer. The terms of reference of the Committee include, among others, looking at management practices in the Civil Service and recommending ways of “streamlining the service, reducing costs, eliminating delays and increasing efficiency. (See Appendix J for the details of the Committee’s terms of reference.) The Committee submitted its report on 28 August 1985, the day after the Military Regime that established it was toppled in a coup. In 1986 the new Federal Military

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<sup>34</sup> Upon seizing power the military administration had resumed negotiations, which was suspended by the sacked civilian administration, with the IMF and the World Bank.

Government made his views on the recommendations of the Dotun Phillips Committee known (see FRN, 1986a). However, the Government did not take any concrete step to reform the Civil Service and there and then the matter rested until late 1987 (during the SAP era) when the issue was reopened.

The Structural Adjustment Programme that began in July 1986 entails fundamental and structural adjustment of the economy. These adjustments would have been incomplete without adjusting the main machinery for implementing government programmes, i.e. the civil service. In 1988 the Military Head of State announced the most far-reaching reforms since Nigeria's Independence, i.e. the 1988 Civil Service Reforms, in his Budget Speech (see Babangida, 1988).<sup>35</sup>

It is necessary to put the 1988 Civil Service Reforms in the context of the overall reform that started in 1986:

'It was an era of reform. SAP was there.... There was a need for political and administrative bases to reform the economy.... While restructuring a place, can you leave one of the tools?' (a senior official, Presidency).

'It was the introduction of SAP that led to the Civil Service Reform.... SAP contained so many sub-sectors. Part of the ways in which the effect of SAP could be realised is to reform the Civil Service' (Senior Official in a Ministry).

'Attempt to reduce spending by civil service rationalisation' (Senior Official in a Ministry).

'The IMF insisted on a reduction of the work-force' (Senior Official, Ministry of Finance).

Similarly, Phillips<sup>36</sup> (1989: 188) argues that the Military Regime that came to power in 1985 dedicated itself to change and

'...regards the 1988 Reforms of the Civil Service as inevitable integral parts of this national restructuring exercise'.

He adds that the Military Regime believes that the

'...the Nigerian society cannot be significantly changed without revamping its Civil Service' (Phillips, 1989: 188).

Elsewhere, Phillips (1988: 1-2) remarks that the regime

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<sup>35</sup> Basanti (1990) shows that civil service Reforms formed part of the features of SAP supported by the Fund in 18 of 25 countries. Also, he remarks that many of the Fund-supported SAP include measures to strengthen public expenditure management systems. Some of the financial control changes introduced by the reform are similar to some of those described by Basanti (1990).

<sup>36</sup> Prof. Dotun Phillips was the chairman of Dotun Phillips Committee, a member of the Koshoni Task Force for the Implementation of the 1988 Civil Service Reforms, and an Adviser to the Federal Government on Civil Service Reforms.

‘...has set itself the task of finally and structurally removing the major obstacles which, for almost three decades now, have prevented the self-sustaining and self-reliant development of the country. It would therefore, have been surprising if, in this pervasive restructuring exercise, the civil service had escaped the radical attention of this Administration. It is in this light that one should view the civil service Reforms announced by the President ... in his 1988 Budget Speech.’

Apart from the economic restructuring, the Government had also embarked on a transition programme and was expected to hand-over to a civilian administration in January 1990.<sup>37</sup>

The Political Bureau set up by the Government in 1986 had recommended a Presidential System for the Third Republic as in the 1979 Constitution. However, there is the belief that the Nigerian Civil Service was originally designed for a Westminster System and was carrying “the vestiges of British White-Hall” (Olopade, 1989); that its “structure and operational modalities” had remained virtually unchanged for over seventy years, and that it was necessary to align the civil service to a Presidential System for a successful Third Republic (cf. Phillips, 1988, 1989, 1990a and 1992). The soldiers therefore pretended that they were interested in getting the civil service in line with the Presidential System before they hand over to the civilians. Also, in the view of Phillips (1992: 5),

‘...the Reforms were designed for a civilian executive presidential system of government; they were not designed for Military Regime.’<sup>38</sup>

The Reforms draw mainly from the report of Dotun Phillips Committee (see Oronsaye and Idahosa, 1990 and Phillips, 1988, 1989, 1990a and 1992) and cover the entire civil service arrangement in Nigeria. Besides, almost anything can be introduced in the name of the reform as it is open-ended. The enabling Decree contains the following provisions:

‘The president and Commander-in-Chief of the Armed Forces may, from time to time, issue such supplementary guidelines to add to, vary or modify any of the matters or provisions in the Guidelines to this Decree’ (FRN, 1988c: Sec. 9(2)).

In line with the above provisions, several additions have been made to the Guidelines to the 1988 Decree (cf. Office of the Minister for Special Duties, 1989 and 1990). However, the objectives of the reform (see Office of the Minister for Special Duties, 1990: 24) provide a summary of the areas covered by the reform:

- ‘(i) Enhanced professionalism
- (ii) Alignment with Presidential system of government
- (iii) Decentralisation and Delegation
- (iv) Combination of Authority with Responsibility
- (v) Enhanced Accountability

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<sup>37</sup> The hand-over date kept changing and did not materialise eventually.

<sup>38</sup> However, this is only true to some extent. It can be argued that an aspect of the Reforms like Audit Alarm System was not designed for a Civilian Regime.



- (vi) Enhanced Checks and balances
- (vii) General Modernisation
- (viii) Enhanced Effectiveness, Efficiency and Speed of Operation.’

Regarding financial administration in government, the Reforms seek to ensure that

‘management and control systems are such as would no longer separate responsibility from authority at the top of the Civil Service hierarchy; install accountability (not only for money, but also for performance) as the unstable hallmark of the Civil Service systems; ensure that the systems significantly enhance the degree of efficiency, effectiveness, promptness and speed of Civil Service operations; introduce delegations of functions and powers not only at the top but further down the line in the service; install appropriate checks and balances to prevent misuse or abuse of authority, but without jeopardising the efficiency, speed and effectiveness of the Service’ (Phillips, 1989: 189).

In furtherance of the above, the Reforms introduced the following changes:

- Ministers as Accounting Officers.
- Setting and Monitoring of Targets, and the Establishment of Efficiency Section.
- Annual Performance Reporting by Ministries.
- Audit Alarm Committee.
- Additional Powers for the Auditor-General.
- Limits of Authority to Incur Expenditure.

The Reforms also re-enacted some existing rules, and strengthen some other ones. These are discussed under a broad heading, “Other Financial Control Aspects of the Reforms”.

**Ministers as Accounting Officers:** Before the Reforms, Permanent Secretaries were the Accounting Officers for their ministries while the Ministers were the Chief Executives. This arrangement had always caused friction between the Ministers and Permanent Secretaries, particularly when it comes to fund disbursement (cf. Dike, 1985 and Dlakwa, 1992). With the reform, Ministers acquired the status of Accounting Officers of their ministries besides being Chief Executives.<sup>39</sup> This aspect of the reform was implemented immediately the reform was announced. However, it would appear that it had destroyed rather than enhance the financial control and accountability process. As the remarks of the civil servants (see below) show, not having any serious obstacle on their paths, ministers seized the opportunity to loot public treasury:

‘A disaster.... Ministers have turned themselves into occupational armies who came to plunder the national treasury. This has been compounded by the fact that Ministers know that the system is unstable and they can be kicked out of office anytime (senior Official, Ministry of Finance).

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<sup>39</sup> The reform abolished the post of Permanent Secretary and created in its place the post of Director-General, a political appointment with a status equivalent to a “Deputy Minister”.

'The Ministers come to take their share of the "national cake". Making them Accounting Officers had really compounded the problem. Those who were coming to take their share of "national cake" came and discovered that even the entire money is under their control' (senior Official in a Ministry).

'Many of them misused the opportunity and mismanaged funds. The officer who should have acted as a check was handicapped' (senior Official in a Ministry).

'It has not worked well.... There were allegations of Minister not having regard for regulations' (senior Official, Office of the AGF).

'The question is how accountable are the Ministers? Ministers have been going and coming. Some have even spent ... three months' (a senior official in the Presidency).

'They have temporary tenure. Many of them have no interest in Financial Regulations' (senior Official, Ministry of Finance).

'Consultations were no more held on many issues. If the Minister ... is convinced on a case, he feels he has the right to take that thing to the Head of State for approval. So, we have a situation where approvals were given regarding things with great financial implications... To me, that is even the bane of the present deficit budget which we cannot really come out from' (senior Official, Ministry of Finance).

The above is not out of tune with the utterances and actions of Ministers in the past. Dike (1985) quoted Ministers as saying in the past that "we are birds of passage". He remarks that Ministers never hide their wishes to loot the national treasury:

'they made little secret of their determination to plunder the public treasury without hindrance from ... bureaucratic red-tape' (Dike, 1985: 18).

The Reforms too appear to have envisaged possible abuse of powers (by ministers) by putting in place checks like the "Audit Alarm" which is discussed below. In addition, the Reforms provided that each ministry may establish a Finance Board (comprising of the Director-General and all the Directors with the Minister as the Chairman) to deliberate and advise the Minister on the ministry's financial policies. The Reforms also provided that the accountability of a Minister will not cease by his leaving office and he could be called at anytime to account for his period in office. According to the Reforms, periodic checks were to be made on the Minister, although when, how and who will make those checks were not stated unambiguously.

#### **Setting and Monitoring of Targets, and the establishment of Efficiency Section:**

According to the reform, the Minister will set performance and efficiency targets for each division and each occupational group within the ministry. These targets are to be based on the information supplied by the Efficiency Section (which must be established in the Planning, Research and Statistics Division of the Ministry). It was provided that the Chief Executive may contract the services of an outside consultant where he finds it difficult to

set performance and efficiency targets. The Reforms stated that performance targets shall be set for Time, Cost Quantity and/or Quality and defined "performance" as having many aspects such as "effectiveness, efficiency, economy, productivity and quality" (Office of the Minister for Special Duties, 1989 and 1990). When setting the targets, the Minister must take into account the annual budget and the development plan (now rolling plan). The Efficiency Section is required to monitor and report (periodically) to the Minister through the Director-General on the implementation and attainment of the set targets. The Reforms made provision for consultations with the staff for whom targets are to be set in the process of target-setting.

All ministries and even extra-ministerial departments have Planning, Research and Statistics Division. However, none of them is known to have a functioning Efficiency Section. (The Ministry of Finance, for instance, has an Efficiency Committee instead of an Efficiency Section.) Also performance targets-setting and monitoring have not yet feature in any ministry. The following are the remarks of some of the civil servants that were interviewed on this aspect of the Reforms:

'The whole department in which it is supposed to be a section is not functioning' (senior Official, Ministry of Finance).

'These people hold meetings and drink coffee but they cannot get anything out of it' (senior Official, Ministry of Finance).

'They are only there in name and I have never seen their targets' (senior Official, Ministry of Finance).

'It is not working in any place. It is a difficult thing. You cannot even get people to start it... Probably you get one person who knows something about efficiency in a Ministry and has to teach his staff. It is not working for now. Many Ministries did not establish it because they do not know what efficiency is all about.' (Senior Official, Office of the AG).

'We do not have it. The issue is that most organisations do not even know what is contained in the Civil Service Decree. Most Ministries do not know the reasons. They do not know the meaning' (Senior Official in a Ministry).

'It is a nice concept but we cannot even get people to do it. The person you are even putting in charge do not understand what the job is all about' (senior Official, Ministry of Finance).

The above comments of the civil servants showed the extent to which the capability of the civil service was disregarded at the stage of preparing the programme for the reforms. This situation is not unexpected given that the change programme was prepared exclusively by non-civil servants.

**Annual Reports of Ministries:** The Reforms introduced the preparation of Annual Reports by every Ministry “in order to ensure accountability and performance ethics” (FRN, 1988d). These reports (which are to be prepared by the Ministers and submitted to the President) are to give emphasis to the performance of the Ministry and concrete achievements of target and output during the relevant year. The content and format of the Reports are to be standardised by the Presidency. (The standard for the Report was yet to be made available to the Ministries seven years after the Reforms were introduced.) Many of the civil servants that were interviewed have not seen a copy of this report before. However some senior officials in the Ministry of Finance stated that they have participated in collating information for the preparation of the reports during the last two years, thereby suggesting that the implementation of this part of the Reforms may have started in the Ministry of Finance around 1993:

‘In my Ministry, I have not come across any Annual Reports’ (Senior Official in a Ministry).

‘We have not prepared any. The Ministry of Finance was just preparing its first report when the Reforms was about to be suspended’ (Senior Official in a Ministry).

‘I have never come across any’ (Senior Official in a Ministry).

**Audit Alarm Committee:** The Reforms established an Audit Alarm Committee comprising of the AG as the Chairman, and the AGF and one nominee of the President as members. The purpose of establishing the committee is to prevent irregular payments before they are made. Prepayment audit queries raised by the internal Auditor but overruled by his Accounting Officers are supposed to be referred to this committee:

‘The Audit Alarm is meant to curb abuses by all those who have been given new or enhanced powers under the Reforms. The scheme is not meant to check only the Minister. However, *the operation of the Scheme at any time is triggered off when the Minister overrules a pre-payment audit query issued by the Internal Audit*’ (FRN, 1988d: 21) (emphasis ours).

Thus, the function of the committee is to examine prepayment audit alarms raised and brought before it. The Reforms made it an offence for anyone to process any transaction on which an alarm has been raised unless upon an audit certificate issued by the AG. The Audit Alarm system appeared to have been designed to tackle what seems to be a Nigerian problem: the recklessness of Ministers who were given more powers and the new officials that were given AIE under the Reforms. As one Senior Official in the Office of the AG remarked, the Audit Alarm System

‘is peculiar to us because of the way we conduct ourselves and the way we behave.’<sup>40</sup>

However, as many of the civil servants that were interviewed argued, the alarm system did not work and will not work because of some internal inconsistencies in the Reforms. These inconsistencies relate to the fact that the internal auditor is appointed by and reports to the Accounting Officer, as opposed to the practice under the pooling system<sup>41</sup> that the Reforms abolished. Besides, the Accounting Officer is responsible for the advancement of the internal auditor. There was not enough safeguard to prevent the victimisation of the internal auditor by the Accounting Officer.<sup>42</sup> Since there is no doubt that the Accounting Officer will victimise an internal auditor who stands on his way, the Audit Alarm system was destined to fail from inception:

‘Another disturbing issue is the naive assumption that once the internal auditors are provided with statutory authority they will perform their functions effectively. In Nigeria, where blatant victimisation of subordinate officers by their superiors is a recurrent phenomenon, it is difficult for internal auditors to have the temerity to report their chief executives to the Audit Alarm Committee while they remain directly accountable to such officers. The Audit Alarm System may therefore suffer from fear of victimisation’ (Dlakwa, 1992: 309).

Similarly, some of the civil servants that were interviewed argued that the Audit Alarm was not designed in a way to make it work:

‘... It has in-built inconsistency because it is the Internal Auditor that is reporting his boss to us. ... Nobody at the time of the Reforms saw the problem that even though this man has the right to sound the alarm, in effect he cannot sound the alarm’ (Senior Official, Office of the AGF).

‘...and you know this man has a power of life and death over you. Unless you are prepared to leave the service, there is a limit to the amount of confrontation you can give. .... That is one of the reasons why the Audit Alarm will not work’ (Senior Official, Office of the AGF).

‘An Internal Auditor will not raise an Audit Alarm because the Chief Executive is in charge of his appointment, promotion, discipline, anything. So, even if you raise an alarm against this person and you are successful in getting the alarm, you will not get anything better. You may even be sacked at the end. Eradication of pooling system (of accountants) also contributed to Ministers’ free reign’ (Senior Official in a Ministry).

‘Another funny one .... Although Government has good intention, it was doomed to fail, to die a natural death. The people who prepared the change programme did not see the contradiction’ (senior Official, Ministry of Finance).

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<sup>40</sup> An official in the Office of the AGF, however, believed that the Audit Alarm System is a borrowed idea: ‘... most of the things in our rules and regulations are borrowed ideas.’

<sup>41</sup> Pooling system is an arrangement whereby some cadres of administrative staffs are recruited for a particular ministry from which they are posted to other ministries. They are then transferred from one ministry to another. For instance, all Accounting Staffs and Internal Auditors in the Ministries were “pooled” before the 1988 Reforms. They were all staffs of the Office of the AGF and were transferred from one Ministry to another by the AGF when he deemed fit.

<sup>42</sup> The main safeguard that the reform provided for the Internal Auditor and his staff is that any action taken against them shall not be final until due consideration has been given to comments from the AGF. But then the Minister who has the power of hire and fire is not responsible to the AGF.

'And you know these people the way they will do it, despite the fact that the Decree has safeguarded the Internal Auditor. The Minister will go and ultimately they will exonerate him. The next thing is that may be they will just remove you from there and put you where your morale will be low and you will blame yourself for doing that' (Senior Official, Office of the AGF).

Although the above statements suggest that there was an internal inconsistency in this aspect of the reforms (because it ignored the Nigerian factor), it does appear that the web of relationships in government departments also prevented the alarm system from working. Usually the Internal Auditor comes from the same part of the country as the Chief Accounting Officer. It is difficult to imagine that an alarm can be raised in such a circumstance.

Some other civil servants explained that the Audit Alarm System has not worked:

'... it never worked. It did not work anywhere' (Senior Official, Office of the AG).

'There was no single report of Audit Alarm because of the weaknesses of the Reforms itself' (Senior Official, Office of the AGF).

'Since the Decree came into effect in 1988 I have not heard or read that any department had blown Audit Alarm. It is not possible and it is not going to be possible for as long as the Internal Audit is under the Minister' (Senior Official in a Ministry).

'No alarm has been raised around me' (Senior Official, the Presidency).

'I am not aware of any. If there is any alarm the newspapers would have reported it' (senior Official, Ministry of Finance).

'I have never heard of any alarm raised since the introduction of the reform' (Senior Official, the Presidency).

Unknown to most of the Civil Servants, one alarm was raised. However, it was not raised by an Internal Auditor but by a member of the Audit Alarm Committee, the AGF, against his boss, the minister of Finance. This was, however, resolved amicably and without recourse to the full Audit Alarm process.

'I only heard of one since 1988 when the Reforms came into being. It was raised against Okongwu, the Minister of Finance by the AGF. It was raised probably in 1990' (Senior Official, Office of the AGF).

'One attempt has been made in the past' (senior Official, Ministry of Finance).

However, that no alarm was raised should not be taken to mean the absence of frauds and questionable payments:

'I have never heard of it being used. But does it mean there were no cases that would warrant the alarm in all the Ministries... It has not worked' (Senior Official, the Presidency).

'It is not that frauds are not taking place here and there, but Internal Auditors are afraid to raise alarm' (senior Official, Ministry of Finance).

**Additional Powers for the Auditor-General:** The Reforms contained guidelines on offences and sanctions and empowered the Auditor-General to surcharge any officer in accordance therewith. It would appear that the term “officer” does not include Ministers. It is implied under the Reforms that where the Minister is involved in any of the stipulated offences, the AG cannot sanction him but he is obliged to report him to the President.<sup>43</sup> The Reforms made the AG the chairman of the Audit Alarm Committee and gave him access to the President through his nominee on the Audit Alarm Committee. According to the Reforms, all ministries entering into contract agreements must include a clause enabling the AG to have access to sites for purposes of auditing or monitoring contract performance. The staffs of the Office of the Auditor-General that were interviewed state that the Office of the AG was not contacted about these changes (affecting the AG) before the Reforms were announced. A senior officer in the Office of the AG explained that as a result of the new powers of the AG, his staff has visited the sites of some government projects. . . . .

**Limits of Authority to Incur Expenditure and Departmentalised Budgeting:** In an attempt to ‘reduce delay and enhance greater efficiency in the transactions of Government’ (Koshoni Task Force, 1988: 3), the Reforms introduced further delegation of spending powers down the line of hierarchy. The numbers of holders of AIE were increased and new limits of Authority to Incur Expenditures were specified (see FRN, 1988c: Schedule 1, Sec. 1a). More officers down the hierarchy can incur expenditures within the specified limits without reference to their bosses. In line with this and in order to “facilitate effective decentralisation and delegation” and “help to clearly establish the loci of responsibility and accountability” (Office of the Minister for Special Duties, 1990: 21), the Reforms requires that the budget of each Ministry be prepared to reflect the departments in the ministry. The departmentalisation of the annual budget was expected to start from the formulation stage and be so reflected in the book of Approved Budget of the Government.

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<sup>43</sup> This is based on the following provisions of the Reforms:

‘The Auditor-General may notify the president of audit alarms of significant importance and serious prepayment audit queries for which the Accounting officer of the Ministry/Extra-Ministerial Department is liable or responsible’ (FRN, 1988d: para. 39C).

‘... If the Accounting Officer does not respond within the stipulated time to a query that affects his office, the Auditor-General may inform the President in writing’ (FRN, 1988d: para. 41).

‘... If committed by Accounting Officer, make report to Mr president. If the offence is committed by any other officer, appropriate surcharge shall be imposed....’ (FRN, 1988d: 22).

However, most of the civil servants that were interviewed explained that while this was a welcomed change, it did not really affect the situation on the ground as everything was still referred to the Accounting Officers. Besides, this aspect of the Reforms has had no real influence on the budgetary practices in the Ministries. The officials in the Ministry that were interviewed stated that the budgets of their ministries are not departmentalised in the manner envisaged in the Reforms.

**Other Financial Control Aspects of the Reforms:** The Reforms contained a number of issues that amount to re-enacting existing practices. Some of these include internal auditing, procedures for authorising expenditures, response to audit queries, tender boards, preparation of monthly returns by Ministries, and the place and functions of the treasury department. Since the colonial days, there has been a requirement for every self-accounting unit to have an internal audit unit. This was entrenched again in the Revised Financial Regulations of 1976. The Reforms made it compulsory for every ministry and extra-ministry department to have an internal audit unit. However, unlike previous practices, the Reforms made the Internal Auditor directly responsible to the Accounting Officer of his ministry or department. With the abolition of the pooling system by the Reforms, the Internal Auditor is to be hired by the Chief Accounting Officer. In addition, the Reforms re-defined the duties of the Internal Auditor and empowered him to refer to the Audit Alarm Committee any pre-payment audit query raised by him but overruled by the Accounting Officer.

Presently, all self-accounting government units have internal audit units, even though many of them are not well staffed. Non-self accounting units do not have internal audit unit. Therefore, the Reforms had not really changed anything regarding the internal audit unit other than the fact that internal auditors are now staffs of their ministries and are responsible to the Accounting Officer. Also, whether the Reforms have made the internal audit units more effective than they were previously leaves a room for debate.

The Reforms provided that the holders of AIE shall authorise expenditure in writing. Similar rules can be found in the Financial Regulations that existed before the Reforms. Similarly, the Reforms provided that audit queries must be answered by the officers to which they are addressed within a stipulated time. It would appear that these rules were re-



enacted because they had often been breached. In addition, the Reforms re-enacted the tender arrangements. Similar provisions can be found in the financial regulations existing before the Reforms. However, the Reforms revised the levels of expenditure to be referred to the various tender boards to reflect the then economic environment.<sup>44</sup> The Reforms also provided that ministries must prepare monthly returns of revenues and expenditure and forward a copy each to the Budget Office, AGF and AG not later than three weeks following the month. Again this is not a new rule as similar provisions can be found in the financial regulations that were in place before the Reforms. However, that many ministries were not complying with this rule may have compelled the Government to re-enact it.

Lastly, the Reforms provided that the Treasury Department shall remain in the Federal Ministry of Finance and Economic Development and “under the new dispensation” the Office of the AGF. The functions to be performed by the Office of the AGF were stipulated. But then the Treasury Department had always been in the Ministry of Finance and under the AGF. Likewise, the functions specified do not appear to be very different from the original functions performed by the Treasury.

When the 1988 Civil Service Reforms were announced in the budget, the civil servants could not really make anything out of it. First, they were not actively involved in preparing the programme for the Reforms. Only the Head of Service is known to have participated in the process of preparing the programme for the Reforms. Many of his views were not accommodated in the Reforms that even abolished his (Head of Service’s) office. In fact many civil servants were caught unaware by the timing and content of the Reforms:

‘You know these Reforms took everybody unaware’ (Senior Official, Office of the AG).

Second, the information on the Reforms in the presidential budget speech was very scanty. For instance, in respect of the financial control changes discussed above, the budget speech contained only the following: “The Ministry:- The Minister will now be both the Chief Executive and Accounting Officer, rather than the Permanent Secretary” (see Babangida, 1988). Third, the operating guidelines on the Reforms were not released until around March 1988. This “led to unfortunate developments in some ministries” (Koshoni Task

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<sup>44</sup> This aspect of the Reforms is probably overdue for another revision.

Force, 1988: 3). Lastly, the Decree on the Reforms was not promulgated until late November, 1988, i.e. eleven months after the Reforms were announced.

After the reforms were announced in a Budget, the Government set up an implementation committee, i.e. the Koshoni Task Force. It comprises 7 members, including the chairman of the Dotun Phillips Committee on the Review of the Civil Service, the Secretary to the Federal Military Government, and a Service Chief as chairman. When chaos began in the Ministries after the announcement of the Reforms, the chairman of the Task Force, Vice-Admiral P. Koshoni, had to suspend the implementation of the Reforms. In a circular addressed to the Chief of General Staff (for onward transmission to government departments) he directed that:

‘all organs of Government should continue to perform their functions as usual until the modalities and guidelines for implementing the new dispensations, which were announced in the 1988 Budget, have been fully elaborated and approved by the President’ (Koshoni Task Force, 1988: 3).

The Task Force expatiated on the Reforms announced in the Budget Speech and prepared the implementation guidelines that came into force on 1 April 1988 (see FRN, 1988d: 3). The Task Force also recommended that the Attorney-General for the Federation and Minister of Justice “draft a suitable Decree to give legal backing to the recommendations” of the Task Force on the Reforms (Koshoni Task Force, 1988).

The Koshoni Task Force was dissolved in August 1989 and the responsibility for the implementation of the Reforms was transferred to the Office of the Minister for Special Duties in the Presidency. Two volumes of Explanatory Guidelines on the Reforms were issued by the Office of the Minister for Special Duties before the responsibility for the implementation of the Reforms was transferred in October 1990 to the Office of the Secretary to the Federal Military Government. In early 1991, this responsibility was again moved to another government department, i.e. the Ministry of Establishment and Management Services.

A member of the Task Force and later an adviser to the Government on Civil Service Reforms remarks that:

‘it has been estimated that it would take about five (5) years to install the Reforms up to the point at which its expected benefits will begin to accrue significantly’ (Phillips, 1990a: 3).

However, up to the end of 1994 (i.e. 6 years after the Reforms were introduced) the Reforms have only been partially implemented and its expected benefits have not accrued. Phillips (1992: 3) makes the following remarks on the reasons for the slow pace of implementation:

‘The lack of stability and continuity in the institutions and persons charged with pushing and monitoring the implementation of the Reforms is one of the major causes of the slow pace of implementation to date.’

In 1994 the Government set up a committee headed by a retired seasoned civil servant, i.e. the Ayida Committee, to review the 1988 Civil Service Reforms. The Committee submitted an interim report in late 1994 while it goes deeper in its study of the Civil Service with the hope of producing a new Civil Service Reforms:

‘What the Committee is doing now is not a review of the 1988 Reforms but trying to put a new arrangement in place’ (Senior Official, Office of the AGF).

On the strength of the interim report of the Ayida Committee, the Head of the Military Government announced in a Budget Speech the suspension of the Reforms and abolition of the Civil Service Decree (see Abacha, 1995).

There are various explanations for why the Ayida Committee was set up and why the Reforms were subsequently suspended. First, many of the changes just simply did not produce positive results:

‘It has become clear that those Reforms were counter-productive’ (senior Official, Ministry of Finance).

‘Some of the innovations cannot work ... because of mix-ups somewhere and elsewhere’ (Senior Official, Office of the AGF).

‘With the civil service Reforms the whole thing went hay-wire’ (Senior Official in a Ministry).

‘Jobs to be done by two people were being done by about five people’ (senior Official, Ministry of Finance).

Second and most importantly, the civil servants were not happy with the Reforms and the way they were being implemented:

‘An average Civil Servant is dissatisfied with the Reform’ (senior Official, Ministry of Finance).

‘It was suspended for the fact that it has been a clog in the wheel of progress. We are not happy. Majority of the Civil Servants are not happy’ (Senior Official, the Presidency).

‘There have been criticisms from the Civil Service. Some Civil Servants want pooling, post of Head of Service, etc.’ (Senior Official, Ministry of Finance).

‘Before the Ayida Committee was set up there has been many criticisms from the Civil Servants because of the way they were being implemented. Top Civil Servants were marginalized in a way when the Civil Service Reforms were introduced’ (senior Official, Ministry of Finance).

Under a Military Regime in search of legitimacy and whose policy process is dominated by civil servants, it should not be surprising that the civil servants were able to protect their interests fully.

As a follow-up to the announcement in the Budget Speech, the SGF issued an administrative circular in February 1995 directing that the existing civil service structure be maintained while civil servants revert to the financial regulations prevailing before the Reforms were introduced in 1988. This, however, had set a stage for a similar type of confusion that greeted the announcement of the Reforms in January 1988:

‘Even though it has been repealed we are using it’ (senior Official, Ministry of Finance).

‘For us to go back there must be a Decree’ (Senior Official, Office of the AGF).

‘But it is not easy to revert to them. Unless you make a wholesale directive on what can be applicable, nobody will believe you. One thing in administrative science is that mere issuing a circular does not implement the policy in most cases. For circulars to have effect, you must also ... give guidelines on what is to be done’ (senior Official, Ministry of Finance).

## **Rolling Plan**

On 17 October 1988 the Nigerian Federal Government announced that it would launch a three-year Rolling Plan in 1990. The Rolling Plan, according to the Government, will cover the period 1990-1992. However, this was not the beginning of planning in Nigeria. Formal planning commenced in Nigeria following the 1945 request from the Colonial Office that the administrators of the Colonies “submit ten-year development plans to guide the allocation of Colonial Development and Welfare Funds” (Federation of Nigeria, 1962: 6). Consequently the Colonial Government laid a “Ten-Year Plan of Development and Welfare for Nigeria” before the Legislative Council of Nigeria in December 1946 (Okigbo, 1989). Although this plan had been variously criticised<sup>45</sup> (Federation of Nigeria, 1962; Okigbo, 1989), it represents the starting point in the history of Planning in Nigeria.

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<sup>45</sup> The following are some of the criticisms:

‘... a series of projects which had not been co-ordinated or related to any overall economic target. Many of the individual schemes proposed no more than an expansion of existing normal departmental activities....’ (Federation of Nigeria, 1962: 6)

‘... formulated and executed ... with ... very little participation by Nigerian nationals’ (Okigbo, 1989: 37).

Following Independence in 1960, the federal Government prepared and launched in June 1962 the National Development Plan for 1962-1968. This is often referred to as the first National Development Plan in that it was the first post-independence plan prepared by Nigerians (cf. Ayo, 1988; Idang, 1980). Unlike the previous plan it was made up of four parts, one for each of the three federating units and the Federal Government (Okigbo, 1989). Since the first National Development Plan, three other Plans were prepared before the commencement of the Rolling Plan in 1990. These are the Second National Development Plan for 1970-1974, the Third National Development Plan for 1975-1980 and the Fourth National Development Plan for 1981-1985. Due to the political instability that characterised the period 1983-1985, the Fifth National Development Plan was not ready by the end of 1986. It was expected to be launched in 1987 but was postponed because the Government wanted to “consolidate the gains of the structural adjustment programme which was introduced in 1986” (Okigbo, 1989).

However, in October 1988 the Government announced that it was going to launch the Fifth National Development Plan in 1990 as a three-year Rolling Plan covering the period 1990-1992. The decision to introduce the three-year Rolling Plan followed series of advises and supports from the World Bank on planning of the Nigerian economy. For instance, in 1987 the World Bank advised the Federal Government to carry out a study of the main sectors of the economy and provided the Government with the necessary financial and technical supports. The study was expected to help in adopting a three-phase approach to the planning of the Nigerian economy, i.e. the long (or perspective), medium and short (or rolling) plans. The initiative to overhaul the planning machinery came therefore from the World Bank. However, as a senior official in the National Planning Commission explained, senior officials in the Ministries of Finance and National Planning (or Ministry of Finance and Economic Development from 1988<sup>46</sup>) were carried along.

The official explanation for the adoption of the three-year rolling plan was that the Nigerian economic environment was so volatile that a shorter-term planning approach was

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<sup>46</sup> The Planning institutions keep changing (cf. Okigbo, 1989). Before 1988, two ministries (Finance, and National Planning) were responsible for economic planning. They were merged in 1988. Later in 1988, they were de-merged when a Ministry of Budget and Planning was created in the Presidency. The Ministry of Budget and Planning was later split into National Planning Commission and Ministry of Budget. The Ministry of Budget was subsequently transferred back to the Ministry of Finance as a department.

required for the management of the economy (cf. Ayo, 1988; Okigbo, 1989). However, this was an era of SAP and changes in the planning and control machinery are parts of SAP (cf. Basanti, 1990 and Premchand, 1993). For instance, Basanti (1990) states that about half of the Fund-supported SAP involves reforms to strengthen multi-year expenditure planning to enable greater appreciation of the implications of resource allocation in the medium-term. In a similar vein, Okigbo (1989) states that the radical economic policy changes under SAP were part of the factors that led to the change in the “methodology of national planning”.

The rolling plan introduced an important dimension into the annual financial control cycle:

‘From 1990 ministries were allowed to carry forward their capital expenditure unspent in the previous year’ (Senior Official, Ministry of Finance).

The Rolling Plan is different from a Development Plan in that it covers a shorter period of 3 years (as opposed to a Development Plan that covers 5 years) and offer the opportunity to formulate the plan for the third year every year. Seven years after the rolling plan technique was introduced, a senior official in the Ministry of Finance hopes that things will get better with time:

‘We are still in the learning process of the Rolling Plan.’

The Rolling Plans are similar to Development Plans in many respects. First, the focus is on the infrastructures required to facilitate economic development and not necessarily on planning of future government expenditure. Second, like Development Plans, Rolling Plans cover only capital expenditure which represents a smaller proportion of government expenditure compared with recurrent expenditure. Rolling Plans, like Development Plans, have an element of financial planning and control. In principle, the capital expenditure element of the annual budget should be derived from the Rolling Plans. However, the Government is not strongly committed to this:

‘In theory, items not included in the rolling plan are not supposed to be funded in the annual budget. In practice, 10-15% often come outside the rolling plan’ (senior Official, Ministry of Finance).

### **Public Accounts Implementation Tribunal (PAIT)**

The PAC that was constituted under Decree 8 of 1987 concludes its job when it submits its reports to the military ruling council or National Council of Ministers. Besides its powers to procure evidence for the examination of the accounts of the Government and its parastatals, it lacks any other power. For instance it does not have the power to implement

its decisions or to ensure that its decisions are implemented. The implementation of PAC's decisions depends entirely on the wishes of the soldiers and the National Council of Ministers that was constituted by them. This led to a situation where the accountability process seems to end with the submission of the PAC's reports because some of the victims are powerful enough to influence decisions of the military ruling council:

'The PAC does not even have the power to enforce their decisions. *There are some people highly placed to side-track the decisions of the PAC*' (a senior official in a Ministry) (emphasis ours).

Consequently, civil servants attached little importance to public accountability (cf. Fayemi, 1991). Upon realising the flaws in the accountability process, in the face of high corruption and the need to appear to creditors as doing something about the "corruption epidemic", the Military Government promulgated a Decree, i.e. the Public Accounts Implementation Committee Decree 34 of 1990. Some of the civil servants that were interviewed described the underlying reasons for the promulgation of the Decree as follows:

'It became necessary because of the fact that Accounting Officers, i.e. Ministers, were not paying particular attention to audit queries issued by the AG. Even with the decisions of the PAC that certain things were wrong and they should be rectified, they were still not been rectified because there was no law to compel anybody to do that. That Decree came to compel Civil Servants and the Accounting Officers to comply or face the Tribunal (a senior official, Office of the AGF).

'People were not complying with the PAC's decisions' (a senior official in a Ministry).

'A consequence of fraudulent practices' (a senior official in a Ministry).

The Decree made provisions for a procedure to dispose the PAC's decisions. The Decree provides for the establishment of a Tribunal comprising of five members, including a retired judge of a superior court as the chairman<sup>47</sup> (see FRN, 1990: sec. 2). These members are to be appointed by the military Head of State and were charged with the following functions:

(a) to examine the reports and recommendations of the Public Accounts Committee which shall be referred to the Tribunal, from time to time by the Armed Forces Ruling Council;

(b) to initiate any appropriate steps which in the opinion of the tribunal shall ensure that various Ministries and Extra-Ministerial Departments of the Government of the Federation recover from any officer, contractor or corporate body or any person whatsoever any misappropriation of Government funds or property which have been investigated and found due to the Government of the Federation by the Public Accounts Committee;

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<sup>47</sup> The other members are a superior police officer nominated by the Inspector-General of Police and a representative of each of the Attorney-General of the Federation and Minister of Justice, Accountant-General and Auditor-General (see FRN, 1988c: sec. 2).

(c) to apply any appropriate sanctions against any erring functionaries of the Government found negligent on the recommendations of the Public Accounts Committee;  
(d) at its discretion, to refer to the Federal high Court any case, criminal or civil, involving loss of government funds or property, for speedy trial and determination;  
(e) to report back to the Armed Forces and Ruling Council any decisions or action taken on any of the matters contained in the report and recommendations of the Public Accounts Committee' (FRN, 1990: Sec. 4).

The Decree empowered the Tribunal to vary any decisions of the PAC in circumstances when it considers such appropriate (Sec. 5). It also empowers the Tribunal to communicate its decision to the relevant ministries or the law enforcement agents for implementation (Secs. 7 and 8). It must be emphasised that even though the Tribunal is empowered to act (as it may deem fit) before reporting back to the military ruling council, it can only act on reports of the PAC referred to it by the military ruling council. Thus, a senior official in the Ministry of Finance believes that the Tribunal arrangement is

'more of a way of making sure nothing really happen to the officers'.

The initiatives for the establishment of the Tribunal came from the Military. One senior official in the Ministry of Finance described the establishment of the tribunal as

'part of the military practice of not allowing many things to go to the civil courts.'

However, the task of putting together the initiatives in a Decree was performed by the civil servants (in the Ministry of Justice).

None of the people interviewed had appeared before the Tribunal or claimed to know someone who had appeared before it. The scepticism expressed on the effectiveness of the Tribunal by Dlakwa (1992: 305) may not have been an exaggeration:

'The effectiveness of such a tribunal is, however, yet to be determined.'

It will appear that the establishment of the Tribunal is inconsequential. The impact was never felt, if ever it existed, other than on paper. The Nigerian soldiers, it seems, can never be trusted: they may have promulgated the PAIT Decree as a "cosmetic thing" to placate external creditors and donors. The civil servants are not sure that the Tribunal is still in place:

'I am afraid whether it is in existence' (a senior official, Presidency).

'I should think so. The Decree has not been abrogated' (a senior official, Office of the AGF).

Certainly, it could not have sat since late 1993 when Government had not shown enough concern about accountability to re-constitute the PAC.



## **Contract Leasing**

The privatisation programme was pursued until the end of 1993. However, by the end of 1993 almost all the attractive public enterprises have been privatised. Other organisations that were still slated for privatisation were either not attractive (e.g. Nigerian Railway Corporation) or there has been strong resistance from their staffs (e.g. Nigerian Airways). One senior official in the Ministry of Finance remarked that many of the public enterprises that have not been privatised have “negative shareholders’ fund” and some have not commenced production (e.g. the Steel Plants). In a sense, privatisation had run into a hitch by 1993 and Government was abandoning the programme, at least in the meantime, for something else. For instance, while the Government listed some companies that are earmarked for full commercialisation in 1995, no company was listed for privatisation (see Ani, 1995).

The public were made to believe that the privatisation programme had been a success and that Government had realised substantial capital gains on its investments in the privatised enterprises.<sup>48</sup> However, the picture given by senior officials in the Ministry of Finance is different: the privatisation yield is very poor. A similar view was echoed in a newspaper editorial which described the N3 billion (then about \$130m) realised from the privatisation of 55 government companies as a “paltry sum” and condemned it (Daily Times of 20 December 1993, editorial, p. 14). Senior Officials in the Office of the AGF remarked that even none of the proceeds had been paid into the Government Treasury as at March 1995.<sup>49</sup> Thus, it would appear that central to the abandonment of the Privatisation programme was an officially undisclosed reason (but commonly gossiped about by government officials) that the public enterprises that have been privatised were just given out and that the sales proceeds from the remaining government companies that are less attractive would even be worse.

In his budget address of January 1995, the Minister of Finance re-instated the Government’s commitment to disengaging itself from activities that could be described as

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<sup>48</sup> For instance, in 1993 MOFI (i.e. Ministry of Finance Incorporated) disclosed that the government had realised N3.3 billion (then about \$130m from N652 original investment (see UBA, 1993).

<sup>49</sup> The proceeds from privatisation have been and are still being kept by the body that handled the privatisation programme, i.e. Technical Committee on Privatisation and Commercialisation (TCPC), now renamed by the 1995 Budget as Bureau for Public Enterprises (BPE).

normally carried on by the private sector. However, the Government had run out of companies that could be easily and profitably privatised, and was abandoning privatisation for a new programme, i.e. contract leasing of enterprises<sup>50</sup>:

‘There are certain enterprises which if completely privatised will result in the Government disposing off its assets at give away prices. In addition, these enterprises require high managerial and technical expertise if they are to operate profitably. Government has therefore decided that it is in the best interest of the country that these enterprises are not sold off, at least for now. As from January 1995, a new policy of contract leasing will be introduced by Government’ (Ani, 1995).

‘There are companies and parastatals that cannot be privatised. That is their situation is so bad that nobody would want to buy shares if they put them up. That is why we want to lease them. If you were to sell them, they would be at give away prices....’ (Senior Official, Ministry of Finance).

‘All companies that were slated for privatisation, full or partial, that were not privatised ... and the companies slated for commercialisation that were not commercialised ... would be slated for contract leasing. They could not be privatised .... They are not attractive enough and the TCPC found out that these companies cannot be privatised’ (Senior Official, MOFI).

Nevertheless, the Government has to do something about the public enterprises in the face of dwindling oil revenues. There was also the pressure from the World Bank and the IMF that Government should push ahead with the privatisation programme.

Contract leasing is an arrangement whereby public enterprises will be leased to local and foreign entrepreneurs on “as-it-were” basis (Ani, 1995). The lease agreement will be for an initial period of ten years with a clause allowing renewal based on mutual agreement. For as long as the lease may last, a lessee will have an unfettered use of the entire facilities of the enterprise. In return, the lessee will pay an agreed percentage of his profits and foreign exchange earnings to the Government. Thus, Government will stop giving annual subventions to the enterprises slated for leasing but will instead receive rentals from the lessees. As a senior official in the Ministry of Finance put it,

‘Leasing is an option where Government will not put money into those enterprises. Rather private individuals and corporations would invest in them, run them and pay rent to Government’ (Senior Official, MOFI).

The companies slated for contract leasing are all Sugar Companies, Steel Mills, Paper and Newsprint Manufacturing Companies, Refineries, Petrochemical Enterprises, Fertiliser Companies and Manufacturing Companies. Besides these companies, the Nigerian Airways

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<sup>50</sup> Government will lease (under contract) a whole enterprise to an entrepreneur, as opposed to the familiar practice of leasing individual assets.

is slated for contract leasing, and Government can add to the list of these enterprises from time to time.

It is not yet known how the contract leasing programme will be implemented. Following the announcement of the programme in the Budget, the Minister of Finance set up a Committee on Contract Leasing in the Ministry of Finance with the Director of Ministry of Finance Incorporated (MOFI) as the Chairman. This committee, in the interim, has the responsibility for working out the modalities for contracting leasing of government enterprises. An advice was sought by the Committee from the Equipment Leasing Association of Nigeria on “the technicalities of Leasing (see Daily Times of 7 April 1995, p. 28). In addition, the Committee invited some World Bank officials and people from the private sectors to attend their meetings. Even though the policy is effective from January 1995 (see Ani, 1995), the programme will not take off until the Committee has completed its present assignment:

‘We would get the guidelines and the profiles of the companies to be leased. Then we would lay our cards down waiting for people to strike business with us’ (member of the Committee on Contract Leasing).

One senior official in the Ministry of Finance who asked the Minister of Finance when the programme will take off got the following response:

‘Policy-wise, it would be implemented this year.’

When the official asked the Minister about the “time frame”, the Minister’s response was:

‘Do not ask me yet.’

If previous practices in the Nigerian Government are anything to go by, this Committee or another Committee (or a Task Force) will be saddled with the responsibility for implementing the programme when the modalities have been sorted out.

Many, if not all, of the Civil Servants, including officials of the Ministry of Finance were not aware of the Government’s contract leasing policy until it was announced in the budget address by the Finance Minister. The civil servants that were approached during the month following the announcement made the following remarks:

‘As far as the policy is concerned, how it will be operated has not been mentioned.... It is just, as at now, a mere policy thrust’ (a senior official, Office of the AGF).

‘The modalities have not been worked out, but the idea is to allow people to run these government enterprises’ (Senior Official, Ministry of Finance).

‘A Committee is still working out what it involves’ (Senior Official, Ministry of Finance).

‘It is too early to talk about it because people are still working about the modality’ (a senior official, Office of the AGF).

The initiative is believed to have come from the Minister:

‘Even though *we know it is my minister who brought the idea*, I told the Chairman of the Committee on this leasing not to say *it is the Minister who single handedly brought the idea* because policy-wise that is not correct’ (Senior Official, Ministry of Finance) (emphasis ours).

Another senior official in the Ministry of Finance stated that the initiative was possibly Minister’s but cautions that the regular visits of the IMF and World Bank Officials make it difficult to identify an initiative with a person:

‘Possibly Minister’s initiative. The World Bank and the IMF officials keep coming and going, and giving advice on something that has worked somewhere. This often makes it difficult to identify the originator of an idea’ (Senior Official, Ministry of Finance).

The process leading to the announcement of the Contracting Leasing Programme suggests a substantial involvement of the World Bank in the initiative. The 1995 Budget by which the programme was announced had substantial inputs from the World Bank.<sup>51</sup> The initial draft made by Nigerians was taken to the World Bank by a group of Nigerian officials led by the Minister of Finance. It was after the draft budget had been agreed with the World Bank that it was brought before the Federal Executive Council for deliberations. Subsequently, it was discussed and approved by the military ruling council before it was made public.

There was a feeling by some officials that this is the first time in the world that a whole company, as opposed to individual assets, would be leased:

‘Entirely domestic. Nowhere has it been practised in the world’ (Senior Official, Ministry of Finance).

‘The chairman, in the interim report, is saying that this is the first time in the whole world’ (Senior Official, Ministry of Finance).

The World Bank officials and other invitees at the meetings of The Committee on Contract Leasing have pointed to government officials that the above assertion is wrong:

‘From the information from the World bank, most countries that have embarked on this leasing arrangement ... did it but it was not successful’ (Member, the Committee on Contract Leasing).

‘The people we invited from the private sector to talk on this said there was an attempt to lease out some government’s cocoa industries in Ogun State but people opposed it’ (Member, the Committee on Contract Leasing).

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<sup>51</sup> Holman (1995:1) wrote that World Bank officials ‘gave up their weekend to help prepare the 1995 budget.’

Unknown to the committee members, however, there has been a full leasing arrangement at the state level in Nigeria before the present attempt at the federal level. In 1987 the Plateau State Government leased its 9-year old Kuru Livestock Complex to a private company, Nabo Holdings Ltd., for 15 years<sup>52</sup> (see *The Guardian* of 2 November 1987, p. 13).

It is still not yet known how the leasing arrangement will work. There are issues which were overlooked when the policy was conceived and which members of the committee are still trying to sort out. For instance, when some of the Committee members were asked about what the contract leasing arrangement would be where Government does not have 100% holding in an enterprise, they do not appear to have an answer yet:

‘Well, we are still working on the modalities. For now I cannot say much about that because the committee is still working on it’ (Member, the Committee on Contract Leasing).

‘That question was raised at the committee level that it does not make sense that when you have a minority share you go to lease such companies. But now I do not know what answer to give, but it appears we will point this out to the Government. The committee will recommend that they rethink it’ (Member, the Committee on Contract Leasing).

It is worthy of note that a reversal in or major revision to the policy is not impossible. For instance, some of the companies listed for leasing in the 1995 Budget may well find their ways out of the list. This is more so since the present Cabinet is different from the one that deliberated on the 1995 Budget. For instance, the new Minister of Aviation was quoted as saying that what one of the companies listed for Contract Leasing, i.e. Nigeria Airways, needed is improvement in efficiency (*Vanguard* of 11 April 1995, p.3). Also, the Minister of Finance was quoted as saying that the Government is reconsidering its policy to lease some of the government companies because “there are a lot of problems” (*World Reuters*, 19 September 1995). Some of these problems include possible laying-off of staff by the lessees, pricing of the products of the companies listed for Contract Leasing (e.g. the petroleum products which is very sensitive in Nigeria) and the extent to which the Government will still be involved in the decision making process of the companies after they have been leased.

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<sup>52</sup> In the leasing agreement, the Plateau State Government sublet the entire land area and premises of the farm complex covering about 2000 hectares to Nabo Holdings for a yearly rent of N250,000. The agreement also provides that Nabo will pay staff and overhead charges.

This chapter and the previous one contain respectively the historical perspectives of changes in financial control systems of the British Central and Nigerian Federal Governments. The next part of this thesis, i.e. Part III, is divided into three chapters which are devoted exclusively to the analysis of the evidences from these two cases. The first two chapters, i.e. Chapters Six and Seven, contain within-case analysis of the British and Nigerian cases respectively while Chapter Eight contains the comparison of the two cases.

**PART III**  
**ANALYSIS**

## CHAPTER SIX

### WITHIN-CASE ANALYSIS: BRITAIN

#### 6.0 INTRODUCTION.

In this chapter, a within-case analysis for the British Central Government is presented. This involves the discussion of the patterns in context, process and content of the changes in sections 6.1, 6.2 and 6.3 respectively. Also, some conclusions from the case are discussed in the last section, i.e. section 6.4.

In Chapter Four, the context, process and content of fifteen change episodes in the British Central Government's financial control system were described. Among other things, this exercise made it possible to detail the specific goals of each change. A closer look at this historical account, however, will reveal some broad financial control agendas of the government over the period. These are: (i) to control the overall level of public expenditure; (ii) to reduce the size of the State; (iii) to improve management in Government, and (iv) to improve custodial and performance accountability to Parliament. Each of the changes fits into one or more of these main agendas of the Government. For analytical purpose, the changes can be classified into three broad categories based on these agendas (see Figure 6.1 below).

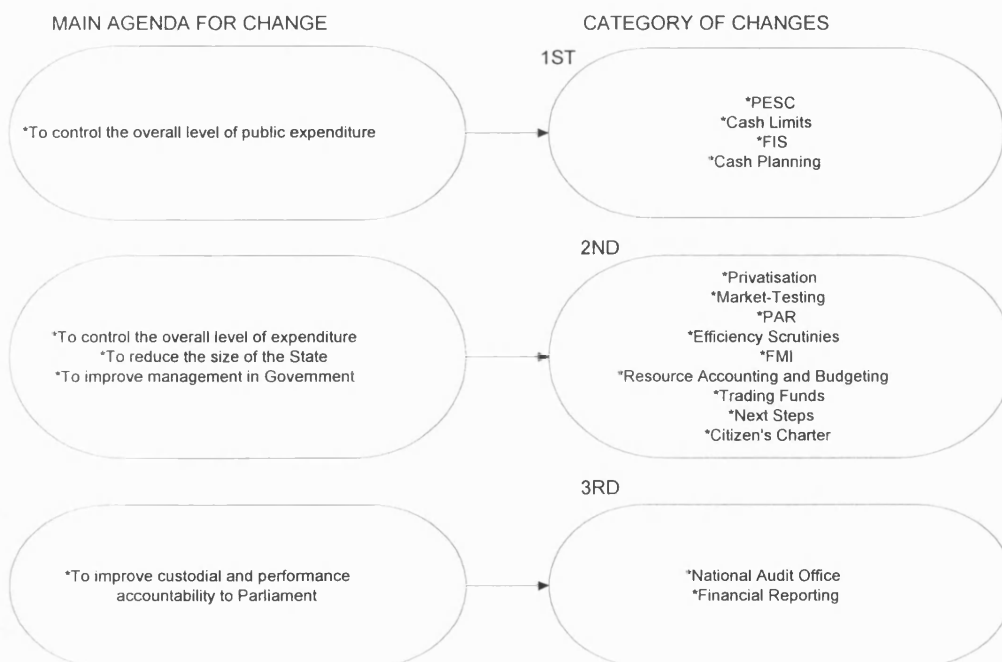


Figure 6.1: Classification of Changes by the main agenda for change.



The second category of changes goes beyond the control of public expenditure to management improvement and a drastic reduction in the size of the state by employing a combination of privatisation programme and management improvement initiatives. The third category comprises those changes made for the purpose of improving accountability<sup>1</sup> of the Government to Parliament.

PERIOD	CHANGES
1960-1978	Public Expenditure Survey System Programme Analysis and Review Trading Funds Cash Limits Financial Information Systems
1979 -1995	Privatisation Efficiency Scrutinies Cash Planning Financial Management Initiatives National Audit Office Next Step Initiative Financial Reporting Market-Testing Resource Accounting and Budgeting

Table 6.1: Temporal Classification of Changes.

Alternatively, the changes can be classified based on the periods during which they were made (see Table 6.1 above). These periods are 1960-1978 and 1979 to 1995. Like for the first classification, except in a few cases, the approach employed and also the broad agenda for the changes made during each period have some commonalties. Many of the changes that were made during the period 1960 to 1978 (henceforth referred to as pre-1979 changes) involve mainly the use of accounting/financial techniques to control the level of public expenditure. Most of the changes that were made from 1979, on the other hand, are essentially management improvement programmes designed to reduce public expenditure by the pursuit of value for money.

## 6.1 PATTERNS IN CONTEXT

Like other organisations, Governments have limited resources. In theory, it is often argued that a Government has unlimited power to raise taxes to finance its activities. However, in

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<sup>1</sup> Various forms of accountability have been identified (see for instance Head, 1983; Stewart, 1984; Tomkins, 1987). The forms of accountability meant here include custodial and to some extent, performance and programme accountabilities.

practice there is a limit beyond which additional tax levies by the Government will not be economically and/or politically feasible. For instance, further increases in taxes may not make sense where they are potentially harmful to economic activities.<sup>2</sup> Besides, political expediencies often tempt Government to lower rather than increase taxes. However, government activities and hence expenditures have the tendency to rise. Demand for more services by the public, promises to the electorate by politicians and Government's desires to improve its electoral standing will tend to lead to rises in government activities and consequently public expenditure. Along with the inflationary pressures which will often exert upward pressures on government expenditures, there are one-off events like wars and other catastrophes that can affect government finances adversely.

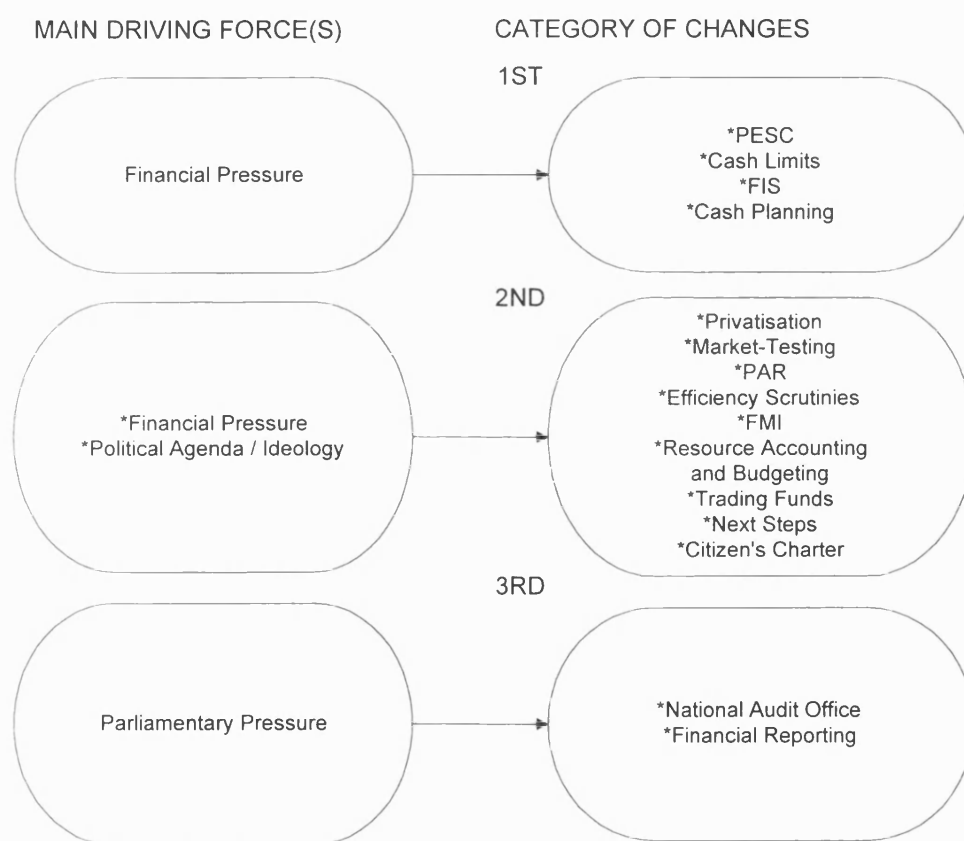


Figure 6.2: Classification of Changes by the main driving forces.

Given the tendency of public expenditure to grow, the consequence of the restrictions on raising unlimited amount of revenues through taxes is often a growing “disparity between expenditures and revenues” resulting in “financial pressure”, “fiscal crises” or “budgetary stress”. Throughout the period under study the Government was facing this adverse

<sup>2</sup> Similar arguments can be extended to the alternative source of finance, i.e. borrowing.

resource gap. Often, the Government had to fill this gap by a not very attractive means of government financing, i.e. borrowing. This brought a pressure on the Government to control the level of public expenditure and the financial control system was seen as one of the means of achieving this. An underlying pressure for many of the changes in the government financial control system was therefore financial pressure. For instance, financial pressure constitutes the main factor that triggered the changes in the first category (in Figure 6.2 above) and much of the pre-1979 changes (see Table 6.1 above). This is clearly obvious from the agenda for these changes (see figure 6.1 above).

With the financial pressure still in the background, there emerged in 1979 the political will (from a new Government) to do more than just control expenditure in total or as a proportion of the GDP. Along with controlling the level of expenditure there was a strong determination to reduce the size of the state and do more with fewer resources. These agendas were largely driven by political agenda/ideology and how they were pursued was determined by strong party ideology. It is not intended to suggest here that financial pressure was not part of the underlying pressures for the changes. As one former Treasury Official stressed:

‘...there was a crisis going on when the new Government assumed power in 1979.... The Government was trying to recover from a series of crisis that built up in the 1970s. The 1980s were not a golden age totally devoid of crisis. The country is in recession.’

Nevertheless, he added that:

‘...the Reforms in the 1980s, unlike the 1970s, were not much crisis-driven’<sup>3</sup>

Thus, although the main triggers for the changes in the second category (as shown in Figure 6.2) and most of the post-1978 changes (see Table 6.1) are combinations of political agenda/ideology and financial pressure, the former was the dominant factor.

Under the Constitution the ultimate power over government finances belongs to Parliament, specifically the House of Commons. Two of the Commons’ Committees, i.e. the Treasury and Civil Service Committee (since 1979 or the Expenditure Committee previously) and the Committee of Public Accounts have shown (and continue to show) considerable interests in government financial control practices. Over the period under study, these Committees carried out a number of reviews and examinations on government

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<sup>3</sup> Crisis, as used by this official, meant financial crisis.

financial control practices. The recommendations contained in their reports have been of influence on many changes in the government financial control system. Pressures from these Committees and in an instance from a few members<sup>4</sup> of Parliament were particularly the most potent forces that drove the changes classified as third category of changes in Figure 6.1 above. This is despite the fact that these committees do not spend a great deal of time on technical financial control issues:

‘In the course of a year, the Committee does not spend a tremendous amount of time in looking at this sort of areas because we have the budget, much bigger on-going inquiries to do. So the amount of time we can devote to the methods that Government uses to manage and control expenditure was very limited’ (Chairman of a Select Committee).

## 6.2 PATTERNS IN PROCESS

The processes of many of these changes have some basic features. These features include feeling of the need for change, political decision, preparing the change programme, acting, and implementing change. Ministers and civil servants play different roles during each of these activities (see Table 6.2 below).

### **Stage I: Felt Need for Change.**

When certain conditions emerge (e.g. financial pressure, Parliamentary pressure, Government wants to implement its political agenda or act in line with its party ideology), there will arise a feeling of the need for change. Where financial pressure is part of the conditions that generate a felt need for change, both civil servants and Ministers will experience this feeling. It is even possible that civil servants may be the first set of officials to start feeling the need for change. For instance, in the case of Cash Limits, one former senior Treasury Official recalled the following:

‘Sometime before we started discussing it, I remember the Permanent Secretary telling me “we must have a cash budget system”.

However, where it is due to a political agenda or ideology, feeling of the need for change will be experienced first by Ministers.

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<sup>4</sup> Most of the time, the members of Parliament (outside these committees) do not really concern themselves with the government financial control system. As one Liberal Democrat MP remarked: ‘We simply do not have the skill, we do not have the time and we do not have the backup and the support to do it.’ Likierman and Vass (1984) made similar observations.

How soon change will occur following the feeling of the need for change depends on those having the feeling. A former senior Treasury Official and C&AG remarked that change may come sooner rather than later depending on those experiencing the feeling:

‘if you get a very strong, able and determined minister or senior Treasury Official, change may come sooner rather than later.’

Where civil servants first experienced a feeling of need for change, they must spread this feeling to Ministers if anything significant is going to change.

ANALYTICAL STAGES	ACTIVITIES	KEY PARTICIPANTS
Stage I: Felt need for change.	Ministers and Civil Servants feel the need for change.	Civil Servants and Politicians.
Stage II: political decision.	<ul style="list-style-type: none"> <li>- Ministers decide something should change.</li> <li>- Ministers ask Civil Servants (in the central departments) to design change.</li> </ul>	Politicians. (Sometimes, civil servants may have started suggesting what may need to be changed at the first stage.)
Stage III: Preparing the change programme	<ul style="list-style-type: none"> <li>- Central departments set up teams to generate proposals.</li> <li>- Teams find out the experiences of other countries and the private sector.</li> <li>- Consultation with the departments.</li> <li>- Consultation with the relevant Parliamentary Committees.</li> <li>- Pilot-Tests.</li> <li>- Preparation of draft of White or Bill.</li> <li>- The Treasury informs C&amp;AG informally.</li> </ul>	Bureaucrats (comprising mainly staffs of the central departments).
Stage IV: Acting	<ul style="list-style-type: none"> <li>- Cabinet discusses and approves White Paper or Bill.</li> <li>- White Paper is published (or Bill is introduced into Parliament). Besides, the Prime Minister (or the relevant Minister) will announce change in Parliament.</li> </ul>	Politicians
Stage V: Implementation	<ul style="list-style-type: none"> <li>- Civil Servants implement change.</li> <li>- Central Departments may set up teams to oversee implementation. In addition, departments may set up their own implementation teams</li> </ul>	Bureaucrats.

Table 6.2: Activities in the change Process.

### Stage II: Political Decision.

As stated above, Ministers must feel the need for change before the change process can continue:

‘Really nothing major would change without Ministers being in effect responsible’ (senior Treasury Official).

‘They would either be driving the change themselves or would be consulted and sign on to it’ (former senior Treasury Official).

Once they feel the need for change, they will be the ones to determine how the rest of the change process will proceed. Following a felt need for change, Ministers will have to decide that something should change:

‘It would be very rare for any significant change to occur here that, in a sense, the broad outline of the policy would not be agreed by Ministers before they tell civil servants: you go away and tell us how to do it’ (senior Treasury Official).

The political decision on change often involves a collective ministerial decision. After the political decision has been taken, bureaucrats will be sent away to go and prepare the change programme:

‘The pattern is similar.... Ministers would say this is our objective here, this is what we want to avoid, give us options of systems to do that.... Ministers, more often than not, initiate the change, Civil Servants design it’

### **Stage III: Preparing the Change Programme**

Either or both of the central departments (i.e. the Cabinet Office and Treasury) will work out the changes entailed by the political decision. The central department(s) will set up teams or groups to generate proposals, including plan for implementation. Where relevant, these teams will find out the experiences of other developed countries. Often, the process of preparing a change programme benefits (by learning) from the experiences of other countries:

‘None of these things have happened in a total vacuum. People have been aware of things going on in other countries. People look around asking what, how and why before addressing the issue at hand’ (former Treasury Official).

‘Some of these issues are not solely British. Some of these have learning from other countries’ (senior Treasury Official).

‘Treasury Officials are pretty well informed about what is happening in other countries’ (former permanent secretary).

‘There is a great communication actually. The ideas go round’ (Deputy C&AG).

This is not to suggest that the Government is not ahead of many countries in government financial control system reforms or the absence of a feeling of leadership:

‘We are a little bit arrogant here. In some of the things we are doing we are ahead of others. In some, some other countries are ahead, e.g. New Zealand. But a country like New Zealand have done these in a smaller less complicated country’ (Former Permanent Secretary).

'I would have thought that other countries could learn something from our experience. At one time other countries greatly admired PES system. They thought it was very scientific. The American academics were very fascinated by it. How much did we learn from other countries? Not much' (former senior Treasury Official).

'There are some of these initiatives like Market-Testing and Privatisation where the United Kingdom has been the leader. We advise all over the world on Privatisation' (former senior Treasury Official).

'The Citizen's Charter is the most comprehensive programme ever to raise quality, increase choice, secure better value, and extend accountability. We believe that it will set a pattern, not only for Britain, but for other countries of the World' (HM Government, 1991b: 4).

In addition, there has been learning from the private sector. Increasingly, the financial control reforms are closing the gaps between private and public sectors' practices:

'What we have seen in the past two decades is a greater willingness to learn first particularly from the private sector in the UK and elsewhere' (Senior Treasury Official).

When the initial proposal is ready, consultation (with the main departments that will be affected by change) will follow. This consultation process will in most cases have no significant influence on the core of the changes but just to sort out the implementation details:

'By and large, the Treasury Officials feel that if their Ministers want things to happen, it is their job to make these happen. They are often more interested in consulting departments about the practicalities and the details to make things happen' (An Official in a Department's Finance Section).

'We can only influence them at the margins' (An Official in a Department's Finance Section).

For much of these changes, the Parliament is also consulted through its Committees. One senior Treasury Official emphasised the relevance of this:

'The critical views always are the views of Parliament about the impact of these changes on its control of government expenditure' (senior Treasury Official).

Thus, in most cases, Government would like Parliament to sign on to a change before it is implemented. However, this is not to suggest that Parliament can really block reform if the Government wants to press ahead with it:

'It depends on whether it is a change that needs legislation. If it needs legislation, then it can only happen if Parliament agrees. But then it comes to the question of how interested the Parliament is to have a different view and obviously the strength of the Party Whipping. Generally, the Government, assuming it is a Government that has a majority, will get its way. These issues are not the sort of issues on which people are very likely to rebel. In practice most of these are not issues that require Parliamentary legislation anyway. They are just within the powers of Ministers to do' (Conservative MP).

'Our Parliament is dominated by the Government. Our system of Parliamentary democracy is very weak in controlling Government because if a Government has a majority in this country it can do absolutely what it wanted. It was the Government's

policy to bring all these changes to the public service. Since it has a majority in Parliament it has gone through' (Labour MP).

'Out of the ruling party, at any one time, a hundred people have got posts and so they are what we call members of the "payroll vote". They will always vote in favour of the proposal put forward by the Government. Many of the remaining members of the Government party who are not in those posts will aspire to be in there in the future. Therefore, there is a considerable pressure on them to support initiatives on finance or any other matters brought by the Government. To vote against them will mark their cards so that in future when they might be considered for government posts they will be less likely to get them' (Liberal Democrat MP).

The idea will be tried out in a number of departments, where appropriate and feasible before or after consultation with Parliament (where applicable). The period of this pilot-test will depend on how long Ministers are willing to wait before things happen:

'Normally when they take their decisions, Ministers like to see things happening tomorrow' (Treasury Official).

When the Civil servants in the central department(s) have got the requirements or specifications right, they will prepare the draft of a White Paper (or Bill) on the subject for ministerial consideration and approval. Much of these activities often begin and end in Whitehall. For instance, the NAO was not directly involved at this stage during much of the changes. As the head of a section of C&AG remarked,

'We would discuss with the Treasury after they have decided what they want to do.'

Similarly, one Treasury Official stressed that:

'In practice, the C&AG will be informed (not consulted) about what is going on. This is just to let him know the additional requirements on his audit in future.'

Nevertheless, in a number of cases, the C&AG has been involved indirectly, through the Select Committees of the Commons. One Treasury Official stressed that:

'Inputs from C&AG may come through PAC or TCSC, but not directly. He advises Parliament rather than been part of the Government. That is the constitutional position.'

However, there has been a new dimension to the involvement of the NAO in the change process, specifically in the latest initiative, i.e. Resource Accounting and Budgeting. In this case there has been direct consultation with the NAO from the on set. It is not known whether this relationship will continue in future or if it is just a one-off event.

#### **Stage IV: Acting**

Ministers will discuss and agree on the draft White Paper prepared by civil servants. A senior Treasury Official explained why this is always the case:

'Our system is a collective system. Each one of these initiatives is approved collectively by the cabinet. The process is that if it is a Treasury initiative (or a Cabinet Office



initiative) the Treasury Ministers (or the Cabinet Office Ministers) will put the proposal before the whole Cabinet as a whole, if it is an important issue. Otherwise a committee of the Cabinet chaired by a senior Minister will consider the issue and then makes recommendations to the whole Cabinet. *There will not be a White Paper published which has not got collective Cabinet approval*' (emphasis ours).

This discussion may not necessarily be a very thorough one. For instance, a former Chief Financial Secretary explained that:

'... in practice members of the Cabinet will approve a White Paper that has been settled by the Chief Financial Secretary without going into too much detail when it appears to be a technical matter.'

Following Cabinet approval the White Paper will be published and/or administrative action taken. Prime Minister (or the appropriate Minister) will also make announcement in the Commons. Usually, departments will be required to comply with effect from a specified date.

### **Stage V: Implementation**

In many cases each department will set up team(s) to oversee implementation. The central departments will also provide necessary supports and guidance to other departments. Besides the regular units in central departments that oversee departmental activities, a project team (or joint project team) may be set up by the central department(s) to oversee implementation. Departments have been allowed a great deal of flexibility in implementing initiatives from 1979. This is in contrast with the pre-1979 era when the centre did not allow for flexibility in the ways that departments implement changes. When the nature of the pre-1979 initiatives is considered, there is a room for debate on whether the centre could have allowed departments any flexibility. The changes involved basic rules and processes that departments just have to follow. There was an instance when departments were allowed flexibility in implementation in the pre-1979 era, i.e. the PAR change episode. Unfortunately, this initiative failed in part due to the reasons that were discussed in Chapter Four.

However, starting with the FMI, it had been a deliberate policy of the centre to give departments enough freedom in implementing the initiatives. This could well have been due to the experiences with earlier Reforms (see Middleton in TCSC, 1987: Q139 and Q140). It may well have been due to the nature of most of these initiatives. Some of them had to be implemented with due regard to the peculiar nature of each department. The flexibility allowed in implementation has often meant that departments are allowed to

proceed with implementation of initiatives at different paces. This may have affected the pace of the implementation of these initiatives. It may well have helped to facilitate the success of these initiatives. For instance, the departments have just come to accept some of these initiatives such that they are seen, for instance, as tools for achieving some departmental goals, e.g. delivering efficiency targets.

There are some features of the process of change that are peculiar to some group of changes. For instance, the roles played by the civil servants during the first two stages of activities differ between the two groups of changes (see Table 6.3 below). Regarding much of the changes in the first row (of Table 6.3), the feeling of the need for change arose almost simultaneously from Ministers and Civil Servants. Civil servants played larger role in determining what has to change. In addition, many of these changes were based on diagnosis of problems, specifically financial pressures.

FEELINGS OF NEED FOR CHANGE AND THE SOURCES OF INITIATIVES	CHANGES
From Ministers and Civil Servants	Public Expenditure Survey System Cash Limits Financial Information Systems Cash Planning
Largely from Ministers	Programme Analysis and Review Trading Funds Privatisation Efficiency Scrutinies Financial Management Initiatives Next Step Initiative Market-Testing Resource Accounting and Budgeting
Largely from Politicians, i.e. MPs	National Audit Office Financial Reporting

Table 6.3: Classification of Changes by the level of involvement of Bureaucrats at the early stages of the Change Process.

Regarding the changes in the second row (of Table 6.3) however, the feelings of need for change came mostly from Ministers and their advisers (non-career civil servants). What was subsequently changed were, in many cases, determined largely by Ministers and their advisers. Likewise, the direction of these changes was largely influenced by political ideology rather than mere diagnosis of problems. In the case of the changes in the third row (of Table 6.3), the feelings of need for change were experienced largely by politicians within and outside the Government (but mostly from the latter). Even though civil servants

still worked out these changes, politicians made greater inputs into what were eventually changed.

Furthermore, the keen interest of the Prime Minister in many of the changes in the second row (see Table 6.3) was clearly seen by the civil servants. This, in a sense, gave many of the initiatives a life blood:

‘We knew that the Prime Minister was behind them. So, you could not just skip them’ (one official in a department’s Finance Section).

‘A lot depends on rather whether an initiative has the backing of the Prime Minister. That makes an enormous difference’ (former senior Treasury Official).

‘When Margaret Thatcher, for instance, identified herself with a particular change, then that will happen, for good or ill. Once she said that was what she wanted, that was what we got. She was so dominant that if she wanted something, she got it’ (former senior Treasury Official).

That the Prime Minister identified himself/herself strongly with some of these changes may not be unconnected with the predominance of political agenda/ideology in their contexts.

### **6.3 PATTERNS IN CONTENT**

The discussions in this section focus on three issues, namely: the pattern in what Government sought to achieve by making the changes; the extent to which the changes have been implemented and their prescriptive intents realised, and the impact of the changes on financial accountability. The discussions are based on the earlier classifications of the changes.

As shown in Figure 6.1, the changes listed in the first category have the broad aim of controlling the level of public expenditure. They could be further classified into two sub-categories. When the need to improve the control over public expenditure became clear in the late 1950s and early 1960s, the initial strategy was to control expenditure in total. The PES system was evolved to accomplish this. When conditions changed and the PES system was not delivering this objective, the strategy shifted to the control of expenditure at a more micro (operational) level. The objective was still to control expenditure total but such techniques that could help control expenditure at the micro (operational) level, like Cash Limits, Financial Information System and Cash Planning, were introduced from the mid-1970s to supplement the PES system.

There is a very strong link between these changes partly because they were evolved to solve similar problems and each sought to remedy the deficiencies in or supplement the other. Besides, they are basically technical accounting/financial tools unlike the latter changes (which are more managerial).<sup>5</sup> Even though each of these changes “arose from exigencies of crisis” (Vinter, 1979) they are a series (of changes) where each successive step sought to supplement (or remedy the deficiencies in) the most earlier one, the PES system. For instance, Vinter (1979) refers to Cash Limits and FIS as stages in the development of the PES system while Sandford (1979) describes them simply as the “accoutrements” of the PES system.

The agenda for many of the post-1978 changes or specifically, the changes listed in the second category (see Figure 6.1 above) still has to do with the control of expenditure. However, during the period this agenda was pursued with very strong political conviction<sup>6</sup> such that political ideology largely determined the direction of the changes. The agenda of the Conservative Government (of 1970 -1974) of “less but better government” re-emerged when the Conservatives returned to power in 1979. The approach employed involved greater use of managerial principles and techniques that are similar to those employed in the private sector.<sup>7</sup> The party in power, i.e. the Conservatives (from 1970 to 1974 and 1979 to 1995), when the changes in the second category of Figure 6.1 were made has a strong ideological belief in the workings of the market system and a strong conviction that the public sector is not efficient (cf. Flynn, 1994):

‘The Conservatives are traditionally closer to business.... There was a genuine ideological conviction that Government can be made more efficient if certain techniques that have been well tested in business should be brought into government’ (former Official at CPRS Unit).

‘Things, by and large, can be run better by private enterprise than by Government. In other words, competition plays a part.... We believe in the market forces’ (Conservative MP and former member of PAC).

‘We have a Government of private enterprise’ (Labour MP).

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<sup>5</sup> The pre-1979 changes have some elements of management improvement but not as great as the latter changes.

<sup>6</sup> Strong political ideology of the “right” reinforced the need to control expenditure more rigorously.

<sup>7</sup> As a result of this, the arrangements for conducting the government business are increasingly looking like those in the private sector. Such terms like administrators/administration have been replaced with managers/management. Management Accounting systems have been introduced. Now the government is about to introduce an accruals accounting system similar to that used in the private sector.

On top of it all, the Conservatives are “ideologically opposed to high spending” (Pliatzky, 1989) and believes that the role of the state should be reduced:

‘The product of this review will be less government, and better government.... It will be better government because the tasks done will be fewer in number, requiring fewer Ministers, and fewer Civil Servants to carry them out’ (HM Government, 1970: para. 5 - a White Paper on the Reorganisation of the Central Government issued by the Conservatives within months of coming into office in 1970).

‘We shall scrap expensive Socialist programmes.... The reduction of waste, bureaucracy and over-govt will also yield substantial savings’ (1979 Conservatives Manifesto quoted by Pliatzky, 1989: 96).

The approach employed in much of these changes, as the direction of the changes, flow directly from the above mentioned ideological convictions: increasing the efficiency of the Civil Service by introducing private sector practices (including competition) or simply transferring some activities to the private sectors by either “management”, “component” or “pure” privatisation.<sup>8</sup>

Like the first category of changes, there are strong connections between these changes such that, if their individual contexts are disregarded, one might see them as a series of changes in an unfolding “grand plan”. There is also a connection between the first and second categories of change. The first category formed the basis on which the post-1978 initiatives were built:

‘They were a springboard for the development in the 1980s’ (Senior Treasury Official).

The third category of changes (see Figure 6.1 above) specifically aimed at improving accountability of the Government to Parliament in the midst of the other changes. The first attempt was made to enhance the “watchdog” powers of Parliament by improving the independence of the C&AG and widening the statutory scope of his audit to include value for money audit. Next, in the face of the enormous and increasing reorganisation of the government and the improved management information system, changes were made to improve the information provided to Parliament to do its job. Some of the changes (e.g. Trading Funds and the Next Steps) in the second category (see Figure 6.1 above) also included some features that seek to improve accountability to Parliament. As the

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<sup>8</sup> Greer (1994) identifies three types of contracting-out and privatisation, namely: management, component and pure privatisation (see also Thomson, 1994). Under management privatisation, the unit of government still receives public money and is run by civil servants but its management is privatised. Under component privatisation, various functions (or activities) like computing, finance, etc. are contracted out to private sector organisations. Pure privatisation involves outright sell of a complete function, unit or organisation that was originally part of the Government.

Government argued, the management initiatives have introduced “more transparency into the work of government” and strengthened accountability within the existing framework of ministerial accountability to Parliament (HM Government, 1994).

The extent to which the changes have been implemented differ. However, there is a striking similarity between the changes in each category (see Figure 6.1) regarding the extent of implementation. For instance, the changes in the first category (see Figure 6.1 above) or many of the changes in the first row of Table 6.1 are simply rules that departments had to follow. In this regard, much of what they prescribed have been realised. This situation had, to some extent, been facilitated by the availability and cheapness of data processing machines like computers. But then there is a big question on whether the implementation of what they prescribed had been accompanied by a full realisation of their objectives. While there is no doubt that they led to a better control of expenditure, there is a room for debate on whether they have helped to completely bring expenditure under control.<sup>9</sup> For instance, if they did, would there have been any need for the changes in the second category to be concerned with the control of expenditure?

The prescriptive intents of the changes in the second category in Figure 6.1 above<sup>10</sup> (or many of the post-1978 changes) have not been fully realised. Many of them are principles (not rules) and requires time to develop and to be fully implemented. The civil servants have been sceptical about some of them. This had, in part, led to a delay in the acceptance and a slow down of the implementation. As one official in the department explained:

‘If civil servants do not like it they are not very good at facilitating it even if Ministers say that is what they want to have. There is the tendency for the Civil Service to slow things down, things they do not like.’

Also, the way some of these changes were introduced in quick succession<sup>11</sup> had not allowed the intent prescribed for one to be fully realised before another is grafted unto it. For instance, the intention to have much of the 95 per cent of the Civil Service (not involved in policy formulation) in Agencies<sup>12</sup> has not been (and may never be) fully

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<sup>9</sup> The inability of these changes to fully bring expenditure under control could be due to other non-financial factors that has the potential to push up the level of expenditure, e.g. policy changes and new policies, and exogenous financial factors like price-level changes.

<sup>10</sup> One of these changes, i.e. PAR, has been abandoned.

<sup>11</sup> Nevertheless, an advantage that has been claimed for this: ‘Because the changes have been coming quicker and quicker, we have got used to it’ (Official in a Department’s Finance Section).

<sup>12</sup> See TCSC (1988a, para. 1).

realised (since much of the services/activities would go to the private sector under the market-testing initiative). Similarly, the Next Steps Initiative will not run its full course as some of them have now been saddled with market-testing and will even be privatised early due to the rekindled interest in privatisation. Similarly, the objectives of these changes have not been fully realised. One senior Treasury Official explained that it was because none of the changes have been fully effective that has made it necessary to continue making more changes:

‘We would not have new initiatives if the objectives of everything before has been absolutely realised. If you have got it right you would stop. We are moving to Resource Accounting and Budgeting because these things have not done all what we wanted them to do.’

Furthermore, comparing the periods 1960 to 1978 and 1979 to 1995, more changes were made during the latter (shorter) period compared with the former (longer) period. It does not seem that the pace of change in the post-1978 era had slowed down. A senior Treasury Official, for instance, asserted that:

‘A huge change is going on.... There are lots more coming.’

The pace of change during the post-1978 era seems to have much to do with the dominance of political agenda/ideology in the contexts of the changes and the sustenance of the financial pressures.

Regarding the third category of changes (see figure 6.1), the prescriptive intents have, to a large extent, been realised. The NAO Act, more or less, specified some provisions which merely codified existing practices. The changes in financial reporting have also been implemented with the exception of the format of the Supply Estimates which is still on the drawing board. It must be stressed that the most important element of the changes in financial reporting, i.e. New Departmental Reports, is still evolving even though it has been published since 1991. This is in part due to the flexibility that departments were giving in this regard. The next stage of its evolution would appear to be the preparation and issuance of Standards by the Treasury to regulate departmental reporting practices<sup>13</sup> since practices that could hinder comparability are likely to proliferate under the existing arrangement.

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<sup>13</sup> Alternatively, the Treasury may direct the departments to comply with some of the private sector accounting standards in addition to the framework it issued in 1988 (i.e. HM Treasury, 1988).

The impact of each of the changes on the financial accountability process in government differ. For instance, the changes in the first category of Figure 6.1 (or many of the pre-1979 changes) do not alter significantly the process of financial accountability to Parliament. In a way, their impact on the accountability process is positive. For instance, PES system was accompanied by the publication of PEWP which was an improvement on financial reporting to Parliament.<sup>14</sup> Cash Planning was a further improvement along this line as it led to the preparation of PEWP on the same basis as the Estimate which Parliament had for long been using to authorise government spending. Also, Cash Limits and FIS sought to ensure that the departments stay within the main Estimates approved by Parliament.

However, the changes listed under category III in Figure 6.1 specifically focused on improving accountability to Parliament. It is noteworthy that the main pressures for them came from Parliament (see Figure 6.2 above). Some of the changes in the second category (in Figures 6.1 and 6.2) have substantial impact on the accountability process (e.g. the Trading Funds and Next Steps). They took the accountability process a step further up the ladder, i.e. from probity accountability to performance accountability (see Figure 6.3 below) for the government units concerned. One Treasury Official emphasised that these changes created “a new layer of accounting officers, i.e. the Chief Executives” and enhanced accountability. Also, a Principal Finance Officer explained that they represent “more effective control”.

On the other hand, one Labour MP argued that they pose financial control problems:

‘They pose a big problem of financial control because now government is so dispersed. They pose even bigger problem for Parliament because Parliament is not set up to examine the accounts of so many different public bodies. So, gradually Parliament (and I think the Government) is losing control of all these public bodies.’

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<sup>14</sup> Parliament was thenceforth provided with information on government’s future spending plan.



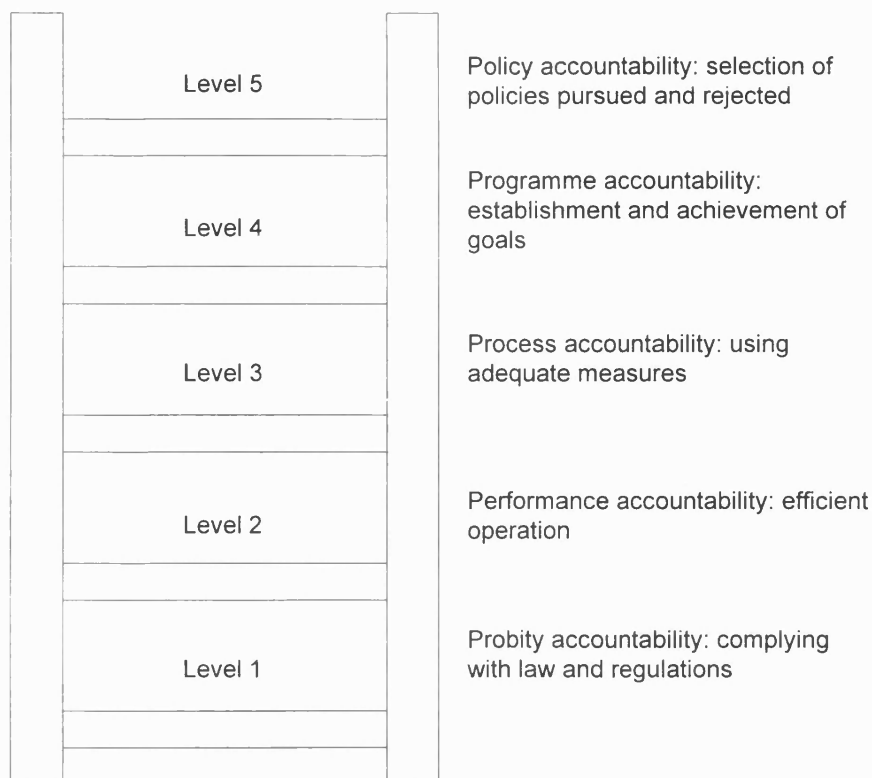


Figure 6.3: Revised Stewart's Ladder of Accountabilities  
 Source of the original: Tomkins (1987: 60-61).

A Liberal Democrat MP, however, believes that:

'The delegations do not necessarily open up avenues for fraud or corruption due to stringent control framework in their set-up.'

Nevertheless, the two opposition MPs have a common ground: they believe that the changes resulted in the "loss of democratic control".

Market-testing reduces the scope of Parliamentary control while privatisation completely removes the affected units out of Parliamentary control. For instance, one Labour MP exclaimed that:

'Our Government is being privatised and we are losing control!'

This MP also argued that market-testing is vulnerable to a number of malpractices:

'In America where they have allowed these policies for about 15 years, the problems are becoming more and more clear: frauds, waste, inefficiency by private contractors who do not follow the same rigorous standard of bookkeeping, accounting and honesty of government servants.'

Some changes like FMI and Efficiency Scrutinies impact mainly on internal arrangements within department and do not directly affect Parliamentary control. On the other hand, the Citizen's Charter even seeks to improve and extend accountability to the wider public. The

most recent initiative, Resource Accounting and Budgeting, has the potential to upset and revolutionise the whole system of government financial control.<sup>15</sup> One senior Treasury Official emphasised the significance of Resource Accounting and Budgeting as follows:

‘we shall be asking Parliament to change part of the unwritten Constitution of UK that has been there for more than 400 years.’

On the whole, the impact of the changes is a better government financial control system. In fact, a common belief shared by Departmental and Treasury Officials that were interviewed is that the system is much better than it used to be and that accountability has gone beyond “counting the money”.

#### **6.4 CASE SUMMARY AND PRELIMINARY CONCLUSIONS**

There was more than one driving force for change over much of the period (1960 to 1995) such that it is difficult, if not impossible, to attribute any one change to a single driving force. For example, some forces like financial pressure, Parliamentary pressure and political agenda/ideology have continuing presence during much of the period. Nevertheless, an important driving force of change in the British Central Government’s financial control system is financial pressure. There is however, the issue of when and how do financial pressure drives change in the system.

Financial pressure does not seem to result in changes in the government financial control system immediately it emerges: often, it is “sustained” before it drives change. Besides, the longer the pressure continues and other pressures for change emerge, the more profound the resulting changes in the government financial control system. For example, compared with the pre-1979 period, the changes during the post-1979 period were more profound because financial pressure had persisted for long and an additional pressure for change (i.e. political agenda/ideology) had emerged.

Also, over the period, political agenda/ideology forms an important part of the context of change. This can be explained with the category of public officials that first felt the need for change, the direction of the changes, and the zeal with which Reforms were pursued.

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<sup>15</sup> For instance, planning and budgeting may have to be done on accrual basis. Parliament may, in future have to authorise government spending on accrual basis (e.g. every three years as in Sweden). The in-year monitoring system will have to be based substantially on resources. The contents of financial reports to Parliament will also change significantly. The C&AG will also have to modify his audit approach and work to reflect these potential developments.

For instance, when changes are driven by political agenda/ideology, civil servants who should (and must be seen to) be politically neutral cannot feel the need for change. However, where changes are driven mainly by non-political factors such as financial pressures, civil servants can feel the need for change as much as political officials. Thus, as could be seen from Table 6.3 above, the feeling of the need for the changes that were driving largely by political agenda/ideology (see Figure 6.2 above) came from Ministers. It is worth stressing that political agenda/ideology, as a driving force of change, was more potent during the tenures of the Conservatives. (The changes that were made during the periods when Labour and Conservative Governments were in power are shown in Table 6.4 below.) In addition, many of the change episodes that occurred during the tenures of the Conservatives involved a high degree of learning from the private sector and they were implemented with an ideological zeal.

This is not to underplay the role of financial pressures in the context of the changes that occurred during the tenures of Conservative Governments. However, it can be argued that from 1979 the existence of financial pressures was magnified by the agenda/ideology of a rightist party with a conviction that expenditure needed to be cut or controlled very tightly. Nevertheless, the dominant force for change from 1979 is political agenda/ideology.

PERIOD	POLITICAL PARTY IN POWER	CHANGES
1960 to 1964	Conservative	Public Expenditure Survey System
1964 to 1970	Labour	-
1970 to 1974	Conservative	Programme Analysis and Review Trading Funds
1974 to 1979	Labour	Cash Limits Financial Information System
1979 to 1995	Conservative	Efficiency Scrutinies Privatisation Cash Planning Financial Management Initiative The National Audit Office The Next Steps Changes in Financial Reporting Market-Testing The Citizen's Charter Resource Accounting and Budgeting

Table 6.4: Classification of Changes by the Party in Power.

It can be argued that the series of changes since 1979 that were largely driven and guided by political agenda/ideology resulted in a more profound transformation of the government financial control system compared with the pre-1979 changes. In fact, given the pace and magnitude of change during the post-1978 era when political agenda/ideology dominated the context of change, one wonders if this category of driving force of change is not needed for the occurrence of fundamental reforms in the government financial control system.

Also, this case revealed the relevance of a rival power centre such as Parliament in the context of change. In many cases, the activities of a rival power centre may make the underlying pressures for change more potent and accelerate the Government's response. For instance, various investigations of the Parliamentary Committees and the outputs of these investigations (i.e. the Committees' recommendations) constituted important "precipitating conditions" for much of the changes. In other cases, the rival power centre may go beyond accelerating ministerial responses (to pressures for change) by directly pressing for change. For instance, Parliamentary pressures constituted the main trigger of the changes listed in the third category (see Figure 6.2).

It therefore, appears that a rival power centre (to the Executive arm of the government) will provide an additional impetus for change in the government financial control system. However, this may depend on the interests shown by such an organ of government in the effectiveness of the system. Besides, much of the influence of the rival power centre will depend on the constitutional arrangement in a country. As this case revealed, that Parliament (specifically, the House of Commons) has the statutory power of control of the "purse" makes it a very relevant power centre in matters relating to the government financial control system.

There is a need to recognise another driving force of change in this case, i.e. "momentum". A system that has remained relatively unchanged since 1921 was effectively transformed between 1960 and 1995 at least in part due to the "momentum of change". This factor became potent and more apparent in the post-1978 era. During this period, one change was leading to another in a manner that suggests that change had developed its own momentum. In fact, as change gathered pace during the early 1980s, it almost became a constant event. A careful observation of the trend of the changes and a study of the implication of the more

recent change episode (e.g. Resource Accounting and Budgeting) revealed that the British Central Government's financial control system may remain in motion for some time to come because of the momentum of change. Given the period when the momentum of change became very apparent, it can be argued that a series of frequent changes in a system is required for the momentum of change to develop. This case also suggest that the momentum of change can be sustained by the continuation of the underlying pressures for change.

Furthermore, the sustenance of the momentum of change depends on the level of political stimuli for change. In fact, it must be stressed that the potency of the potential driving forces of change in the government financial control system depends greatly on the amount of the "political stimuli" for change. It appears that these stimuli often come in great abundance from new Governments. For instance, many of the changes were made during the early years of new Governments. The existence of an active rival power centre (with interest in the government financial control system) may facilitate the release of the political stimuli for change. Besides, an active rival power centre may constitute an additional source of the political stimuli for change.

Much of the changes in the government financial control system were effected by the Government with the issuance of White Papers. For instance, only two episodes of change involved an Act of Parliament. The formal role and influence of a rival power centre such as Parliament in change episodes that involve legislation obviously exceed those that do not. However, it will appear that the use of White Papers in many of the episodes of change has to do with the statutory significance attached to the changes and the British constitutional arrangements rather than deliberate attempts by the Government to reduce the influence and roles of a rival power centre in the change process.

The case also revealed the relevance of the human factor in the context of change. How soon a pressure for change will drive change in the system and also the magnitude and pace of change depend on Ministers who are in the positions to initiate change. While the emergence of financial pressure, for example, may create a condition where Ministers and civil servants may begin feeling the need for change, the decision to make change and the choice of what to change obviously depends on the Officials, particularly the Ministers.

Thus, given the pressures for change during the period, Ministers were responsible for the resulting magnitude of change.

Likewise, the continuity of the implementation of change depends on the continuous support for change by the Ministers. As stated above, change cannot occur without the backing of the Ministers. However, the success of change does not depend on the backing of the Ministers at only the initiation stage but throughout the implementation stage. Where change loses political backing from Ministers at any stage after initiation, it is doomed to fail. Put slightly differently, a change that continues to enjoy political backing is unlikely to fail. It is noteworthy that there are different levels of political backing for change. For instance, changes that the Prime Minister personally identify himself/herself with will appear to have a superior political backing compared with the others.

This case revealed how the change process often unfolds once it is triggered by one or more pressures for change. This process involves the feeling of the need for change, the decision by Ministers that something should change, preparing a change programme, acting, and implementing change (see Table 6.2 above). The last stage in this process often takes a long time. In addition, there is a possibility that this (last) stage may not be completed before another change is introduced which may overshadow or submerge it. (This situation is depicted by the back-loop in Figure 6.5 below.)

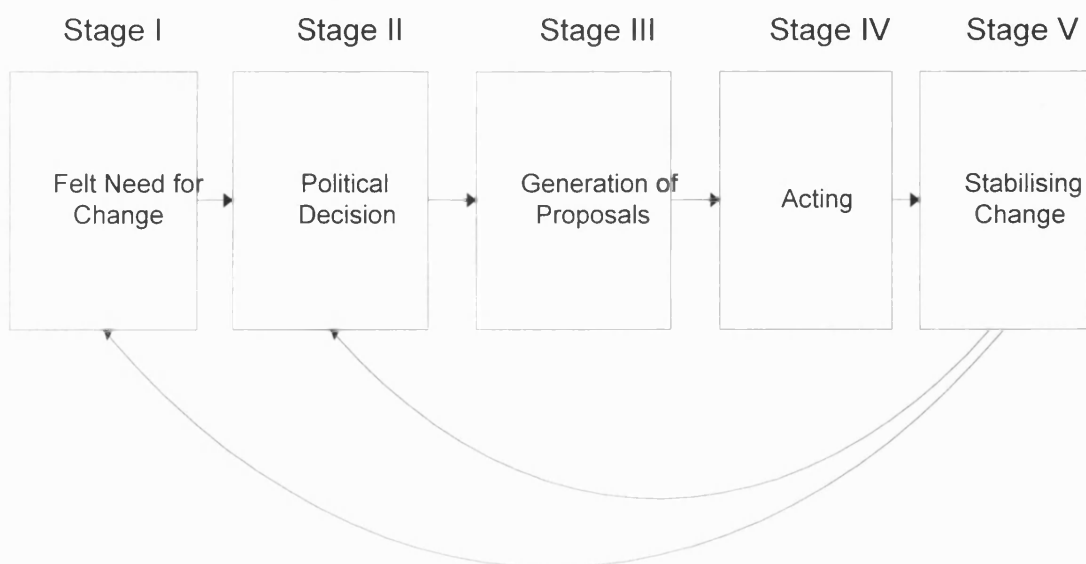


Figure 6.4: An Overview of the Change Process.

The Civil Servants appear to be interested in the efficacy of financial control. Likewise, it does appear that they are interested in reforms that will improve the system. This is clearly obvious from the events during the pre-1979 when there was a “crisis of control”. During this period, civil servants felt the need for change as much as politicians. There is the need however, to draw a distinction between civil servants in the central departments and those in the other departments. The feeling of the need for change by civil servants have been mostly from those in the central departments, particularly the senior officials. For instance, the officials in the central departments, particularly the Treasury, are usually very keen on reforms that entails better and tighter control over departmental spending. On the other hand, the civil servants in the non-central departments often show less enthusiasm in changes that enhance the ability of the Treasury to squeeze their spending or that adversely affect job security. In a sense, the attitude of the civil servants in the departments to financial control reforms depends on the nature of change and their perceived impacts on the departments.

Although civil servants are generally involved in the process of change, the extent to which they are involved during the stages preceding the preparation of the change programme depends on the underlying pressure for change. Where the main driving force for change is financial pressure (that can be perceived by both civil servants and Ministers) civil servants often participate as much as Ministers at the very early stages in the change process. For instance, they will perceive the need for change and may even begin putting forward the ideas for change before a political decision is taken that something should change. However, where the dominant factor in the context of change is political agenda/ideology or Parliamentary pressure, Civil Servants will be less involved in the activities preceding the preparation of change programme.

On the whole, the role of the central departments is very crucial in any process of change. Most changes cannot be implemented within a very short period. Also, some changes require time to be accepted and fully implemented. Besides the continuity of the political backing for change, the central departments are needed to sustain the energy for the realisation of the prescriptive intents of the changes. It does appear that where the central departments are not involved in the process of change, do not sign onto change or are

simply not interested in change, there is a high likelihood that change will fail unless there is a strong political will to see it through.

It must be stressed that the civil servants' participation in the stages in a change process is often dominated by, if not limited to, the civil servants in the central departments. For instance, except that they are consulted and may be required to participate in pilot-tests, the civil servants in the non-central departments are usually not involved in the change process until the implementation stage. Likewise, the NAO usually does not participate in the change process. The role of the NAO in the reform process is often the evaluation of change implementation. It is noteworthy however, that the NAO and the Treasury maintained a regular consultation in the process of preparing the change programme for the Resource Accounting and Budgeting, but then it is not clear whether this is episodic or the beginning of a new relationship.

The process of change, in many cases, includes an element of learning from outside the government. Such learning has been mostly from the Governments of similar (developed) countries. Increasingly, however, this learning is not just only from other Governments. In fact, it would seem that more learning is increasingly done from the private sector. This situation may be attributed to the ideology of the party in power during the last 16 years. However, the Governments of other countries that are doing similar learning (from the private sector) do not all belong to the same side of the political spectrum (see Greer, 1994).

Furthermore, there has been a kind of continuity in the direction of change (privatisation and management improvement, including the adoption of private sector managerial practices) during the last 16 years. This can be attributed to the continuity and dominance of political agenda/ideology in the context of change during this period. It does appear that political ideology has strong bearing on the direction of change, especially under the Conservative Government which has strong ideological bias toward the private sector and the market system. For instance, despite the interception of a Labour Government, many of the changes made by the Conservative Governments since 1970 have being directional, and involved reduction in the size of the government and progressive adoption of private sector



management techniques. (This is possible since developments in public sector management practices have lagged behind the developments in the private sector.)

It is possible to associate the drive to improve management in government with the Conservatives. For instance, while there was no significant change during the tenure of the Labour Government of 1964 to 1970, the management movement that began during the Conservative tenure of 1970 to 1974 was not pursued further by the Labour Government of 1974 to 1979. Likewise, the Labour Governments do not appear to have given sufficient attention to the need for significant management improvement (in government). For instance, the Labour Government of 1964 to 1970 did not take up the recommendations of the Fulton Committee on accountable management.

## CHAPTER SEVEN

### WITHIN-CASE ANALYSIS: NIGERIA

#### 7.0 INTRODUCTION.

In section 6.0, the changes in the British Central Government's financial control system were classified in two ways. The first and second classifications were based respectively on the main agenda for the changes and the period when the changes were made. In this section, the changes in the Nigerian system are classified on similar bases (see Figure 7.1 and Table 7.1 below). The next three sections deal respectively with the patterns in context, process and content of the changes that were described in Chapter Five. In the last section, the conclusions from the case are discussed.

The "why", "how" and "what" of ten change episodes in the Nigerian Federal Government's financial control system were described in Chapter Five. This descriptive information revealed, among other things, the specific goals of each of the changes. Also, it reveals some broad financial control agendas of the Government over the period, namely: (i) to reduce the level of public expenditure; (ii) to improve institutions and methods, and (iii) to arrest deterioration in custodial accountability. Each of the changes fits into one or more of these main agendas. For analytical purpose, the changes can be classified into three broad categories based on these agendas (see Figure 7.1).

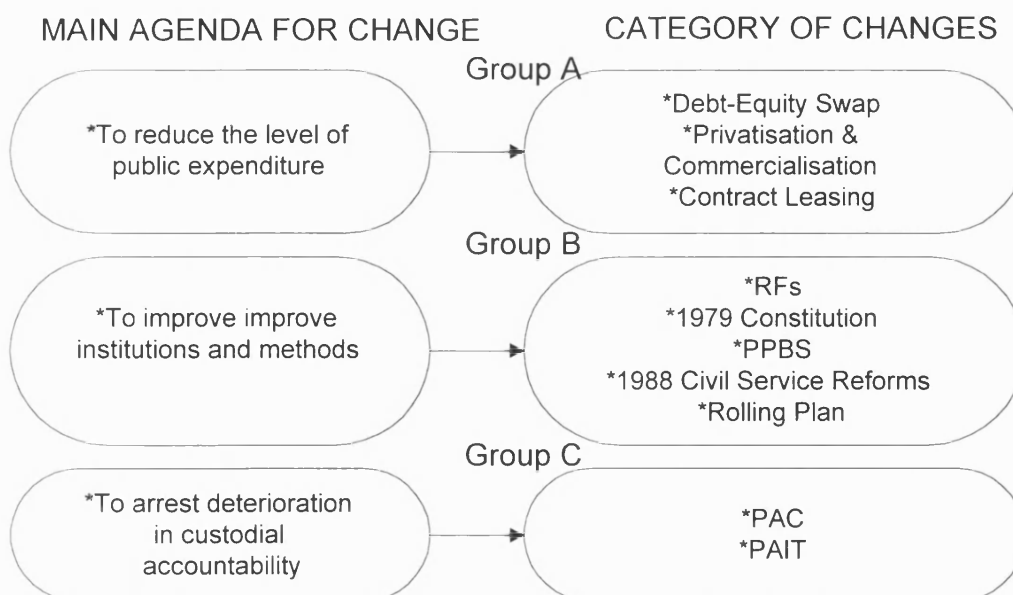


Figure 7.1: Classification of Changes by the main agenda for change.

The main agenda of the Government for making the changes in Group A (Figure 7.1) was to reduce expenditure level and hence, the level of budget deficit which have been, and still is, a serious problem in Nigeria. The changes in Group B (Figure 7.1) were made either to strengthen government institutions or to improve methods while the changes in Group C (Figure 7.1) were made primarily to arrest deterioration in custodial accountability under the military.

As shown in Table 7.1 below, the changes in the Nigerian Federal Government's financial control system could be classified into those made before 1981 and those made from 1981. This is because the contexts of the changes made before 1981 are fairly similar. The ways the changes unfolded are also fairly similar. Likewise, there are similarities in the contexts and processes of the changes made from 1981 to 1995 which are more fully explained below.

PERIOD	CHANGES
1960 to 1981	Revised Financial Regulations 1979 Constitution Programme Performance Budgeting System (PPBS)
1982 -1995	Public Accounts Committee (PAC) 1988 Civil Service Reforms Privatisation and Commercialisation Programme Debt Conversion Programme Rolling Plan Public Accounts Implementation Tribunal (PAIT) Contract Leasing

Table 7.1: Temporal Classification of Change.

Besides the above two classifications a third classification, based on regime types, is considered necessary for Nigeria. (This is shown in Table 7.2 below.) There were two Civilian Regimes, one semi-Military Regime and six Military Regimes during the period under study. Earlier on, i.e. in Chapter Two, the Military Regimes were classified into two categories, namely: Military Regime Types I and II. Nigeria has had three of each Military Regime Types

REGIME TYPE		CHANGES
Civilian	1960 to 1966	-
	1979 to 1983	Programme Performance Budgeting System
Semi-Military	1993	-
Military: Type I	1966	
	1966 to 1975	Revised Financial Regulations
	1993 to 1995	Contract Leasing
Military: Type II	1975 to 1979	1979 Constitution
	1983 to 1985	-
	1985 to 1993	Public Accounts Committee
		1988 Civil Service Reforms
	Privatisation and Commercialisation Programme	
	Debt Conversion Programme	
	Rolling Plan	
	Public Accounts Implementation Tribunal	

Table 7.2: Classification of changes by Regime Types.

## 7.1 PATTERNS IN CONTEXT

Colonial officials tend to install systems (e.g. government financial control system) that were developed in their home countries, subject to any modification that they may consider necessary. However, when a colony obtains independence it can retain pre-independence systems without changing any part of it. Alternatively, it may change some aspects of the systems to reflect its new status and environment. A wholesale replacement of the system is also an option, but may not be common due to two main reasons. First, this action is capable of disturbing the stability of the systems. Second, the option may be constrained by a number of factors, e.g. whether there were comparable systems in place before colonisation that can replace the inherited colonial systems, the length of the colonisation period, the available change resources, the attitude of post-independence political leaders, and the post-independence relationship with and the level of dependence on the former colonial master. Subsequently, when the country finds it necessary to reform its systems, it has the option of adopting/adapting practices evolved by its former colonial master, copying practices evolved by other developed (and even developing) countries, or evolving new methods and systems indigenously.

Regarding the government financial control system, Nigeria exercised some of the above options after independence. First, the Nigerian Federal Government retained the financial control system installed during pre-independence era and did not make any significant change to it during the first fifteen years after independence. Second, when Nigeria began

making changes, it did not replace the whole system of financial control installed by the Colonial Government. It is noteworthy that despite the changes that were made up to 1995, the core financial control statutes of the Nigerian Federal Government remained the Audit Act of 1956 and Finance (Control and Management) Act of 1958 that were enacted during the pre-independence era.

During the first one and a half decade after independence there were such close political and economic links between Nigeria and her former colonial master, Britain, as would make wholesale replacements of systems unthinkable. Besides the close links, the political problems that emerged after independence could not allow significant reforms to come into the fore.<sup>1</sup> Thus, Nigeria could not even be influenced by changes in the British System during the 1960s. It was not until after the Civil War (of 1967 to 1970) that the political scene became fairly “stable”. Then the whole public administration came into focus. For instance, Nigeria set up a Commission in 1972, i.e. Udoji Commission, to undertake a review of the public service. It is worthy of note that this Commission was given a term of reference similar to the Fulton Committee set up by the British Government in 1968. As Oronsaye and Idahosa (1990: 13) remark:

‘There is no doubt that ... the Fulton Report in 1968 had a catalytic effect on the establishment of the Udoji Public Service Review Commission.’

With the advent of the oil boom in 1973, the civil servants began pressing for a review of the two decades old Financial Instructions (FIs). These FIs which were developed in a pre-boom period constituted a barrier to the freedom of civil servants to spend in the economic climate that the oil boom brought. Therefore, the pressures to make the change in Groups A (see Figure 7.2 below) came from within and were as a result of desires to bring the financial rules and regulations in line with the government’s financial condition and the expectations of officials.

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<sup>1</sup> There were political problems in the First Republic which led to the first coup of 1966. The manner in which the first coup was executed led to a counter coup less than seven months after. The civil disturbances that followed these coups led to a three-year Civil War that ended in 1970.

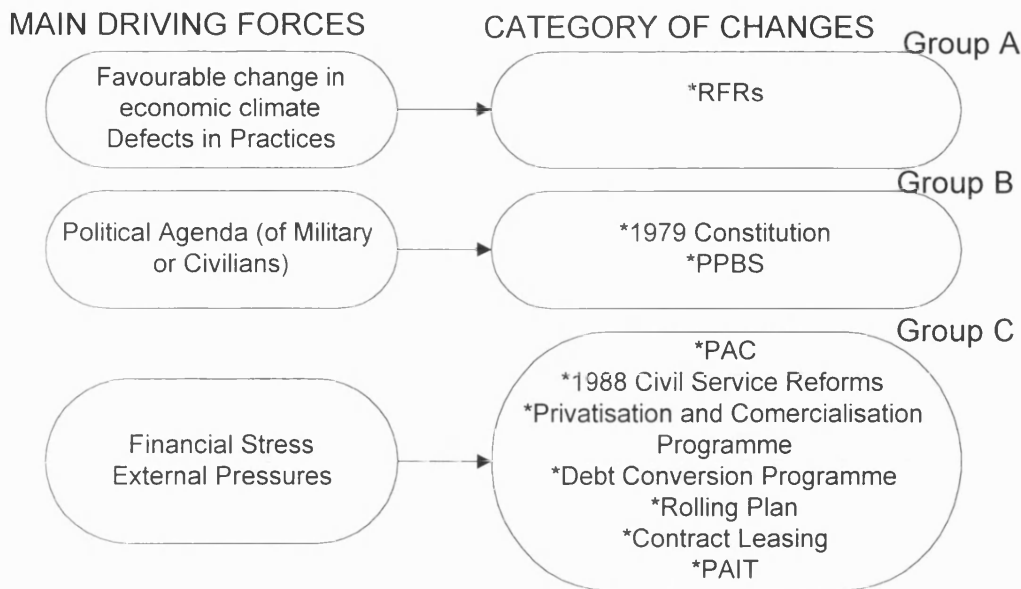


Figure 7.2: Classification of Change by the Main Driving Forces of Change.

The changes in Group B (see Figure 7.2), i.e. PPBS and the 1979 Constitution, were largely driven by the political agenda of the Military and Civilian Regimes respectively. Nevertheless, there were external influences on what to change in these cases. These were neither pressures nor threats:<sup>2</sup>

‘I know that the foreign countries do have influence on us when they are doing something and we feel that thing is good. In seminars and workshops that we go abroad, we pick what we think is useful and we come and mix it with what we are doing at home’ (senior official in the Office of the AG).

The US evolved some practices which Nigerians admired and wanted to integrate into the Nigerian system.

It must be stressed that Nigeria began adopting the American systems after a set of military officers with nationalistic feelings seized power and the relationship between Nigeria and Britain slumped. It should therefore not be surprising that the Regime was responsible for the abandonment of Parliamentary System and hence, the changes that came with the 1979 Constitution. The move to American system through the 1979 Constitution influenced the adoption of PPBS in 1980. As some senior officials in the Ministry of Finance remarked:

‘The 1979 Constitution was trying to copy the American system. Of course PPBS is popular in America. In fact, the politicians wanted a departure from the Westminster’s kind of line-item budgeting.’

<sup>2</sup> The oil boom was still in the background and hence, there was no visible financial crisis that can attract external pressures.

The changes in Group C (see Figure 7.2) were made during a period of oil bust and financial stress.<sup>3</sup> However, financial stress on its own did not compel the Nigerian Federal Government to make many of these changes. There were external pressures from creditors and international financial institutions, particularly the IMF and the World Bank. For instance, when Nigeria first experienced financial stress in 1977 following an oil bust, no significant step was taken to reform the financial control system or other aspects of the administrative system. What the Government did then was to introduce austere measures and borrow money. Likewise, the financial stress that began in 1982 could not force two successful Governments (i.e. Shagari Administration of 1979-1983 and Buhari Military Government of 1983-1985) to reform the system. Even when another Government seized power in 1985 and promised to make changes, and there was an enormous financial crisis, financial control reforms still did not come until there were real threats from the IMF and the World Bank.

With the emergence of financial crises (caused by a drastic fall in oil revenues during the second half of 1981) Nigeria became vulnerable to external pressures. Thus, external pressures became the real forces driving change in the Nigerian Federal Government's financial control system. The international financial institutions, particularly the IMF and the World Bank became too involved in Nigerian economic and financial affairs:

‘The World Bank and IMF officials keep coming and going, and giving advice on something that has worked somewhere’ (Senior Official, Ministry of Finance).

The other creditors (i.e. the Paris and London Clubs of official and private creditors respectively) even made the matter worse. An approval by IMF of the economic programmes and policies of the Government became a “certificate on the health of the economy” that creditors require for talks on debts and debt relief. Consequently, under the burden of debt, Nigeria became vulnerable to pressures from the IMF and the World Bank. Therefore, many (if not all) of the changes made from 1982 were either the ideas of these institutions or made, at least in part, due to pressures from them.

It is noteworthy that of the ten episodes of change, only one occurred during the civilian era. It will appear that the civilians did not give attention to the system of financial control. This could be attributed to a number of factors. First, during the civilian era there were

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<sup>3</sup> This was however intercepted by a brief period of boom in 1990 caused by the Gulf War.

many political problems competing for the attention of Government. As a Senior Official in the Office of the AG put it, under Civilian Regimes

‘political pressures did not allow the financial sub-sectors to get attention.’

Second, it appears that the political leaders lacked interest in the effectiveness of the government financial control system. If they were interested in the effectiveness of the system, they would have given some attentions to financial control reforms. This line of reasoning is further corroborated by the attitudes of the politicians to financial accountability. The accountability environment under Civilian Regimes was not in any way better than under Military Regimes where checks and balances are absent. Also, there was also no Parliamentary pressure for change during either the civilian eras of the First and Second Republics.

Furthermore, even though the financial crises of the post-1981 era began during a civilian administration, the civilians did not make any attempt to respond to this by reforming the financial control system. What action the civilians could have taken if they were in power during the later period of the economic crises is open to debate. However, that the Civilian Government (of 1979 to 1983) rejected pressures from the IMF and the World Bank to introduce some changes partly because, if implemented, they would adversely affect the personal interests of the ruling party’s stalwarts creates doubt on whether the civilians would have been able to undertake any serious financial control reform.

Besides their rhetoric about the need for accountability, the military cannot be described as having a better attitude toward financial accountability than the civilians. However, nine of the total number of ten episodes of change occurred during the military era (see Table 7.2 above). That the military often seize power with promises to make economic, social and political changes facilitated changes under Military Regimes. For instance, the changes in Group C (see Figure 7.2) can be attributed, at least in part, to the political agenda of the military. This is because the military leaders that made much of these changes seized power, among other things, on the excuse that Nigeria needs to reach an agreement with the IMF and the World Bank. However, there is a limit to which the argument can be advanced that the “political agenda of the military” genuinely formed part of the context of the post-1981 changes. This is because upon seizing power in 1985, the military introduced



the reforms prescribed by IMF/World Bank very reluctantly. It dragged its feet until there were real threats from the IMF and the World Bank in early 1987.

As stated in chapter two, two different Military Regime Types can be identified in Nigeria. A classification of changes by the regime types is shown in Table 7.2 above. Only two out of the ten change episodes occurred during the era of the Military Regime Type I. Considering the tenures of office, this number of change episodes is high compared with the Civilian Regime but very low when compared with the Military Regime Type II. A number of factors can be identified as having been responsible for this low number of change episodes under this regime type. First, the tenures of the Military Regime Type I have been characterised by serious political crises. Second, much of the tenure of this regime type fell into the pre-financial crises era when Nigeria was not vulnerable to some sources of pressures for change, e.g. external pressures. Besides, the civil servants which appear to have poor attitude to financial control reforms usually have great influence during the tenures of this regime type.

On the other hand, seven of the ten change episodes occurred during the tenures of the Military Regime Type II (see Table 7.2). These regimes usually seized power with the promise to make drastic changes and the political climate is often favourable for them to do so. Even though there were external influences on (and/or pressures for) the changes they made, they had the agenda to make changes. For instance, the Murtala/Obasanjo Regime of 1975 to 1979 took over power with the agenda to bring sanity to the Nigerian Government and return the country to a stable democracy. The 1979 Constitution whose contents were more or less dictated by the military was largely a product of this political agenda for change. Likewise, the Babangida Regime (of 1985 to 1993) overthrew the Buhari/Idiagbon Regime (of 1983 to 1985) with the agenda to reach an agreement with the IMF and the World Bank, and make the changes necessary to move Nigeria forward. The changes made by the regime (see the third row of Table 7.2) were, in effect, parts of this agenda.

Three of the changes that were made by the Federal Government in its financial control system had been adopted earlier by one state government or the other in Nigeria. These are PPBS, Privatisation and Contract leasing.<sup>4</sup> Similar initiatives did take place at the federal

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<sup>4</sup> It is note worthy that except in the case of PPBS, the adoptions of the initiatives at the state level were not elaborate

level until seven, five and eight years respectively and they did not influence the initiatives at the federal level. Furthermore, except in the case of PPBS, the experiences of the states were either unknown or not drawn upon. Therefore, the influence of the developments in financial control systems at the lower levels of Government on the Federal Government has been almost nil.

## 7.2 PATTERNS IN PROCESS

Many of the changes exhibited some common features in how they were made. These features can be classified under five main headings, namely: Feeling of the Need for Change, Political Decision,<sup>5</sup> Acting, Preparing the Change Programme and Implementing Change.

ANALYTICAL STAGES	ACTIVITIES	KEY PARTICIPANTS
Stage I: Feeling the need for change	Top political office-holders feel the need for change or yield to external pressure by accepting the need for change.	Political Office-holders - military or civilian.
Stage II: Political Decision	The Ruling Military Council and/or Cabinet decides to make/adopt a change.	ditto
Stage III: Acting	Change is announced, a Decree is promulgated or both. In addition, where applicable, a machinery is put in place to implement change.	Head of State or a Minister
Stage IV: Preparing the Change Programme	A Committee works out what change involves and how it will be implemented. The Committee will seek out the experiences of other countries.	Mostly non-political office-holders. Bureaucrats and/or non-bureaucrats.
Stage V: Implementing Change	A Committee implements change. Where applicable, civil servants receive directives from the committee on how to implement change .	Bureaucrats and non-bureaucrats.

Table 7.3a: Activities in the Change Process (Pre-financial crises period, i.e. 1960 to 1981)

Regarding much of the changes in the second row of Table 7.1 above, these activities occurred in this sequence (see Table 7.3a above). However, in the cases of the changes in

<sup>5</sup> Political decision as used in this section does not refer to only the decisions made by the cabinet and parliament under a Civilian Regime but also the decisions made by the military ruling councils and the cabinet constituted by the military from among the civilians and/or military.

the first row of Table 7.1 above, the stage of “Preparing the Change Programme” occurred before “Acting” (see Table 7.3b below).<sup>6</sup>

ANALYTICAL STAGES	ACTIVITIES	KEY PARTICIPANTS
Stage I: Feeling the need for change	As in Table 7.3a above	As in Table 7.3a above
Stage II: Political Decision	As in Table 7.3a above	As in Table 7.3a above
Stage III: Preparing the Change Programme	A Committee works out what change involves and how it will be implemented. The Committee will seek out the experiences of other countries. The Committee will seek advice from relevant institutions.	Mostly non-political office-holders. Bureaucrats and/or non-bureaucrats.
Stage IV: Acting	Change is announced, a Decree is promulgated or both. In addition, a Committee is set up to prepare and/or implement the change programme.	Head of State or a Minister
Stage V: Implementing Change	As in Table 7.3a above	As in Table 7.3a above

Table 7.3b: Activities in the Change Process (financial crises period, i.e. 1982 to 1995).

### **Stage I: Felt-need for change.<sup>7</sup>**

Before the other activities in a change process begin to unfold, the need for change was often felt. This could be as a result of some internal factors, external influence, external pressures or all the three. In all the changes, except the revision of the FIs, the top echelon of Government, i.e. the political level, felt (or accepted) the need for change. For instance, under a Military Regime, the feeling of the need for change could be felt first by the military officers in government or civilians holding cabinet positions.

### **Stage II: Political Decision.**

When there is a feeling of the need for change under a Civilian Government, the political decision for change is made by the Cabinet. However, under the military, the political decision for change is taken by either the ruling military council or the cabinet and the ruling military council. Often, especially in the financial crises period, decisions to make change are not based on a set of problems that are identified and carefully diagnosed.

<sup>6</sup> Tables 7.3a and 7.3b provide a summary of the discussion in this section.

<sup>7</sup> It may be more appropriate to use the phrase “accepting the need for change” for many of the change episodes.

### **Stage III: Acting (Stage IV during the pre-financial crises period)**

This involves announcing a change and putting in place the necessary machinery to make change happen. The announcement could be in a speech by a Minister or Head of State, a budget speech or a Decree. When the announcement is made, a committee (or task force) will usually be asked to implement or work out the details of the change. However, a few of the changes (e.g. the Public Accounts Committee and the Public Accounts Implementation Tribunal) are so basic such that when the decision on them is taken by the political office-holders, what would be required is just a Decree to be drafted by the Ministry of Justice and signed by the Head of State.

During the financial crises era, the details of what a change involves are often not available (and are not worked out until after a change has been announced). This was possible because, more often than not, the method or system being introduced must have been practised in some places. The members of the committee that will work out what a change involves (or will implement the change) are left to bother their heads about these. This led a Senior Official in the Office of the AGF to describe change in Nigeria as about trying out some ideas gathered from other countries:

'In Nigeria we always have this idea of trial and error. ... There is no gainsaying about it that most of the things we have introduced or practised in Nigeria are borrowed ideas. We have never sat on our own and developed a practically new idea. When a Government gets to power, he sends a team here and there to go and find out what is going on in India, America and Britain. They come back to give the ideas they gathered from these countries.'

### **Stage IV: Preparing the Change Programme (Stage III during the pre-financial crises period)**

This involves working out what a change involves in practical terms (as opposed to taking the political decision to make a change). This task is usually assigned to a committee (or task force). Civil servants may serve on the Committee with non-civil servants as happened in many of the change episodes. It is also possible that civil servants may not be on the Committee, even though their services may be employed by the Committee. (For example, the Constitution Drafting Committee of 1975 and the 1988 Civil Service Reforms Implementation Task Force did not include any civil servant as members.)

The committee may subsequently be given the responsibility for implementing change. Alternatively, the committee that is constituted to implement change may discover that there is nothing to implement unless they work what out (in details) what a change involves and the practical implementation details (as happened, for instance, in the Debt-Conversion Programme and the 1988 Civil Service Reforms). This activity often takes time: sometimes it delays the political decision from becoming effective from the officially announced implementation date. Figure 7.4 below shows changes whose effective dates of implementation were delayed, at least, by the process of preparing the change programmes.

CHANGE	DATE OF ANNOUNCEMENT	EFFECTIVE DATE	DATE OF FINALISING CHANGE PROGRAMME	DATE OF COMMENCEMENT OF IMPLEMENTATION
1988 Civil Service Reforms <sup>8</sup>	January 1988	January 1988	31 March 1988	1 April 1988
Privatisation and Commercialisation Programme	January 1986	July 1986	June 1988	July 1988
Debt Conversion Programme	January 1988	January 1988	July 1988	July 1988
Contract Leasing	January 1995	January 1995	-	-

Table 7.4: Time lag between effective and commencement dates of change implementation

In the process of preparing the change programme, the committee will find out the experiences of other countries. This may involve visits to other countries. The countries usually visited are not only developed countries but some “leading” developing countries, e.g. India. The advice of the International Institutions like the World Bank and the IMF may also be sought. The International Institutions will be particularly very involved at this stage where the pressures/initiatives for change came from them. Seeking to know the experiences of other countries and obtaining advice from international bodies at this stage is absolutely necessary because, more often than not, the change being introduced must have been evolved somewhere.

<sup>8</sup> It was possible for the Committee that implemented the Civil Service Reforms to prepare the programme for the reforms in three months because it used the report of a Panel that reviewed the civil service three years earlier (cf. Oronsaye and Idahosa, 1990) The other Committees were not that lucky and had to spend several months preparing the change programmes after change implementation should have began.

‘No country lives in isolation. When you are *adopting a system* you have to look at how practicable it is. Has it been applied in another country and did it work?’ (Senior Official, Ministry of Finance) (emphasis ours).

### Stage V: Implementing Change

In some cases the committee that prepared a change programme was also responsible for its implementation. (At a later stage this function may be transferred to another body.) In such cases, this stage is inseparable from the stage of preparing the change programme as the dividing line is blurred.

The departments did not participate in the implementation of many of the changes. Some of the changes actually do not require the participation of departments in their implementations (see Table 7.5 below).

THE ROLE OF DEPARTMENTS IN IMPLEMENTATION	CHANGE <sup>9</sup>
Full participation	Revised Financial Regulations Programme Performance Budgeting System Civil Service Reforms Rolling Plan
No Participation: Ought to have Participated No need for Participation	Privatisation and Commercialisation The 1979 Constitution Public Accounts Committee Debt Conversion Programme Public Accounts Implementation Tribunal

Table 7.5: Classification of changes by the role of Departments in Implementation.

The change implementation period could be long or short depending on what a change involves, the level of political commitment and the interests of civil servants. For instance, PAC and PAIT did not require the involvement of many people in their implementations and/or did not require much efforts to implement. It was therefore fairly easy to implement them. Some of the changes, e.g. PPBS and Civil Service Reforms, failed at this stage. Some changes failed at this stage due to a number of factors. First, the civil servants who are not interested in anything other than what would benefit them can resist change passively by slowing down implementation. Second, changes often lose political backing at this stage either because the political leaders were not truly convinced of the need for change or because of political instability which characterised much of the period. For example, as

<sup>9</sup> Only nine out of the ten changes are included since the programme for the tenth change is still being prepared. However, this is most likely to fall under the category “No participation: ought to have participated”.

some civil servants remarked, the implementation of change will be derailed where the political officials are dubious about their pronouncements on change:

‘If we have a leader that is committed to what he says .... Without that, the situation would remain: good intention, bad performance’ (Senior Official, Presidency).

‘If they are interested in a change, they will make it work. If they are not, they will suppress or submerged it’ (Senior Official, Office of the AG).

Besides, Committees comprising mainly of political appointees have been used to implement change. Thus, when there is a change of Government and these Committees are dissolved or their members replaced with new appointees, the change implementation often suffers a setback. A senior official in the Presidency described the impact of the political instability on change implementation as follows:

‘Soon after introduction, the person who does, views and implements it with rigor may find himself swept off politically and financially.’

It is noteworthy that the involvement of the civil servants in the change process differed under the different Nigerian Military Regime Types. For instance, the civil servants were involved more in the change process under Nigerian Military Regime Type I compared with Military Regime Type II. Under Military regime Type I, the tasks of preparing the change programmes were left with the civil servants exclusively. However, under Military Regime Type II, civil servants were either not involved or served with non-civil servants on the committees that prepared the change programmes. It is difficult to identify the pattern under Civilian Regime because there was only an episode of change. In this instance, a political office holder was responsible for preparing the change programme.

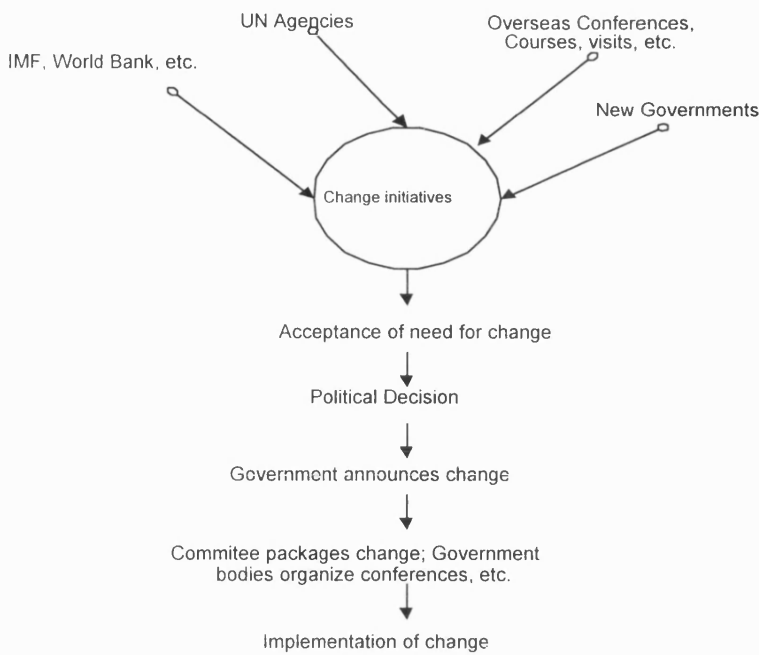


Figure 7.3a: An overview of the Change Process in financial crisis (or post-1981) era.

It is noteworthy that all the changes whose processes unfolded in the manner described in Figure 7.3a above occurred during the military era. Can it then be argued that the occurrence of action before the preparation of a change programme was due to the military factor?

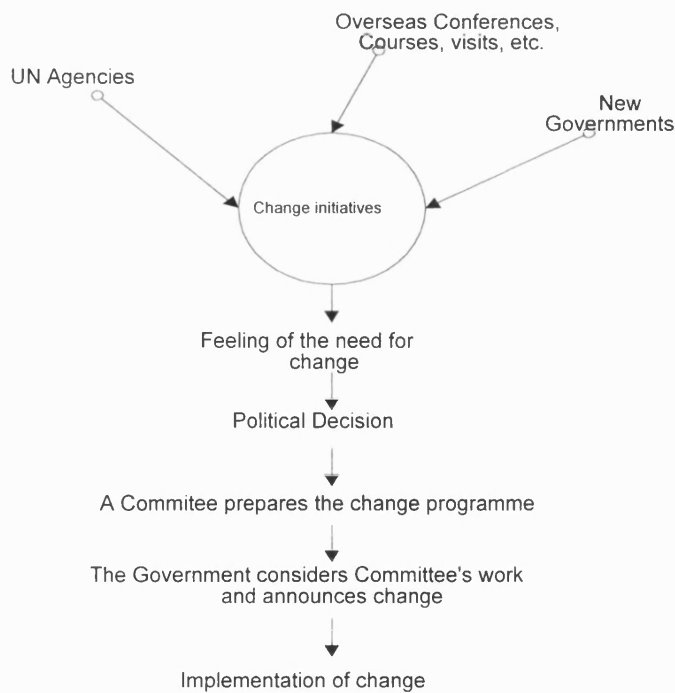


Figure 7.3b: An overview of the Change Process in pre-financial crisis (or pre-1982) era.



The answer is: not necessarily. This is because two of the changes during the pre-1982 took place under the military, and action did not precede the stage of preparing a change programme (see Figure 7.3b above). The source of the initiatives for these (two) changes were internal and they were not made in a period of financial crisis or in response to external pressures. When the post-1981 changes are closely examined, it would be discovered that all but one (i.e. Contract Leasing<sup>10</sup>) are part of the initiatives which have been (or are being) implemented in a number of developing countries as part of the structural adjustment programme that was sponsored by the international credit agencies.<sup>11</sup>

On the whole, civil servants rarely initiate change. There was only an instance when the initiative for change came from civil servants, i.e. the Revised Financial Regulations. In fact this change that was initiated by them would not have qualified as a significant change if the financial regulations are regularly reviewed.<sup>12</sup> It would seem that the civil servants initiated the revision of the Financial Instructions because the then existing FIs constrained them from spending in an era of boom. In fact, it can be argued that the civil servants made the initiative in furtherance of their self-interests and not necessarily because of a concern for the effectiveness of financial control.

In cases where attempts have been made to make significant advancement in the system of financial control in the Nigerian Federal Government, the moves lacked support from the civil servants. For instance, when the Federal Government first attempted to introduce PPBS in 1977, the top civil servants resisted the initiatives by claiming that the civil service does not have the capacity to implement. When PPBS was eventually introduced and it later lost political backing, the civil servants just simply allowed it to die a natural death. Besides, the civil servants neither implemented nor attempted to implement many aspects of the 1988 Civil Service Reforms.

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<sup>10</sup> This initiative also has substantial input from the World Bank.

<sup>11</sup> Basanti (1990) discussed the initiatives that were sponsored by the IMF. Also, he summarises these initiatives and the number of countries implementing them (see Basanti, 1990: 60-61).

<sup>12</sup> For instance, given the unstable economic and political environments, the regulations ought to be reviewed every three or four years.

### 7.3 PATTERNS IN CONTENT

The pre-1982 changes aimed largely at the improvements of methods and institutions. Except for the last change in this group, the focus of the changes was on improving legality and regularity. For instance, the Revised Financial Regulations comprised mainly alterations to rules and regulations with a focus on legality and regularity. Similarly, the 1979 Constitution attempted to strengthen institutions for budgeting, auditing and post-audit evaluation primarily to improve legality and regularity. However, the third change made during this period, i.e. PPBS, has some elements of financial management in that it involved attempts to organise government expenditure around programmes, and it emphasised the evaluation of programmes' performances.

The post-1981 changes comprise some changes specifically aimed at arresting deterioration in legality and regularity of government expenditures, e.g. PAC and PAIT, and those which on the surface appeared as having been made to improve management. Privatisation in effect help to reduce the size of the state and get rid from Government the activities that should be performed by the private sector. However, this was a consequence rather than the motive of privatisation. Besides, this was not informed by any political ideology or even a rigorous analysis of the Nigerian situation by the Government. Rather it was a result of external pressures from institutions which believe that privatisation will help to reduce government expenditure and reduce the regular annual budget deficits. The same assertion can be made about the Debt Conversion Programme. Similarly, Contract Leasing was introduced as a substitute to Privatisation and has the same aim of reducing government expenditure and budget deficits.

However, one of the changes in the post-1981 era, i.e. the 1988 Civil Service Reforms, appears to incorporate elements of improved management even though it contained elements of regularity and control in the same (or even greater) quantity. For instance, the Reforms emphasised efficiency, effectiveness, economy and quality, and required the specification of targets and comparison of targets with actual performance. In a similar vein, the Rolling Plan ought to be an improvement in the planning machinery. However, it does not cover the whole of government expenditure but rather a smaller proportion of it, i.e. capital expenditure, and was "hoisted" upon the Government by the World Bank. Its usefulness as part of the government financial control system remains obscured. It must be

stressed that the link between the changes is weak. Except in the case of the Public Accounts Implementation Tribunal that was linked to the Public Accounts Committee, the changes did not evolve in a manner that the latter can build upon (or enhance) the former.

The government financial control system has not advanced beyond the concern for legality and regularity. Many of the changes are either about the methods of and institutions for custodial accountability (e.g. Revised Financial Regulations, 1979 Constitution, PAC, PAIT and some elements of 1988 Civil Service Reforms) or about reducing the level of government expenditure by whatever methods (e.g. Privatisation, Commercialisation, Debt Conversion or Contract Leasing). The management improvement portion of PPBS and the 1988 Civil Service Reforms were not realised.

Many of the changes were either not fully implemented or have ceased to be in operation without any official pronouncement (that they have been abandoned). A senior official in the Presidency made a concise description of the situation when he made the following remarks:

‘It looks to me as if we create institutions and systems, and we fail to use them. There are many examples of that in the Nigerian Public Service’ (Senior Official, Presidency).

Such changes can be described as formalistic. For instance, the aspect of the 1979 Constitution that gave Parliament the powers to investigate cases of waste and inefficiencies in the management of public money was never implemented. Also, many of the changes were either not fully implemented, have been abandoned or both (see Table 7. Below).

CHANGE	EXTENT OF IMPLEMENTATION
Revised Financial Regulations	Fully implemented.
1979 Constitution	Some provisions relating to the powers given to the legislatures and the AG were never really implemented.
PPBS	Not fully implemented. Abandoned.
Civil Service Reforms	Not fully implemented. Abandoned.
Privatisation and Commercialisation Programme	Not fully implemented and has been suspended (or abandoned).
Debt Conversion Programme	Implementation suffered set backs from 1993. Impact not felt as the volume of debts has been on the increase.
Rolling Plan	Implemented, but the impact is obscured.
PAC	Not in place since 1993.
PAIT	Possibly existing only on paper.
Contract Leasing	The preparation of the change programme is in progress. However, official pronouncements about eight months after it was introduced suggest that it may have been abandoned.

Table 7.6: Extent of Implementation of Changes.

Some of the changes have failed because proper home-work was not done before they were introduced. The realities of what the changes involved often become visible only during implementation. As a senior Official in the Ministry of Finance remarked:

‘Sometime people think these models are solutions to our problems but later find out practical difficulties’ (Senior Official, Ministry of Finance).

Besides, some of the changes like PPBS and the 1988 Civil Service Reforms were seen as too theoretical and hence, cannot be implemented:

‘For officials to really implement a change, it must be practical. If too theoretical, after sometime people will forget it’ (Senior Official, Ministry of Finance).

Furthermore, many of the changes lacked the political will (and/or sincerity) to see them through. Often, the political leaders embark on reforms just to satisfy external bodies. While the Government is saying one thing it may actually be doing the exact opposite. For example, while the Military Regime that seized power in 1993 was expressing its commitment to privatisation, it was quietly planning to nationalise some of the privatised banks. Similarly, while the Civilian Regime of 1979 to 1983 was preaching about performance through PPBS, it was busy duplicating institutions and engaging in other wasteful activities (see Omolehinwa, 1989). A Senior Official in the Ministry of Finance summarised the situation with the following remark:

‘More often than not you get a gap between official pronouncement and action.’

Some of the changes attempted to re-enact existing rules. The promulgation of a PAC Decree by a Military Regime in 1987 was a re-enactment of practices under the Nigerian Constitution. Previous Military Regimes have constituted PAC by relying on the Constitution and without recourse to a new Decree. Similarly, the enactment of a PAIT Decree in 1990 was a re-enactment of normal practices where cases of theft and misappropriation of public funds are to be referred to the courts and law enforcement agents. Similarly, some of the elements of the 1988 Civil Service Reforms constitute a re-enactment of previous practices (see “Other Financial Aspects of the Reforms” in Chapter Five). A Senior Official in the Office of the AGF gave a specific example of one of the practices that were re-enacted by the 1988 Civil Service Reforms as follows:

‘In a Ministry which I will not disclose, there is a document that they need to maintain, i.e. Vote Book. As far as that Ministry was concerned, the Vote Book was not kept for 4 years, and it kept on spending. We demanded for returns, its officials could not produce any.’

And what inference can be drawn from these re-enactments of existing rules, regulations and practices? They indicate that some of the existing rules were ignored in practice.

The attitude of the civil servants to change had also influenced the implementation of the changes. When it comes to the changes that they must implement, the usual practice is for the civil servants to implement them to the extent that it favours them materially. As one of them remarked:

‘The usual syndrome is good intention, bad performance. Leaving what is essential and grabbing what is not essential. Leaving the first thing to be done and then taking the last thing. Distorting. It is whatever would give people money that would be actively implemented’ (Senior Official, Presidency).

In addition, civil servants will not implement rules which they think will affect their career advancements adversely. The comment of a senior official in the Ministry of Finance on why the Audit Alarm Committee system (that was introduced under the 1988 Civil Service Reforms) did not work rightly described this attitude of the civil servants.

‘If I am asked to report you as I am watching your excesses and you are to write my promotion report, I cannot afford to do anything that will hurt your feeling because I would not want you to write adversely against me.’

It is interesting to ask: what has been the effect of the changes on financial accountability in the Nigerian Government? Six of the ten changes include some elements that have

implications for the financial accountability process. The Revised Financial Regulations attempted to bring in line with the then Nigerian environment the rules and regulations for ensuring legality and regularity of expenditures and revenues but have since become outdated. The 1979 Constitution sought to strengthen control institutions but the impact was not felt. PPBS involves an attempt to take accountability up the ladder to programme accountability without climbing the steps of performance accountability and process accountability (see Figure 6.3 in Chapter Six) but did not get there. In the same vein, the 1988 Civil Service Reforms attempted to improve custodial accountability and take three further steps up the accountability ladder at the same time. The result was a disaster: in fact, a breakdown in financial accountability. Likewise, PAC and PAIT sought to arrest deterioration of custodial accountability but were less than effective.

#### **7.4 CASE SUMMARY AND PRELIMINARY CONCLUSIONS**

The Nigerian Federal Government was slow to adapt its financial control system to changes in its internal and external environments. Significant formal change in the system did not occur until about sixteen years after independence. The conditions in the environments of the Government were not static during this period. For instance, democratic system of government was replaced by military rule and the economic conditions changed significantly as a result of the oil boom. Given the flux in conditions in the environments of the government, it can be argued that the system had become out of fit by mid-1970s when it began experiencing change. Furthermore, the operators of the system seem to have become used to it over the first fifteen years when there was no change. The stability experienced in the system may have constituted a source of resistance to change. Hence, much of the initiatives for change has to come from outside.

Significant changes in the Nigerian Federal Government's financial control system often derive impetus from extraneous factors. These factors include external pressures (or threats), and the existence of attractive government financial control practices in other countries. These factors take different forms to influence change depending on the financial condition of the Nigerian Federal Government. During periods of economic booms and less dependence on the international providers of finance, the extraneous factors are only compelling. They are in the form of attractive government financial control practices in

other countries that the Government may adopt voluntarily. During periods of economic boom (or absence of financial stress), there are no external pressure for change. In fact, it will appear that the Government is not vulnerable to external pressure or threats when it is not in a bad financial position. However, during periods of economic busts and high dependence on the international capital providers, the extraneous influences are pressures and threats.

The advent of the economic boom during the first half of 1970 was followed by three significant change episodes without external pressures. This is in contrast to the period following the economic bust when external pressures dominated the context of change. It does appear that economic boom can create suitable conditions for and facilitates change in Nigeria without external pressures or threats. However, economic busts or financial stress cannot and hence, requires external pressures and threats to cause change. It would appear that financial stress rather creates resistance to change. Because of this situation, changes of Government in addition to external pressures are needed for change to occur during a period of financial crises.

However, as revealed in this case, changes of Government can influence the development of the system of financial control both positively and negatively. First, a change of Government may result in policy reversals (or changes) and the system may be caught in this wind. This was often the case with Military Regimes who needed to obtain legitimacy by one means or the other. More often than not, Nigerian Military Regimes seek to gain legitimacy by reversing the policies of previous regime, making changes or both. Second, changes of Government have encouraged or contributed to formalism. For instance, when a Government is sacked, more often than not, the changes introduced by it loses political backing and are silently abandoned. Besides, frequent changes of government creates a climate of uncertainty that reinforces the corrupt tendencies inherent in public officials.

In a period of financial crises, the Nigerian Federal Government tends to operate in an “action-generating mode” as it decides and announces changes before sorting out the practical details of what change will involve. Financial crises create conditions that influence the change process. First, financial crises attract external pressures for change to which the Government is vulnerable (because of its financial condition). Second, the

external bodies that press for change also provide ideas on the change. The result is that the Government simply accepts the need for change, makes the political decision to introduce change and announces change (based on the change ideas provided by the external bodies) before constituting committees to worry about the details of the change programme. The result of this is that many of the changes are not original and not linked with each other.

Many of the change episodes involved the adoption of practices in other Governments. However, it does appear that the adoption of other countries' practices has not been beneficial. One observable reason for this is that due consideration was often not given to the availability of the resources required to make the changes happen before changes were announced. For instance, the 1979 Constitution gave more powers to the AG than his resources can enable him to perform. It is noteworthy that the Nigerian Federal Government had not been looking at the financial control practices evolved in only developed countries but also some developing countries. Similarly, the Nigerian Federal Government did not consistently follow or borrow practices evolved by its former colonial master (i.e. Britain) nor any new political ally.

Nigeria got support from the World Bank, IMF and/or UN to make many of the changes happen. The involvement of external bodies, especially at the stages of preparing the change programme and/or implementing change suggests the absence of enough stock of change resources in Nigeria. Besides, in many of the change episodes, non-civil servants were involved in preparing the change programme and implementing change. This raises a question on whether the political office-holders trust and can rely on the skills and competence of civil servants. It is noteworthy that the civil servants do not themselves appear to have confidence in their skills to manage change in the system.

Besides the involvement of non-civil servants in the change process, the central departments have not been responsible for preparing change programmes or for co-ordinating change implementation. This created a situation where change processes cannot benefit from the experience gained during previous processes. It also contributed to a lack of continuity in the implementation of changes. For instance, the use of committees that are dominated by political appointees to implement changes meant that once there is a change of Government the committee can be dissolved and the implementation of change



discontinued. In addition, changes often do not really become effective from the officially announced effective dates. Two factors can be identified as having contributed to this situation. First, some of the changes were announced before working out their practical details. Second, often the Government will announce a change without been truly committed to it. The absence of genuine political interest in (or backing for) change often slow down the commencement of change implementation.

Also, the Nigerian civil servants do not appear to be interested in the effectiveness of government financial control system and also in changes. It was only in an isolated instance that they initiated change. Under a regime where civil servants have great influence, such as in Nigerian Military Regime Type I, change rarely occurs in the government financial control system. A plausible explanation for why the civil servants have not been initiating change is that they have developed the skills for managing the existing systems to their advantages and abhor managerial reforms as these conflict with their interests (cf. Reilly, 1987). In fact, it can be argued that they stand to benefit from an ineffective system of financial control. They seem to be more interested in the pursuit of their personal material interest. For example, when it comes to change implementation they will do so only to the extent that they will benefit materially.

On the whole, it would seem that not much had really changed in the financial control system of the Nigerian Federal Government since independence. The system had not advanced beyond the concerns for financial legality and regularity. In fact, these concerns are no longer met satisfactorily. It can be argued that the view of Phillips (1985) on budgeting in the Nigerian Federal Government holds for the whole of the government financial control system. According to Phillips,

‘Nigeria has either drifted or remained stagnant in the critical area of government budgeting, as it has in most other aspects of her development efforts’ (p. 253).

### **The Military Factor**

Although the military was in power for more than two-thirds of the period, the number of change episodes that occurred during its era is more than proportional to the period it spent in office. However, many of the changes occurred during the financial crises era. There were only two change episodes during the 13 years of military rule in the pre-financial crisis era (i.e. the pre-1982 era). There were external pressures that could not be ignored

(due to the financial conditions of the Government) during the period when many of the changes were made. It can therefore, be argued that the financial crises and the attendant external pressures formed a significant part of the context of many of the changes under the military, particularly the changes that occurred during the post-1981 era.

The military appeared to have been more vulnerable to external pressures. For instance, the Civilian Administration was able to resist pressures from the IMF and the World Bank from 1982 till the time it was sacked by the Military in December 1983. However, the Military Regime of 1983-1985 was willing to make some concessions to the IMF and the World Bank while the Military Regime of 1985-1993 finally gave in to the pressures from these institutions. There is a need however, to interpret this with some cautions. For instance, as stated earlier, the military often seize power by questioning the conditions that existed under the previous regime. Therefore, they will want to be seen as doing (or will often attempt to do) things that are different from (or even opposite to) the previous regime.

Also, the civilian administration (of 1979-1983) resisted pressures from the IMF and the World Bank to protect the personal interests of party stalwarts. This is not to suggest that the Military (which yielded to the pressures) did not have some personal interests to protect. It will appear that the soldiers used a different approach (from the civilians) to do this. For example, regarding the privatisation programme which the civilians could not implement because they feared it will affect the party stalwarts' sources of wealth, it is believed that the military simply implemented it in a way to favour the officers (but to the disadvantage of the public treasury). For instance, one senior civil servant remarked that privatisation yield was poor because:

‘it was not done with good intention. Those who took the decision came around to buy the shares.’

Furthermore, without an early concrete solution, the financial crises increased in magnitude with time and were more serious during the reign of the latter regimes, i.e. the Military Regimes of 1983-1985 and 1985-1993. This may have, at least partly, been responsible for the degrees of the vulnerability of Military Regimes compared with the civilian administration. The attitude of the Military Regime that seized power in 1994 appears to support this line of reasoning. The regime first reversed the economic policies

recommended by the IMF and the World Bank that were being implemented by the Nigerian Government. However, as the economic situation grew worse and Nigeria's debts were due for re-negotiations with the creditors, it began accommodating pressures from the IMF and the World Bank.

As earlier stated, the military made much of the changes. However, many of the changes it made derived substantial impetus from external pressures. In some of the cases, it was very reluctant to commence the implementation of the changes. Besides, it did not implement some of these changes consistently. It will appear that the military's motives for making many of the changes may not necessarily be the reasons it gave. Besides wanting to be seen as doing something different from the previous regime (as argued above), it does appear that the soldiers made some of the changes to satisfy external bodies without being necessarily convinced of the need for (and committed to) change. The sloppy implementation of much of these changes which made them not to have significant impact on practices suggest possible insincerity by the military leaders that accepted the need for change. Therefore, given that unlike the military, the civilians earlier made no pretence about their unwillingness to implement the changes, there is what appears to be a "military deceit" tactic in the soldiers' approach to change.

An important feature of the changes in the government financial control system of Nigeria is the enactment of a Decree. Even when a change is announced without a Decree, one must be promulgated thereafter. The reason for the promulgation of Decrees to effect change in Nigeria appears to be due to the style of the military rather than the Nigerian legal system. That the only change under a Civilian Regime was made without an Act of Parliament reinforces this line of reasoning. Since the military usually seize power violently (and not by democratic means), Military Governments are usually in "deficit" of legitimacy. Given that it usually makes up this deficit with the use of force, it is logical for the military to back up each of its policies with the force of a Decree.<sup>13</sup>

Besides decreeing of changes, the soldiers are also found of using Task Forces (or Committees) to implement or supervise the implementation of changes instead of using the government departments. It is noteworthy that this approach is also used by the military to

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<sup>13</sup> Even the 1979 Constitution that heralded the return to civil rule was effected by the promulgation of a Decree.

implement many of its policies in other areas.<sup>14</sup> Among other factors, this approach adversely affected the outcomes of the changes they made. Thus, although they may have made many changes, the impact of the changes (in terms of better financial control practices in government) cannot be seen. In the light of this, there is the need to examine critically the view held by many Nigerians that the military is able to do things better.<sup>15</sup> It will appear that they can do many things, but not necessarily better things.

Given the dictatorial nature of Military Regimes, an important question is: how do the changes they make impact on the government financial accountability process? It is noteworthy that the military usually want to be seen as accountable and will pretend to be to the extent possible. However, none of the changes that the military made has the real impact of making it accountable to the public for government finances. The military can make changes which may appear to be capable of improving the financial accountability process. It is, however, likely to create loopholes in the changes to protect its interests and avoid any embarrassment, e.g. by entrenching some clauses in the Decrees (on change) to protect the officers and the political appointees.

In Nigeria, like in most developing countries, the tendency is to explain many things in terms of the influence of colonisation. For instance, the corrupt practices of the Nigerian leaders after independence has been explained in terms of the colonial influence<sup>16</sup> (cf. Ajayi, 1985). There is however, a need to examine the influence of the military on the civilians in Nigeria. The poor attitude of the military to financial rectitude may have influence on subsequent Civilian Regimes. For instance, the looting of the public Treasury during the Second Republic in Nigeria bears a closer resemblance to the situation during the preceding military era than the First Republic. In addition, the fact that the PAC of the Second Republic did virtually no work can, at least in part, be blamed on the Military. Given the insincerity of the military about financial accountability and the absence of a body to hold the Government to account, the Annual Financial Statements of the Government was in arrears of several years during the pre-Second Republic era. The

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<sup>14</sup> Under some Military Regimes there are more Task Forces than Government Departments.

<sup>15</sup> A senior official in the Presidency put this view as follows: 'The tendency is for people to believe that because of the regimental discipline, you can achieve better results under the military.'

<sup>16</sup> For instance, Ajayi (1985) argues that the effect of colonial rule was that to govern was perceived as to exploit the governed.

Financial Statements relating to this military era were still being published when the soldiers struck again in 1983. Thus, none of the financial statements relating to the tenure of the civilian administration was made available to the PAC during the four-year period of the Second Republic. It is noteworthy that the PAC could not examine the Financial Statements relating to the military tenure because the Party that the military handed-over power to had pledged during its campaigns not to probe the soldiers.

Furthermore, the impact of the post-Second Republic military rule on future Civilian Governments is likely to be disastrous. For instance, the Second Republic Civilian Government probably did not think it through that the recommendations of the IMF and the World Bank on the privatisation of government enterprises can be implemented to benefit party stalwarts in the manner the military did subsequently to benefit the Officers. However, given the lead from the military, it can be expected that the political leaders of the Third Republic will give away (to their members) what are presently classified as “enterprises that cannot be privatised”.

On a final note, because they are good in rhetoric, it is wise not to judge the Nigerian soldier-politicians on the basis of what they say but rather in terms of what they do. In addition, their actions are better evaluated in retrospect (with the benefits of hindsight) because they are also good in deceit tactics. Whether the Nigerian Military leaders can be expected to do better leaves a scope for debate. For instance, most of the set of military officers that have ruled Nigeria joined the Military when the prevailing customary view was that “the Military is not for good children”,<sup>17</sup> and parents would not allow their responsible children to join the Military.

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<sup>17</sup> This view is still held in some quarters.

**CHAPTER EIGHT**  
***COMPARATIVE ANALYSIS***

**8.0 INTRODUCTION**

The findings on the various features of change in the two cases reveal several differences and very few similarities. In this chapter, the cases are compared, and similarities and dissimilarities in context, process and content of changes are discussed. In this process, the propositions developed earlier (see Chapter Two) are compared with the findings and modified as the data suggest. New propositions are also developed from the data and plausible support is sought for them. This chapter is divided into three parts under the headings Similarities and Dissimilarities in Context, Process and Content. The first three research questions are addressed under these three headings respectively. It must be stressed that it is impossible to compare Nigeria with Britain without reference to the Military, given that Nigeria was under military rule for more than two-thirds of the period and that most of the changes were made by the Military. Nevertheless, an attempt is made to bring together some of the influences of the Military under two sub-headings, namely: the military factor in context and the military factor in process.

**8.0 SIMILARITIES AND DISSIMILARITIES IN CONTEXT**

Throughout the period under study, changes in the government financial control system in both Governments, i.e. the British Central and Nigerian Federal Governments, were driven by a number of forces. However, one (or more) of the forces were more potent at a time (or over a period) and could be described as “trigger event”. In the British Central Government, for instance, the most potent driving forces for change were financial pressure, Parliamentary pressure and political agenda/ideology (from the 1980s).<sup>1</sup> It is noteworthy that financial pressure was continually present throughout the period. Besides, there are other factors as reports of commissions (e.g. Fulton Reports), momentum of change (caused by earlier changes) and deficiencies in systems each of which constitute part of what could be described as “precipitating conditions” at one time or the other.

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<sup>1</sup> The need to avoid an embarrassment similar to the “IMF crisis era” of the last quarter of 1976 may have had an influence on the Government, and provided an extra impetus for financial control reforms. However, as was argued earlier in Chapter Four, this has to be interpreted in the light of the actions that were taken by the Government since 1973 to control the level of expenditure and the fact that political agenda/ideology dominated “second-order changes” in the government financial control system during the post-IMF crisis era. Certainly, the IMF did not press for the Cash Limits or any of the subsequent “second-order” financial control changes.

However, in the case of the Nigerian Federal Government, the major driving forces of change in the financial control system were external pressures, financial pressure and military's agenda. It must be stressed that external and financial pressures were the most potent driving force of much of the changes. However, there were occasions when military's agenda featured prominently and there was an instance when political agenda of a civilian government was the main trigger of change. Also, there are some other factors as deficiencies in systems, influence of practices in other countries and frauds.

As earlier stated, throughout most of the period in which changes were made in both cases, there were financial pressures. In the case of Britain, the financial pressures that began in the late 1950s underlie many of the changes that began in 1960. In the case of Nigeria, even though financial pressures did not become sustained until 1982, it surfaced briefly in 1977/78 and an adverse economic indicator in the form of fiscal deficits (although not tangible enough to create worries in the then oil-boom era) emerged in 1975 (see Appendix K). These financial pressures, as in many other developing countries, directed the attention of the international financial institution to the Nigerian Federal Government's financial control system as from 1981 culminating in the external pressures that led to many of the changes.

However, it is noteworthy that while financial pressures existed in both countries during the period when much of the changes were made, and even precipitated very important changes in the financial control system of the British Central Government, they were not sufficient to drive change in the financial control system of the Nigerian Federal Government without additional pressures as external pressures. Largely, this has to do with differences in the perceptions of financial pressures and the interpretations of the sorts of actions required between the two cases. Unlike in Britain, financial stress was not perceived and interpreted as requiring the strengthening of the government financial control system. Some changes in economic policies, e.g. the introduction of austere measures in 1978 and 1982 by Shagari and Obasanjo Governments respectively, were believed to be sufficient response to financial pressures. This is not necessarily in conflict

with the argument that what is eventually changed in an organisation in response to an environmental disturbance will depend on the nature of the disturbance.<sup>2</sup>

The issue is rather that there may be more than one area that changes can reasonably be made in response to a particular environmental disturbance, depending on how it is interpreted. Put slightly differently, environmental disturbance can attract different magnitudes of change in an organisation. For instance, “financial noise” may lead to what was defined as a “second-order change” in this study (i.e. a permanent significant change in the government financial control system as was the case in the British Central Government) or a “first-order change” (i.e. a temporary “chopping” of the expenditure figure or austere measures) as happened in the Nigerian Federal Government.

Like the British Central Government, the international financial institutions (i.e. the IMF and the World Bank) perceived and interpreted the financial pressures in the Nigerian Federal Government as requiring financial control changes along with some changes in the economic policies and pressed for these changes. It is worthy of note that some of the officials<sup>3</sup> of these institutions have argued that an effective delivery of fiscal policies requires a good fiscal machinery, including the government financial control system. Thus, unlike the British Central Government, it took the mediation of creditors for financial pressures to drive change in the government financial control system of Nigeria. It can therefore be argued that:

**While financial pressures are capable of driving change in the government financial control system of both a developed country such as Britain and a developing country like Nigeria, how the pressures manifest themselves to drive change will differ between the two cases due to differences in perception of the problem and the required solution. For instance, the Federal Government of Nigeria will not perceive financial pressures as requiring change in its financial control system, and the mediation of external bodies will be required for these pressures to trigger change in its system.**

However, the ability of external bodies to mediate in bringing about change in the government financial control system depends on the vulnerability of a country to pressures/threats from external bodies. When a country is not in a very bad financial

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<sup>2</sup> See for instance Tomkins (1982).

<sup>3</sup> See for instance, Basanti, 1990; Premchand, 1990a, 1990b, 1990c and 1993). Some writers other than IMF officials (e.g. Dean, 1989; Enthoven, 1977) have also made similar remarks.



position, as was the case in Nigeria during the pre-1982 era, its vulnerability to external pressures/threats is low. Thus for a country to be vulnerable to external pressures, the financial condition must be very bad. Also, the degree of vulnerability of a country to pressures from the international financial agencies may depend on its level of economic dependence/independence. For instance, compared with the Nigerian situation during the financial crises era, the financial crises in the British Central Government of the 1970s did not render it excessively vulnerable to pressures from an external body like IMF because of Britain's level of economic independence.

As earlier observed, changes in the systems over the period were not triggered by only financial pressures. In the case of the British Central Government, political agenda/ideology was an important driving force of change in many change episodes. For instance, the "why" of about two-thirds of the total number of change episodes was dominated by political agenda/ideology (see Figure 6.2). In the case of Nigeria, there was only an instance when change was driven by what may be described as political agenda and it was not influenced by a party ideology as happened in Britain.

There is a very great difference in the levels of political development between Britain and Nigeria. While one may talk of well-developed party politics in Britain, one can only think of the development of military politics in Nigeria.<sup>4</sup> For much of the period under study, the political arrangements in Nigeria and Britain differ significantly. Unlike Britain, there was party politics in Nigeria for only about 10 years of the 35 years under study, i.e. October 1960 to January 1966 and October 1979 to December 1983. Not only was the ten years intercepted by military rule, the parties that were in place during the first period (i.e. 1960 to 1966) were not exactly the same as those of the second period (i.e. 1979 to 1983). In addition, unlike the British Central Government, the main political parties in the Nigerian Federal Government during the period of party politics were formed along tribal lines rather than political ideologies. However, the Military which dominated the political scene in Nigeria often intervenes in politics with a promise of change. Thus many of the changes

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<sup>4</sup> Nigeria obtained independence from Britain at the beginning of the period under study. Her political system which was built by the British never really had the chance to develop, not to talk of getting matured, because of frequent military interventions.

in the Nigerian Federal Government's financial control system derived some impetus from what could be described as the "military's agenda".

The differences in political arrangements between the two Governments do not only entail the existence of political agenda/ideology as an important driving force in one case and military's agenda in the other but also the existence of a driving force in one case but not in the other. Unlike the Nigerian Federal Government, Parliamentary pressures constituted an important aspect of the context of change in the British Central Government throughout the period. For instance, two of the changes in the British system were triggered mainly by Parliamentary pressures (see Figure 6.2). Besides, many of the changes (e.g. PES System, Cash Limits, Cash Planning and FMI ) derived important stimuli from the works of Parliamentary committees.

In the Nigerian Federal Government, there was no Parliament during much of the period that can exert pressures for change in the system. Likewise, just as party politics is underdeveloped in Nigeria, the Parliaments under Nigerian Civilian Regimes were not developed enough to exercise their power of "control over the purse" with any seriousness. However, this may not be the only explanation for why there was an absence of Parliamentary pressures for change during the 10-year period of civil rule. Nigerian Parliamentarians have been more concerned with what would benefit their private purse than the public purse. Besides, under a Military Government, where both legislative and real executive powers are not personalised by the Military Head of Government, they are concentrated in the hands of the coup leaders that constitute the military ruling council. A rival power centre such as Parliament is inconsistent with the political arrangement under a military dictator.

The existence of a driving force of change is in itself not a sufficient condition for the occurrence of change. The findings showed that there must be the political will and backing for change. In many episodes of change in the British Central Government, Ministers and/or Parliamentarians were either the ones pushing the changes or were strongly behind them. In fact in some cases, the Prime Minister identified himself/herself with changes such that civil servants could see that the Prime Minister was strongly behind the changes. This is unlike the Nigerian case where for many of the changes the

Government was acting out of its own free will. In fact it is clear that much of the changes (which occurred after 1981) were resisted by a number of Nigerian regimes. The regime (i.e. the Military Regime of 1985-1993) that made many of the changes even still dragged its feet until there were real threats from Nigerian creditors. That was after the coup leaders gave the need for change (pressed for by the creditors) as part of the excuses for seizing power. Thus, compared with the Nigerian Federal Government, the way political stimuli for change were flowing in case of the British Central Government was exceptional.

Earlier it was speculated that:

*Differences in the stocks of change resources and the amounts of political stimuli will lead to differences in the forces that drive change in the government financial control systems between a developed country as Britain and a developing country as Nigeria.*

The forces that triggered the changes in government financial control systems of Britain and Nigeria during the period under study differ. From the above it is clear that there were differences in the amounts of political stimuli for change between the two Governments. Besides, it can be seen that due to the absence of the right amount of political stimuli for change, a driving force such as financial pressure which could trigger change in the British system requires the mediation of and additional pressures from external bodies to drive change in the Nigerian system.

However, the findings in this study are not sufficient to establish whether differences in the driving forces of change can be attributed in part to differences in stocks of change of resources (i.e. numbers of qualified financial managers and amounts of slack material resources). First, it was impossible to determine the numbers of qualified financial managers in each case. The question is who is a qualified financial manager? The view held when the above proposition was made is that he should be a chartered accountant or at least a graduate in accounting, business administration, economics or finance. However, many of the interviewees argued that one does not need to be any of these to be a good financial manager. For instance, some of those who have sensed the need for changes and participated in the preparation of change programmes in the British Central Government are not chartered accountants, economists, or graduates in finance, accounting or business.

Similarly, many of the Nigerians that have participated in preparing change programmes do not belong to any of these disciplines.

However, unlike Britain, the change process in many episodes of change in the Nigerian case suggests a dearth of the skills required to formulate change in the government financial control system within the civil service. For instance, greater reliance was placed on people outside the civil service, including officials of the World Bank. Also, that many of the changes involved adoption/adaptation of practices evolved elsewhere does not suggest the existence of enough skills in Nigeria to formulate change in the government financial control system. Furthermore, the civil servants in Nigeria even lack the skill to implement some of the changes. It will be argued that this further attest to the absence of sufficient skills. But then it can be argued that the human resources available for government to make change is not necessarily limited to the civil service. Where there is the political will for change or sufficient pressures for change, the Government can use people from outside the civil services (including foreigners) as happened in many episodes of change in Nigeria. The appropriateness of this is a different thing altogether.

Also, there was no special provision (of material resources) for change management in both cases. The interviewees stressed that changes are usually managed within the normal budget, and that there was no separate allowance for change management. While it could be argued that the British Central Government has an overall greater financial resources than the Nigerian Federal Government considering the sizes of their budgets, without a certain part of it being deliberately allowed for change, any suggestion of a connection between these resources and change could be a sophistry.

The civil servants in the British Central Government showed concern for the effectiveness of financial control system. This is evidenced by the number of times they felt the need for change, and clearly obvious when changes triggered mainly by financial pressures were perceived and interpreted by civil servants as requiring change in the system. Similarly, Ministers in the British Central Government displayed concern for the effectiveness of financial control system. Also, given the manner in which they have initiated and backed initiatives for change, these Ministers appear to believe that the system can be used to translate some ideological issues to reality. Besides, Parliament showed great concern for

the effectiveness of financial control system in Britain through several works of its relevant committees that provided extra stimuli for change. These keen interests (of the political leaders in the effectiveness of the system) are sustained and reinforced by the level of political development and a political arrangement whereby Ministers are accountable and Parliament is willing and able to “hold to account”.

In contrast, there is very little evidence of such concerns (for the effectiveness of the government financial control system) by the Nigerian political leaders (whether military or civilians). In fact, in some episodes of changes they were forced to accept change. In addition, there is no evidence of civil servants in Nigeria perceiving financial pressure, for instance, and interpreting it as requiring change in the government financial control system. Like the political leaders the Nigerian civil servants were more interested in what would improve their private purses. In fact, the political arrangements had hardly created an environment that can compel key role players in the Nigerian Government to be interested in an effective financial control system.

As discussed above, unlike the Nigerian Federal Government, key role players in the British Central Government (i.e. civil servants, Ministers and Parliamentarians) showed keen interest in an effective government financial control system. While the respective political arrangements in the two countries reinforce these positions, they also open up different set of pressures for change. Furthermore, the excessive vulnerability of the Nigerian Federal Government to extraneous influences in contrast to the British Central Government as argued above has meant that such forces as external pressures that drove many of the changes in Nigeria cannot influence change in Britain. In consideration of these factors, the initial proposition (see above) can be reformulated as follow:

**Differences in the extents of vulnerability to extraneous influences, the interests of key role players in governments in an effective government financial control system and the political arrangements between a developed country as Britain and a developing country as Nigeria will lead to differences in the main forces that trigger change in the government financial control systems between the two cases.**

For as long as the Nigerian Federal Government’s financial crises last, it could be expected that it will remain vulnerable to pressures from external bodies, especially such institutions as the IMF and the World Bank that are creditors but also see themselves (or are seen) as

the protector of the interests of other creditors. If events that impact on the government financial control system must be perceived by people before they could be responded to, then the interests of the people (who can initiate response to those events) in the effectiveness of the system will continue to determine, at least in part, whether those events would attract response.

Issues like cultural values, ethics and accountability environment will have substantial impact on the extent to which key role players are interested in an effective government financial control system. In a society like Nigeria where the rich people are worshipped without seriously questioning the sources of their wealth, the tendency would be for people to try to amaze wealth by any means. Where there is no strong public service ethic, the accountability environment is weak (for instance as it has been under various Nigerian Civilian and Military Governments) and the culture condones theft of public money, those in charge of the public treasury may well see it as their avenues to amaze wealth. It can reasonably be argued that an effective financial control is a barrier to the accomplishment of such personal goals.

Besides, the political arrangements have great influence on the accountability environment. The responsiveness of political office-holders to events that affect public finances and the effectiveness of control can be expected to differ under different political regimes. Under a matured democratic government as in Britain, political office-holders showed great concern for such events. This is not true for immature democracy of the Nigerian First and Second Republics and the unaccountable military dictatorships.

The accountability environments do not affect just the Government's responsiveness to events that significantly affect public finances, but also the nature of the responses to these events. For instance, in the case of the British Central Government, apart from the changes that were made specifically to improve and raise the level of accountability many of the changes that were made involved considerations of accountability to Parliament.<sup>5</sup> In addition, hardly is the process of any change complete without consultation with the relevant committees of Parliament. This must have further reinforced the due consideration

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<sup>5</sup> The Citizen's Charter even seeks to take accountability further to the members of the public and consumers of government services.

given to accountability in the agenda for the changes. This is unlike the Nigerian Federal Government where Parliament did not exist for most of the time, and even when it did it was less concerned about accountability issues.

In the case of Britain, Parliamentary pressures featured in the events leading to many of the changes. In fact, the main trigger for change was Parliament pressure in two of the change episodes. Consequently the main agendas for those two changes were to improve and raise the levels of accountability to Parliament. In the Nigerian Federal Government where there were no Parliamentary pressures for change. Only one of all the change programmes in the Nigerian Federal Government gave some considerations to accountability to Parliament. It can be argued that this was a consequence of the fact that the content of this change, i.e. the 1979 Constitution, were lifted from the American Constitution where accountability to Parliament was given adequate consideration

Generally, the agendas for the changes reflect the main triggers for change. For instance, in the case of Britain, just like the changes that were triggered mainly by Parliamentary pressures have the agenda of improving/raising the level of accountability to Parliament, those that were triggered mainly by financial pressures have the main agenda of controlling the overall level of expenditure. By the same token, the changes that were triggered mainly by a combination of financial pressures and political agenda/ideology have the main agenda of controlling the level of expenditure, reducing the size of the state and improving management in government.

In the case of Nigeria, the pre-1982 changes reflect the main pressures for them (see Figure 7.2). Similarly, the post-1981 changes reflect the main triggers for them, i.e. financial pressures, external pressures and military's agenda. However, it is noteworthy that the link between the agenda and the main triggers for the changes in the government financial control system of Nigeria is less clear compared with Britain. This can be attributed to the other aspect of the context of the changes in Nigeria: the huge amount of extraneous influences. For instance, a consequence of the external pressures is that many of the changes reflect the choices of (or solutions preferred by) the external bodies that pressed for the changes.

Since some people, especially the political officials, have to make a decision that something should change before change will occur, it can be argued that their interests will influence what will eventually be changed. For instance, if they (like many Nigerian leaders) are not interested in improving the accountability process, it is unlikely that they will embark on change programmes that will significantly improve the process. There are differences between the interests of British and Nigerian political leaders. For instance, the political leaders in Britain showed great concerns for the efficacy of the financial control system and improvements in the accountability process. Besides, they are interested in the changes that are in line with their party ideologies.<sup>6</sup> These were reflected in the changes they made. In contrast, the Nigerian political leaders (i.e. military and civilians) exhibited poor attitude toward an effective government financial control system and were not influenced by any political ideology.

Furthermore, looking at the changes in the British system, it would appear that over time, the changes appear to build on each other and increasingly reflect a new and higher agenda. In the case of Britain, the ability of the government financial control system to ensure regularity and legality is assumed and was not a subject of any change during the period. Thus, in the pre-1979 era the changes focused mainly on the control of expenditure level as expenditure growth was seen then as the problem requiring attention, and many of the changes were more of accounting rules and techniques than management principles. As from 1979, the changes increasingly involved the use of managerial principles<sup>7</sup> to address concerns for the control of expenditure level. In contrast, in Nigeria the issues of financial regularity and legality still predominate. (In fact, these issues are yet to be tackled genuinely because of the very weak financial accountability environment.) Also, there has not been a clear agenda to adopt managerial principles and techniques.

In the above, it was shown that the accountability environment, the main triggers for change, the interests of the political leaders and the level of advancement in the financial control systems influenced the agenda for changes in the government financial control

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<sup>6</sup> Much of the changes made by Conservative Governments, even though intercepted by Labour Governments, have being directional and involved progressive adoption of private sector techniques.

<sup>7</sup> Even the last change, i.e. resource accounting and budgeting, that may on the surface look like accounting rules and techniques comprises a lot of management principles



systems of Britain and Nigeria. In addition, it was shown that these issues differ between the British Central and Nigerian Federal Governments. It can thus be argued that:

**Due to differences in the main triggers of changes, the interests of the political leaders, the levels of advancement in the government financial control system and the accountability environments between a developing country as Nigeria and developed country as Britain, the agendas for change will differ between the two cases.**

The system of financial control that Nigeria inherited at independence (in 1960) was built by the British and modelled upon the British system.<sup>8</sup> Besides, Nigeria inherited the Westminster system of government upon independence and this was practised up to the end of the First Republic. It would have been natural for the Nigerian Federal Government to look up to the British Central Government when it wants to undertake reforms in its system of financial control. However, with the emergence of the Military in Nigerian political scene in January 1966, great differences began to emerge between the ways the British Central and Nigerian Federal Governments operate. Nevertheless, when the need to reform the entire administrative system of the Nigerian Federal Government was felt in 1972, a committee (i.e. Udoji Committee) that was set up was given terms of reference very similar to what was earlier given to a committee by the British Central Government (i.e. Fulton Committee). The report of this committee included a results-oriented civil service as could be found in the Fulton Committee that foreshadowed it.

However, the first change in the Nigerian Federal Government, i.e. the Revised Financial Regulation, was an attempt to alter the financial rules left by the British which civil servants considered as too restrictive and ridiculous 16 years after independence.<sup>9</sup> Although, it was an alteration to the rules inherited at independence, this change does not necessarily mark a departure from British practices since British financial regulations are themselves dynamic. Besides, the Revised Financial Regulations did not replace completely the financial instructions that were compiled by British colonial officials before independence but merely revised them.

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<sup>8</sup> Same situation applies to many other former Colonies (cf. Dean, 1988; Doh, 1981; Premchand, 1990b; Thavaraji, 1978).

<sup>9</sup> As argued in a previous chapter, there is a scope for debate on whether the revision of financial regulations will qualify as a significant change where the financial rules are dynamic.

In 1975, a radical set of military officers took over power in Nigeria and there was a resurgence of nationalism probably of a magnitude greater than the pre-independence era. The natural consequence of this was an hatred of what remains (or evidence) of the colonial past of Nigeria. The regime even went on a collision course with the British Government, and from thence the relationship between Nigerian and British Governments was not to be the same. This Military Regime had an agenda to hand-over power back to civilians in 1979. Consequently, it constituted a Constitution Drafting Committee in 1975 to draft a Constitution. However, the regime's leader declared to the Committee that Nigeria was going to adopt the Executive Presidential system. Beside the relationship of the regime with Britain, the feeling that Nigeria's federal structure reflects the Americans more than the British and a feeling of the perceived failure of the Westminster system of the First Republic influenced the regime's decision.

The Constitution Drafting Committee put together a constitution that reflects the American Constitution of 1878 almost entirely. The result was that with effect from 1979 when the Constitution became operational, Nigeria began moving away from the British systems. A number of financial control changes were introduced by this Constitution. An aspect of these changes relating to the constitutional provisions on the independence of the AG and the powers of the AG "to follow public money to everywhere" were ahead of developments in audit practices in the British Central Government. In addition, the political system, a Presidential System of government, differs from the British Westminster style. Regarding financial control system, for instance, the President is required to prepare and lay the annual budget before Parliament as opposed to the Chancellor (or Minister of Finance) under the Westminster System. The consequence was that the new Civilian Regime began looking at the American system as the model. Thus, a year after the regime came into office, it announced its decision to introduce PPBS, a budgetary system that was evolved in the US.

Before the Civilian Government was sacked by the end of 1983, it did not attempt to copy any of the developments in Britain, not even the then recent ones like Efficiency Scrutinies, Privatisation and FMI. The focus of the civilian administration (of 1979-1983) was on US

practices.<sup>10</sup> Likewise even though different forms of aid were given to Nigeria by Britain, none of them targeted reforms in the government financial control system. It can reasonably be expected that if the British Central Government were to provide aid to Nigeria on government financial control system, it will involve the exportation of some of the practices it evolved.

The change that followed the introduction of PPBS, i.e. PAC which was decreed in 1987 can neither be described as a movement away from or toward British practices. First, PAC is a feature of both Presidential and Westminster systems. Second, the Nigerian one was unique in that it was a Military Regime's PAC. The change was necessitated by the rein of frauds in the face of financial and external pressures. The subsequent changes, i.e. 1988 Civil Service Reforms, Privatisation and Commercialisation Programme, Debt Conversion Programme and Rolling Plan were triggered by financial and external pressures. To a large extent, the contents of the changes were dictated by external bodies, particularly the IMF and the World Bank. Thus, even though the 1988 Civil Service Reforms contained an issue like Efficiency Section, it does not reflect fully British practices and cannot be described as a move toward British practices. In addition, even though privatisation sounds British, it was not deliberately adopted by the Nigerian Federal Government but was rather "hoisted" upon it by the IMF and the World Bank. Likewise, the other changes such as PAIT and Contract Leasing do not reflect movement toward the British. PAIT will probably sound strange to the British Central Government.

The break-away from British practices began at a time when there was a strained relationship between Britain and Nigeria. It appears that the first change after independence that involved a departure from the inherited British practices significantly impact on subsequent voluntary change, i.e. the PPBS introduced by the civilian administration. Further movements toward US practices could have been reasonably expected if the Presidential system had lasted longer, and if there were no real external pressures. Furthermore, many of the post-independent developments in the financial control system of

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<sup>10</sup> In fact, officials of Nigerian Parliaments had to visit American to learn about how the US Congress works (cf. Johnson, 1989). The same applies to the political and administrative officials in the Executive arm of the government.

the Nigerian Federal Government, especially the post-1981 changes, reflect largely the sources of pressures for the changes. It can thus be argued that:

**Whether a developing country as Nigeria will follow the developments in the government financial control system of the former colonial master after independence in making changes in its government financial control system depends on the relationship with the latter and the sources of pressures/initiatives for change.**

It is not intended to suggest here that Nigeria can never move back toward the British Central Government practices. However, among other factors, this will depend on the future relationship between the British and Nigerian Governments. For instance, a movement toward British practices will obviously follow a British Central Government's decision to assist on or to tie aid to certain financial control reforms in the Nigerian Federal Government. Besides, the emergence of a civilian administration controlled by a rightist party in Nigeria can lead to ideologically induced changes which may draw largely on the British practices. Similarly, a decision by Nigeria to revert to the Westminster System of Government will obviously involve looking up to Britain. Furthermore, future direction of reforms in the government financial control system in Nigeria will depend on the sources of pressures for change. It is noteworthy that for as long as the Nigerian Federal Government's financial crises may last, it can reasonably be predicted that changes will largely be dictated by the IMF and the World Bank or be made in response to pressures from them.

### **The Military Factor in Context**

While extraneous influences on the changes in the Nigerian Federal Government's financial control system were very great, it must be stressed that many of the change episodes (nine out of ten) occurred during Military Regimes. Even though the soldiers were in power for a longer period (25 out of 35 years), the changes they made are more than proportional to the period they were in power. There was only an episode of change during the civilian administrations of the first and second republics of about ten years. What does this suggest? For instance, does this mean support for the earlier speculation that:

*Given their absolute powers, exposure to foreign models and greater vulnerability to extraneous influences, that Military Governments will want to adjust the government financial control system to suit military values, to breakaway from the past and to implement their political agenda, there will be extra stimuli for change in the Nigerian*

*Federal Government's financial control system under Military Regimes compared with Civilian Regimes.*

Although the Nigerian Military Regimes have absolute powers, since powers were often concentrated in the hands of a few senior officers that were members of the ruling council or sometime personalised by the head of the Military, it cannot be asserted from the Nigerian experience that this factor will necessarily facilitate change in the government financial control system in contrast to Civilian Regimes. It will appear that change will occur only and when there are sufficient pressures for it. During the Civilian Regimes of the First and Second Republics, the absence of absolute powers was not known to have hindered change. For instance, there was no Parliamentary opposition during the only episode of change under the civilians, i.e. the introduction of PPBS.

Regarding the military's knowledge of foreign models, there was only an instance when this clearly influenced change, i.e. the 1979 Constitution. The Military declared that it wanted an Executive Presidential System of Government. Although the Military receive much training abroad, the civilians also do and even in greater number. For instance, PPBS that was introduced by a civilian administration in 1982 was essentially a foreign model. Thus, it would appear that the knowledge of foreign models is not restricted to the Military. For example, civilians, and not military officers, drafted the 1979 Constitution the content of which was lifted from the American Constitution. Likewise, in all the subsequent changes that draw significantly on foreign practices, either civilians were used entirely to prepare the change programme or civilians (rather than military officers) dominated the process of preparing the change programme.

Many of the changes that were made by the Military were in response to pressures from the IMF and the World Bank (and other creditors). Does this imply that the Military is more vulnerable to external pressures? A plausible explanation for why these changes were made in response to external pressures is the magnitude of financial crises during the Military Regimes when Nigeria yielded to external pressures. These changes comprise mainly of those made during the post-1981 era (see Table 7.1) when Nigeria was experiencing serious financial crises.

Although the Civilian Regime under which the crises began did not yield to external pressures, the Military Regime that followed it also resisted external pressures even though it was willing to give some concessions. The next Military Regime, however, capitulated and gave in to pressures from creditors. However, before it did there were real threats from the external bodies which cannot be ignored. With time and without concrete solutions, the financial crises worsened and this is why the Military may appear to have been vulnerable to external pressures during the post-1981 era. That the Military Regime that seized power in 1993 first resisted external pressures and even reversed some of the previous changes reinforce this line of reasoning. However, when the financial conditions further deteriorated, the regime began accommodating the views of the IMF and the World Bank. It can be argued that a Civilian Regime under such worse financial conditions may be vulnerable to external pressures.

Furthermore, the Military Regimes of 1966 to 1975 did not show any sign of vulnerability to external pressures. It could be argued that this was because the financial condition of the Nigerian Federal Government was such that it did not attract any external pressure or did not put the regimes in a position where they could become vulnerable to external pressures. For instance, even though the Military Regime of 1975 to 1979 adopted the American Constitution, it was not under any external pressure to do so. In fact, the Nigerian Federal Government's financial condition during this period, does not make it vulnerable to external pressures. In addition, none of the changes made by the Military was influenced by a desire to adjust the system to the values of the Military. Usually what the Military do is to amend the constitution by means of a Constitution (Suspension and Modification) Decree immediately upon overthrowing a Civilian Regime to reflect the structure of a Military Regime.<sup>11</sup> Subsequently, no other efforts are made to align system to any structure of the Military.

There were changes under the Military that involved attempts to break-away from the past, especially the colonial past, and conditions that existed under previous regimes. The most important of these changes are the 1979 Constitution, the Revised Financial Regulations and many of the post-1981 changes. The 1979 Constitution attempted to replace the

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<sup>11</sup> The seizure of power from a Military Regime by another set of officers does not involve the promulgation of this Decree.

political system inherited at independence, but not with something outright new or indigenous.<sup>12</sup> The 1976 Revised Financial Regulations can also be seen as an attempt to break-away from the colonial past. The revision sought to replace the colonial financial instructions with a post-independence set of revised regulations. However, the initiative for this change was not from the Military, and also the revised regulations were not outright new. The Military Government that made many of the post-1981 changes seized power with a pledge to break the deadlock in negotiations between the previous regimes and the international creditors. Therefore, many of the post-1981 changes involved attempts to break-away from the past strained relationship between Nigeria and her creditors.

Furthermore, many of the changes that were made by the Military can be attributed to its agenda. More often than not, the Military seizes power with the promise to make changes. For instance, the Military Regime that introduced many of the post-1981 changes came with the promise to make changes. Thus, many of the changes made by the regime can be attributed to the agenda of the Military. Besides the post-1981 changes, the 1979 Constitution followed the promise of some military officers that seized power to, among other things, restore civil rule in Nigeria.

From the above, it is clear that there is no plausible support for the speculation that the Military's absolute powers, exposure to foreign models greater vulnerability to extraneous influences and desire to adjust government financial control system to suit its values provided extra impetus for change under the Military compared with Civilian Regimes. Nevertheless, there were more changes under the Military. In contrast to the Civilian Regimes, the desire of the Military to break-away with the past and to implement its political agenda did provided additional impetus for these changes. The initial proposition (see above) can therefore be stated as follow:

**Given that Military Governments will want to breakaway from the past and implement their political agenda, there will be extra stimuli for change in the Nigerian Federal Government's financial control system under Military Regimes compared with Civilian Regimes.**

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<sup>12</sup> Johnson (1989), for instance, described the 1979 as political colonialism.

## 8.2 SIMILARITIES AND DISSIMILARITIES IN PROCESS

Five categories of activities can be identified, for analytical purpose, in the process of change in the government financial control system of either the British Central Government or the Nigerian Federal Government. These are feeling/accepting of the need for change, political decision, preparing the change programme, action and implementing change. While these categories of activities are common to both cases, the order in which they were performed and the detail activities performed in each category were influenced by some factors.

In both the British Central and Nigerian Federal Governments, these activities often begin to unfold due to some forces and influences. For instance, in the British Central Government, the changes in the first category (see Figure 6.2) were preceded by financial pressures. Given the interests of the key role players in government (i.e. Ministers, Parliament and civil servants) in the effectiveness of government financial control system, the financial pressures led to a feeling of the need for change by politicians and civil servants. Similarly the commencement of the process of each of the changes in the second category (see Figure 6.2) was preceded by financial pressures and political agenda/ideology. Likewise, the processes of the changes in the third category (see Figure 6.2) were preceded by Parliamentary pressures. Given the interests of Ministers in an effective government financial control system, there arose the feeling of the need for change.

In each of these episodes of change the feeling of the need for change was followed by a political decision that something need to change. Following the political decision, civil servants usually prepare the change programme.<sup>13</sup> When the change programme has been prepared, it has to be brought before Cabinet for approval in line with the political system of collective ministerial responsibility. Changes are then announced together with the publication of White Papers (or the laying of bills before Parliament). Subsequently, changes were implemented by the civil servants.

In the case of the Nigerian Federal Government, the change in the first category (see Figure 7.2) was preceded by the recognised defects in the system given the then prevailing

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<sup>13</sup> Notable exceptions are PAR and Efficiency Scrutinies which were worked out by political advisers.



administrative and economic climates. What followed was a feeling of the need for change by civil servants which was spread to the military officers who were in power then. Likewise, the two changes in the second category (see Figure 7.2) were preceded by military and political agenda respectively. These were influenced by an extraneous factor, i.e. the existence of attractive practices in the US. For both the first and second categories of changes (see Figure 7.2) the way the rest of the activities in the change process proceeded resembles closely the British case described in the last paragraph above. However, there were some differences in the details of how the activities were performed, the extent of learning from outside and consultations with civil servants in non central departments.

The changes in the third category (see Figure 7.2) were preceded by pressures from the IMF and the World Bank, given a financial crisis condition which made the Nigerian Federal Government excessively vulnerable to such pressures. The need for change was accepted by a Military Regime which itself, seized power with a pledge to break the deadlock in negotiations with the IMF, the World Bank and the other creditors. The acceptance of need for change was followed by political decisions to make the changes and then the announcement of changes. Thus, in the episodes of changes in the third category (see Figure 7.2) the stage of preparing a change programme follows action rather than the other way round.

For many of these changes the stages of preparing the change programmes and implementing change are almost inseparable. Therefore, while there is a close resemblance between activities in the process of change in the British system, and the first and second categories of changes (see Figure 7.2) in the Nigerian system, the processes of change in the third category of change (see Figure 7.2) in Nigeria are unique. It is noteworthy that the context of these changes (i.e. third category of changes in Nigeria) were dominated by external pressures, and they were made in a period of financial crises. In fact, many of these changes are part of a package that, to a large extent, was dictated by the IMF and the World Bank.

Regarding the process of change in the British Central Government and Nigerian Federal Government, it was initially speculated that:

*Differences in the stocks of change resources available and the interests of top government managers in the effectiveness of the financial control system and the contexts of change in the government financial control systems of a developed country such as Britain and a developing country like Nigeria will lead to differences in processes of change between the two cases. For instance, in contrast to the process of change in the government financial control system of Britain, the process of change in the government financial control system of Nigeria will not include such change process activities as problem-sensing, the development of concern, and the acknowledgement and understanding of problem.*

As discussed above, there are similarities in the sequences of the analytical group of activities in the process of two categories of change (comprising about a quarter of the total episodes of change) in the Nigerian system and the sequence of activities in the change process in Britain. However, the sequence of activities in the processes of much of the changes in Nigeria (about three-quarter of the total episodes of change) differ from the British case. However, the nature of this difference is not exactly similar to what was predicted in the above proposition. For instance, all the stages in the change process in British can also be identified in Nigeria.

Also, the factors that accounted for the differences differ from those that were speculated. For example, the difference between the change process in Britain and the processes of much of the changes in Nigeria cannot be attributed to differences in the stocks of change resources and the interests of top government managers in the effectiveness of financial control system between the two Governments. Even though the sequences of activities in the process of change in the Nigerian government financial control system differ between periods of financial crisis (i.e. post 1981 era) and pre-financial crisis period (i.e. pre-1982 era) it cannot be concluded that stocks of change resources influences the sequence of activities in the process of change.

Due to the reasons earlier discussed, the stocks of change resources were not measured in both the British Central and Nigerian Federal Governments. Likewise, since the sequence of the activities in the change process differ from one period to another in Nigeria it will be difficult to sustain an argument that the interests of civil servants in the effectiveness of the government financial control system influenced the sequence of activities, except if it can be shown that their interests differ over time. However, the data does not suggest that they at anytime showed interest in the effectiveness of the system.

As discussed above, the sequence of activities in the change process in Nigeria are similar to that of Britain when the main pressures for change were from within Nigeria and the initiatives for change were not brought by external bodies. However, the sequence of activities in the change process in Nigeria differ from that of Britain in episodes of change where the main driving forces include external pressures and the source of the change initiative is external. Therefore, the above proposition can be reformulated as follow:

**Differences in the main driving forces of and sources of initiatives for change in the government financial control systems between a developed country such as Britain and a developing country like Nigeria will lead to differences in the sequences of activities in the change processes between the two cases. For instance, unlike Britain, in Nigeria action will tend to precede the preparation of the change programme in a period of financial crisis when there is vulnerability to external pressures, there are external pressures for change and the source of initiative for change is external.**

There were also differences in the ways in which the activities at each stage were performed between the two cases. These differences include the detail activities that were performed and the participants at each stage. In the episodes of changes in Britain that were not driven mainly by political agenda/ideology or Parliamentary pressures, the feelings of need for change were experienced by civil servants as much as Ministers (see Table 6.3). For instance, the British civil servants recognised the problems posed by financial pressure and the need to change the system of financial control to tackle these. However, in the Nigerian case, even though financial pressures underlie much of the post-1981 changes, there is no evidence of a feeling of the need for change from the Nigerian civil servants. There are two plausible explanations for this.

First, differences in the political arrangements may have caused differences in the responsiveness of the civil servants to pressures for change. In the case of Britain, while the political arrangement does not allow civil servants to pursue their agenda, it will appear that it does not stifle initiatives from them. In Nigeria, Military Regimes were in place for most of the post-1981 era when there were real financial pressures which civil servants ought to have been able to perceive. Given that these regimes (of post-1981 era), except one, were of the Type II,<sup>14</sup> the civil servants may not be able to show feelings of need for

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<sup>14</sup> Distinctions were drawn between Military Regime Types I and II in Chapter Two. By definition, Military Regime Type II refers to those regimes that seized power under circumstances that do not make them to be greatly dependent on civil servants generally and are usually more dictatorial compared with Military Regime Type I.

change. However, the Nigerian civil servants did not show feelings of need for change during the last two years of the civilian administration (of 1979 to 1983) and the period of the Military Regime Type I (of 1993 to 1995) when there were financial pressures. Thus, it may be difficult to conclude that the nature of the regimes in power during the period of the financial crises was responsible for civil servants not feeling the need for change. Therefore, another explanation is that Nigerian civil servants did not participate at the stage of feeling the need for change because they were not interested in an effective financial control system as argued earlier on.

In the case of Britain, Parliament (specifically the relevant Parliamentary committees) participated in the stage of feeling the need for change. In contrast, during about 10 years that there was a Parliament in Nigeria, there is no evidence of a feeling of the need for change by Parliament. The equivalent of Parliament under Military Regimes, i.e. the military ruling council,<sup>15</sup> was the body ultimately responsible for change like the Cabinet in Britain. Although this body (i.e. the military ruling council) participated at the stage of feeling the need for change, in some of the cases (especially in the cases of post-1981 changes when external pressures have been dominant) their roles can more appropriately be described as “accepting need for change” as opposed to feeling the need for change.

Also, in the case of the British Central Government, the political decision stage involves a collective ministerial agreement on change. This is in line with the political arrangement of collective ministerial responsibility. However, in the Nigerian case nine of the ten changes took place under a Military Regime. Thus, while some of the changes were discussed by the Council of Ministers the ultimate political decisions on change were made by the military ruling council. (Under a Military Government, the ultimate executive power lies with the coup leaders that constitute a military ruling council which assumes the legislative and ultimate executive powers.)

The stage of preparing the change programme was often dominated by civil servants in the British case. Given the established relationship between Ministers and civil servants,<sup>16</sup> the

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<sup>15</sup> This had been called different names under different Military Regimes in Nigeria, e.g. Supreme Military Council, Armed Forces Ruling Council and Provisional Ruling Council.

<sup>16</sup> Usually Ministers will decide what they want to do or the objectives they want to achieve and then ask the top civil servants to work out the options.

latter were usually asked to prepare the change programmes. Notable exceptions, however, are the cases of PAR and Efficiency Scrutinies where the process of preparing the change programme was dominated by political advisers. Also, the third category of changes (see Table 6.3) involved greater inputs from the Politicians. In contrast to the case of Britain, civil servants dominated the stage of preparing the change programme only in two episodes of change in Nigeria. In other cases, people outside the civil service either participated as much as civil servants in the process of preparing the change programme or even dominated this stage. It is worthy of note that these two instances of change were under Military Regime Type I which tends to depend greatly on civil servants.

Mostly, the process of preparing the change programme is assigned to one or more central departments by the Cabinet in Britain. The central department(s) may subsequently set up committees that will prepare the change programme. This is unlike the stage of preparing the change programme in Nigeria where committees are commonly appointed directly by the military ruling council (or the federal executive council) to do it. Thus, unlike in Britain, the central departments did not play any significant role in the stage of preparing the change programme in Nigeria.

Usually, in Britain the non-central departments are consulted by the central departments during the stage of preparing the change programme. Where visible, pilot studies are even conducted in the departments at this stage. In addition, the views of Parliament (especially the relevant committees) are commonly sought by the Government at this stage. In contrast, the stage of preparing the change programme in Nigeria does not involve consultations with any Parliamentary committee<sup>17</sup> or the non-central departments by the committees that were constituted to prepare the change programmes. Likewise, pilot-testing is not a common activity at the stage of preparing the change programme in Nigeria.

Unlike in Britain, a common feature of the action stage in the process of change in Nigeria is the promulgation of a Decree. In Britain, changes are often effected by the publication of White Papers. For instance, of the fifteen episodes of change only two involved Acts of Parliaments. These White Papers are usually prepared by the central departments unlike in Nigeria where the Decrees were prepared by the Ministry of Justice, although with inputs

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<sup>17</sup> During much of the period a Parliament does not exist.

from the committees that prepared the change programmes. In addition, unlike in Britain, the departments were not involved in implementing many of the changes in Nigeria. Although some of the changes in Nigeria do not require the participation of the departments, they were not involved in many of those that required their participation (see Table 7.5). Therefore, unlike their counterparts in Britain, civil servants in Nigeria were not involved in implementing many of the changes in the government financial control system.

As the discussion above showed, there were differences in the tasks that were performed in the change process between Britain and Nigeria. Earlier on it was speculated that:

*Differences in the levels of technical competence of bureaucrats in, the stock of change resources (materials) available to and the contexts of change in the financial control systems of the governments of a developed country such as Britain and a developing country like Nigeria will lead to differences in the tasks that bureaucrats perform in the process of formulating change between the two cases.*

Although the tasks performed by civil servants in Britain in the process of formulating change differ from those performed by their counterparts in Nigeria, these differences cannot be attributed to differences in the levels of technical competence or stock of change resources. As was stated earlier, it was not possible to obtain information on differences in levels of technical competence and stocks of change resources.<sup>18</sup> However, a closer examination of the data suggests that the tasks that civil servants perform in the process of formulating change in financial control systems of both Governments were influenced by the nature and source of pressures for change.

For instance, in the case of Britain, civil servants' participation in the process of formulating change is greater in instances when changes were triggered mainly by financial pressures than other instances. Their participation begins right from the time when the change process is evoked, i.e. from feeling the need for change. In some cases (e.g. Cash Limits and FIS) civil servants even began suggesting what could be done before political decisions were taken. In addition, they dominated the process of preparing the change programme. However, where changes were triggered mainly by political agenda/ideology, civil servants were largely not involved in the change process until the political decision on

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<sup>18</sup> However, the literature (cf. Dean, 1988) suggests that these differences exist.

change has been taken. Where changes were driven by Parliamentary pressures, they were not involved until the stage of preparing the change programme.

Changes driven mainly by political agenda/ideology and Parliamentary pressures often entail greater inputs came from politicians at the stage of preparing the change programme compared with those driven mainly by financial pressures. However, on the whole the fact that all these changes involved attempts to respond to some pressures for change (from within the country) rather than merely adopting some foreign practices entails that civil servants had to be greatly involved in working out the changes. Therefore, the civil servants in Britain usually play great roles at the stage of preparing the change programme.

Unlike in Britain, the changes in the Nigerian system derived great impetus from extraneous influences. Many of the changes occurred during the post-1981 era when there were great pressures from the IMF and the World Bank due to Nigeria's financial crises. Much of these changes were not only triggered mainly by external pressures, but many of the change programmes were also dictated by external bodies, i.e. the IMF and the World Bank. The implication is that Nigerians had less tasks to perform at the stage of preparing the change programme, and this stage was dominated by non-civil servants. Likewise, two of the pre-1982 changes involved the adoption of existing US practices and hence, there were less tasks to be performed at the stage of preparing the change programme. The knowledge of these (US) practices were not limited to only civil servants. Thus, non-civil servants could be involved, and they in fact dominated the process of preparing these change programmes. In addition, unlike the British Central Government, the Nigerian Federal Government tends to involve more non-civil servants in preparing change programmes and implementing changes.

In the case of the British Central Government, the involvement of civil servants in the processes of changes that were triggered mainly by financial pressures right from the early stages can be argued to have been influenced by their interests in the effectiveness of financial control system. If civil servants are not interested in the effectiveness of financial control system, even if they perceive the impact of financial pressures on government, they could wait until Ministers ask them to work out changes before they become involved. This

is in contrast to the civil servants in Nigeria that did not show feeling of the need for change in the face of great financial pressures for change.

As discussed above, the civil servants in Nigeria did not only perform less tasks in the process of formulating change compared with their counterparts in Britain as earlier speculated but also at the stage of implementation. Besides, the above discussion showed that the nature of the main pressures for change, the source of the initiatives for change and the interests of civil servants in the effectiveness of the system affected the tasks that civil servants performed in the process of change. Moreover, as the discussion below would show, the tasks performed by the civil servants in the process of change is also influenced by the regime type.

Unlike Britain, ninety percent of the total number of change episodes in Nigeria occurred under the Military. The attitude of the Military to civil servants differs from what obtains in a democratic setting as Britain. In fact, as discussed below under the sub-heading “The Military Factor in Process”, the tasks that the Nigerian civil servants performed in the change process were not only different from those of their counterparts in Britain but even under different Military Regime types. For instance, unlike the Military Regime Type I, the Type II tends to involve more non-civil servants than civil servants in the process of change. It is worthy of note that much of the change episodes in Nigeria occurred during the tenure of the Military Regime Type II (see Table 7.2).

Therefore, the initial proposition can be reformulated as follow:

**Differences in the main driving forces of change, the sources of the initiatives for change, the interests of bureaucrats in the effectiveness of the government financial control system, and the regime types between a developed country as Britain and a developing country as Nigeria will lead to differences in the tasks that bureaucrats perform in the process of change between the two cases.**

### **The Military Factor in Process.**

As discussed above, on the whole, civil servants performed less tasks in the process of change in Nigeria compared with their counterparts in Britain. There is, however, the need to further explore the roles of civil servants in the change process under different regimes in Nigeria. Between 1960 to 1995 Nigeria had two civilian administrations and six Military



Regimes. There was only an episode of change under the civilian administration while there were nine episodes of change under the Military Regimes (see Table 7.2).

In the episode of change under the civilian administration, i.e. PPBS, the civil servants were not involved actively until the implementation change. The feeling of the need for change was felt by the President and his Ministers which made the political decisions to introduce PPBS. The process of preparing the change programme was handled by the President's Adviser on Budget who had a previous experience on the installation of PPBS and who was appointed to install PPBS. However, it is difficult to infer from this single episode of change that this is the approach under all Civilian Regimes. That there were not enough change episodes under civilian administrations to enable a pattern to be identified poses an obstacle to seeking a plausible support for the following speculation that was made initially:

*Given the autocratic nature of the Military and the exposure of military leaders to modern management techniques, the levels of involvement of bureaucrats in the change formulation process will vary among civilians and different Military Regime types. For instance, there will be low involvement of bureaucrats in the process of formulating change in the government financial control system during Military Regime Type II compared with Civilian Regimes and Military Regime Type I.*

The Nigerian Military Regimes have been characteristically autocratic with powers concentrated in the hands of the coup leaders that usually constitute the military ruling council or even in the hands of a single person, i.e. the head of the Military Regime. In all the episodes of change under the Military the needs for change were either felt or accepted by the military ruling council. The ultimate political decisions about changes were made by the military ruling council. In many episodes of change under Military Regimes, the military ruling council first decreed change before constituting committees to bother about what a change actually involves.

As discussed earlier on, out of all the episodes of change that occurred during the military era only the 1979 Constitution reveal explicitly the Military's exposure to practices in other countries. However, as also discussed above, civilians rather than military officers prepared all the change programmes. Nevertheless, it seems that the levels of involvement of bureaucrats in the process of change formulation under the different Military Regime Types differ. As argued in Chapter Two, the Nigerian Military Regimes (from 1960 to

1995) can be classified into two types, i.e. Military Regime types I and II. The Military Regime Type I comprises those Military Regimes whose peculiar circumstances of assuming power include one or more of the conditions that will make them depend greatly on bureaucrats. On the other hand, the Military Regime Type II comprises those that the peculiar circumstances in which they came to power include one or more of the conditions that will lead them to depend less on bureaucrats.

Two episodes of change occurred under the Military Regime Type I while seven occurred during the tenures of the Military Regime Type II (see Table 7.2). In one of the two episodes of change under Military Regime Type I, the civil servants felt the need for change and the initiatives for change came from them. The process of preparing the change programme comprises exclusively civil servants. Likewise, in the case of the second episode of change under Military Regime Type I, i.e. Contract Leasing, the civil servants were exclusively charged with the responsibility for preparing the change programme.<sup>19</sup>

In contrast to the Military Regime Type I, civil servants were not responsible for any change initiative under Military Regime Type II. Besides, civil servants were not assigned exclusively the tasks of preparing the change programme for any of the seven episodes of change that occurred during the tenures of this regime type. Regarding the changes that involved basically re-enactments of previous practices, e.g. PAC and PAIT, civil servants were used only to write out the decisions of the military ruling council to re-enact the changes. In all the changes that were not re-enactments of existing practices, non-civil servants were appointed into the committees that prepared the change programmes. In the case of 1988 Civil Service Reforms, for instance, the tasks of preparing the change programme were performed exclusively by non-civil servants. In cases like Privatisation and Commercialisation Programme, Debt Conversion Programme and Rolling Plan, besides non-civil servants, officials of foreign bodies (e.g. the World Bank) were even involved in the process of preparing the change programme.

The involvement of, for instance, World Bank officials in the preparation of the Privatisation and Commercialisation Programme, Debt Conversion Programme and Rolling

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<sup>19</sup> However, the committee of civil servants preparing the change programme has been inviting non-civil servants to attend their meetings. This, it can be argued, is a result of a feeling of inadequacy by civil servants and a psychological effect caused by prior several episodes of change where civil servants have had to play second fiddle to non-civil servants in the process of preparing the change programme.

Plan was influenced by the fact they brought these change programmes. Where the source of initiatives is from outside, it would seem that greater resources for change will also be drawn from outside. There is also the question of trust and reliance on the skills/competence of civil servants by the political office-holders. The Military Regime Type II lacked confidence in and relied less on the skills/competence of civil servants compared with the Military Regime Type I. Besides, the civil servants showed signs of appearing less confident in their skills and competence. For instance, although they were asked to prepare the last change programme (i.e. Contract Leasing) by a Military Regime Type I, the civil servants invited World Bank officials and other non-civil servants to participate in their meetings. It may well be that they have become intellectually dependent on the World Bank officials after a series of changes whose processes were dominated by the World Bank officials.

As discussed above, the levels of involvement of civil servants in preparing the change programme differ under Military Regime types I and II. Besides, the nature of a change (for example, whether it is a new practice or a re-enactment of an existing one) and the source of the initiatives for change influence the extent of the involvement of civil servants in the process formulating change in Nigeria. It can therefore be proposed that:

**The level of involvement of civil servants in the change process in a developing country like Nigeria will depend on the source of initiatives for change, regime types and the nature of change. For instance, civil servants will be less involved in the process of a change the initiative for which comes from outside, is a re-enactment, or occurring under a Military Regime Type II.**

### **8.3 SIMILARITIES AND DISSIMILARITIES IN CONTENT**

In the last section, it was revealed that civil servants in the Nigerian Federal Government were less involved in the process of change compared with their counterparts in the British Central Government. The discussions also showed that the extent of involvement of civil servants in the change process were not the same in all episodes of change in either the British Central Government or the Nigerian Federal Government. However, the extent of involvement of civil servants in the process of change can affect significantly the transition state. For instance, in the case of the British Central Government, the civil servants were highly involved in the processes of the changes in the first category (see Figure 6.2). In fact

their involvement started from the early stage of feeling the need for change. These changes have been fully and successfully implemented.

Regarding the changes in the third category (see Figure 6.2), civil servants were less involved compared with the first category of changes. One of these changes, the NAO, has been fully implemented, but it is noteworthy that many of the changes contained in the NAO Act were nothing more than formalising existing practices with a legal instrument. Besides, the implementation of the new provisions does not really require greater involvement of civil servants compared with many of the other changes. The second change under this category, i.e. Financial Reporting, can be described as having been largely implemented, though not fully. Although the initiative for this change came from Parliament, the civil servants did a lot in preparing the change programme and implementing change.

Regarding the second category of changes (see Figure 6.2), civil servants were less involved in the processes of the changes compared with the first category of changes. The involvement of civil servants in most of the changes began at the stage of preparing the change programme. Unlike the changes in the first category, many of these changes are yet to be fully implemented. However, it is worthy of note that unlike the other changes, much of these changes, e.g. Efficiency Scrutinies, Next Steps, Market-Testing, Trading Funds and Privatisation, require continuous implementation and the completion of their implementation can only occur over a long time. Also, a change like the FMI essentially comprises management principles that require time to sink into an otherwise alien territory. In addition, some of these changes were introduced in quick succession with the latter submerging the earlier in some cases.

In the case of the Nigerian Federal Government, the initiative for the first change, i.e. the Revised Financial Regulations, came from the civil servants who dominated its process. This change has been fully implemented. (It must be stressed, however, that the change contains rules which departments just have to comply with and does not require much implementation efforts.) Subsequent changes involve less participation from civil servants. For instance, the 1979 Constitution was drafted by a committee of non-civil servants. (It can, however, be argued that civil servants need not participate in drafting a Constitution.)

Although the Constitution is still in place many of the financial control changes brought by it have been abandoned by means of Decrees issued by the Military.

Furthermore, the civil servants were not significantly involved in the process of introducing PPBS until the implementation stage which was supervised by a political adviser. When the civilian administration was sacked by the Military, the implementation was discontinued without any official pronouncement on it. Also, civil servants were not significantly involved in the processes of making the two changes that were in essence re-enactments of previous practices, i.e. PAC and PAIT. These were mainly military affair. Thus, when the Military Regime that re-enacted the practices left office they were discontinued. In the case of the 1988 Civil Service Reforms, civil servants were only significantly involved in implementation which was overseen by the political appointees that were responsible for implementation. The reforms were never fully implemented before the Military Regime that introduced it left office and the political appointees were swept-off the corridor of power.

The Privatisation and Commercialisation Programme also involve less participation from civil servants. Like in the case of the Debt Conversion Programme, civil servants participated in preparing the change programme alongside non-civil servants and World Bank officials. The implementation processes of these changes were dominated by non-civil servants and were discontinued following the departure of the Military Regime that introduced them. The Rolling Plan is an exception in the sense that the process of the change was dominated by World Bank officials and the change has not been abandoned, even after the Military Regime that introduced it left office. However, it appears that the implementation of the change has not really changed anything much as the former system of planning, i.e. development planning, still greatly influenced the practices.

The triggering events for all the changes in Britain comprise factors from within the country. In contrast, the changes in Nigeria had one form of external influence or the other. For instance, while some were triggered largely by external pressures, the decision to make others were influenced by practices in other countries. It can be argued that the extent of external influence on a change may affect the extent to which it is (and is seen as) a

solution to problems by the insiders. Where insiders do not see a change as the solution to problems, they may not be committed to implementation.

Moreover, changes that are largely influenced by external practices, may fail to properly match internal problems. For instance, the 1979 Constitution and PPBS may not have been the appropriate solutions to the Nigerian accountability and budgetary problems. Likewise, the Nigerian Federal Government does not appear to be convinced that the Privatisation and Commercialisation Programme hoisted on it (by the IMF and the World Bank) was the solution to its financial crises. Otherwise, how can one explain the reluctance to implement it and the subsequent abandonment/reversal of privatisation policy?

In the case of Britain (where all the initiatives for the changes came from within the country), the sources of the initiatives include Ministers and their advisers, Parliament and civil servants. It can be argued that many of these groups of public officials are in positions where they can continue to see that the changes they initiated are implemented. This is in contrast to the Nigerian case where the initiatives for many of the changes came from foreign bodies who are not capable of ensuring continuity in the implementation of the changes. That many of the political officials who accepted the need for change in Nigeria were dubious and not really interested in change left many of the changes without people that can really ensure continuity of their implementation.

Changes in the government financial control system do not occur like volcanic eruptions which can take place without being decided by some people. The cases revealed that whatever the source or nature of pressures for change, change in the system requires the decision and backing of political officials. As argued above, nothing can change unless the political leaders back change. Political backing arises from either the feelings or acceptance of need for change by those who exercise the powers of government (i.e. the political officials). They have to decide that something should (or can) change. It can thus be stated that without political backing, change can hardly occur. An interesting question is whether the political backing is required only at the initiation of change or throughout implementation of change and after change has been fully implemented.

The cases revealed that changes are likely to fail when they lose political backing. Put differently, changes that enjoy continuous political backing are unlikely to fail.

Considering the case of the British Central Government, PAR failed mainly because it lost political backing. If the political will to make it happen was continuously there, the change would have remained part of the system. Even though it has been argued that the non-involvement of civil servants in preparing the change programme and their lack of support for it contributed to its failure, it can be argued that if successive cabinets gave it the necessary political backing, the implementation of PAR would have succeeded. For instance, suppose Margaret Thatcher asserted her interest in PAR in 1979 and continually gave it backing, PAR would have been given a new life. The change programme for the Efficiency Scrutinies, like PAR, was prepared largely by an outsider but civil servants could not resist it because it enjoyed a considerable continuous political backing.

In the case of the Nigerian Federal Government, PPBS may not have failed or at least disappeared so quickly if the civilian administration that introduced it was in power for longer than three years (after it was introduced) to give it the necessary political backing. Besides, if the Military Regime that sacked the civilians gave political backing to it, PPBS will not have disappeared so quickly. The 1988 Civil Service Reforms, Privatisation Programme, Debt Conversion Programme, PAC and PAIT lost political backing after the Military Regime that initiated them lost power, and their implementations was discontinued.

Nevertheless, it can be argued that there are some factors that can make change to fail even where there is political backing, namely if change is not properly thought-out and where change is too theoretical. Where change is not properly thought-out, the ambiguity in it may not be revealed until the implementation stage. For instance, the last change in Nigeria (i.e. Contract Leasing) which like many others were not properly thought-out before being announced may never affect the substance of financial control practices.<sup>20</sup> It can however, be argued that if the political will is there, the change programme can be taken back to the drawing board and sorted. Similarly, a change that is very theoretical may face the difficulties of practical implementation. It can also be argued that if the political will to

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<sup>20</sup> The political leaders began appreciating the problems of implementation about eight months after the effective date for the commencement of implementation (see Reuters World Report, 19 September 1995) and the political will to tackle the implementation problems does not exist.

make it happen is there, the theory can be translated into practice to the extent possible and implemented.

The data also revealed a number of factors that can affect the continuity of political backing after change has been initiated. First, there could be a change in Government and a subsequent Government may not see the change as necessary. This is more likely where there are disorderly changes of Government, for instance, by means of military coups. In such cases, the coup plotters must provide reasons for sacking the Government. Often, they will have to express dissatisfaction with the ways things were done under the sacked regime. They will then go ahead to make reversals of policies and programmes. In other instances they could just simply begin charting their new agenda leaving the agenda of the previous Government to rust away.

Such discontinuity in political backing can also occur in a democratic setting. For instance, changes introduced and pushed by a rightist party and influenced strongly by a party ideology may lose political backing if a leftist party assumes power. For example, the PAR introduced by the Conservative Government in 1970 no longer enjoyed political support when Labour came to power. It is noteworthy, however, that PAR had lost political backing even before Labour came into office. Thus, the case of PAR suggests the possibility that without a change of Government in a democratic setting, discontinuity of political backing for change is not impossible, depending on the range of issues competing for political attention.

Second, the nature/source of the main forces for change can influence the continuity of political backing. For instance, where the source of the main pressures for change is external, the need for change (even though accepted by the rulers for whatever reasons) may not be sufficiently internalised to enable interest in change to continue after it has been initiated. It is not impossible that the rulers can make changes in response to external pressures without being committed to the purpose of change but just to appease to some external bodies as was the case in some episodes of change in Nigeria. In fact, such changes may be in conflict with their personal interests. In a situation like that, the political backing may cease to exist soon after change is initiated. Likewise, where a change is driven by political agenda/ideology, political backing for the change is more likely to end



with the departure of the Government that introduced it from office. The same can be said of a change driven by a political agenda of the military. The political backing will likely end with the overthrow of the Military Regime by another set of military officers.

Initially it was speculated that:

*Differences in the contexts and processes of change will lead to differences in the incidence of formalistic change in the government financial control systems between a developed country such as Britain and a developing country like Nigeria. For instance, the incidence of formalistic changes made to the government financial control system of Nigeria during the period 1960 to 1995 will be high compared with those of Britain.*

In Chapter Two, it was explained that a change is formalistic in so far as it exists only in form but not in substance, i.e. the new methods and rules prescribed by it are not practised. It was stated that where a change is announced but not implemented, it cannot affect practices and it is as such formalistic. In addition, it was stressed that where the implementation of a change is discontinued for whatever reasons without an official announcement that it has been abandoned, it will constitute a prescribed rule/method that is not practised until such time that its abandonment is announced officially. This study reveals that a symptom of the existence of formalistic changes in a system is the re-enactment of previous practices. Rules and methods will be re-enacted if they are previously not practised as prescribed. Another symptom of the occurrence of formalism in a system is that changes will often not be implemented from the officially specified dates. That is, the prescribed rules and methods will not be practised from the prescribed date.

In the above, it was argued that the extent of the involvement of civil servants in the process of change, the sources of the initiatives for change and continuity of political backing for change determine whether changes will be fully implemented and will affect the substance of practices as prescribed. Given that the evidence from the cases allows for more precision on the aspects of the context and process that influence formalism, the above propositions can be reformulated as follow:

**Differences in the sources of initiatives for change, continuity of political backing for change and levels of involvement of bureaucrats in the process of change will lead to differences in the incidence of formalistic change in government financial control systems between a developed country as Britain and a developing country as Nigeria. For instance, the incidence of formalistic changes made to government financial control system of Nigeria during the period 1960 to 1995 will be high compared with those of Britain.**

It cannot be assumed that the overall impact of a change on the system will be further improvement/advancement once it is fully implemented. A change may affect the substance of practices as prescribed but its overall impact on the system may at best be obscured if it is not properly linked with the other changes. In fact, many of such changes are likely to produce a system that lacks internal coherence and a direction of advancement. As the discussion below will show, unlike the changes in Nigeria, the changes in Britain were properly linked over time and the direction of advancement in the system is clear.

Except the Trading Funds, the changes in Britain during the pre-1979 era were closely linked. The PAR, for instance, attempts to remedy a defect of the PES System whereby a programme included in it is taken as given and not subjected to rigorous review annually or continually. Similarly, Cash Limits seek to remedy the arrangement under the PES System whereby the cash amount of expenditure was greatly influenced by inflation since the surveys were conducted on a volume basis. FIS was introduced to facilitate the tight cash control regime of Cash Limits.

When the desire to control expenditure was reinforced by political agenda/ideology from 1979, changes to improve efficiency and effectiveness and reduce the size of the state were introduced. At first those organisations in the public sector that can be sold to the private sector were privatised. Subsequently, government units that can be reorganised to conduct their businesses as the private sector were so re-organised under the Next Steps. Those services that can be “privatised” were subjected to Market-Testing programme. At the same time, the Next Steps was linked with the Trading Funds such that government units that qualified for both began seeking for the two statuses.

Alongside, attempts were been made to improve management in government generally first with the Efficiency Scrutinies, then the FMI, the Citizen’s Charter and now a proposal for the Resource Accounting and Budgeting. Looking at the changes, it would appear that the pre-1979 changes laid the foundation for the changes from 1979. (An exception is the Resource Accounting and Budgeting which more logically could have come before many of the post-1978 initiatives, especially the FMI.) With the greater decentralisation entailed by these initiatives, attempts were also made to improve accountability to Parliament with the creation of the NAO and the changes in financial reporting.

In the case of Nigeria, the pre-1982 changes are unrelated. The Revised Financial Regulations constitute an episode of change which ordinarily should occur regularly so that it may not have qualified as an important event. The 1979 Constitution and PPBS neither build on each other nor on the Revised Financial Regulations. Even though many of the post-1981 changes were evolved to tackle a common problem, i.e. financial stress, it is hard to find the link between them. The Debt Conversion Programme was concerned with debt management while Privatisation and Commercialisation Programme has to do with reducing the number of organisations competing for the dwindling government revenues. The Rolling Plan relates to planning and could have appropriately been linked with the abandoned PPBS. There is a link, however, between PAC and PAIT. PAIT attempts to remedy the endemic problems of accountability that PAC was re-enacted to tackle. There is also a link between the Privatisation Programme and Contract Leasing in the sense that those enterprises that could not be privatised are being considered for Contract Leasing. The 1988 Civil Service Reforms constitute a separate agenda that even lack internal coherence.

The links between the changes in the British system appear to have been influenced by a number of factors. These are the underlying pressures for change and the degree of political stability. Many of the changes were driven by financial pressure and political agenda/ideology. These led to the following agenda for change: control of the level of expenditure; reduction in the size of the state and improvement of management in government. The changes were evolved in furtherance of these issues. Financial pressure has a continuing presence throughout the period while political agenda/ideology was a very potent driving force of change from 1979. The continuity in these underlying pressures for change together with the consistent agenda to respond to the forces facilitated the links between the changes.

In contrast to the case of Britain, there was no continuity in the main pressures for change in Nigeria until the 1980s. The main pressures for the three changes that were made during the pre-1980 era differ (see Figure 7.2). It is therefore, not surprising that even though the main agendas for the changes were similar, the changes were not linked. Regarding the post-1981 changes, even though the main pressures for change were similar, the changes

were not linked. The changes during this period were pressed for largely by external bodies who dictated much of the contents of the changes. It would appear that in such a circumstance, unless the external bodies ensure some links between their change programmes, there was very little that the Nigerian Federal Government could do. This situation differs from the British case where change programmes were neither dictated nor pressed for by external bodies.

Political stability involving democratic change of Government and long reigns of same political party had been an influence on the links between the changes in the British system. Democratic change of Government does not only allow continuity of the implementation of changes that enjoy cross-party support after the Government that introduced them has left office, but it also allows subsequent regimes to build upon the solutions evolved by previous regimes. For instance, the Labour Government of 1974-1979 built on the PES System introduced earlier by a Conservative Government. Likewise, the Conservative Government that assumed office in 1979 introduced cash planning to complement the earlier changes made by the Labour Government to control the level of expenditure.

Furthermore, the continuation of the Conservative in office since 1979 had allowed the continuation of changes largely driven by similar political agenda/ideology. For instance, the programmes in the “family of privatisation” may have been halted or at least could have suffered a set back if there was an interception of a Labour Government in the over 16 years of Conservative rule. (The management improvement components of the initiatives may not have suffered the same fate.)

In contrast, Nigeria continually experienced undemocratic change of Government (some of which were very violent) throughout the period. In all there were two Civilian Regimes, one semi-Military Regime and six Military Regimes. Each of these regimes came with its agenda which in most cases involves either or both of a reversal and discontinuation of the policies of the previous regime. Two of these regimes were in office for a total period of less than one year. However, two Military Regimes were in office for periods of nine and eight years respectively. There was only an episode of change under the former while many of the changes in the government financial control system were made during the tenure of

the latter, i.e. the Military Regime of 1985 to 1993. Two of the changes introduced during this period were linked and there was continuity in the implementation of all the changes introduced by the regime until it was forced to leave office in 1993.

The discussion above showed that continuity of the main pressures for change influences the link between changes. It showed that unlike in Britain, there was no continuity in the pressures for change in Nigeria, and that changes in Nigeria were not properly linked. In addition, it showed that political stability (involving the frequency and orderliness of changes of Government) affects the link between changes. It can therefore, be proposed that:

**Due to differences in the continuity of main pressures for change, and the degrees of political stability there will be differences in how the changes in the government financial control system are linked between a developed country like Britain and a developing country such as Nigeria. For instance, the changes in the Nigerian Federal Government's financial control system will not be properly linked compared with the British Central Government.**

In this chapter, the features of change management in the government financial control system of Nigeria were compared with those of a developed country as Britain. The comparison reveals the need to reformulate five of the six propositions that were made earlier and to drop the last one. In the process, five additional propositions were generated, and attempts were made to seek plausible supports for the propositions. The next part of the thesis contains three chapters which deal respectively with the generalisation of the findings to the literature, the policy implications of the study and the conclusions.

**PART IV**  
**IMPLICATIONS OF THE STUDY**  
**AND**  
**CONCLUSIONS**

## **CHAPTER NINE**

### ***THEORETICAL IMPLICATIONS***

#### **9.0 INTRODUCTION**

This study draws on three broad categories of literature, namely: organisational change, public administration and accounting change/evolution of the government financial control system. The findings in this study have some important implications for some existing theories in these fields. In an earlier chapter, some of these theories were drawn upon to gain some insights into the researched issues and to guide the empirical work. In this chapter, an attempt is made to generalise the findings in this study to them. The overall aim is to enhance the validity of the findings and enrich the theories that initially provided insights into this empirical work. The chapter is divided into three sections under the headings: organisational change, public administration and accounting change/evolution of the government financial control system.

#### **9.1 ORGANISATIONAL CHANGE**

The findings in this study revealed the interplay of a number of factors in the context of change. These factors include the main pressures for change (e.g. financial pressures, Parliamentary pressures, political agenda/ideology, military agenda, external pressures), other pressures for change (e.g. defects in systems and momentum of change) and factors that impact on the potency of these pressures (e.g. interests of key role players in government in the effectiveness of financial control system, accountability environment, political stimuli, new Governments, political arrangements and vulnerability to extraneous influences). Lundberg (1984) speculated about a complex interaction between many factors in the context of change, and this model can be used to gain a better understanding of the interplay between the above-mentioned factors in the context of change in government financial control system.

Lundberg classifies the context of change into four categories, namely: enabling conditions, permitting conditions, precipitating conditions and triggering events. His main argument (regarding the context of change) is that where there exists a “threshold amount” of enabling and permitting conditions and pressures from a certain degree of precipitating conditions, the occurrence of “trigger events” will evoke the process of change. The

permitting conditions comprise of situations within the organisation that allow change to occur, e.g. surplus resources accumulated to manage change, “readiness and willingness” of the dominant groups in the organisation to endure change and visionary leadership. Interest of key role players in government in the effectiveness of government financial control system, for instance, falls into this category. External conditions, such as degrees of environmental threat, metasegments’ tolerance for change and radicalness of change which facilitate change were classified as enabling conditions. The political arrangement and accountability environment can be classified into this category.

Precipitating conditions comprise such processes and events as organisation’s tendency to grow (or decline), members’ dissatisfaction, emergence of needs which have not been met previously, pressures from claimants (from within and without the organisation), crisis and unexpected performance (too high or too low). In the two cases studied, such factors as defects in the system, vulnerability to external pressures and momentum of change fall into this category. The Triggering events comprise of environmental events that create calamity (or opportunity), e.g. new leadership, revolution in the organisation or its metasegments, political factors, corporate restructuring and rearrangement and crisis of conflicts arising from management overhauling. Such factors as political stimuli, new Government and the main pressures for change (stated above) fall into this category.

However, this study does not lend support to the existence of accumulated slack resources for managing change as a precondition for change. Such slack resources for change that Lundberg describes as parts of the permitting condition for change include materials and human resources. It is noteworthy that some other writers (e.g. Amburgey et al., 1993; Ginsberg, 1988) remarked that the absence of change resources may constitute a source of resistance to change. However, what happens when the main pressure (or part of the pressures) for change is even financial stress, as in many of the episodes of change in the cases studied here? For instance, there may not be slack financial resources for change management and this may not prevent the occurrence of change. If the will is there and change is backed by those who hold power in the organisation (especially in governments), change can be initiated and supported with the existing organisation resources.



Also, in the case of Governments, the change resources that can be used do not appear to be limited to the resources within the Government. For instance, people outside the Government can be co-opted into the change process (e.g. as happened in many cases of change in the Nigerian Federal Government and the use of private sector people in two episodes of change in the British Central Government). Besides, change resources can be obtained from the international bodies (e.g. as happened in some episodes of change in Nigeria).

Furthermore, there are a number of grey areas in Lundberg's (1984) model.<sup>1</sup> First, the dividing lines among the four classes of driving forces seem not very clear. Some of the events that Lundberg described as "triggering events" have been referred to as precipitating events (e.g. by Quinn, 1978). Also, the first two sets of triggers identified by Tichy (1980 and 1983) include some events or conditions which Lundberg classified as enabling conditions (e.g. environmental changes which makes the environment more complex and unpredictable) and as precipitating (e.g. shifts in agreement among organisational members over goals and means of getting work done). There are also contradictions between the set of trigger events suggested by Tichy and Ulrich (1984) and Lundberg (1984). It is important to note, however, that Quinn (1978), Tichy (1980 and 1983) and Tichy and Ulrich (1984) either do not make an elaborate classification of the driving forces of change or their classifications do not exceed two categories. This might well explain the conflicts in their descriptions with Lundberg (1984) who classifies the factors in the context of change into four categories. Besides, these conflicts may be due to the lack of unanimity in some of the metaphors that organisational change theorists use.

Second, Lundberg had argued that when triggering events occur, it will release the tensions built up by a "threshold amount" of enabling and permitting conditions, and "as-yet-unspecifiable degree" of precipitating conditions. What constitutes a "threshold amount" of permitting and enabling conditions? This may be particularly problematic given that qualitative factors are often dealt with in the study of change and that much of the conditions in the context of change can be perceived differently. Likewise, Lundberg was not explicit on the required degree of precipitating conditions - "as-yet-unspecifiable

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<sup>1</sup> Lundberg (1984) states that his model was not conclusive. His reasoning is that it will, nevertheless, benefit from empirical works.

degree". Third, Lundberg's work is on second order change. He did not state whether first-order change can occur according to the same logic. From the perspective of organisational change, a change in an accounting system is a first order change (see Laughlin, 1988 and 1991). This raises the question of whether Lundberg's (1984) model applies to "first-order organisational changes" that were investigated in this study.

The findings in this study however, revealed that Lundberg's (1984) model applies also to first-order changes. Levy's (1986) work (which surveyed a number of studies) is probably the only study that has used Lundberg's (1984) model. Although it is not known whether the studies he surveyed were exclusively on second-order changes, his work suggests that the same factors that drive second-order changes can also drive first-order changes. For instance, in his discussion of the process of change, Levy (1986) argues that several attempts to respond to problems by first-order changes may result in a crisis which could then cause a need for second-order change. He argues that a certain threshold must therefore be reached - "a critical point beyond which the alternative is demise or revitalisation" - before a second-order change will occur. Thus, organisations tend to respond first by a first-order change to the "threshold amount" of enabling and permitting conditions, "as-yet-unspecifiable degree" of precipitating conditions and triggering events.

The view that organisations exhibit inertia enjoys considerable support in the organisational change literature. The argument is that organisations often resist change and respond to pressures for change very sluggishly. However, Amburgey et al. (1993) stress the need to broaden the view of organisational inertia to include "momentum". They argue that like "an organisation at rest tends to stay at rest", "an organisation in motion tends to stay in motion". In addition, Amburgey et al. argue that once a change occurs, an organisation will become "temporarily more malleable". They state that their study indicates that once the inertial forces preventing change are overcome, the process of change will exhibit its own "momentum". Amburgey et al. (1993) suggest that the age of an organisation and time lag since change will dampen momentum. Similarly, Brunsson (1989) argues that changing can become a stable state as changes lead to the recognition of new problems and new solutions are sought for new problems.

The findings in this study supported the view that an organisation can get used to changing once the stability of an organisation is disturbed. Once change starts occurring, as the cases in this study showed, the situation that will emerge will be such that one change requires, leads to, is enhanced by or used as an excuse for making another change. In fact, generally the environment where change is occurring allow for the occurrence of more changes. However, the age of an organisation is not seen as an important factor impacting on the development of momentum. Rather the findings in this study revealed that the development of momentum by the change process depends on whether the main pressures for change are sustained and there is a continuous backing for change by the organisational leadership. But for how long is the organisation going to remain in motion once the change process begins to exhibit “momentum”? This study revealed that momentum will continue for as long as the organisation leadership keeps backing change and pressures for change are sustained.

While a number of organisational change theorists (e.g. Mintzberg and Westley, 1992; Beckhard and Harris, 1987; Pettigrew, 1985) identified stages in the process of change, there has been a great deal of debate on whether these stages are gone through linearly (cf. Kimberly, 1980; Lawler, 1982; March, 1981; Wilson, 1992). For instance, it is argued that unanticipated events could lead to lopping back or leaping forward, and that the change programme could be abandoned or changed. Likewise, some of the theorists who identified stages in the change process stressed that there could be variation in the sequences they suggested. For instance, Mintzberg and Westley (1992) state that it is possible for the process of change to proceed without planning. In a similar vein, Pettigrew acknowledges that the stages he identified may not necessarily unfold in a definite sequence. He describes a sort of looping (backward and forward) whereby the process can terminate at a stage and a new one will begin but jumping some stages as it uses some outcomes of a previous aborted process. He explains that concerns raised and problems acknowledged in a process can be blocked, the context of change can change in the process resulting in a new concern. The process may then move to the action stage using the solutions suggested in the acknowledgement and understanding of problems phase of a previous change process.

The findings in this study revealed some analytical stages in the process of change that are similar to those that the aforementioned theorists identified. These stages are feeling of the need for change, political decision, preparing the change programme, action and implementation. In addition, the findings suggest that the sequence of the stages could differ in different Governments and even in a Government under different conditions. For instance, actions could precede the preparation of a change programme (or analysis of problem and identification of alternative solutions) in a manner similar to what Starbuck (1982) describes as an action-generating mode.

Furthermore, some successive changes could look like a series of waves whereby subsequent ones submerge the previous ones. Even though in some cases the old change processes may not be abandoned, they could be altered explicitly or implicitly. Besides, less energy is often devoted to old change processes compared with the new ones. A change process can be abandoned or reversed where its context changes radically, especially in a military take-over involving the abandonment of previous regime's programmes. Also, change processes and each stage in a process do not appear to have specific time span. How long a change process or a stage in a change process will last depends on a number of factors, especially the nature of change (e.g. whether it is a technique or a set of principles, an outright new technique or a re-enactment of an old familiar method) and political commitment.

An aspect of the literature on organisational change (cf. Dunphy and Stace, 1988; Nadler et al. 1979) suggests that change can occur on either of both sides of the occurrence of the triggering event(s). That is change can be proactive or reactive. The findings in this study revealed changes occurring after the occurrence of triggering event(s), in fact much later after the occurrence of triggering events in some change episodes. In other words, the changes were not made proactively in anticipation of the occurrence of these forces. There is no evidence that Government engages in anticipating possible changes in its environment that may require financial control reforms. Although changes driven by political ideology/agenda may look as if they are intentional or even proactive, but the situation will become very clear when the contexts of these changes are properly examined. These findings support the view of Miller (1982) that organisations act like thermostats

waiting for crises before they change. Although by their nature some forces like political ideology/agenda cannot be referred to as crises, but the same logic applies: their occurrences precede change.

The manner in which first- and second-order organisational changes have been conceptualised (cf. Laughlin, 1991; Levy, 1986; Mintzberg and Westley, 1992), put any accounting change in the category of a first-order change in the organisation. A second-order change is conceptualised as involving a change in the “intangible” (Laughlin, 1991), “unnoticed” and “abstract” (Levy, 1986) or “conceptual” (Mintzberg and Westley, 1992) level of the organisation which have been variously described as “interpretive schemes” (Laughlin, 1991), “paradigm” (Levy, 1986) or “culture” (Mintzberg and Westley, 1992).<sup>2</sup> (See Table A.1 in Appendix M for a comprehensive list of the metaphors that have been used to describe what must change in a second-order change.)

An accounting change will be a change in what Laughlin (1991), Levy (1986) and Mintzberg and Westley (1992) conceptualised as “design archetype”, “core processes” and “systems” respectively. A change in this dimension of the organisation ordinarily is a first-order change except if it sails through the organisation to alter its “interpretive schemes”. The question then is whether an accounting change, effectively a first-order organisational change, can lead to a second-order organisational change? Colville et al. (1993), for instance argue that it is possible to achieve a second-order organisational change by a consistent series of first-order change. It can thus be inferred that a consistent series of accounting change can lead to a second-order organisational change.

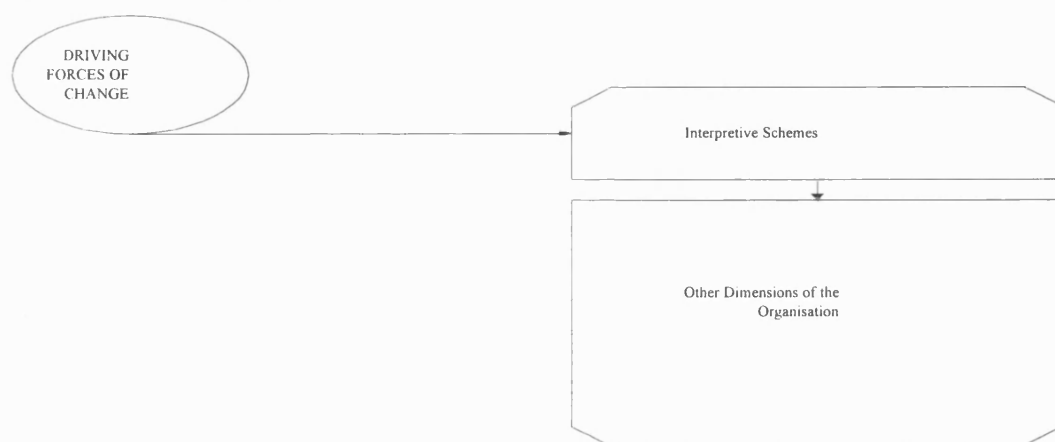
However, various views have been expressed in the literature on the “pathway” of second-order organisational change. (Figure 9.1 below provides a summary of these views.) The inference that could be drawn from one aspect of the literature on organisational change (cf. Argyris, 1982: 49; Gersick, 1991: 19; Levy, 1986: 19 or Table A.2 in Appendix M) is that second-order organisational change cannot be achieved through first-order change (and hence, accounting change). In this view, second-order change requires altering first the “interpretive schemes” which will then have spill-over effects on other dimensions of the

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<sup>2</sup> A comprehensive list of how what a second-order change in the organisation must involve is provided in Table A.1 of Appendix A.

organisation, i.e. a second-order change is essentially deductive. However, Mintzberg and Westley (1992) argue that a second-order organisational change can be either deductive or inductive, i.e. it can start from the most intangible part of the organisation (i.e. paradigm) or from the more concrete dimension of the organisation respectively. Similarly, the “pathway” of one of the two forms of second-order organisational change identified by Laughlin (1991), i.e. “colonisation” is inductive while the other, i.e. evolution, is “deductive”. It will appear then that there is not yet a common view on the “pathway” of second-order change.

DEDUCTIVE SECOND-ORDER CHANGE



INDUCTIVE SECOND-ORDER CHANGE

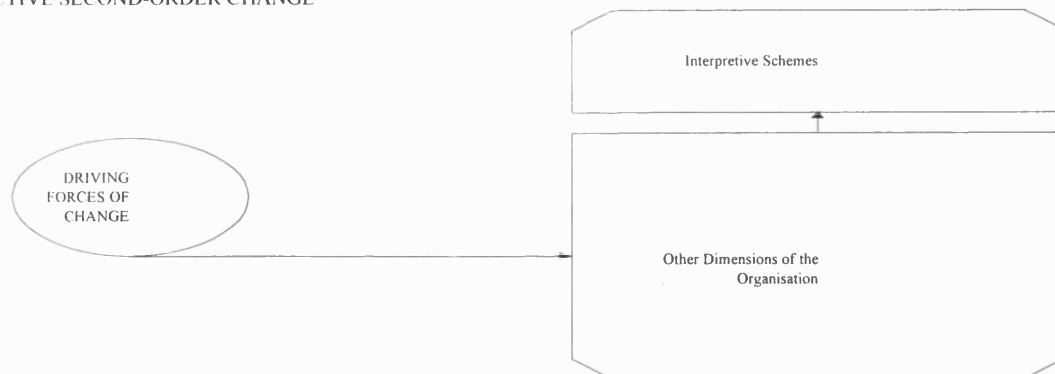


Figure 9.1: Alternative Pathways of Second-Order Change.

The findings in this study revealed that second-order organisational change can occur inductively by a “consistent pattern” of first-order changes as Colville et al. (1993) argued. However, such changes must continue to enjoy the commitment and backing of the top echelon of government. For instance, the consistent series of financial control changes in the British Central Government from 1979 had, in no doubt, transformed the British civil service. The gap between the Government as a public sector organisation from private

sector organisations has been narrowed. Civil servants now talk and think of efficiency, effectiveness and economy rather than mere budgetary accountability. As Colville et al. (1993) observe, what was originally referred to as public administration is (and in fact has largely) being transformed into management. It is not uncommon now for the civil servants who were originally seen as administrators to be addressed as managers. In its Green Paper titled “Better Accounting for the Taxpayer’s Money: Resource Accounting and Budgeting in Government”, the Government summarised the impact of these series of initiatives as follow:

‘New organisational structures and management techniques have been introduced. Staff are more skilled and better trained. A more outward-looking approach, with greater concern for service users, has been adopted’ (HM Govt, 1994b: 1).

However, the series of inconsistent changes in the Nigerian Federal Government from the mid-1980s which lack both genuine political commitment and continuity of political backing did not produce any tangible effect.

There is, however, a limit to which the argument regarding the impact of a series of accounting change on the organisation can be pursued because of the difficulties in articulating and comprehending what must be changed in a second-order change. Not only is the concept of what must change in a second-order change ambiguous, the concept means different things to different people. For instance, what will qualify as a second-order change by Laughlin’s (1991) definition will not according to the definitions of Levy (1986) and Mintzberg and Westley (1992). It is worthy of note that Colville et al. (1993) remark that it is difficult to even make distinction between the two types of change in practice. This is more so when it is appreciated that a second-order change is unlikely to occur suddenly on a spot but rather over a period. Besides, the various organisational dimensions that have been conceptualised as changeable (to enable distinctions to be drawn between the various types of change) melt into one another and are only separable for analytical purpose (Broadbent, 1992).

Apart from the ambiguities in the conceptualisation of the “interpretive schemes”, it is not known whether they must be completely dismantled and replaced with an entirely new set as implied in, for example, Porras’ and Silvers’ (1991) description of the pathway of change or can still include some elements of the old one as implied in Gersick’s (1991)

description (see Table A.2 in Appendix M). If variation of some kinds amounts to change, it does appear that different kinds of second-order changes can be conceptualised in terms of whether the interpretative schemes are replaced with an entirely new set or they contain some elements of the old one. The former and the latter being the strong and weak forms of second-order change respectively.

## **9.2 PUBLIC ADMINISTRATION**

The roles of Military regimes in reforms in developing countries attracted debate in the public administration literature. The military has been variously described either as sponsors or inhibitors of change (cf. Heady, 1979). The view that soldiers are sponsors of change is based on the assertion that the military is a positive modernising force, and that because of the continue modernisation of the army and soldiers' sensitivity to their countries' underdevelopment they will modernise "economic and social structures" when they seize political power (Nordlinger, 1970). The opposing view rests on the claim that soldiers inherently favour stability, and that because of their poor socio-economic background they will tend to be concerned with maintaining and increasing their wealth when in power rather than pursuing socio-economic reforms (Odetola, 1982). The findings in this study revealed that there were extra stimuli for change under the military compared with civilians. They also revealed that this has been due to the military's desire to break-away with the conditions that existed under previous regimes and to implement their agenda for seizing power.

However, that there were extra stimuli for change under the military is not necessarily in line with the view that soldiers are modernisers and sponsors of change. For instance, except in a few episodes of change, their motives were not necessarily to modernise structures but either to respond to external pressures or to arrest deterioration in structures occasioned by their reigns. The further breakdown in financial accountability that is often associated with military regimes seems to suggest that they tend to act in line with the need to maintain and increase their wealth as suggested in the second viewpoint on military and change. Nevertheless, there is a need to further examine the context of the extra stimuli for change under the military. In contrast to the period of financial crises when there were real external pressures for change, there were less extra stimuli for change under the military



during the period before financial crises when there were no significant external pressures for change. This seems to suggest that the military will not always promote change, and that they will sponsor changes often when there are real pressures for change.

To some extent, this is in line with a view that attempts to reconcile the above two contradictory propositions on military and change. The view assumed that soldiers are neither inherently conservative or radical. However, the findings in this study do not suggest the same reasons which have been advanced in this perspective for the attitude of the military to reform. Heady (1979), for instance argues that the attitude of the military to change is dependent on the level of economic development: soldiers will sponsor and inhibit change in a more backward and more advanced country respectively. In the pre-1982 era when there was no significant extra stimuli for change under the military compared with the post-1981 era, Nigeria cannot be said to be more advanced. Also, even though the economic condition was worse in the post-1981 era compared with the pre-1982 era, the extra stimuli for change under the military appear to be more in response to strong external pressure for change than an appreciation of Nigeria's backwardness.

Furthermore, it was remarked that the military is more exposed to modern management techniques than other groups in the society (Heady, 1979), vulnerable to external influence and able to adhere more closely to foreign models (cf. Danopoulos, 1988). However, many episodes of change in the government financial control system do not reveal that the military is better exposed to foreign models than other sections of the societies. Except only in an episode, changes were not influenced by the military's awareness of foreign models. In many cases, when military regimes were not re-enacting existing practices, change ideas were brought to them by external bodies. The only episode of change under a civilian administration demonstrates that the civilians are also exposed to foreign models and are not less vulnerable to foreign influence. In fact, the inference that could be drawn from many of the episodes of change in Nigeria is that the military is less exposed to foreign management models than all other groups in the society. For instance, in all episodes of change that are not re-enactment of previous practices, civilians (and not military officers) prepared the change programmes.

The view that the military is better exposed to foreign management models has often been justified on the ground that the levels of development in their countries force them to look to foreign countries for equipment and managerial skills (cf. Danopoulos, 1988). An important fact which may have been overlooked in making this argument is the level of education and training of the other groups in the society. Some other sections of the society (larger than the military in number in the Nigerian case) were educated and trained in foreign countries or learnt foreign models in the local institutions. In the case of Nigeria, for instance, the academic and a section of the business community are more educated and better exposed to foreign management models than the military. A similar view to the military's exposure to foreign management models is that it is more vulnerable to foreign influence (cf. Danopoulos, 1988). The findings in this study do not suggest that the civilians are less vulnerable to foreign influence.

Also, the relative roles that bureaucrats play in the policy process has been heavily debated in the public administration literature. The area where conflicting views have been expressed is the level of involvement of bureaucrats in the policy formulation stage of the policy process. Regarding formulation of changes in the government financial control system, the findings in this study revealed that except in cases of changes driven mainly by political agenda/ideology and Parliamentary pressures, civil servants in Britain are involved in the change process right from the stage of recognising the need for change. The group of civil servants that participate in recognising the need for change are mostly top civil servants in the central departments. After the political decision for change has been taken, the civil servants are mostly responsible for preparing the change programme, and planning and overseeing its implementation. It must be stressed however, that the bureaucratic participation is often dominated by civil servants in the central departments. Likewise, the Nigerian civil servants participated in the process of formulating change in the financial control system, though at a minimal level compared with the level of participation by the civil servants in the British Central Government. For instance, in an episode of change, they participated at the stage of recognising the need for change throughout to the end of the process, and in some other episodes of change they participated in the process of preparing the change programme.

The involvement of civil servants in the process of formulating change in the government financial control system is in line with an aspect of the public administration literature which opposes the politics-administration dichotomy (cf. Aberbach et al., 1981; Adebayo, 1981; Chapman and Greenaway, 1980; Gray and Jenkins, 1985; Putnam, 1973). The argument is that the conception that bureaucrats participate only in the implementation stage of the policy process does not capture the reality in most Governments. Aberbach et al. (1981) and Gray and Jenkins (1985), for instance argue that the relative role of politicians and bureaucrats in the policy process is evolutionary rather than stationary. In fact Aberbach et al. (1981) argue that the state of the relationship in most developed countries fits into their Energy/Equilibrium Model. According to this model, bureaucrats provide policy equilibrium and initiate incremental changes while politicians energise the policy process and initiate radical changes. Considering the British Central Government and even the Nigerian Federal Government, the changes that bureaucrats participated actively in initiating (i.e. at the stage of felt-need for change) are not radical compared with those that they were not involved in initiating.

However, the findings in this study suggest that the relative role of bureaucrats in the process of formulating change will vary with the main pressures and sources of initiatives for change rather than increasing over time. In the case of the British Central Government, the involvement of bureaucrats in the process of formulating changes largely driven by party ideology was low compared with changes induced by financial pressures. Likewise, in the Nigerian case, bureaucrats were less involved in changes largely driven by external pressures. When this is extended to the general policy process, it will appear that the involvement of bureaucrats in policy formulation in Britain will vary with the main impetus for new policies or policy changes. For instance, in cases of new policies or policy changes induced by political ideology, bureaucrats will be less involved in the formulation process compared with those driven by non-ideological factors. Similarly, the involvement of bureaucrats in Nigeria in the policy process will vary with the nature of the underlying factors for new policies or policy changes. For instance, where policy changes are driven mainly by external pressures they will perform minimal roles in the policy process since the content of the policy will come largely from exogenous sources.

The findings in this study, i.e. as far as formulation of changes in the government financial control system is concerned, neither support Riggs' (1964) Prismatic Model that suggests high level of involvement of bureaucrats in the policy formulation process in developing countries nor his Diffracted Model that suggests low or minimal involvement of bureaucrats in the policy formulation process in developed countries. The trouble with Riggs' models seems to be an underlying assumption of a water tight separation of functions among administrative institutions in refracted societies and their fusion in transitional societies. Another probably wrong assumption in the models is Riggs view that developing countries' administrative class evolved before their political counterparts such that they were performing political functions before the emergence of the political class. In the case of Nigeria, it will appear that the indigenous bureaucrats did not assume political functions before the emergence of the political class. By the time the Nigerian political class emerged, the bureaucrats that were performing political functions were foreigners (cf. Adamolekun, 1986; Balogun, 1983). It will appear that the political class even helped the indigenous bureaucrats to enhance their positions (in administration) by sending away foreigners that dominated the top echelon of the civil service after independence. Therefore, the case of bureaucrats refusing to surrender political role, as Riggs argues, does not seem to have arisen.

Riggs' Prismatic Model predicts "interference complex" in the policy process in developing countries. By interference complex, Riggs meant a situation whereby bureaucrats interfere in the policy formulation process just as politicians interfere in the policy implementation process. The findings in this study support the interference complex thesis in part, as they revealed that politicians often interfere in the implementation process. In many episodes of changes political office-holders did not leave the change programmes in the government financial control system to bureaucrats to implement. There were episodes of changes where committees comprising political appointees (or political appointees and civil servants) were constituted to implement changes. However, this situation was conditioned by the nature of change, the sources of initiatives for change, the level of involvement of civil servants in the change formulation process and the regime types.

Aberbach et al. (1981) suggest that the roles of civil servants in the policy process may differ, for instance, under different regime types. However, they did not specify the nature of the possible differences, for instance under different possible regime types. The occurrence of not more than an episode of change under the civilian administration in Nigeria makes it impossible to make any proposition regarding differences in the roles that civil servants play in the process of formulating change between Civilian and Military Regimes. However, two Military Regime types (named as Military Regime types I and II) were identified earlier on in this study by reviewing the Nigerian public administration literature. The findings in this study revealed differences in the level of involvement of bureaucrats in the change formulation process under the two different Military Regime Types. Bureaucrats were more involved in the change formulation process under Military Regime Type I compared with the Type II. In fact in one of the two episodes of change under the Military Regime Type I bureaucrats first felt the need for change.

The findings suggested the need to re-examine the contradictory propositions which have been put forward in the literature on public administration on the level of participation of bureaucrats in the policy formulation process under the different Nigerian regimes (cf. Adamolekun, 1986). According to one proposition, bureaucrats participated more under Military Regime than Civilian Regimes. According to the other proposition, bureaucrats participated less under Military Regime than Civilian Regimes. Rather than attempting to generalise over all Military Regimes, it might be useful to identify the various Military Regime types and generalise across each Military Regime Type. The level of involvement of bureaucrats in the only episode of change under the civilian administration, for instance, is similar to the level of their involvement under the Military Regime Type II but less than the level of their involvement under Military Regime Type I. It might then appear that the reason for the contradictory propositions is the different levels of participation of bureaucrats under different Military Regime Types and the attempt to generalise across all the Military Regimes.

The findings in this study revealed the existence, at different times, of some financial control institutions in the Nigerian Federal Government that were not performing many of the functions that they were supposed to perform according to the relevant statutes. Some

of these structures are similar to those that exist in Britain. However, since they do not even behave according to the formal rules, it is obvious that their effective behaviours will not be the same with similar institutions in the British Central Government. This supports the view expressed by Riggs (1960) in an Exoprismatic Model of financial administration. Riggs argues that “high degree of formalism” is a key feature of financial administration in developing countries.

The model states that there will exist many formalistic structures in developing countries, and that many of these structures which may look similar to some structures in developed countries will behave differently. Riggs states that unlike in developed countries, besides administrative considerations, other factors like personal, family, political and economic interests of individual participants influence their behaviours in the administrative process. As findings revealed, participants in the financial control process often act in the manner that will benefit them personally. For instance, when it comes to change implementation, people often concentrate on those that will benefit them financially. Findings also revealed that besides the influence of personal material benefits on participants in the administrative process, the political leaders were not keen to make the institutions work. This failure of the political leaders had not only affected the functioning of the institutions but also financial accountability in the Nigerian Federal Government.

Besides the existing structures which may be formalistic, there have been debates on how additional changes to existing structures can also be formalistic. Some writers (e.g. Danopoulos, 1988; Pugh, 1988; Riggs, 1960 and 1964) remark that differences can exist between prescriptive and realised intents of a change. In fact, it was stated that people may go through the motion and give appearance of reform without changing anything substantial (Pugh, 1988). Riggs (1960) argues that in prismatic societies the pace of change in formal structures and effective behaviour will differ so that there will prevail “cultural lags”. Thus, as the pace of changes increases, the lags will be greater in developing countries, and the structures will more formalistic.

In the view of Riggs (1964) where an administrative system is formalistic, changes in the system will also be formalistic. This, as he argues, is because administrators will be used to not complying with policies while policy-makers will not properly consider the

practicability of policies before making them. While the findings in this study revealed that there are more formalistic changes in the government financial control system of Nigeria than Britain, they revealed a number of other factors which contributes to formalism. These are sources of initiatives for change, continuity of political commitments to change and levels of involvement of bureaucrats in the process of change. Findings also revealed a symptom of formalistic structures and changes, i.e. re-enactment of changes, which was found to exist in Nigeria.

### **9.3 ACCOUNTING CHANGE/EVOLUTION OF GOVERNMENT FINANCIAL CONTROL SYSTEM**

The findings revealed that often a number of factors underlie changes in the system, even though one or more of the factors may be more potent than others. For instance, they revealed that financial or economic noise and also other factors (such as political agenda, ideology and in some organisations, external pressures) can drive accounting change. This is in line with the view in an aspect of the literature (cf. Laughlin, 1988; Hopwood, 1987) that while financial or economic noise may drive accounting change, it cannot be said that it is the only force that can drive accounting change. The findings further revealed the conditions under which financial or economic noise and also other forces can drive accounting change. Findings also revealed how financial and economic pressures can open up some organisations to other forces, e.g. external pressures, to drive accounting change.

Also, the findings revealed several factors (e.g. interests of key role players in government in the effectiveness of financial control system, accountability environment, political stimuli, new Governments, political arrangements and vulnerability to extraneous influence) that may determine whether these forces will in fact drive change in the system. It would be impossible to understand why government financial control systems in a developing country as Nigeria and Britain are what they are (and not what they are not) today without an understanding of the contexts of their evolution. These findings suggest that changes in accounting systems could have wider political, economic and even trans-national contexts.

Like it has been suggested in the case of accounting change generally, Lüder (1993) and Premchand (1993) state that change in government financial control may be triggered by

financial stress. Lüder, however, states the condition under which financial stress may drive change in the government financial control system. According to him, financial stress requires extra political stimuli (which could come from rival power centres) to drive change in the government financial control system. The findings in this study generally support the view that financial stress can drive change in the government financial control system where there is the right amount of political stimuli. However, the findings revealed that the interest of civil servants in an effective financial control system can also facilitate the perceptions of financial stress as requiring change in the financial control system. Besides, how soon and what magnitude of change that financial stress may drive in the government financial control system depends on those who exercise executive powers.

Findings also revealed that financial stress is not the only potential driving force of change in the government financial control system. Giving the existence of the right amount of political stimuli, other potential driving forces of change in the government financial control system include political agenda/ideology (especially in a country where political parties are well developed), momentum of change and external pressures (in countries that are highly dependent financially and economically). As the findings in this study revealed, the right amount of political stimuli will be released (when the relevant events occur) and where those who exercise power have interest in an effective government financial control system. In addition, rival power centres may engage in activities that will make the underlying pressures for change more potent and activate the necessary political stimuli to evoke the change process. For instance, the various investigations of the Parliamentary Committees and the outputs of these investigations (i.e. recommendations) constituted important facilitating conditions for much of the changes in the British system.

It is not clear from the literature whether the same forces that drive change in the government financial control systems of developed countries can also drive change in those of developing countries. The findings in this study revealed some conditions which would determine the potency of the various potential driving forces of change in the system. These are the extents of vulnerability to extraneous influences, the interests of key role players in government in an effective government financial control system and the political



arrangements. Differences in these conditions, for instance, led to differences in the forces driving changes in the government financial control system between Britain and Nigeria.

The view that developing countries adopt practices evolved in developed countries rather than evolving indigenous practices enjoys considerable support in the literature on accounting development in developing countries (cf. Briston, 1978; Enthoven, 1977; Hove, 1986; Perera, 1989; Samuelson and Oliga, 1982; Wallace, 1993). The reasons that have been advanced for this include shortage of skilled financial managers, training procedures, habit, inertia, vested interests and availability of ready-made accounting technology. The media of transfer of practices were identified as including colonisation, education and training, and donor organisations/governments. The findings in this study support generally this view.

However, findings suggest that a developing country as Nigeria does not look up only to developed countries but also what could be described as “leading” developing countries, e.g. India. In addition, findings revealed that much of the practices in Nigeria can be attributed to two types of colonisation, namely political and economic colonisation. For instance, the initial system in the Government of Nigeria was a consequence of the political form of colonisation. A few changes were made to this by deliberate copying of “ready-made” practices from a developed country. However, many of the subsequent changes have resulted from the other form of colonisation (i.e. economic colonisation) by the international credit agencies.

Also, the findings in this study revealed that Nigeria retained the financial control practices inherited from the colonial master after independence. This agrees with Wesberry’s observation on Latin American Governments (see also Wallace, 1993 on African countries generally). Likewise, it agrees with Riggs’ (1964) argument that foreign administrative system is usually retained after independence even where foreign administrators are replaced wholesale by indigenes. Wallace (1993), however, observes that changes to the inherited accounting systems have been by importation from either former colonial masters or new political allies. To some extent, the findings in this study support this view. For instance, the deliberate copying of financial control practices by the Nigerian Federal Government was made from a country that could be described as a new political ally, US.

However, the findings in this study revealed some factors which may influence changes in the system of a developing country and determine whether it will adopt practices of a former colonial master or new political ally. For instance, where changes are largely driven by external pressures, the external body will (to a large extent) determine the nature of the changes. (It is not impossible that some of these changes could be practices evolved by the former colonial master or the new political ally.) In addition, once a country, start adopting practices from a particular country this may create a situation where subsequent voluntary adoption of foreign practices will be from the same country.

The source of prior adopted practices, it seems, have the tendency to influence subsequent ones. The relationship between the former colonial master (or a new political ally) and a developing country will also influence whether the latter will adopt the financial control practices of the former. For instance, where there is a close political tie between a developing country and its former colonial master, it is most likely that the former will adopt practices evolved by the latter. This can also be reinforced by the former colonial master providing advice to its former colony on government financial control practices. Wesberry's (1990) study on Latin American countries has shown how financial practices of a developed country can be implanted in developing countries through financial control aid.

Lüder (1988) states that in a federal state, initiatives in the government financial control system are usually first launched at the state (or regional) level of government. Similarly Bowsher (1987) observes the influence of reforms at lower levels of government on the evolution of financial control system in US Federal Government. According to him financial control reform issues were taken up by the state following the New York City Council financial crisis<sup>3</sup> which later spread to the federal level. This study revealed that a number of the initiatives in the Nigerian Federal Government have earlier been undertaken at lower level of government. However, the developments at the lower level of government did not influence the federal ones. Some of the initiatives at the federal level even took place in isolation of what had happened at the lower government level. Also, the developments did not take place in all or many of the state governments, as Lüder appears

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<sup>3</sup> Axelson (1977) discusses the crises and the consequent reforms.

to suggest, but in either one state or the other. It seems that the communication system and lack of interest of public officials in an effective financial control system may have been responsible for the initiatives in a state not spreading to other states and even to the Federal Government in Nigeria.

Furthermore, it appears that the occurrence of changes first at a lower level of government may not necessarily be restricted to federal states. In the UK, a unitary state, some of the changes, e.g. market-testing and accrual accounting, occurred earlier in the local governments. Pettigrew et al. (1992) observe this trend and state that there was a movement down the managerial line earlier at the local government level. However, why some initiatives do occur earlier at lower levels of government requires a more comprehensive study. The reason could probably be because the lower levels of government are smaller and such changes can be more easily implemented by them. Besides, it would appear that financial pressures affecting governments in a country will tend to affect lower level governments more than higher level governments. This is because the latter usually have more sources of revenues and are able to raise revenues from more sources compared with the former.<sup>4</sup>

There is also the issue of the constitutional powers exercised over lower level governments by higher level governments and the need for uniformity among lower level governments' practices (or even with the higher level government). Regardless of the magnitude of the financial pressures, the constitutional arrangements can impact on the reforms that lower level government can carry out ahead of higher level governments. For instance, a new legislation (or an amendment to existing ones) by the higher level government may be required. In a sense, the higher level government may have participated in the making of the initiatives that occurred first at the lower level of governments.

Lüder (1988) states that it is perceived that civil law countries, based on their legal systems, have a statute based financial control system. Therefore, detailed provisions regarding the financial control system are stated in the budgetary acts. As he argues, Civil Law countries have strong preference for codification of law. As the findings in this study

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<sup>4</sup> Also, in some cases grants from higher level of government constitute a significant proportion of revenues of many lower level governments.

revealed, much of the changes in the financial control system of British Central Government did not involve legislation. This may have been influenced by the British constitutional arrangements, i.e. common laws. However, much of the changes in the financial control system of the Nigerian Federal Government involved legislation. It, however, appears that this was influenced by the regime type that made many of these changes, i.e. the military, which often has to assert its authority by Decrees.

Also, Lüder argues that unlike systems not based on statute, statute-based systems have in-built inflexibility. In his view, this is because a change will require amendment to statute which could be extremely difficult, and much more difficult in federal states with a unified system where approval of several legislative houses may be required. It can be argued that this will depend on a country's political arrangement. For instance, while Parliamentary resistance to change could be an obstacle to change as also observed by Wesberry (1990), it does appear that the ability of Parliament to resist change will depend on the political arrangement in a particular country. The findings in this study revealed that Parliamentary resistance to change will not be effective in a Westminster system and will be weak in Totalitarian (or one-Party) States. For instance, were Acts of Parliament to be required for many of the changes in the British system, it is not likely that the Government sponsoring the bills would have been unable to see them through because of its majority in the house and party loyalty. Similarly, under the totalitarian regimes in which many of the changes in the Nigerian system were made, there was no question of Parliamentary resistance since a parliament does not even exist in the first instance.

The process of change, in many cases, includes an element of learning from outside the Government. In the case of the British Central Government such learning has been mostly from similar developed countries and the private sector while learning has been from both developed and similar developing countries in the case of the Nigerian Federal Government. These findings generally support the argument of Premchand (1990a and 1993) that administrators evince considerable interest in finding out the experience of other countries when working out solutions to problems. The findings in this study revealed that while this learning was done mostly at the stage of preparing the change programme in

Britain, it was done both before the process of change is evoked and in more detail at the stage of preparing the change programme in Nigeria.

This study's findings revealed that the financial control system in the British Central Government has advanced considerably beyond the Nigerian system. This is in line with the view that has been expressed in the literature that the government financial control systems in developed countries have advanced considerably beyond the "extant models" in developing countries (cf. Dean, 1988; Premchand, 1990c and 1993). In addition, the findings revealed differences in the main agenda for change between Britain and Nigeria over the period studied. Differences in the main driving forces of changes, stages of development in the government financial control system and accountability environments accounted for these differences.

Dean (1988) attempts to capture differences in the levels of development of the government financial control systems between developing and developed countries in a three-stage evolutionary model of the development of government financial control system. He states that there is an evolutionary theory coming out of the available information on "government financial management in different environments". Dean argues that three "very broad stages" can be identified in the "growth to maturity" of the financial management system in government, namely: (i) regularity and control; (ii) financial management, and (iii) strategic choice. He seems to suggest that developed countries are in stage three while developing countries are in stage one or two, probably more of them in stage one than in stage two.<sup>5</sup>

The analogy of "evolutionary stages" in development undoubtedly originates from the biological sciences. Although this analogy and many other biological analogies (especially those relating to evolution) have infected all social science disciplines (cf. Gersick, 1991), their applicability to social sciences has attracted much debate (cf. Van de Ven, 1979).

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<sup>5</sup> Dean states that the characteristics of government financial control system in stage one identified by Mosher (1979) are found in developing countries (see p. 160). The introduction of Performance Budgeting system by some developing countries was seen as anachronism (see p. 164). According to Dean's model, movement toward introduction of performance budgeting system begins in stage two and its fully installed in stage three (See p. 162-163). Commenting on UN's position that the cash basis of accounting used in developing countries is insufficient to provide the necessary financial information (UN, 1984), Dean argues that adoption of accrual accounting by developing countries will amount to "anachronism" (see p. 166). According to Dean's model, accrual accounting features in stage three. He remarks that the works of Mosher (1979) and Shick (1966) suggest that stage two was "protracted" in the US, for instance (see pp. 164 and 171). (It could be inferred that the US has passed this stage.)

Kimberly (1980) observes that there is no consensus over many of the biological metaphors in the discipline where they originated. While he notes that the use of these metaphors may facilitate the understanding of change, he acknowledges that some questions have been raised about their appropriateness in the social sciences. These questions revolve around the certainty of death and predictability of stages of development in biological systems, but not in social systems. A closer examination of Dean's model, for instance, will confirm these reservations.

While Dean acknowledges the arbitrariness in delineating evolution into specific number of stages since "evolution is continuous and one stage merges into another", he did not address the issue of what will happen to the government financial control system after stage three. For instance, it will be inappropriate to conceive the government financial control system as growing to a certain known maturity stage. First, the system will continue developing depending on the conditions in the environment in which it operates. Second, the next stage after the maturity of a biological system, i.e. decline/death, is inconceivable for a government financial control system? At the least, it is incompatible with the Western belief about the direction of social evolution, i.e. continuing progress or advancement (see Nisbet, 1969). Also, Dean's model did not address the question of why the stages in the evolution of government financial control system have to be three, and not two, four, five or ten?<sup>6</sup>

Furthermore, Dean appears to see the evolutionary stages he identified as natural. For instance, he argues that since developing countries would like to modernise over a shorter period than developed countries they must know the essential steps in the process of development and the sequence of these steps. Dean's evolutionary model, it can be argued was essentially constructed to capture the pattern of developments in developed countries. Examining the findings regarding 35 years of changes in the government financial control system of Britain, and the literature on developments in the government financial control systems of some developed countries (e.g. Bowsher, 1987; OECD, 1987 and 1993) it does appear that Dean's model roughly captured the overall pattern of development in these

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<sup>6</sup> Premchand (1990c) identifies four phases in the evolution of government financial control system. He states that the system has passed through four distinct phases, namely: highly centralised administration; arms-length relationship (between the central and spending agencies); economic management, and decentralisation.

countries. However, it can be argued that the process of development was not a “smooth trajectory” toward a certain known end as Dean’s model suggests.

Basically, an evolutionary model along some identifiable stages assumes the existence of an internal logic directing the course of evolution (cf. Ford and Backoff, 1988; Van de Ven and Poole, 1988). It will appear that Dean's model of gradual evolution along certain stages must have been developed without consideration of the underlying pressures for changes in the government financial control system of the countries on which the model rests. For instance, there does not appear to be any such thing as a “natural progression” from stage one to two as he suggested. "Indeterminate forces" (Bhimani, 1993) rather than immanent logic appear to drive change in the financial control system of Government, as the findings in this study revealed. In which case, evolution may not necessarily proceed gradually and progressively toward any known destination.

In fact, some of the developments in government financial control systems in developed countries that were captured by Dean in his model resulted from accidents of history rather than from some internal logic within the system. For instance, Bowsher (1987) opines that each major development in the government financial control system of the US follows a major war. Several other studies on US (cf. Mosher, 1979; Murphy, 1985) revealed how wars created the conditions that led to the developments in the system. Similarly, in what will pass for a “crisis theory” of the evolution of government financial control system, Helco and Wildavsky (1981) argue that real changes in the expenditure management system of the British Central Government must await crisis. The findings discussed above and several studies (e.g. Likierman, 1990; Likierman and Bloomfield, 1986) revealed that many of the major developments in the British Central Government were driven by financial/economic pressures, political agenda/ideology and/or parliamentary pressures.

Also, developments in the systems do not appear to have followed Dean’s model consistently over time. There were abortive moves, e.g. the attempt to experiment with accrual accounting after the first World War and the pre-1979 management moves in Britain. In the US, there were failed attempts to decentralise the system and get rid of repetitive controls (see Bowsher, 1987). (Dean would probably argue that these moves were not appropriate to these countries' stages of evolution then, and that they amounted to

“anachronism”). The patterns of changes in government financial control systems of these countries do not suggest a "master grand plan" unfolding as unidirectional changes toward a certain known end.

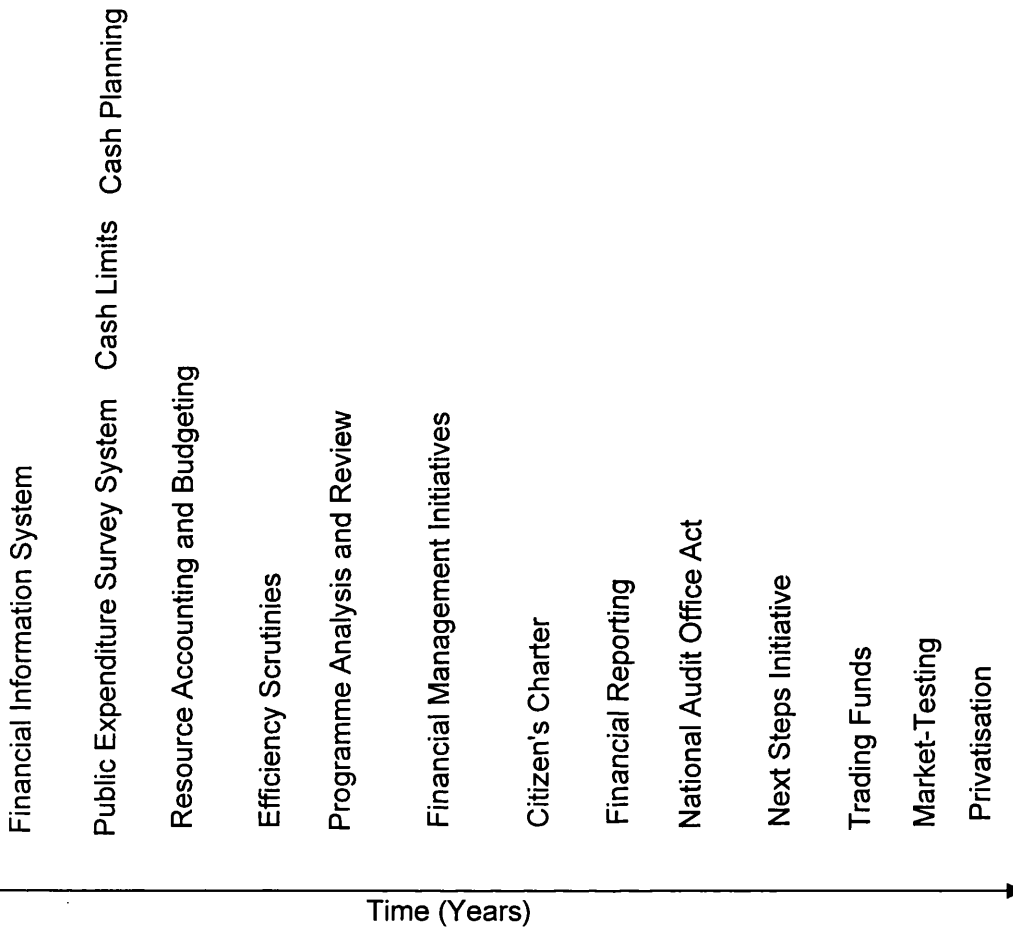


Figure 9.2: Possible logical Sequence of changes in the British Central Government's Financial Control System.

For instance, if the initiatives in the British Central Government were to occur in an ordered fashion and toward a certain known end, the changes could probably have occurred in the sequence shown in Figure 9.2 above rather than as in Figure 9.3 below in which they did. Bhimani (1993) made similar observations about accounting development in the private sector. He argues that the control systems in the private sector organisations are not evolving in line with “universal imperatives”. In his opinion, circumstance rather than essence determines changes. Also, Premchand (1990a) observes that change at times could be in reverse direction. By the same token, punctuated equilibria theories of organisational change suggest that changes can be in any direction (reverse or forward) during the “brief punctuation periods” (cf. Gersick, 1991).



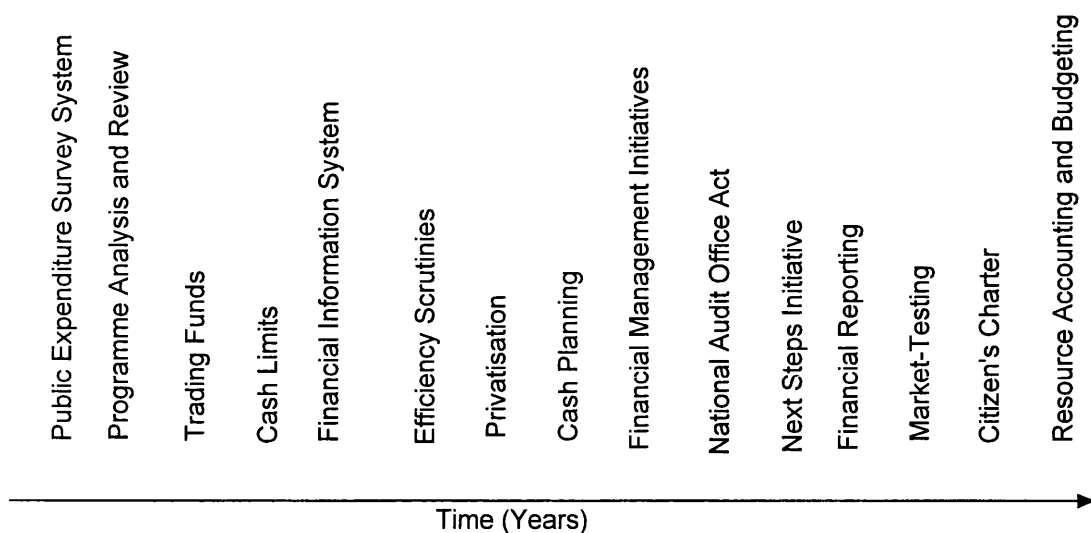


Figure 9.3: Actual sequence of changes in the British Central Government's Financial Control System.

Some of the studies on government financial control practices of developing countries (e.g. Swarup, 1990; Wesberry, 1990) and the findings in this study on Nigeria support Dean's view that these countries are on either of the first two stages of his evolutionary model. In fact, as Dean's model suggests, the findings in this study revealed differences in the main agenda for change in Britain and Nigeria. However, while findings showed that this was in part due to differences in the levels of development between the two systems, they revealed that agendas for change were greatly influenced by the underlying pressures for changes and the accountability environments.

As discussed above, Dean argues that the adoption by a country of a method that is not appropriate to its stage of evolution amounts to anachronism and as such its implementation may fail. Some of the financial control reforms in developing countries which Dean views as "anachronism" (e.g. attempts to introduce rational budgetary systems) failed in the case of a developing country, Nigeria, and were shown to have failed in some other developing countries (cf. Dean, 1989b). However, Craner and Jones (1990) argue that these budgetary models were inappropriate everywhere. Similarly, Wildavsky (1986) states that PPBS, for instance, had failed everywhere. Therefore, the failure of these budgetary reforms in developing countries cannot be attributed to "anachronisms" (see Craner and Jones, 1990).

The work of Wesberry (1990) revealed some reasons why change programmes including the rational budgetary programmes failed in some developing countries, e.g. hasty

implementation and mismatches between change programmes and the problem areas in government financial control system. Similarly, the case of Nigeria showed that frequent loss of political backing for change due to political instability, the predominance of external pressures for change and lack of commitment of political leaders to change were mainly responsible for the failure of changes. There is nothing to suggest that the changes introduced in Nigeria, including a rational budgetary system, were inappropriate because of the stage of development of the Nigerian government financial control system. This is not to suggest that some conditions may not be necessary for the success of some initiatives. For instance, some conditions were stated as necessary for the successful installation of a performance budgeting system (see UN, 1965) and Omolehinwa (1989) identifies some problems which the Nigerian Federal Government should have tackled before installing PPBS. However, an argument can be advanced that a properly planned comprehensive programme of budgetary reforms, like other financial control initiatives, could incorporate all that are necessary for its success.

Also, the findings in the study revealed that the changes in the financial control system of the British Central Government were well linked. However, while this may give the developments the look of an “unfolding master grand plan”, evolving gradually toward a certain maturity stage as suggested in the Dean’s model, there were some underlying factors responsible for both the link and co-ordination between the changes. These include continuity of the underlying pressures for change, the interest of key role players in government in an effective government financial control system and political stability. The absence of the right combination of these factors in the case of Nigeria was responsible for the lack of link and co-ordination between the changes that gave a picture of a series of “anachronistic” changes.

Dean argued that developing countries need to follow sequentially the evolutionary stages that he identified in his model. It may be asked: if the systems in developed countries reached their present stages due to a series of responses to the relevant environmental conditions (cf. Nobes, 1988),<sup>7</sup> do developing countries have to follow the same evolutionary pattern? It can be argued that they need not to, except they also happen to face

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<sup>7</sup> Similar views were expressed by Briston (1978) and Hove (1986) regarding accounting development generally.

similar environmental demands. Besides this, the developments in developing countries' systems will be taking place in very different social, economic and technological environments. For instance, developing countries have access to better information and skills than developed countries had when they were developing (cf. Perera, 1989). Also there are cultural differences among countries that must be recognised by developing countries when they are embarking on financial control reforms.

An alternative to Dean's model is Lüder's (1994) "Modified Contingency Model of Public Sector Accounting Innovations".<sup>8</sup> Unlike Dean, Lüder recognised explicitly the role of the environment in government accounting change. Three different categories of environments (or "contextual variables"), namely: stimuli, structural variables and implementation barriers, were identified. According to this model, stimuli (e.g. fiscal stress, financial scandal and dominating doctrine) occur at the beginning of and affect the change process via the behavioural variables. (The behavioural variables comprise the expectations of the general public and political actors, and the behaviours of the political and administrative actors.) Also, the "relatively stable" societal, political and administrative structural variables impact on the change process indirectly via the behavioural variables. (These structural variables are like "permitting" and "enabling" conditions: they are not causal factors.<sup>9</sup>) The implementation barriers, however, directly affect and can inhibit the change process. According to this model, given favourable stimuli and social-political-administrative environment, and the absence of implementation barrier, change can occur in the government accounting system. The basic logic in Lüder's model is similar to Lundberg's (1984) model of second-order organisational change which was discussed in the first section of this chapter, and the findings in this study generally support it.

In Lüder's model, it is assumed that "environmental factors do not have an impact on the suitability of a government accounting system" (Lüder, 1994: 1). Lüder asserts that differences in government accounting practice between different countries are caused by differences in the "change-conduciveness of environmental factors" rather than different local conditions. In his view, it is "the information needed", not local conditions, that

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<sup>8</sup> See Lüder (1992) for the original version of this model.

<sup>9</sup> The existence of favourable environmental conditions is "neither a necessary nor a sufficient condition" for change (Lüder, 1994: 3).

determines the appropriate system. In this sense, Lüder's model can be likened to Dean's model. Like Dean's model, Lüder's contingency model also assumes a specific "final state" for the system (see Lüder, 1992: 108). In fact, in Lüder's view, even though there may be differences in practices among countries presently, practices will certainly converge sometime in the future. This appears to suggest that there is a certain best system which is appropriate to all governments and around which all practices must (and will) converge.

The findings in this thesis, in contrast, do suggest that financial control changes are at least to some extent context-dependent. For example, an innovation like Market-Testing in Britain, at least in part, was dependent on the existence of a well-developed private sector and a government that is biased toward private enterprise. Similarly, the Public Accounts Implementation Tribunal that was introduced in Nigeria was, at least, informed by the political-administrative environment under the military. In fact, an assumption that the suitability of the system is independent of local conditions raises the question of whether the model is suitable for managing innovation, especially in developing countries where the social, economic, political and administrative environments differ significantly from developed countries.<sup>10</sup>

Furthermore, there is a scope for debate as to whether Lüder's model is truly a "contingency" model: a contingency framework is about maintaining a "fit" or "match" between the structures of a system and the relevant environmental conditions. As Otley (1980) explained, the view in the contingency perspective is that the features of an appropriate system (e.g. an accounting system) are contingent upon "the specific circumstances in which an organisation finds itself".<sup>11</sup> He states that a contingency model must not only identify the specific elements of the system which are associated with certain defined organisational circumstances, it must also "demonstrate an appropriate matching". In this sense, Lüder's model is not a true "contingency" model.

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<sup>10</sup> The model is based on some developed countries (see Lüder 1992 and 1994). Also, there is no claim that the model will be applicable to developing countries (see Lüder, 1994).

<sup>11</sup> The basic underlying assumption of the contingency approach in accounting is that there is no accounting system which is universally appropriate to all organisations and in all circumstances (Otley, 1980).

In the next chapter, some alternative strategies for managing change in a developing country such as Nigeria are suggested. In addition, the areas where improvements can be still made in the British approach are identified.

**CHAPTER TEN**  
***POLICY IMPLICATIONS***

**10.0 INTRODUCTION**

This chapter is divided into two main sections. The first section contains some comments about the observed approach to change management in the Nigerian Federal Government's financial control system. It also contains a discussion of the suggested strategies for managing change in this Government. It is believed that these comments and the strategies for managing changes will be valuable to policy makers in Nigeria and similar developing countries. The second section contains some comments about the approach to managing change in the British system and a discussion of the areas where improvement can be made. It is hoped that these suggestions will be useful to the policy makers in Britain.

**10.1 CHANGE MANAGEMENT IN NIGERIA.**

Extraneous factors were too dominant in the context of change in Nigeria. More often than not, political decision on change is influenced by either practices in other countries and/or external pressures for change. This approach does not appear to have produced any significant improvement in the system. For instance, after thirty-five years of independence, real improvement in the government financial control practices in Nigeria is not readily identifiable.

Ordinarily, practices in other countries should not have any significant influence on a political decision that something should change. This is because this approach could lead to the adoption of practices which may not fit properly into the local context. For instance, such adopted practices may ignore the relevant organisational peculiarities, e.g. the capacity for change and culture. Practices in other country should become relevant to the change process only after the decision that something should change has been taken and the various alternative course of actions have been identify. In fact, there is a need for some innovative changes if only to address some local social issues that impact on the government financial control system.

Where changes are largely driven by external pressures, there may not be genuine political commitment to them since they could be made simply to please external bodies. For instance, in many episodes of change, real political commitment to change was lacking. In the cases where there was a political backing for change, it was often terminated by military coup d'état. Also, the political office holders and civil servants did not show interests in the effectiveness of government financial control system. Much of the blame for the lack of interest of officials in an effective government financial control system rests squarely on the political leaders. For as Balogun (1983) argues, even though Nigeria is not entirely free of corruption the leadership's failure to "set the moral tone" had greatly affected discipline and probity in government.

The change processes have been organised haphazardly with action preceding the stage of preparing the change programme in most cases. This approach closely resembles what has been described as the motto of the incumbent Nigeria's military ruler (i.e. General Abacha): "decree first, ask questions later" (The Economist, 26 February 1994: 67). Often, changes are not given proper consideration before they are "decreed" by the Government. The consequence is that once change has been "decreed", the rest of its process will have to proceed regardless of whether the necessary resources (human and material) to make changes work are available. An important illustration is the case of the 1988 Civil Service Reforms when many civil servants did not even understand some of the concepts that were introduced under the Reforms.

Also, the level of civil servants' involvement in the process of change was low since the government often prefer to use non-civil servants both to prepare and implement the change programmes. Often, committees were appointed by the Government to prepare and implement the change programme. These committees hardly consult with the non-central departments and often cease to exist with the exit of the Government that appoints them. In addition, the way the change processes were organised did not allow the subsequent change episodes to benefit from the experience gained during previous ones. The overall result is a system of financial control that has been characterised by disjointed changes and which is unable to serve adequately its basic traditional purpose.

The system is probably worse than it was thirty-five years ago as it serves no purpose presently other than being a feature of the government administrative system.

Likierman (1988) states that proclamations that government spending is “out of control” would seem to be rhetoric. He argues that “the fabric of ordered government” is hardly under threat. In his view, the term “out of control”, in common usage, means that Government is spending too much rather than concerns about the process of ensuring the legality of government spending. The spending of the Nigerian Federal Government is in no doubt “out of control”. However, when used in the Nigerian case the phrase “out of control” would have a different meaning from what Likierman describes as the “common usage”. For instance, it would refer to worries not only about the process of ensuring that actual spending corresponds with the budgeted amount, but also concerns about regularity. There is therefore a need for change. Given that the approach that was employed to manage change in the past is both defective and has proved to be ineffective, some strategies for managing change are needed.

#### **STRATEGIES FOR MANAGING CHANGE.**

There are some lessons to be learnt from the British approach to change management. It is considered both useful and necessary to first state them baldly:

- The predominance of endogenous forces for change, e.g. financial pressure, political agenda/ideology and Parliamentary pressure.
- The accountability environment which requires concerns of all participants for the effectiveness of government financial control system and enables the political stimuli for change to be released when there is the need for such. This accountability environment is reinforced by the political arrangement.
- The continuous backing given to successful changes by the cabinet, especially the Prime Minister.
- The high level of involvement of the civil servants in the change process, especially at the stages of preparing the change programme and implementing change.



- The co-ordination of formulation and implementation of changes by the central departments.
- The stage at which learning from outside is done, i.e. the stage of preparing the change programme.
- The link and co-ordination between the changes.
- The flexible approach to implementation of much of the changes in the post-1978 era which seems to have affected the pace of change implementation.

It is noteworthy that, to some extent, the strategies for change that are discussed below benefited from the above.

### **Determining “What” and “How” to Change.**

Three main options for reforming the systems in developing countries have been identified in the literature. These are (i) adopting practices that were evolved in developed countries, (ii) adapting practices that were evolved in developed countries to suit local conditions and (iii) evolving indigenous practices. It is noteworthy that most writers subscribe to either of the last two options. The first option assumes a high degree of homogeneity among countries and rests on some evolutionary models. These assumptions would seem to be very misleading. The last two options recognise the heterogeneity among countries, but they are not mutually exclusive options. For instance, if a country concentrates on adapting practices, it may fail to address some issues that will need to be tackled by wholly indigenous methods. Also, the option of evolving all practices indigenously does not recognise that some practices evolved in other countries can be adapted to tackle some local problems.

It can be argued that it is not possible to take a blueprint of what is done in one country and says that it should be done exactly in the same way in every other country. Similarly, Premchand (1990c) argues that even though the budgetary aims of economy and efficiency may be common to all governments, a common institutional framework is impossible. However, it will appear that there may even be the need for differences in the objectives of the government financial control systems among countries. For instance, while the Western models now emphasise the 3Es in addition to regularity and

legality, the system in a developing country such as Nigeria may simply emphasise results, given that the behaviours of the participants in the administrative process make detailed financial control that are necessary for regularity and legality impracticable.

If practices in many developing countries are to affect the substance rather than existing just as formal rules, they must be evolved based on a framework which recognises what is practically achievable given the traditional mores and culture of the people, and the prevailing economic and political conditions. Basically, a country's economic, political, and social environments should determine its financial control practices from time to time. The government will need to keep thinking about these factors all the time, and should keep reforming its financial control system accordingly.

Therefore, before embarking on further reforms, Nigeria should evolve an indigenous financial control and accountability framework that will allow the public money to be administered for the benefit of the public. This framework should explicitly recognise the influences of the traditional mores and culture on the behaviour of the individual participants in the administrative process which may render the inherited/adopted Western model formalistic. Specific factors to be considered include the tendency for officials to pursue communal/ethnic rather than national interests (Joseph, 1987); the web of relationships that will often exist among the staff in most government units (Reilly, 1987); the tendency for the corrupt practices of officials to be easily overlooked by the public, and the materialistic and authoritarian tendencies among the officials (Balogun, 1983).<sup>1</sup> Others include the tendency for control institutions not to perform their functions properly and the probable emergence of military regimes and other forms of dictatorships that may not even allow for the existence of institutions for checks and balances.

The indigenous model could therefore disregard detailed controls, assume that frauds and corruption cannot be eliminated (cf. Udoji Commission, 1974) and simply emphasise results. Within such a framework, the choice of "what" and "how" to change will involve considerations of the government's relevant environments and financial

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<sup>1</sup> These issues are discussed extensively in Appendix O.

control objectives. It may also include a consideration of the experiences of other countries. The issues involved could be summarised as a four-stage process that comprises answers to the following questions:

- What are the financial control objectives of our government?
- What are the economic, political and social conditions that impact on these objectives?
- What can and must we continue to do to achieve these objectives given the relevant environmental conditions?
- What benefits, if any, can we gain from the experiences of other countries?

This approach is likely to result in the evolution of different forms of financial control in developing countries. For instance, in Nigeria, a new budgetary approach may be evolved which recognises the allegiance of individuals to their communities, and therefore emphasises accountability to the different communities. Such a budgetary approach will involve the classification of government projects and services, as far as practicable, by communities. The execution of much of the budgets can then be done by assigning projects to government officials from the different communities. Where feasible, the projects could be contracted out to individuals (or companies) from these communities. In this situation, it is unlikely that results will not be delivered for the public money since besides being accountable to the government, individuals (or companies) will be accountable to their communities. The controls over the execution of government projects (or services) will therefore be based strongly on physical check rather than mere accounting controls and will involve the local communities.

It could then be asked: of what relevance is the information about other countries' practices, given that the development of indigenous financial control and accountability frameworks will lead to emphasis on different control methods? The knowledge about the experiences of other countries could be utilised in different ways. For instance, a country may face a problem similar to what has been experienced in other countries. A solution, if it has worked very well where it was evolved, could be adapted to suit local

conditions. Besides, practices evolved to tackle some problems in other countries can be used to tackle some different local problems.

For instance, developed countries are now developing accrual accounting system for governments to improve financial management. However, accrual accounting system may help to tackle such problems as the awarding of contracts for “ghost projects” and the misappropriation of government’s fixed assets in a developing country like Nigeria by ensuring a complete recording of all transactions. Another example is the creation of “executive agencies” which involves greater financial freedom for the government units that assume this status. Nigeria may adopt the agency arrangement to tackle the problem of poor performance by government units. For example, government units can be given block votes and asked to deliver certain agreed results. However, this must be in the explicit recognition that the detail accounts of how the block votes are disbursed will not be necessary.

There is a need to pay a good attention to the management of the change process. The civil servants should be fully involved since they will implement change and they possess information about what is attainable. Time should be taken to work out the content of change and how the transition state will be managed, i.e. the required resources (including training), the tasks to be performed by the central and non-central departments, the preparation of implementation guidelines, the time frame and the co-ordination and supervision of implementation. Where feasible, pilot-tests should be carried out to identify in a practical situation what change implementation will require. It is after such due consideration has been given to change that Government should make itself publicly committed to a change.

### **Pre-Conditions for an Adaptive System and Successful Reforms**

There are some issues which need to be tackled before a genuine commitment to reforms in the government financial control system can exist in Nigeria. The findings in this study suggest that the political, social and economic conditions that have prevailed in Nigeria are not conducive for successful reforms in the government financial control system. Fundamental to any effort to reform the government financial control system in

Nigeria is the political arrangement. There is a need for an enduring political system that emphasises, maintains and guarantees a certain standard of financial accountability, and that enables orderly transitions of power. Such a political system is not only fundamental to the success of reforms but even for the emergence of a real concern for an effective system and a genuine feeling of the needs for reforms. It is also needed to permit continuity in the implementation of reforms. The findings in this study have shown that a situation whereby Civilian Regimes are punctuated by long periods of Military Regimes does not allow for continuity in the implementation of reforms.

Furthermore, the features of a Military Regime (e.g. autocracy, personification/centralisation of powers, and assumption of power by force) cannot allow the “right” standard of financial accountability to be maintained in government. Also, the military’s incessant intervention in politics had prevented the development and maturity of democratic institutions. A starting point therefore is for the military to give way to the right environment for genuine reforms by quitting the political scene permanently. However, whether a democratic system can provide the “right” financial accountability environment and transparency in the conduct of government’s business in Nigeria is another issue. The situation that prevailed during the First and Second Republics in Nigeria suggests that a democratic system may not be spectacularly better than a military dictatorship. It does appear that there is a need for some fundamental changes in the Nigerian society as whole.

There is a need for behavioural changes on the part of the political leaders, administrators and members of the public. Besides, the society needs to agree on an acceptable moral standard, and begins to apply appropriate sanctions against those who fail to conform to this standard. Also, the society has not shown any serious concern for the lack of financial accountability in government. For example, the Nigerian Federal Government has not published its annual accounts for several years and has never published the accounts for foreign aid. The public do not seem to be concerned. It is taking the people a long time to realise that how the public treasury is (and has been) managed affects (and has affected) their lives.

Also, a situation where the administrative actions and behaviours of civil servants are determined largely by personal interest needs to be addressed. It is necessary to institute and maintain a certain ethical standard in the public service that will make civil servants to take issues of financial rectitude very seriously. Fundamental to this, however, is a responsible political arrangement. Unless the political will exists to institute and maintain sanity in the public service, a change in the orientation of the civil servants is unlikely.

Furthermore, the economic situation prevailing in Nigeria since the early 1980s constitutes an obstacle to reforms in the government financial control system. In fact, it presents a multi-dimensional dilemma for financial control and accountability in government. The economic situation constitutes a source of resistance to change. For instance, once the financial crises emerged in the early 1980s, reforms were no longer undertaken voluntarily. Also, three successive regimes even tried to resist the external pressures for change from 1982 (when the crises emerged) till about 1987.

This resistance to change may have been reinforced by the economic pressures that the crises exerted on individual private finances. The continuity of the financial crises (and also the financial pressures on individuals) makes the legitimate incomes of public officials increasingly insufficient. Thus, a weak financial control system was needed to enable public officials to supplement their legitimate incomes with illegitimate drawings from the state treasury. For example, the present situation where the lowest and highest paid civil servants earn basic salaries of about £35.00 and £359.50 per annum respectively<sup>2</sup> (see Appendix L) is inimical to the effective operation of any system of financial control by public officials. Therefore, an essential condition for successful reforms is a regular review of the remuneration of public officials in line with the relevant economic parameters.

Another dimension of the economic situation is that it got the Nigerian Federal Government, like the governments of many other developing countries,<sup>3</sup> to a situation

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<sup>2</sup> Conversion was made at the exchange rate of N125 to £1.

<sup>3</sup> Since the 1980s, many of these countries have had to embark on some very similar reforms (cf. Basanti, 1990; Premchand, 1993) which were largely dictated by the international financial institutions.

where its financial control reform agendas are dominated by the prescriptions of the international financial institutions. For as long as the involvement of these institutions may continue, Nigeria may not be able to adopt the financial control reform strategies that were recommended above (even if she wants to), and the dilemmas of financial control and accountability are likely to exasperate. However, there does not appear to be an escape route out of the net of the international lending agencies for Nigeria in the nearest future (cf. Holman, 1995).

## **10.2 CHANGE MANAGEMENT IN BRITAIN .**

There are more things to admire in the approach to change management in the British Central Government than can be criticised. The approach seems to have worked reasonably well and have continued to evolve. For instance, changes since the 1980s do not appear to be as crisis-driven as in the 1960s and 1970s. Change was still driven but by more of political agenda/ideology than crisis. Also, compared with the changes in the 1960s and 1970s, the top echelon of the Government (particularly the Prime Minister) was more associated with changes since the early 1980s. In essence, there was a greater quality of political stimuli for change from the early 1980s. Likewise, the process had changed with the Departments being allowed more flexibility in implementing change. (It will appear that there is a limit to which this is desirable, and the issue is addressed below.) The content of change had also changed to more of managerial principles in the latter years (from the technical accounting/financial tools of the 1960s and 1970s). The consequence, however, has been less precision about the content of change and implementation guidelines compared with the pre-1979 era.

Whether the Government must await crisis before it makes change in the system as the pre-1980 situation has been described by Helco and Wildavsky (1981) leaves room for debate. However, one thing stands clear when one looks at the British system over the last thirty-five years: that the system witnessed more significant improvements in the last one and a half decades than the earlier two decades when changes were more of occasional response to crisis. It will then appear that the system stands to advance better when not driven solely by crisis. Besides, an important factor in making change happen

is the political backing, especially from the Prime Minister. The importance of the continuity of this political backing must also be stressed. A recognition of this by Ministers may influence the way they portray and identify themselves with change.

Compared with the others, the change processes led by government political advisers tend to involve less participation from civil servants at the stage of preparing the change programme. This was the case for PAR and Efficiency Scrutinies. There is a need for civil servants to be involved in the process of preparing the programme of any change since they will implement change and are more aware of the civil service capability to implement any change. Also, this is necessary to facilitate the internalisation of change regardless of the source of the idea for change. Where civil servants accept change and actively participate in its process, they can continue to oversee (with keen interest) the transition state when the advisers have left the stage. Besides, the findings in this study showed that political officials may not always pay the same level of attention as civil servants to the preparation of change programmes.<sup>4</sup>

There is a need for the policy makers to re-consider the pace at which changes are introduced. The British case shows that when changes are introduced in quick succession, the latter ones often overshadow the earlier changes. Greater attention and emphasis are given to the implementation of new changes. It is not impossible that a new change may be seen as a better solution to a problem earlier addressed by one change. The question then is what should happen to the old solution: abandoned or seen to its logical end? In some situations it might seem more appropriate to abandon the old solution rather than allow it to co-exist with the new one.

Increasingly, over the period, the move has been toward greater flexibility in implementation. This involved greater freedom to departments in implementation and allowing departments to proceed at different paces. Although this may have been necessitated by the fact that the nature of the changes made it necessary to allow the departments greater flexibility, the approach has slowed down implementation. It ought

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<sup>4</sup> The political advisers that prepared the change programme for PAR do not appear to have given the same level of attention which civil servants would give to the tasks involved. This is, however, in contrast to the case of the change programme for the Efficiency Scrutinies which was also prepared largely by a political official.



to be possible for the centre to push the changes faster, for instance, with a tighter directive. Probably further thoughts at the stage of preparing the change programme and improved (or more precise) implementation guidelines would help.

Likewise, there has been an increasing decentralisation over the period. While the decentralisation may have been necessitated by the size and heterogeneous structure of the civil service and the requirements of better management, it will seem that there is a limit beyond which it can become dysfunctional. For instance, the PAC observes a fall in the care and respect for public money<sup>5</sup> in some government units during the recent years when there has been an increasing decentralisation of financial powers. The policy-makers may need to determine the scope of decentralisation within which the established standard of care in handling public money can be maintained.

Until the case of Resource Accounting and Budgeting (which is still on the drawing board) the NAO has not been making any input at the stage of preparing the change programme. The role of the NAO has been limited to the evaluation of implementation of the changes after they have been introduced. Probably, the principle of separation of powers needs not deny the government the use of any part of its resources at any stage in the conduct of its business. For instance, the Parliament to which the NAO reports has been involved in pushing change. There is no doubt that the NAO is well staffed with professionals that could be very valuable in the process of preparing change programmes. It would seem that its contribution at the stage of preparing the change programme may not necessarily affect its independent and constitutional role. In the US where there is a “water-tight” separation of power, the GAO has been involved in financial control system reforms (cf. Murphy, 1985). A new co-operation between the Treasury and the NAO can even lead to more innovative changes.

In this chapter, the approaches to change management in the government financial control systems of Britain and Nigeria were evaluated. Strategies for managing change

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<sup>5</sup> ‘In recent years we have seen and reported on a number of serious failures in administrative and financial systems and controls within departments and other public bodies, which have led to money being wasted or otherwise improperly spent. These failings represent a departure from the standards of public conduct which have been mainly established during the past 140 years’ (PAC, 1994, para. 1)

were suggested for Nigeria, drawing partly on the lessons from the approach of Britain. Regarding the British approach, the areas where improvements can still be made were suggested. In the next chapter, the conclusions reached in this study are discussed.

## CHAPTER ELEVEN

### *CONCLUSIONS*

Several attempts have been made to reform the system of financial control in government over the last four decades (Premchand, 1990b). While this issue, as it relates to developed countries, has been the focus of many studies, the reforms in developing countries have not been well researched. Studies revealed that developed countries' systems have advanced considerably<sup>1</sup> over the years while those of developing countries continue to exhibit many shortcomings.<sup>2</sup> However, while the literature does not suggest that the systems in developing countries have been static over the past decades when major developments were occurring in developed countries, it does not address properly why and how the levels of advancement in developed countries' systems differ from those of developing countries. For instance, the existing literature does not address adequately how and why the contexts, processes and contents of reforms in the two groups of countries may have differed.

Against this background, this study set out to investigate and compare the three broad facets of change management (i.e. the context, process and content of change) in financial control systems of the Central/Federal Governments of Britain and Nigeria. The aims were to identify differences in contexts, processes and contents between the two cases, factors that account for differences, and generate some propositions on these differences. It was hoped that the study will present both an historical and a comparative perspectives of the two Government's financial control systems. In addition, the study aimed to develop strategies for managing change in Nigeria and in similar developing countries.

One of the main focus of this study was to identify how and why the contexts of change in government financial control systems of Britain and Nigeria differ. The findings in this study revealed differences in the main forces that trigger change in government financial control systems of these countries. Three main factors were found to have accounted for this. First, unlike Britain, Nigeria is vulnerable to extraneous influences. These extraneous influences manifest itself in two forms, namely voluntary and mandatory. Nigeria is usually attracted to practices in other countries, especially developed country, and will

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<sup>1</sup> For instance, the system have began to tackle issues of economy, effectiveness and efficiency in the administration of public programs.

<sup>2</sup> See for instance, Dean (1988) and Premchand (1990c).

adopt them voluntarily when the political will to do so exists. (Such political will is most likely to exist when there are less political and economic crises).

In periods of financial crises, the extraneous influences are rather mandatory, since the international credit agencies will prescribe what they think are necessary. In addition, Nigeria will lack the capacity to keep rejecting the prescriptions of these agencies during these periods due to her financial condition and level of economic dependence. The first manner in which the extraneous influences manifest itself conforms with the views in the literature that developing countries often adopt techniques evolved in developed countries. An aspect of the literature revealed that some external bodies often carry change programmes to developing countries as aid, and that financial control reforms can also be attached to aid. However, it does not suggest that Governments of developing countries can in some circumstances be under obligations to implement these change programmes.

Unlike in Nigeria, what is available to be copied in other countries is not a major factor driving change in the government financial control system in Britain. Britain does not have to scan other countries for practices to adopt/adapt given that developments in its system are either ahead or at par with other developed countries. This is reinforced by the feelings of leadership in government financial control practices. Besides, unlike Nigeria the level of economic development of Britain prevents her from being excessively vulnerable to pressures from the international credit agencies in a period of financial crises.

Second, unlike in the Central Government of Britain, the key role players in the Federal Government of Nigeria (i.e. political officials and bureaucrats) do not show interest in the effectiveness of financial control system. This is because the public officials in Nigeria benefit from an ineffective financial control system. In fact, findings revealed the breakdown of traditional government financial control in Nigeria and the lack of genuine concern by public officials to arrest the situation during much of the period under study. Besides, the Nigerian public officials often strive towards the maximisation of their personal benefits and they exhibit very poor attitudes toward financial accountability. (The overall attitude of public officials in the Nigerian Federal Government was found to have some resemblance to some values and mores of the traditional Nigerian society.<sup>3</sup>) Thus, the

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<sup>3</sup> These issues are explored in Appendix O

occurrence of events which impinge on the effectiveness of government financial control system will often not lead them to initiate change in the system.

Third, unlike in Britain, the political arrangements in Nigeria over the period neither encouraged key public officials to be interested in the effectiveness of the system nor provided an atmosphere where political stimuli for change could come from rival power centres. Furthermore, unlike in Britain, the political arrangements in Nigeria for much of the period did not allow for the emergence of such forces as political ideology and Parliamentary pressures to drive change. For instance, for over two-thirds of the time, Nigeria was ruled by the military under whom financial accountability environment was too weak to make the effectiveness of a financial control system an important issue. When the civilians were in power, Parliament and its committee did not take the issue of financial accountability seriously. Also, not only were political party formations along tribal lines, the incessant interventions of the military did not allow for real development of party politics in Nigeria. Thus, political parties cannot lay claim to a set of ideologies which may compel them to make changes in the financial control system upon assuming power.

Findings also revealed that while financial pressures, besides other potential driving forces, are capable of driving changes in the government financial control systems of Britain and Nigeria, how they will manifest themselves to drive change will differ between the two contexts. In the case of Britain, once the financial pressures are sensed, the political stimuli for change will be released. Even the civil servants will begin feeling the need for change. However, the mediation of an external body is required in the case of Nigeria. The existing literature suggests that financial stress could drive change in the government financial control system, especially when there is the right amount of political stimuli. The findings in this study revealed that while the recognition of financial stress will cause the necessary political stimuli to be released in Britain, additional pressures (specifically external pressures) are required to enable the release of the necessary political stimuli for change in Nigeria. However, Nigeria is only vulnerable to such external pressures in periods of a serious financial stress. In a sense, it is the external pressure that will cause the political stimuli to be released given a condition of financial stress.

It was also hoped that this study will provide insight into the military factor in the context of change in government financial control system of a developing country like Nigeria. It is noteworthy that this issue has not been addressed in the literature. Findings revealed that extra stimuli for change exist under Military Governments in Nigeria compared with Civilian Governments. The military's desires to breakaway with the past and to implement its political agenda were responsible for these extra stimuli for change. Underlying these are the common excuses that coup leaders usually offer when they seize power, namely: to correct the ills of previous regimes (e.g. mishandling of public fund) and to execute some other programmes.

Given the differences in the main driving forces of change between Nigeria and Britain, it can be expected, as the findings revealed, that the main agenda for change will differ. Findings however, revealed that besides the main triggers of change, the interests of political leaders, the levels of advancement of government financial control system and the accountability environments also impact on the agenda for change. To a large extent, the agenda for a change is determined by the nature of the main pressure for change and the interests of political leaders who will release the necessary stimuli that will enable the process to be evoked. Often, the agenda is also constrained by the system's level of advancement.

As stated above, the main pressures for change in government financial control system of Nigeria differ from those of Britain. Likewise, the interests of political leaders differ. For instance, the British political leaders are interested in an effective financial control system and changes that are in line with their party ideologies. In contrast, the political leaders in Nigeria rarely show interest in the efficacy of government financial control system. In addition, rather than being guided by ideology and in the absence of any, the Nigerian political leaders adopted much of the ideas for changes under foreign influences or reluctantly accepted change initiatives from foreign bodies. Also, the British system is on a different platform. For instance, while Nigeria was attempting to arrest deterioration in traditional scope of financial accountability in the 1980s, Britain was raising the scope financial accountability to include the 3Es.

Another focus of this study was to identify how and why the processes of change in financial control systems of the Central/Federal Governments of Britain and Nigeria differ. The findings in this study revealed that differences in the main pressures for change and the sources of the initiatives for change in government financial control systems between Britain and Nigeria will lead to differences in the processes of change between the two cases. For instance, in contrast to Britain, Nigeria often “decrees” change before the stage of preparing a change programme in periods of financial crises when it is very vulnerable to external pressures and there are external pressures for the implementation of some change programmes. It was found that action will precede the stage of preparing a change programme under these conditions in Nigeria since the change process will begin with the acceptance of the need for specific changes by political leaders. That is, there is a broad framework for what must change which political leaders can simply decree and then appoint a committee to worry about the details.

Also, findings revealed differences between the tasks that bureaucrats perform in the processes of change in government financial control systems between Britain and Nigeria. For instance, the civil servants in Britain implemented change exclusively in all cases, prepared the change programmes in most cases and participated at the stage of felt-need for change when the main driving forces for change were financial pressures. On the other hand, the civil servants in Nigeria hardly implemented any change programme exclusively, did not prepare the change programme in most cases and were involved at the stage of felt-need for change only in a change episode. These differences resulted from differences in the main pressures for change, the interests of bureaucrats in an effective government financial control system and the regime types between Britain and Nigeria.

Where the main pressures for change are basically “endogenous” (e.g. as in Britain), the ideas of what has to be changed will most likely come from within. There will therefore be a greater scope for the involvement of civil servants in the change process. In contrast, where “exogenous” forces are the main pressures for change (e.g. as in Nigeria), the ideas of what need be changed will largely originate from outside and the task to be performed at the stage of preparing a change programme will be greatly reduced. In addition, where the civil servants are not interested in an effective financial control system as was the case in

Nigeria, they will rarely initiate change. Thus, they will not be involved in the early part of the change process, e.g. the stage of feeling the need for change.

How a change process will proceed is often determined by political officials, particularly those with the ultimate executive power, who are responsible for change. However, the approach of different regime types to the change process differs. In a matured democracy as Britain, there is a tradition whereby civil servants are seen as (and in fact plays the role of) advisers to ministers in the process of formulating change. Besides, civil servants are the “implementors” of change. Thus, they are involved throughout the change process. Under the regime types in Nigeria, i.e. Military Regimes and the occasional less developed democracy, such traditional roles of the civil servants are often disregarded and more non-civil servants than civil servants are commonly used in the change process.

Furthermore, findings revealed that the levels of involvement of civil servants in the change process in Nigeria differ among different episodes of change. This was found to be due to differences in the regime types over the period, the sources of the initiatives for change and the nature of changes. For instance, the level of civil servants’ involvement in the change process were found to be different under the two Military Regime types that were identified, i.e. Military Regime Types I and II. The civil servants were less involved in the change processes under the Military Regime Type II compared with the Military Regime Type I because unlike the latter, the former tends to use more non-civil servants than civil servants in the change process. Also where the change initiatives came from outside or the change was a mere re-enactment of previous practices, the Nigerian civil servants were less involved in the change process than when the change initiatives came from within or change involved new practices.

This study also set out to identify how and why the contents of change in financial control systems of the Central/Federal Governments of Britain and Nigeria differ. Findings revealed differences between incidence of formalistic changes in systems of the two Governments. They also revealed differences in how changes are linked and co-ordinated.

The incidence of formalistic changes made to the government financial control system of Nigeria during the period 1960 to 1995 were high compared with Britain where the only change that would qualify as a formalistic change was officially abandoned subsequently.



The factors responsible for this are differences in the sources of the initiatives for change, the continuity of political commitments to change and the levels of involvement of bureaucrats in the process of change between Britain and Nigeria. For instance, unlike the case of Britain where the sources of the initiatives for change were largely internal, the source of the initiatives for many of the changes in Nigeria was external. In addition, political commitments to change in Nigeria were frequently discontinued either due to political instability or because political leaders were never genuinely committed to change since some of the changes were made and implemented mandatorily rather than voluntarily. As the findings revealed, changes require continuous political backing: changes that lose political backing will be more likely to fail than those that have continuous political backing in both Nigeria and Britain.

Unlike the changes in Britain, the changes in Nigeria were not linked and they lacked coordination. Differences in three main factors, namely: the continuity of the pressures for change, the political regimes and the degree of political stability accounted for these. For instance, the main pressures for change in the government financial control system of Nigeria were not as sustained as the pressures for change in the British Central Governments financial control system. In addition, Nigeria was governed for much of the period by Military Regimes which often discontinue, if not reverse, changes initiated by previous regimes. Alongside with the discontinuities of policies which characterise Military Regimes is the political instability that frequent coups and disorderly change of Governments entail.

Also, the findings in this study provided an insight into the factors that may influence whether a developing country will adopt practices of its former colonial master when making changes. It was revealed in the case of Nigeria that the adoption of British practices was influenced by the relationship with Britain, the sources of the pressures and initiatives for change and the previous changes. For instance, Nigeria began moving away from British practices when the relationship between both countries was not particularly good. As Nigeria began adopting practices of a particular country, this had influence on the following change episode. When external pressures began dominating the context of change in government financial control system of Nigeria, the change ideas were largely

dictated by the sources of the pressures and a choice could not be made on whether to adopt British practices.

### **POSSIBLE LIMITATIONS OF THE STUDY**

This study rightly assumed that Nigeria and Britain are developing and developed countries respectively and consistently referred to them as such. In addition, Nigeria was formerly a colony of Britain. It cannot however, be assumed that the findings in this study can be completely generalised to every other pair of developing and developed countries or a former colony and the colonial master. The two cases were selected largely because of convenience and may not necessarily be representative of all others. This study should be seen as a beginning of theory building in the comparative studies of change management in the government financial control systems of developed and developing countries. Therefore, the propositions generated in this study need to be tested in other cases.

The study relied mainly on two sources of information, namely publications and interviews to dig into events that occurred over the last thirty-five years. Regarding the interviews, it is necessary to highlight the limitations. Often, people talked more about recent events or those that really affected them one way or the other. Besides, it can be asked: how can people recollect and describe accurately what happened during the last thirty-five years? It is noteworthy that except for a change episode, all the changes occurred during the last twenty-five and twenty years respectively in the cases of Britain and Nigeria. Nevertheless, an attempt was made to mitigate these problems by supplementing interviews with publications and interviewing many people on same subjects.

### **FURTHER RESEARCH**

This study sets the agenda for future research in a number of areas. It produced some interesting propositions on differences between management of change in the government financial control system between Britain and Nigeria. (As stated above, Nigeria is also a former colony of Britain.) The boundaries of the propositions could be extended by testing them through comparative studies of developed and developing countries, and former colonial powers and their former colonies. Chan and Jones (1988) have stressed the relevance of and the need for comparative studies of the government financial control system. These studies will include for instance, Britain and her other former colonies, and

France and her former colonies. There are three different categories of former colonies that could be included, namely: developing countries which have experienced Military Regimes (e.g. an African country as Ghana and a number of Latin American Countries), developing countries which are yet to experience Military Regimes (e.g. African countries as Zambia and Malawi, and a number of Asian countries) and developed countries that were formerly colonies (e.g. Canada and Australia).

Comparative studies of developed and developing countries will not only confirm (or disprove) the propositions generated in this study but will also increase the number of comparative studies of government financial control system and the relatively few empirical studies on developing countries' systems. In addition, studies comparing developed countries that were formerly colonies and their former colonial masters may explore the link between reforms in these countries. These studies could provide more information about the extent to which colonial linkage influences the context of reforms irrespective of whether a country is developed or developing.

Also, it would be interesting to see whether there are differences between management of change in the developed countries' government financial control systems by means of comparative studies of this group of countries. The same could be extended to developing countries and the relevance of such issues as the military factor, regime types and financial situation can be explored. Moreover, the military factor in the management of change in government financial control systems needs to be explored further in a number of developing countries that have experienced military rule. These studies can test the propositions made in this study on the military factor in the management of change in government financial control system and further explore the issues.

Some studies (e.g. Keating and Rosalky, 1990; Likierman, 1990) suggest that new Governments can drive changes in the government financial control system. Similar views have been expressed about new managers and organisational change (cf. Levy, 1986; Miller and Friesen, 1980). The findings in this study do not provide conclusive evidence about whether political change will promote change in the government financial control system. For instance, while some new Governments embark on change programmes upon assuming office, some do continue to carry out reforms years after they came into office

and can no longer be regarded as new Governments. It may be necessary to explore whether political change always facilitate change in the government financial control system.

A recurring theme in this study is the difference between the British and Nigerian public officials' interests in an effective government financial control system and a proper financial accountability process between Nigeria and Britain. It seems that the attitude of Nigerian public officials to issues of financial control and accountability has cultural and moral undertones. In Appendix O, an attempt is made to highlight the influence of Nigerian culture and mores on the attitude of public officials by drawing some parallels between the Nigerian traditional societies and the post-independence era.<sup>4</sup> This might serve as a starting point for exploring the broader cultural influence on the government financial control system. There is a need for empirical studies to explore the issues. Also, there is a need to probe the extent to which the attitude of public officials to financial control and accountability are influenced by the amounts of legitimate financial compensation they receive for their services. For instance, Hopkinson (1992) argues that the payment of "starvation wages" to civil servants jeopardises financial probity in government.

The findings in this study do not suggest adequate public concern about the government financial control system. An interesting research will be to investigate the extent to which the public is aware of the system of administering public funds and whether they often experience feelings of the need to reform the system and the circumstances under which they do. Some studies (e.g. Murphy, 1985; Wildavsky, 1986) suggest that the public can become concerned about government financial control system when government financial crises affects them adversely, e.g. when taxes are increased to ease government's fiscal crises. In Nigeria, such studies could cover the extent to which people are concerned about the need for financial accountability in government.

The findings in this study revealed that some initiatives do occur at the lower levels of government before they are taken up at the higher level of government, as expressed in an aspect of the literature about federal states (cf. Lüder, 1988). However, this study's

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<sup>4</sup> It must be emphasised that the literature was drawn upon while discussing these issues. This is because the cultural and ethical issues could no longer be investigated empirically (in this research) at the stage when they were recognised.

findings suggested that this may not be a regular pattern. For example, as happened in Nigeria, the initiatives that occurred first at the lower level of government may not have any impact on similar initiatives that subsequently emerged at the federal level. This requires further examination and in many different states, e.g. federal, confederal and unitary states. Such studies may examine why and how some initiatives emerge first at the lower levels of government, and how and the extent to which these initiatives influence subsequent similar initiatives at the higher levels of government.

Also, there is a need for more studies of management of change in the government financial control system of developing countries. The serious financial crises that many developing countries are experiencing in recent decades call for the need to determine what they ought to be doing differently in every aspect of their systems, government financial control system not the least, to mitigate or keep such crises at the minimum possible level as in many developed countries. Couple with this need is how such a programme of reforms should be managed in the different contexts.

On a final note, there is a strong need to examine whether the systems in a developing country as Nigeria can be changed simply by “decreeing” some rational or Western models. It is noteworthy that differences in the attitude of public officials underlie much of the observed differences in change management and hence, the systems’ attributes and performance between Nigeria and Britain. These attitudinal differences are reinforced by differences in the culture and the prevailing economic and political environments between both countries. There is nothing to suggest that these differences will disappear in the nearest future. A possible way of tackling the problems is for research to focus on how to change attitude and culture, and bring them in harmony with the Western Model.

However, rather than directing efforts at changing culture and mores, it might be better to focus attention on evolving new frameworks of financial control and accountability which recognise what is practically achievable, given the traditional mores and culture of the people and the prevailing economic and political conditions. For instance, in Nigeria, such a framework may recognise explicitly its social, economic and political contexts, de-emphasise the Western standard of accountability and just emphasise results. It is noteworthy that there is a feeling by some people in Britain also that the traditional

standards of handling public money should be relaxed (see PAC, 1994a). (This is, however, for a different reason: the need for “economy and efficiency” to be “forcibly pursued”.) Therefore, research will need to focus on investigating how these issues impact on the various elements of the government financial control system, and on determining the appropriate forms of financial control. In essence, research should now focus on developing new budgetary, budget monitoring, reporting and audit systems for the countries whose environments differ significantly from the West.

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## **APPENDICES**

**APPENDIX A**

**RULES AND TECHNIQUES EMPLOYED IN GOVERNMENT FINANCIAL CONTROL.**

STRATEGY	OPTIONS
Overall Financial Control Strategy	<p>Scope (of government business): privatisation.</p> <p>Structure and process: *Centralisation / Decentralisation,</p> <ul style="list-style-type: none"><li>- status of government departments and units, e.g. trading funds, executive agencies, etc.</li><li>- relationships between:<ul style="list-style-type: none"><li>-ministries and treasury.</li><li>-ministries and the units / parastatals.</li></ul></li></ul> <p>In terms of degree of devolution of powers over financial matters.</p> <ul style="list-style-type: none"><li>*Charging for government services, e.g. market- testing, commercialisation, etc.</li><li>*Operational efficiency, e.g. efficiency scrutinies, etc.</li></ul> <p>Overall objectives of financial control:</p> <ul style="list-style-type: none"><li>- financial regularity and legality.</li><li>- economy, efficiency and effectiveness.</li></ul>

Note: Appendix A continues on p. iii.

Detail Financial Control.	Rules and Techniques	Objectives
Financial Planning and Budgeting	<p>Multi-year projections</p> <ul style="list-style-type: none"> <li>-number of years</li> <li>-bases of projections, e.g. cash, volume, etc.</li> </ul> <p>Annual budgeting</p> <ul style="list-style-type: none"> <li>-process, i.e. procedures that are followed.</li> <li>-structure: content</li> <li>-techniques: approaches, e.g. PPBS, etc.</li> <li>bases, e.g. cash, etc.</li> </ul>	<p>To enable government review public expenditure over a number of future years.</p> <p>To allocate scarce resources.</p> <p>To fulfil constitutional requirement.</p>
Monitoring of Budget Execution	<p>Process: procedures that are followed, e.g. in authorising expenditures, commitments, payments, etc.</p> <p>Techniques</p> <ul style="list-style-type: none"> <li>-accounting records: <ul style="list-style-type: none"> <li>~ Financial accounts -bases, forms, etc. and fund structure.</li> <li>~ Management accounts -forms, contents, frequency of management reports, etc.</li> </ul> </li> <li>-Internal audit : objectives, etc.</li> </ul>	<p>To ensure that funds are expended as intended and with probity.</p> <p>To alert those concerned about need for corrective actions.</p> <p>To prevent undesirable long term commitment of public funds.</p> <p>To ensure timely and effective delivery of services.</p> <p>To ensure economy, efficiency and effectiveness.</p> <p>To provide the information required for the accountability process.</p>
Reporting	<p>Process -steps that are followed in preparation.</p> <p>Structure -forms, content, responsibility for preparation, etc.</p> <p>Techniques -bases of reports, e.g. cash, etc.</p>	<p>To report fiscal compliance.</p> <p>To report results of operations</p>
Audit	<p>Techniques -pre-audit, post-audit, test audit, vouching, etc.</p> <p>Focus -financial regularity and legality, economy, efficiency, effectiveness, etc.</p>	<p>To prevent and detect illegal expenditures.</p> <p>To evaluate operations.</p>

APPENDIX B  
A SAMPLE OF THE INTRODUCTION LETTERS FROM POLITICAL  
APPOINTEES.

FEDERAL MINISTRY OF FINANCE  
PLANNING, RESEARCH & STATISTICS DEPARTMENT

Ref. No. F 1316

9th March, 1995

To:

Directors (Budget Office)

Directors (OAGF)

Director (Finance & Supplies)

REQUEST FOR RESEARCH INFORMATION  
RE: MR. E. O. OLOWO-OKERE, ACA, MSc, B.Sc.

I am directed to introduce to you the bearer of this letter, Mr. E. O. Olowo-Okere, who is a doctoral research candidate on 'Management of Change in the financial control system of Central/Federal Governments'. He is seeking to interview you and other relevant staff in your Department.

2. The Hon. Minister of Finance has approved that all necessary assistance be given to the candidate in his chosen field of research. It is hoped that you will find time to receive the Researcher and grant him all necessary interviews.



(Dr. E. A. Ekerendu)

Deputy Director (Planning, PRS).

cc:

Director-General (Finance)

Director-General (Budget)

Accountant-General of the Federation.

## APPENDIX C INTERVIEW GUIDES

### FOR KEY INFORMANTS

1. Ask informants if the above list of changes is complete.
2. Ask the interviewee to reflect back and describe:
  - a) Why each of these changes was made?
    - the underlying driving force(s), e.g. economic, political agenda, parliamentary pressure, external influences, etc.
    - other stimuli, e.g. skills of ministers and officials, interests of ministers and officials in effective financial control system, pressure from international bodies that have interest in the government financial control system (IMF, etc.).
  - b) How each of these changes was made?
    - who first felt the need for change? Ministers, civil servants, parliament, etc.
    - who initiated the change? Ministers, civil servants, parliament, etc.
    - who designed the change? Ministers, civil servants, parliament, etc.
  - c) The roles that civil servants, including those in non-central departments, played in the process of initiating and formulating these changes.
  - d) The roles played by Treasury and non-Treasury Ministers in the processes of these changes.
3. Ask the interviewee whether the prescriptive intent in each of these changes was realised.
  - c) The roles that civil servants (especially in departments other than the Treasury) played in the process of initiating and formulating these changes.
  - d) The roles played by non-Treasury Ministers in the processes of these changes.

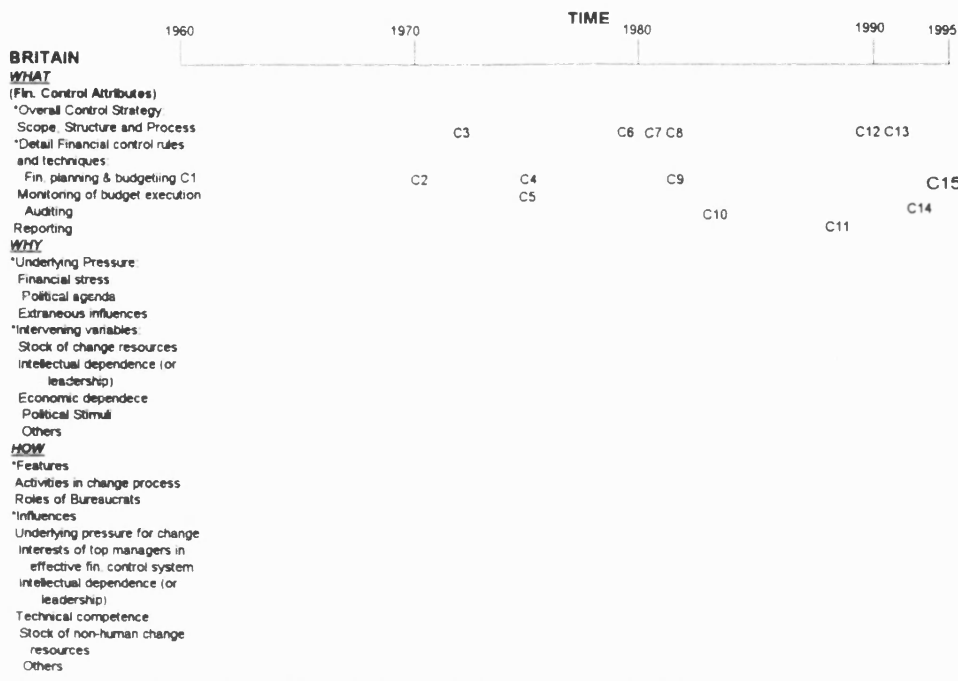
### FOR OTHER INFORMANTS

1. Ask informants if the above list of changes is complete.
2. Ask interviewee to describe how these changes have affected financial control practices in his department.
3. Ask whether there are reports documenting the effects of these changes on financial control practices in the departments.
3. Ask the interviewee whether the prescriptive intent in each of these changes was realised.
4. Ask the interviewee to reflect back and describe:
  - a) Why each of these changes was made?
    - the underlying driving force(s), e.g. economic, political agenda, parliamentary pressure, external influences, etc.
    - other stimuli, e.g. skills of ministers and officials, interests of ministers and officials in effective financial control system, pressure from international bodies that have interest in the government financial control system (IMF, etc.).
  - b) How each of these changes was made?
    - who first felt the need for change? Ministers, civil servants, parliament, etc.
    - who initiated the change? Ministers, civil servants, parliament, etc.
    - who designed the change? Ministers, civil servants, parliament, etc.
  - c) The roles that civil servants (especially in departments other than the Treasury) played in the process of initiating and formulating these changes.
  - d) The roles played by non-Treasury Ministers in the processes of these changes.

## APPENDIX D

### AN HIGHLIGHT OF THE ISSUES IN THE THEORETICAL FRAMEWORK

#### MAIN



#### NIGERIA



SUBSIDIARY

**NIGERIA**



**WHAT**

(Fin. Control Attributes)

\*Overall Control Strategy:

Scope, Structure and Process C5 C10

\*Detail Financial control rules and techniques:

Fin. planning & budgeting C2 C9

Monitoring of budget execution C1

Auditing C3 C4 C8

Reporting

**WHY**

Stimuli for change

\*absolute powers

\*unified command Structure

\*political agenda

\*exposure to foreign models

\*greater vulnerability to external influences

\*others

**HOW**

Involvement of Bureaucrats in change formulation

Influences:

\*exposure of military

leaders to modern management techniques

\*nature of regime

\*others

**APPENDIX E**  
**RECOMMENDATIONS OF PLOWDEN COMMITTEE**

Recommendations:

'A. Regular surveys should be made of public expenditure as a whole, over a period of years ahead, and in relation to prospective resources; decisions involving substantial future expenditure should be taken in the light of these surveys.

B. There should be the greatest practicable stability of decisions on public expenditure when taken, so that long-term economy and efficiency throughout the public sector have the best possible opportunity to develop.

C. Improvements should be made in the tools for measuring and handling public expenditure problems, including in particular major simplification of the form of Estimates, modernisation and clarification of the Exchequer Accounts, and more widespread use of quantitative methods in dealing with these problems throughout the public service. These should serve both to improve the work inside the governmental machine, and to contribute to a better understanding by Parliament and the public.

D. There should be more effective machinery for the taking of collective decisions and bearing of collective responsibility by Ministers on matters of public expenditure' (HM Government, 1961: 6-7).



**APPENDIX F**  
**MARKET-TESTING PROCEDURE**

INTRODUCTION: There are two sides to a market-testing programme, namely: the client (buyers of service who is a government department or unit), and the bidders comprising the in-house team (the government unit performing the function to be market-tested) and outside firms.

**STAGE I**

Identification of any piece of work that need not be done inside the department, i.e. a service that could be provided by an outside body as well. It must be a service that if provided by an outside firm, there would be no problem of security, confidentiality, or access to Ministers. Also, information will be sought as to the existence of some markets in the private sector that can provide the service and how competition would be structured to ensure that the testing will work well and value for money will be obtained. This stage usually involves the use of consultants.

**STAGE II**

Definition of the service. This involves specifying the level of this service being provided by the in-house team presently, the standard of the service that is required now, and identifying the unit(s) of the organisation that needs the service. The in-house team and its management have to be properly identified at this stage to ensure that it can also put up a bid at the appropriate time. The in-house team will play a significant role at this stage by providing the necessary information on the service. Also, the service consumers too will provide information on their requirements.

**STAGE III**

Advertising in the London Gazette, inviting firms that may be interested in providing the service. This allows the organisation to get a real impression of the market for the service.

**STAGE IV**

Working out of a standard specification of the required service. This is usually a long legal document. It will be issued out to a selection of the firms and the in-house team. Also, the outside firms and the in-house team are invited to bid against the specification, comprising for example information on cost and service performance.

**STAGE V**

An evaluation team will evaluate the bids against different criteria, including prices and quality. It will also interview the bidders, and recommend the best firm/team. The Minister responsible will finally approve the recommendation. Upon the approval, service will be contracted out for between three to five years.

NB: If an in-house team wins, there will be another bid at the expiration of the contract. However, if a private sector wins, that service will be in the private sector for ever. Subsequent bids will be between firms in the private sector.

## APPENDIX G

### KEY FEATURES OF RESOURCE ACCOUNTING AND BUDGETING

#### RESOURCE ACCOUNTING

- A coherent accounting to fulfil a range of requirements from low level management information to high level financial reports;
- Use of accruals accounting techniques, to provide a more accurate measurement of resources consumed;
- A financial reporting structure to match resources used to departmental objectives, and linking these objectives, wherever practicable, to quantified measures of output and performance;
- Accounting for the use of capital and recurrent resources consistently, in terms of resources consumed;
- Provision of essential cash accounting information;
- A system for reporting accruals accounting information to Parliament and the public, and auditability of the main financial statements (Operating Cost Statement, Balance Sheet and Cash Flow).

#### RESOURCE BUDGETING

- Resource based control total;
- A resource based survey;
- The top down approach;
- Measuring of current budgets in accruals term;
- Provision of valuable information to support decision making on the allocation of resources;
- Less detailed cash control;
- Primary in-year control variable for administrative purpose would be the departmental resource budget, and
- Possible annual resource estimates as a means of seeking Parliamentary approval.

Source: HM Government, 1994 a. **Better Accounting for the Taxpayer's Money: Resource Accounting and Budgeting in Government**, Cm 2626. London: HMSO.

**APPENDIX H**  
**MAIN RECOMMENDATIONS OF FULTON COMMITTEE ON**  
**ACCOUNTABLE MANAGEMENT.**

‘To function efficiently, large organisations, including government departments, need a structure in which units and individual members have authority that is clearly defined and responsibilities for which they can be held accountable. There should be recognised methods of assessing their success in achieving specified objectives’ (para. 145).

‘... It has been put to us that accountable management is most effectively introduced when an activity is separately established outside any government department, and that this solution should be adopted for many executive activities, especially the provision of services to the community. These boards or corporations should be wholly responsible in their own fields within the powers delegated to them....’ (para. 189).

‘... There is indeed a wide variety of activities to which it might be possible to apply the principle of “hiving off”. They range from the work of the Royal Mint and air traffic control to parts of the social services. We have not been able to make a detailed study which would be needed to identify particular cases; but we see no reason to believe that the dividing line between activities for which Ministers are directly responsible, and those for which they are not, is necessarily drawn in the right place today. ...

We think however that the possibility of a considerable extension of “hiving off” should be examined, and we therefore recommend an early and thorough review of the whole question’ (para.. 190).

‘Meanwhile, we believe that the other recommendations in this Chapter should make it possible to gain some benefits that could arise from “hiving off”, even where activities and services remain the direct responsibility of Ministers, by making it possible to allocate responsibility and authority more clearly. In this connection, we attach particular importance to our proposals:-

- (a) to distinguish those within departments whose primary responsibility is planning for the future, from those whose main concern is the operation of existing policies or the provision of services;
- (b) to establish in departments forms of organisation and principles of management, by which individuals and branches can be held responsible for objectively measured performance (para.. 191).’

Source: HM Government, 1968. **Report on the Civil Service**, Cmnd. 3838. London: HMSO.

## **APPENDIX I**

### **COMPOSITION AND FUNCTIONS OF DEBT CONVERSION COMMITTEE**

#### **COMPOSITION**

1. The Central Bank of Nigeria - Chairman and Secretariat;
2. Federal Ministry and Economic Development - Member;
3. Cabinet Office - Member; - Member;
4. Federal Ministry of Industry; - Member;
5. Federal Ministry of Industry; - Member;
6. Honourable Minister of State for Special Duties, Office of the President - Member.

#### **FUNCTIONS**

- To design and implement an efficient Debt Conversion Programme (DCP) in Nigeria;
- To establish clear and concise approval criteria and procedure;
- To review and approve applications and transactions within reasonable specified time;
- To continually monitor and review the progress of the programme and the investment projects approved under it.

Source: DCP, 1988. **Guidelines on Debt Conversion Programme for Nigeria**. Lagos: CBN.

## APPENDIX J

### TERMS OF REFERENCE OF DOTUN PHILLIPS' COMMITTEE.

- To examine the adequacy of the federal civil service in its structure, composition, and methods of operation to come with the demands of government in the mid-1980s and beyond;
- To examine the structures of the Civil Service and make recommendations with a view to streamlining the system where necessary;
- To determine the extent of over-staffing at various levels, if any, especially at the lower ranges (Grade Level 01-06) and make recommendations designed to prevent a re-occurrence of the phenomenon and ensure that staff members and personnel costs are kept to a minimum consistent with efficiency;
- To examine the practices in management and operations of the Civil Service which give rise to avoidable charges;
- To recommend ways in which the efficiency of the Civil Service and its morale can be enhanced;
- To examine the extent to which recommendations on improving the Civil Service were implemented and determine the causes and failure to implement any such recommendations; and
- To make such other recommendations as are necessary to achieve the objectives of streamlining the service, reducing costs, eliminating delays and increasing efficiency.

Source: Dotun Phillips Committee, 1985. **Report of the Study Group on the Review of the Structure of the Civil Service** set up on 18 March 1985: 1-2. Lagos: Federal Printing Press.

**APPENDIX K**  
**SELECTED FINANCIAL STATISTICS ON NIGERIAN FEDERAL**  
**GOVERNMENT'S**

PART K.1

Year	Federal Government Retained Revenue (Billion Naira)	Current Expenditure (Billion Naira)	Capital Expenditure (Billion Naira)	Budget Surplus/Deficit (Billion Naira)
1970	0.4	0.6	0.2	-0.5
1971	0.8	0.5	0.1	0.2
1972	1.1	0.7	0.3	1.0
1973	1.4	0.6	0.4	0.3
1974	3.9	0.9	0.1	1.8
1975	4.5	1.7	3.2	-0.4
1976	5.1	2.2	4	-1.1
1977	6.1	1.8	5	-0.7
1978	6.1	2.3	5.1	-1.3
1979	8	2.4	4.2	1.4
1980	12.1	6.4	8.1	-2.4
1981	7.5	4.8	6.6	-3.9
1982	7.5	5.5	6.4	-4.4
1983	6.2	5	4.7	-3.5
1984	7.6	6.3	3.3	-2
1985	9.7	7.2	6	-3.5
1986	8	7.7	8.5	-8.2
1987	16.1	15.6	6.4	-5.9
1988	15.6	19.4	8.3	-12.1
1989	26.7	26	15	-14.3
1990	39.5	36.2	24.9	-21.6
1991	32.2	38.2	29.3	-35.3
1992	63.6	69.3	38.5	-44.2
1994	53.8	36	31.3	-30.2

Note: Appendix K continues on p. viii.

## PART K.2

Year	Overall Position of Balance of Payments (Billion Naira)	Total Debt (Billion Naira)	Debt Service Payments (as % of Total Federal Government's Expenditure)	Fiscal Deficit (as % of GDP)
1980	2.4	9.8	6.2	4
1981	-3	13.7	7.6	6.6
1982	-1.4	21.6	13.7	10.1
1983	-0.3	30.8	15.7	5.3
1984	0.4	37.8	32.7	3.7
1985	0.3	42	40.8	3.9
1986	-0.8	59.5	54.9	10.4
1987	0.2	137.6	34.1	5.3
1988	-2.3	188.1	40.9	8.5
1989	9.7	297.5	51.2	7.9
1990	19.7	382	64.4	8
1991	6.9	441.6	68.9	12.4

Source (of Parts K.1 and K.2): Central Bank of Nigeria's Annual Reports, Economic and Financial Review and Major Economic and Financial Indicators (for several years).

APPENDIX L  
TABLE OF BASIC SALARY FOR NIGERIAN CIVIL SERVICE

C I R C U L A R

RESTRICTED

Ref. No. CND.26/S.5/C/Vol.IV/380

The Presidency,  
Office of Establishments and  
Management Services,  
Federal Secretariat, Phase II,  
Ikoyi - Lagos

9th February, 1993

The Principal Secretary to the President,

The Secretary to the Government of  
the Federation,

All Honourable Secretaries,

All Directors-General,

The Auditor General for the Federation,

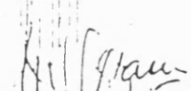
The Accountant-General of the Federation,

All Heads of Extra-Ministerial Departments.

INTERIM SALARY INCREASE FOR PUBLIC OFFICERS  
EMPLOYED BY THE FEDERAL GOVERNMENT

Following agreement reached with the Trade Unions on some ~~necessary~~-adjustments to be made to the Unified Grading and Salary Structure (UGSS) attached to Circular No. CND.26/S.5/C/Vol.IV/228 of 14th October, 1992, Government has ~~now~~ approved a new salary ~~---~~ schedule, a copy of which is attached. I have initialled the new revised salary schedule for the avoidance of doubt and it replaces ~~the one attached to the Circular~~ referred to above.

2. The effective date of the ~~implementation~~ of the attached new Revised UGSS ~~remains~~ at 1st June, 1992.

  
ALHAJI ZARMA GORGOLE  
Honourable Secretary of Establishments  
and Management Services

RESTRICTED



REVISED INTERIM UNITED GRADING AND SALARY STRUCTURE (UGS)

LARY CVTS	2	3	4	5	6	7	8	9	10	11	12	13	14	15	INCR- MENTAL RATES	
01	4,176	4,476	4,596	4,716	4,836	4,956	5,076	5,196	5,316	5,436	5,556	5,676	5,796	5,916	6,036	120
02	4,480	4,596	4,752	4,908	5,064	5,220	5,376	5,532	5,688	5,844	6,000	6,156	6,312	6,468	6,624	156
03	4,560	4,740	4,920	5,100	5,280	5,460	5,640	5,820	6,000	6,180	6,360	6,540	6,720	6,900	7,080	180
04	5,088	5,304	5,520	5,736	5,952	6,168	6,384	6,600	6,816	7,032	7,248	7,464	7,680	7,896	8,112	216
05	5,760	6,000	6,240	6,480	6,720	6,960	7,200	7,440	7,680	7,920	8,160	8,400	8,640	8,880	9,120	240
06	7,020	7,320	7,620	7,920	8,220	8,520	8,820	9,120	9,420	9,720	10,020	10,320	10,620	10,920	11,220	300
07	8,748	9,168	9,588	10,008	10,428	10,848	11,268	11,688	12,108	12,528	12,948	13,368	13,788	14,208	14,628	420
08	12,624	13,128	13,632	14,136	14,640	15,144	15,648	16,152	16,656	17,160	17,664	18,168	18,672	19,176	19,680	504
09	14,568	15,168	15,768	16,368	16,968	17,568	18,168	18,768	19,368	19,968	20,568	21,168	21,768	22,368	22,968	600
10	17,232	17,892	18,552	19,212	19,872	20,532	21,192	21,852	22,512	23,172	23,832	24,492	25,152	25,812	26,472	660
12	19,416	20,460	21,504	22,548	23,592	24,636	25,680	26,724	27,768	28,812						1,044
13	21,858	22,956	24,054	25,152	26,250	27,348	28,446	29,544	30,642	31,740						1,104
14	24,276	25,464	26,652	27,840	29,028	30,216	31,404	32,592	33,780	34,968						1,188
15	26,700	28,164	29,628	31,092	32,556	34,020	35,484	36,948								1,464
16	29,112	30,876	32,640	34,404	36,168	37,932	39,696	41,460								1,764
17	32,328	34,128	35,928	37,728	39,528	41,328	43,128	44,928								1,800

*Handwritten signature*

**APPENDIX M**

**THE CONCEPTS OF FIRST-AND SECOND-ORDER CHANGES**

<b>AUTHORS</b>	<b>TERMS USED TO DESCRIBE FIRST-/SECOND-ORDER CHANGE.</b>	<b>METAPHOR USED TO DESCRIBE WHAT IS WHAT IS CHANGED IN SECOND-ORDER CHANGE</b>
Argyris (1982)	Double and Single loop learning.	Governing Variables.
Gersick (1988)	Recreations inertia change and revolution.	Framework.
Gersick (1991)	Equilibrium and revolution.	Deep Structure.
Golembiewski et al. (1976)	Alpha / Beta and Gamma change.	Conceptual Domain.
Laughlin (1988)	First- and second- order change.	Metaphoric Core.
Laughlin (1991)	First- and second- order change.	Interpretative Schemes.
Levy (1986)	First- and second-order change.	Paradigm.
Porras and Silvers (1991)	Alpha / Beta and Gamma A and B.	Paradigm.
Robb (1990)	Morphostasis and Morphogenesis.	Organisational model.
Smith (1982)	Morphostasis and Morphogenesis.	Order (or Core).
Tushman and Romanelli (1985)	Convergence and Reorientation/ Recreation.	Core Values.
Woodman (1989)	Morphostasis and Morphogenesis.	In-built instructions

Table A.1: What is changed in a second-order change but not in a first-order change.

Note: Appendix M continues on p. six.

AUTHORS	DESCRIPTION OF PATHWAY OF CHANGE
Argyris (1982: 49)	'Double-loop learning occurs when mismatches are corrected by examining and altering first the governing variables and then actions.'
Gersick (1991: 19)	'According to this logic, the deep structure must first be dismantled, leaving the system temporarily disorganised, in order for any fundamental change to be accomplished. Next, a subset of the system's old pieces, along with some new pieces, can be put together into a new configuration, which operates according to a new set of rules.'
Levy (1986: 19)	'The conclusion is that second-order change is basically a paradigmatic change. Hence, if one wants to facilitate this type of change, one has to change the "metarules" (the rules of the rules) of the system.'
Porras and Silvers (1991: 58)	'... a paradigm shift from "production-driven" to "customer-responsive" alters existing behaviours, creates new behaviours, and gives individual employees a totally new way of viewing their work. The level and depth of behaviour change will therefore correspond with shift in individual cognition's.'

Table A.2: "Pathway" of second-order change in the organisation.

## APPENDIX N

### LIST OF INFORMANTS

#### **BRITAIN**

I would like to thank the following people for granting me interviews despite their tight schedules:

1. Lord Joel Barnett
2. Sir Peter Kemp
3. Sir John Anson
4. Sir Leo Pliatzky
5. Sir Douglas Henley
6. Mr. William Plowden
7. Sir Michael Shaw
8. Mr. John Garrett, MP
9. Mr John Watts, MP
10. Mr. Don Forster, MP.
11. Mr. Geoffrey Hulme.

Also, thanks are due to 15 top civil servants who wish to remain anonymous.

#### **NIGERIA**

I am grateful to the following people for granting my interview requests:

1. Dr. E. A. Ekerendu
2. Mr. S. Ajulo
3. Mr. T. Osidemo
4. Mr. S. Adeyemo
5. Alhaji M. Y. Shehu
6. Mr. R. Odili
7. Mr. A. Adetakun
8. Mr. A. Adeyemi

I also wish to thank 20 senior civil servants who wish to remain anonymous.

## APPENDIX O

### FINANCIAL CONTROL AND ACCOUNTABILITY IN NIGERIA: THE CULTURAL AND ETHICAL FACTORS

There is an important theme that runs through the findings regarding the Nigerian case, i.e. the lack of interest of public officials (i.e. the soldier-politicians, civilians and civil servants) in an effective government financial control system and a proper financial accountability process. It does appear that there is an interplay between this theme, financial crises, reluctance to embark on financial control reforms, breakdown of controls, external pressures, and political instability in Nigeria (see Figure A1 below).

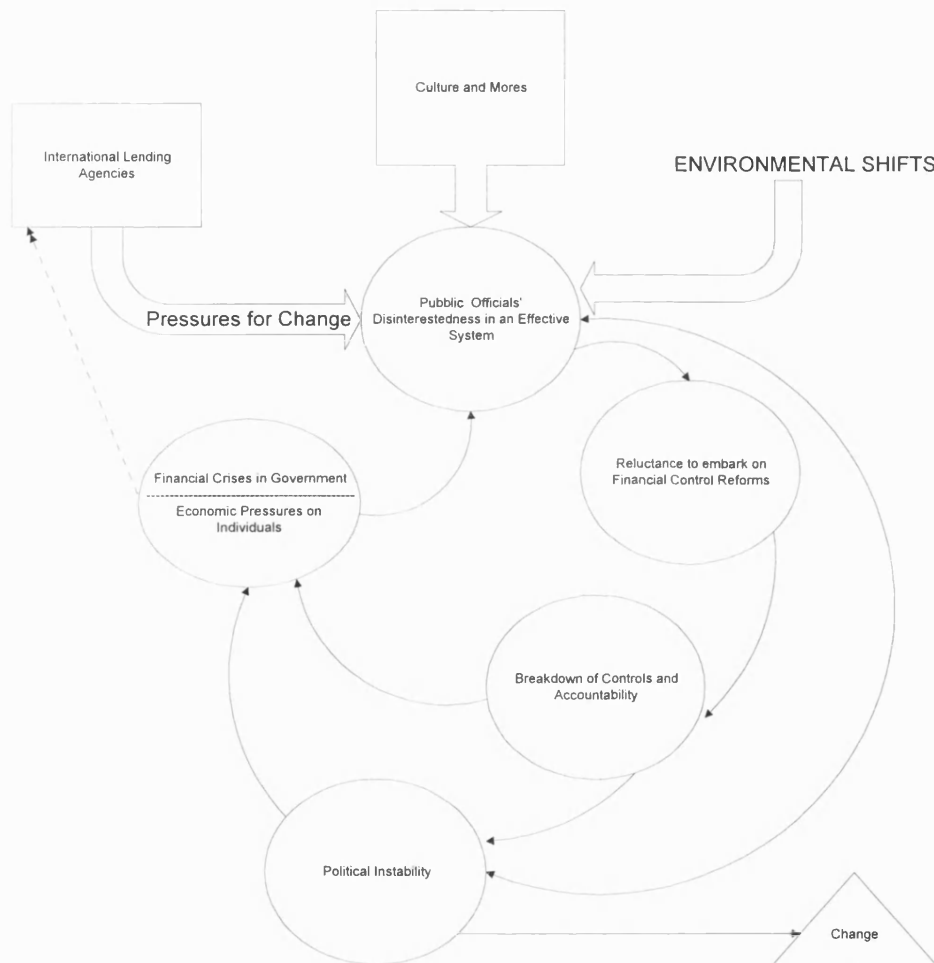


Figure A1: The Dilemma of Financial Control and Accountability in Nigeria.

The relationships in Figure A1 suggest that public officials' lack of interest in an effective government financial control system leads to a reluctance to reform the system, and consequently, the breakdown of controls and financial accountability. Some of the consequences of the breakdown of controls are financial crises/economic pressures which in turn lead to political instability. Political instability may further exasperate the situation. For instance, in an unstable political environment, what exists is the “rule of the jungle”

whereby officials, unsure of their tenures, compete in the looting of the public Treasury. As this is best guaranteed by an ineffective system, officials will not be interested in reforming the system. In fact, they will tend to disregard the existing formal financial control process which implies a further breakdown of controls. However, the political instability may also result in changes as the mode of changes in government may necessitates reversal of policies.

The financial crises that arise from the breakdown of controls will tend to exert economic pressures on the individual participants in the system. The economic pressure on the individuals will further reinforce their lack of interest in an effective financial control system since they will need more than their legitimate earnings to survive. The financial crises will eventually attract the attention of the international lending agencies and cause them to press for changes. Given the underlying lack of interest of public officials in an effective financial control system and the economic pressures on the individual participants, such external pressures can be resisted for some time resulting in the repetition of the cycle. When the financial crises eventually become very unbearable and external pressures cannot be resisted any longer, the pressures may be acknowledged and reforms introduced.

As shown in Figure 7.4 above, the plausible factors underlying the lack of interest of public officials in an effective financial control system and financial accountability in Nigeria are cultural and ethical issues. A similar speculation was made by Reilly (1987) when he stated that the ambivalent attitude toward public money which encourages and partly excuses misappropriation of public money in developing countries may have cultural overtones. These cultural and ethical issues are examine more closely below. At this juncture, it is important to stress that these (ethical and cultural) issues were not accommodated in the original design of the study and that the cultural and ethical literature will be drawn upon.

If culture refers to the totality of the ways of living of a people which, subject to refinements, are transmitted from generation to generation, then much of the morality that it prescribes exists before the birth of an individual (Beauchamp and Bowie, 1983). Thus, many individuals learn the rules and requirements of morality by which they go through life through the acculturation process (Beauchamp and Bowie, 1983). By the same token, it can be stated that an understanding of the morality through which many Nigerian post-

independence public officials, for instance, go through life was gained through the acculturation process. Much of the rules and requirements of this morality, it can be argued, will be those prescribed by the culture of the Nigerian traditional societies. An interesting question is: to what extent are the attitudes of the Nigerian public officials toward issues of effective financial control system and financial accountability conditioned by the Nigerian traditional culture and mores?

The heterogeneity of the Nigerian traditional societies have been observed (cf. Ajayi and Ikara, 1985; Balogun, 1983) and this is worthy of note. Besides, moral relativists argue that views regarding the morality of an action may differ from one society to another and from one time to another (Beauchamp and Bowie, 1983; De George, 1990). Nevertheless, there are some common features of the cultures and mores of the Nigerian traditional societies which have been identified.

For instance, the Nigerian traditional societies distinguished between right and wrong behaviours. However, these (rights and wrong behaviours) are defined within narrow geographical boundaries (Balogun, 1983; Basden, 1966). As Basden (1966) stressed, an African man steals in the interests of success and this action is only wrong if carried out against relatives and friendly neighbours or in his hometown. While it is wrong for a man to steal in his town (or clan), if he steals outside his locality and returns home with the loot he will be congratulated. Due to the extended family system and the pursuit of collective communal interests, the family and also the community will benefit from the spoils.

The definition of wrongs and right within narrow geographical boundary, the extended family system<sup>1</sup> and the pursuit of personal and collective communal interests still influence the attitudes of people in the public service today. As Joseph (1987) noted, people carry their views of the communal world as an arena for active struggle for personal and group advancement to trans-communal political world. While fraudulent practices within a town by any of the community member will attract great sanctions, a public official who steals a sufficient amount of public money and is therefore able to provide some services to his local community is likely to be rewarded with a chieftaincy title. This explains, in part, why public officials have not shown concerns for financial rectitude.

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<sup>1</sup> As Okediji and Okediji (1970) remarks, this is the primary instrument of maintaining “social security” and “social order” in the Yoruba traditional society. The same applies to many other Nigerian traditional societies.

The pursuit of communal interests even assumes another dimension in the dilemma of financial control and accountability when its effect on the recruitment of people into the public service is considered. One only needs to determine the home villages of about three of the first five officials met in a government office to know which part of Nigeria the boss comes from. As Reilly (1987) observed, given the web of relationships in such a situation, it will be difficult to enforce discipline and manage an organisation effectively. Likewise, “governmental whistleblowing”<sup>2</sup> activity is unlikely to exist as officials will strive to cover up the wrong conducts of fellow tribesmen. This, in part, explains why some financial control methods and institutions are basically formalistic.

Also, the traditional religion and mystical thinking which underlie the traditional culture and mores condone certain things in some situations. Balogun (1983), for instance, notes that both the Islamic religion and the Nigeria South West’s metaphysical thinking subscribes to the concept of predestination. A true Moslem, according to the doctrine of “i’imani” believes and accepts that things are the way they are because they were so predetermined. Similarly, the Yorubas in the South West believe in “akomo” or “kadara”, i.e. everything that will happen on earth has been decided upon by “Olorun” (i.e. God) in heaven. These beliefs still influence the behaviour of the people today. The consequence is that if a person becomes rich by fraudulent practices in government, it will be assumed that God planned things to happen that way. Likewise, a person can still remain or get back to position of power after engaging in fraudulent practices in government (cf. Joseph, 1987). In fact, there is an incentive for people to misuse their positions in government since they know that it can be condoned as having been predetermined by God.

Culture and mores in the traditional society, it has been argued, also promote materialistic tendencies (cf. Balogun, 1993). Balogun remarks that even though in the traditional societies, religious injunctions and superstitious beliefs lay the guide to behaviour, people do good because of the rewards they expect according to these injunctions and beliefs. In his view therefore Nigerian traditional religions and mores promote materialistic tendencies. In addition, in the traditional societies, those who were in the position of authority, i.e. the kings and elite, were using their positions to acquire new sources of

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<sup>2</sup> “Whistleblowing” involves disclosure by a member of an organisation of improper conduct concerning one or more fellow organisational members (cf. Bok, 1983; De George, 1990; Hunt, 1995). De George (1990) describes “governmental whistleblowing” as activities involving government employees divulging unethical practices in governmental organisations to regulatory or investigative bureaux. These activities also include leaks to the media.



wealth and power (Ajayi, 1985). Joseph (1987), for instance, notes the remarkable similarities between material acquisitions by Nigerian politicians and the practices of the Chiefs in the traditional society. Given that the existence of an effective government financial control system is inimical to the goals of acquiring material wealth by holding a public office, there is a serious dilemma for the system of financial control in government.

Also, in many of the traditional societies in Nigeria, all the land belongs to the traditional ruler and those who administer it does so for him. But then, as Alkali (1985) observes regarding one of the traditional states, much of the revenues accruing to the State Treasury went into the purses of the traditional ruler's lieutenants. Likewise, Fadipe (1970) states that it was not unusual for toll collectors to hold back some of the collections in some other Nigerian traditional states. The exploitation of public office by the post-independence public officials is not in any way different. Besides the fact that revenues have to "filter" through the Kings lieutenants in the Nigerian traditional society, the State and King's private treasuries were inseparable (cf. Fadipe, 1970). This has a striking similarity with what Forrest (1993), for instance, observes among the post-independence public officials. According to him, an ordinary Nigerian does not recognise that the public purse is different from his private purse. Given this attitude, public officials cannot be in quest for an effective financial control system.

Nigerian public officials are essentially authoritarian and unaccountable. This attitude can also be traced to practices in the traditional societies and hence, traditional culture and mores. In the traditional societies, authorities were personified by the head of the family and the King at the family and the village levels respectively (Ajayi, 1985). The family head represents the ancestors while the King represents God and their authorities were backed with religious sanctions. Besides, as Fadipe (1970) wrote, the King was regarded as a "supernatural object of worship" and so, his person as "sacred". As such the powers of the King were absolute.<sup>3</sup> A King who is regarded as "semi-divine" (Basden, 1966) needs not render an account of the Treasury to his subjects just like his subjects need not ask him to do so. The attitudes of post-independence political leaders to financial accountability are

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<sup>3</sup> Atanda (1985) remarks that this was only in practice as the Council of Chiefs checks the powers of the King in practice. However, the ability of the Chiefs to check the excesses of the King in most cases depend on the personality of the King and the supernatural powers he has compared with the Chiefs.

similar to this. Thus, given the poor attitude to financial accountability, the issues of reforming the financial control system cannot be of importance to the political leaders.

Moreover, in the traditional societies, the authoritarian attitude of the ruler is reinforced by an arrangement whereby “upward mobility” by individuals is attained through “loyalty, obedience, and sycophancy” (Balogun, 1983). Consequently, as Balogun argues, parents inject these values into their children and “suppress nonconformist views”. The attitudes of the post-independence public officials reflect the traditional societies’ authoritarian tendencies. Likewise, the nonchalant attitudes of the public to the issues of financial accountability in government conform with the conformist values preached and imbibed in the traditional societies. Instead of protesting an undesirable situation, a very traditional Yoruba man, for instance, will say “e je ka gba bee” (i.e. let us accept it as it is). In addition, the conditions for “upward mobility” together with the conformist values injected into people early in life meant that government employees may not raise alarms or “blow the whistle” when officials engage in illegal disposition of government funds. For instance, whistleblowing is seen as a violation of loyalty (Bok, 1983) and whistleblowers can suffer a number of undesirable consequences ranging from poor career advancements to loss of jobs (cf. Bok, 1983; De George, 1990; Hunt, 1995).

Given the negative influences of the traditional culture and mores discussed above on the modern administrative practices, one wonders whether the traditional culture is not in conflict with the administrative practices inherited from the colonial masters. For instance, Joseph (1987) asserts that the conduct of public affairs in the African states has “deep historical and social roots, which reflect a rationality of thought and action” within the boundary of the local community but becomes distorted and destructive in the wider political arenas. It does not seem that cultural change has in fact taken place to ensure a sort of harmony with modern administrative behaviours. As Ikara (1985) observed, a sound solution is yet to be provided to the conflict between modernity and tradition in the Nigerian contemporary political life.

It could be asked: why should the traditional culture and mores be still so dominant in the public life after the interception of indigenous administration by a long period of colonial administration? As Balogun (1993) observed, the colonial administration did not succeed in removing the influence of traditional values on administrative behaviour. For instance,

he observes that a number of administrative processes, including financial controls, were corrupted soon after independence.

Balogun also asserts that every society, not the least Nigeria, contains the “seeds of its own corruption”. For instance, corruption has plagued both Nigerian military and Civilian Regimes. Often, the military seizes power with the excuse of wanting to tackle corruption. However, not long after it assumes power, it will be very difficult to argue that the military is not even more corrupt than the civilians. While it is obvious that Military Regimes, for instance, may often have weak accountability environment compared with Civilian Regimes because of the concentration of powers (and hence absence of checks and balances), a Civilian Regime with checks and balances may be just as bad, if not worse. For instance, the accountability environment in Nigeria’s Second Republic was very weak. The PAC did virtually no work, and Parliament did not exercise its power to investigate cases of waste and inefficiency in the administration of public fund while mismanagement of public fund reined during the period.

In fact, it is believed that corruption in the Nigerian public service can only be reduced but not totally eliminated (cf. Public Service Review Commission, 1974). Besides, the increasing financial pressure on every participant in the system reinforces corruption. The legitimate financial compensations for civil servants are very low and have been irregularly reviewed such that they lagged very much behind the galloping rises in commodity prices. Civil servants cannot resist corruption under such a circumstance (cf. Riggs, 1960). Moreover, without an accountable democratic Government to which civil servants can also render accounts, it is unlikely that they will be committed to financial probity (cf. Hopkinson, 1992).

Nevertheless, like the numerous problems of developing countries have been blamed on colonisation, there are those who will argue that colonisation caused the post-independence attitude of Nigerian public officials to financial accountability issues. For instance, Ajayi (1985) argues that the evolved culture was the “colonial framework” that Government’s aim is to exploit the people for the benefits of those in government.