

Monetisation Policy

The Problem

Nigeria had faced severe socio-political and economic problems, as well as high cost of governance at the inception of democratic governance in 1999. At the end of 2001, it was found out that greater percentage of public sector expenditure went to overhead costs and that the cost of running government at all levels was gulping a disproportionate amount of government revenue. The revelation showed that it cost government a lot of funds to construct, purchase, or rent residential accommodation for public servants. Furthermore, large amounts of resources were occasionally spent on renovation, maintenance, and furnishing of these residential accommodations as well as on the purchase, fuelling, and maintenance of official vehicles for public servants. It was also evident that some public officers maintained many official vehicles. This system was liable to various forms of abuse, apart from the high costs of maintenance.

Closely tied to the high costs of maintaining residential accommodation, was the fact that telephone, electricity, and other utility services in the official quarters of public servants maintained by government were similarly open to various forms of abuse and misuse. Government then noted that the cost of running governance at all the various levels was gulping a disproportionate amount of revenue. It then became clear that the structure of government's expenditure would have to be thoroughly re-examined in light of this startling revelation, to get a reasonable balance between overheads and recurrent expenditure and capital spending.

Reform Actions

In order to reduce the pressure on public resources arising from government involvement in the physical provision of fringe benefits for public servants, government introduced the monetisation policy. The overriding aim was to cut the cost of governance and entrench efficiency in the allocation of resources in order to meet up with the growing demand for capital and socio-economic development of Nigeria. The objectives of the monetisation policy were to:

- Reduce the high cost of governance
- Make public servants adopt a more productive approach to public property
- Enable government to get the true picture of what it costs to maintain a political office holder or public servant in office and, therefore, lead to a more realistic budgeting and budget implementation
- Provide the most transparent avenue for disbursement of remuneration and fringe benefits from employers to employees
- Curb the excesses of public officers
- Correct the wrong public perception of government utilities (such as telephones, electricity, etc.) as limitless resources which hitherto were used without caution
- Ensure equity in the allocation of scarce resources
- Encourage public officers to own their vehicles, houses, and furniture and thereby assist them to plan better for their retirement

- Enable public servants to plan for a more comfortable post-service life
- Encourage increased productivity as a result of enhanced pay

The main components of the monetisation policy with respect to fringe benefits of the public servants include residential accommodation, utility allowance, motor loan, transport allowance, medical allowance, leave grants, medical subsidy, and entertainment allowances. The computations of these components were based on the percentage of the annual basic salary of workers.

In order to establish the financial implication of the monetisation programme, salary Grade Level 5 (step 8) was used to calculate the monetisation entitlements. The calculation estimated that the policy would cost government between ₦300 and ₦500 billion. Consequently, the government took the following measures to finance the programme:

- The spreading of monetised benefits over the 12 calendar months of a year, instead of the earlier decision to pay it en-block to workers
- A directive was given to workers who desired vehicle loans to arrange such with their banks
- The utilisation of revenue accruable from the outright sale of the government property like houses and vehicles, which had been monetised for workers
- Government parastatals that were self-financing or not drawing from the government annual budget were directed to service the payment of the monetisation of benefits of their staff, e.g. NMA, NNPC, and CBN, etc.
- Mass retrenchment of workers at the lowest grades, including gardeners, cleaners, drivers, and clerical assistants. Other criteria, such as consistent failure of promotion examinations and disciplinary issues were used to disengage other cadres of Grade Levels 08 and above from the public service.

Main Achievements

By far, the most important advantage of the policy on the economy is that it has reduced the cost of governance (compared to what it was before) and helped to reduce government's spending on the maintenance of facilities and equipment for public servants. The fact that the revenue realised from the savings occasioned by the monetisation policy was invested in capital development to improve the well being of the citizenry is a major achievement.

Other key achievements of the monetisation policy were:

- Consolidated salaries and enhanced the personal emolument of workers
- Provided government with the most transparent avenue for disbursement of remuneration and fringe benefits to workers
- Curbed the excesses of public officers in the use of government resources for private comfort
- Encouraged efficient allocation of resources and equity in the provision amenities for public officers
- Encouraged public servants to plan for a more realistic post-service life in terms of living within their means
- Strengthened and improved the delivery of basic services through the outsourcing of services such as gardeners, cleaners, drivers, and security
- Stopped the culture of waste in the guise of maintaining government housing estates

Key Challenges

As lofty and laudable as the policy was, the monetisation policy faced some challenges:

1. Key workers such as doctors, nurses, and officials of the emergency services can no longer afford to live near the facilities in which they work. This has had an adverse effect on the speed of response and the convenience of those public servants.
2. Senior government officials can no longer afford to live within the city and one of the few benefits of public service employment (residence in close proximity to the office) has been lost. This means that many public servants are struggling to get into work from the outskirts and this has a negative effect on how early people can come into work and how late they can stay in the office.
3. There is a sense of unfairness that only public servants that were in post at the time of the monetisation policy were able to buy government houses at reduced prices and with a specially-negotiated mortgage scheme.
4. The public service has found ways to circumvent the monetisation policy, particularly in the area of procuring official cars. Official cars termed 'project vehicles' are often dedicated to the exclusive use of chief executives.
5. The National Housing Fund needs to be reviewed to improve its effectiveness. Deductions are made for little discernible benefit.
6. Although the policy increased the monthly personal emoluments of the workers, living standards have not significantly improved, primarily as a result of increased costs in transportation and accommodation. Those who were lucky enough to buy government houses are using a large chunk of their salaries to repay the loans with which they purchased the houses.
7. It is possible that it was not feasible to implement the policy with regards to official vehicles in the first place, as many public servants are not paid well enough to afford cars and the public transportation system in the country is not yet sufficiently robust. Also, given the current security challenges and the state of our public services, it may not be advisable for senior government officials such as Permanent Secretaries, Directors General, and Executive Secretaries to travel to work and conduct official government business in taxis.

Assessment of Reform Initiative

Against the 10 criteria for assessing the success of reform efforts, it is clear that while some successes have been recorded, daunting challenges still remain.

S/No.	Assessment Criteria	Result of Assessment
1.	Has the monetisation policy improved the quality and quantity of public services?	The monetisation policy has not improved the quality and quantity of public services. As many public officials are no longer able to afford to live in the city, it is now more difficult to get into the office in the morning, and many have to leave early in order to get home in good time. This has had an adverse effect on people's availability in the office to deliver vital public services.
2.	Do more people now have	There is a strong, palpable feeling of

S/No.	Assessment Criteria	Result of Assessment
	access to services, including disadvantaged groups such as women, young persons, and people with disabilities?	resentment that only public servants who were in post and in government accommodation at the time of the monetisation policy were able to benefit from the sale of government houses. These individuals made significant financial gains from the process and the policy has denied their successors in office the opportunities that they were given by government.
3.	Has the monetisation policy reduced the cost of governance?	The policy has certainly reduced the resources that government expends on maintaining official accommodation and vehicles for public servants, despite the incidence of 'project vehicles'.
4.	Has the monetisation policy made the services more affordable for citizens?	The policy ensures that government spends less on maintaining public servants, leaving more resources to spend on the welfare of citizens. However, it has created some hardship for public servants.
5.	Has the monetisation policy reduced corruption?	The policy has reduced the corruption that was inherent in the old scheme whereby public servants submitted claims for non-existent costs, particularly in the use of official cars and utilities. However, civil servants that did not benefit from the sale of government houses are often pushed to engage in corrupt practices in order to own a house during their career or to live close to work.
6.	Has the monetisation policy reduced unnecessary bureaucracy and red tape?	The policy has reduced the bureaucracy and red tape associated with computing, verifying, and managing the computation of fringe benefits.
7.	Is the policy likely to lead to improved development outcomes?	Eliminating the spending on fringe benefits means that government is able to pay better wages and to spend more money on developmental activities. However, it has negatively affected key workers such as doctors, nurses, firemen, and ambulance workers.
8.	Are things improving, staying the same, or getting worse?	Apart from efforts to circumvent the official vehicle rule, things have largely stayed the same since the policy was introduced, except

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		for the additional hardship caused to public servants on accommodation.
9.	Where things are improving, will those improvements endure?	The unfairness of the monetisation policy based on timing is likely to bring the policy under constant and sustained attack.
10.	Where things are not improving, what should be done?	The monetisation policy should be reviewed to devise new ways to ensure that a public servant is able to own a house during their career. The policy on vehicles should also be reviewed to make provision for official vehicles, although the numbers should continue to be restricted.

Proposed Next Steps

- The monetisation policy should be reviewed to provide accommodation for key workers to live in the vicinity of their facilities, particularly doctors, nurses, ambulance personnel, and officers of the fire service.
- Government should develop a preferential mortgage scheme for public servants that would make it possible for them to own houses in, or near, the city at discounted mortgage rates.
- The policy on official vehicles should be reviewed to make the purchase of vehicles for official purposes (not just project monitoring) proper, although the numbers of vehicles and drivers should be tightly regulated.
- Efforts to improve public transportation, for instance, through the use of rail transport, should be intensified.