

SEMINAR PAPER

ON

**IMPLEMENTATION OF THE MONETISATION
POLICY IN THE FEDERAL CIVIL SERVICE OF
NIGERIA**

SUBMITTED BY

***MALLAM IBRAHIM TALBA
PERMANENT SECRETARY,
FEDERAL MINISTRY OF EDUCATION,
NIGERIA***

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INTRODUCTION

In response to the invitation received by the Nigerian Government to participate in a seminar discussing issues around Building Effective Government, the Federal Ministry of Education has chosen to share its experience in the recent and ongoing Civil Service reforms. This will focus on "Implementation of the Monetisation Policy in the Federal Civil Service of Nigeria." Monetisation, in this context, can be taken to mean converting into cash the fringe benefits being enjoyed by Civil Servants as part of their remuneration package and conditions of service.

ANTECEDENTS OF REMUNERATION IN THE NIGERIAN CIVIL SERVICE

2. Although the colonialization of the geographical area today known as Nigeria by the British started way before then, Nigeria as a nation came into being only in 1914. Concomitantly, although the colonial powers had in place various arrangements for administering the various parts of the territory before 1914, the Nigerian Civil Service can only trace its origin, as it were, also to 1914.

3. As one would expect, at the beginning, just about all the senior and policy making positions were occupied by British expatriates while

Nigerians were largely restricted to junior posts and menial jobs. This was at a time when the sun never set on the British Empire, and they had colonies in practically all parts of the globe. Expatriate British Civil Servants were, as such, moved from colony to colony, sometimes at short notice, but always in the larger interest of the British Colonial Service

4. It was, therefore, also natural that the conditions of service and the remuneration package would be tailored to suit the living style of these itinerant expatriates. Residential quarters were provided, furnished and maintained by Government. Utility bills for these quarters, including electricity, water and telephone services, were also picked up by Government at minimal cost to the Officers. In a similar manner, Government facilitated procurement of vehicles by these Officers at generous rates that could be conveniently deducted from their salaries. Domestic Servants were hired for them at Government expense while their medical bills as well as those of their spouses and children were also defrayed from public purse. All in all, life was organized in such a manner that made it as easy as possible for these expatriate staff to move from one colony to another with minimal stress in service of the British Crown.

5. Naturally, this created resentment among the Nigerian civil servants about a policy that was clearly discriminatory against them even as it was made necessary by the determination of Government to remain an all-provider to its expatriate employees only. Gradually, as Nigerians acquired more political powers and moved towards self-governance and independence, conditions for entry into the Senior Service increasingly became relaxed, and more Nigerians found themselves in positions of authority. It was, as such, not a surprise that when the country became independent on 1st October, 1960, one of the cardinal policies of government was Nigerianisation of the Civil Service, especially its upper echelon. Rather unfortunately, however, as Nigerians came to dominate the policy-making positions, it did not appear imperative to Government to re-examine certain aspects of the structure of the conditions of service of its employees. If only this had been done, it would have been realized that the circumstances for Nigerians were different in that they were indigenes unlike the British colonial civil servants and so the adoption hook, line and sinker of the structure of compensation being left behind by the colonial power would have been inappropriate. A critical examination of the issue would have at least revealed that in Britain itself where the expatriates

came from, Government was not providing residential quarters and cars for Civil Servants nor was it hiring domestic servants and paying utility bills for them. The long and short of it, however, was that the Nigerian Civil Servants adopted the life style of their colonial predecessors in office and exploited this loophole in the system to their maximum advantage.

6. Over the years, the lack of wisdom of this position started manifesting gradually to both the Government and the Civil Servants. Government found out that it was one thing to bear all these responsibilities for a few thousand employees, which was the size of the service in the beginning, and a totally different kettle of fish to look after 187,876 staff members which is currently the size of the Federal Civil Service. An average Civil Servant, especially at the lowest level, retired from service without a house or a vehicle he could call his own. This created a situation under which retirement encouraged steps, both regular and irregular, to delay the arrival of the day of his retirement. When the inevitable eventually happened and he left the service, the realities set in and in many cases this resulted in mental health problems and of shorter life expectancy. The situation was, as such,

essentially a lose-lose one that was neither in the interest of the Civil Servant and his community nor to the benefit of Government.

7. At the on-set of his first term of office in May 1999, President Obasanjo decided that one of the major legacies he would want to leave the nation by the end of his tenure was a solid and vibrant economy. He further came to the conclusion that this as well as other admirable goals of his Administration could not possibly be achieved without, first of all, reforming and re-professionalising the Public Service and making it a more dependable and result-oriented organ for the formulation and implementation of development policies and programmes, in line with comparable international best practices.

8. Since the huge cost of running the Public Sector had for long been of concern to Government, it was not a surprise that this area would feature prominently in the reform efforts. Several previous Administrations had endeavoured to redress this worrisome situation by tinkering with the subsisting remuneration arrangement. These efforts, however, succeeded only in some key Government Parastatals such as the Central Bank of Nigeria and the Nigerian National Petroleum Corporation where fringe benefits have been monetized for several years now. As for the core Civil Service, no Administration appeared

able to muster the political will necessary to comprehensively effect changes in the fundamentals, i.e., until the present Administration of President Olusegun Obasanjo. It has to be acknowledged though that past efforts had succeeded in monetising, fully or partially, a few fringe benefits. These include Leave Grant, Entertainment Allowance, Meal Subsidy, Domestic Servants Allowance and Duty Tour Allowance. What we are now trying to do is go the full length and monetise all fringe benefits, all this against the backdrop of competing demands of a Nation transiting to democracy.

INTRODUCTION OF FULL MONETIZATION IN THE FEDERAL CIVIL SERVICE OF NIGERIA.

9. Through a Government Circular issued on 27th June, 2003, under the title "Monetization of Fringe Benefits in the Federal Public Service," the Federal Government of Nigeria formally introduced its monetization policy into the core Federal Civil Service. The opening paragraph of the circular is direct enough and clearly states Government's intention thus *"Over the years, the cost of governance has continued to escalate. The burden of providing basic amenities for public officers has contributed significantly to the continuous increase in Government recurrent expenditure, leaving very little for capital development. For more*

efficient allocation of resources and equity in the provision of amenities for Public Officers, Government has approved the monetization of fringe benefits of Public Officers the fringe benefits include: Residential Accommodation, Furniture, Utility, Domestic Servants, Motor Vehicles, Fuelling/Maintenance of Transport Facilities, Medical Treatment, Leave Grant, Meal Subsidy and Entertainment, which were hitherto provided for entitled officers at huge cost to Government.”

IMPLEMENTATION SO FAR

10. Introduction of the Monetization Policy represents a major change in management in the public sector in Nigeria. Managing this fundamental change has become a critical challenge to the system and continues to command significant attention from its topmost echelon.

11. In terms of institutional arrangement, Government has set up two Implementation Committees, one for the Civil Service and another for the remaining arms of the Public Sector. While the former is under the chairmanship of the Head of the Civil Service of the Federation, the latter is headed by the Secretary to the Government of the Federation. Each of the Committees draws membership from relevant arms of Government and appropriate agencies. In adopting this approach, Government is forever mindful that a major reason past reforms failed

was because Public Servants did not feel obliged to buy into the programmes. This Administration is, therefore, determined to pay adequate attention to the issue of ownership and do everything possible to carry all stakeholders along in the implementation process. Expectedly, therefore, the Implementation Committee on Monetization of Fringe Benefits in the Federal Civil Service has, as members, Permanent Secretaries from relevant Ministries. The Committee has, however, found it necessary to set up Sub-Committees on specific aspects of its mandate such as Housing, Vehicles and Technical Matters. Each of such Sub-Committees is chaired by a Senior Permanent Secretary, with some other Permanent Secretaries and Directors as members. While the Main Committee meets every Tuesday, the Sub-Committees meet as often as necessary. So far, it has been possible to reach decisions on the following main components of the policy.

(a) **Residential Accommodation**

12. Before the advent of the Monetization Policy, only about 25% of Civil Servants were living in government-owned quarters and government-rented quarters while the remaining were being paid rent allowances for their accommodation. But under the monetization

policy, every single Civil Servant in the Federal Civil Service is now to provide for his own accommodation but will be paid, between 50% and 75% of Annual Basic Salary as accommodation allowance, depending on seniority level. Meanwhile the existing government quarters will be sold to the highest bidders by public auction, with the present occupants (civil servants) being given the first option to purchase. Concurrently, Government has stopped bearing responsibility for furnishing and repairs for these quarters. Instead, it has decided to pay Senior Officers Furniture Allowance amounting to 200% of their Annual Basic Salary for every five-year period, while an enhanced Utility Allowance at the rate of 15 – 20% of Annual Basic Salary has been introduced to enable officers pay for their utility bills. Facility Managers have also been appointed to maintain the houses preparatory to sale with current occupants expected to pay 10% of their annual basic salary for this service.

13. The Monetization Policy, especially on residential accommodation, has generated enormous apprehension among all classes of Civil Servants. Prominent among the causes for this apprehension are the following:

- (i) Government has apparently made no contingency plans for those Civil Servants living in government-rented quarters. This means many of these Officers face the dim prospect of being thrown out on the street. If this should happen, morale will be adversely affected among the generality of Civil Servants.
- (ii) Given the generally high cost of property in our major cities, especially Abuja, the seat of government and the under-developed nature of the mortgage sector in the country, hardly would any Civil Servant be able to buy these government-owned houses if and when they are disposed of at commercial rate. Chances are that many civil servants will be forced to relocate to less conducive environments, with attendant adverse consequences on productivity, loyalty and morale.

All these are, however, not to deny the latent benefits of Government's plan, the main one being encouragement of Civil Servants to own their own houses and remove one of their cardinal fears of retirement. Their serious reservation is about Government's desire to sell the houses at high prices, which will be outside their reach, thereby forcing them to look for sub-standard accommodations in under-developed locations.

(b) **Vehicles**

14. Under the immediate past arrangement, Government provided chaffeur-driven vehicles for its top Officials, numerous utility vehicles for carrying out Government business and Staff Buses for conveyance of Staff to and from offices. All these were fuelled and maintained at Government expense. In addition, Government provided loans at minimal interest rate of 3% for senior officers to buy cars. With the coming on stream of the Monetization Policy, no official will have attached to him a chaffeur-driven vehicle. Rather, any interested civil servant is free to acquire, fuel and maintain a vehicle. However, loans for such acquisitions will no longer be granted by government but rather by financial institutions. In return, every civil servant will be paid 25% of Annual Basic Salary as vehicle allowance. In addition, the most senior officers (Permanent Secretaries and Directors) will be paid an allowance to enable them hire their own drivers. The numbers of utility and project vehicles for the various establishments have also been drastically reduced. Staff Buses will, however, continue to be run, but at the expense of users.

(i) Excess Vehicles

15. In the meantime, Government has undertaken a comprehensive census of its vehicles and determined what number will be needed for the efficient and effective conduct of its business. One result of this exercise is the realization that it has on its hand a large pool of excess vehicles it must dispose of. Accordingly, it has decided to sell off these excess vehicles at 50% discount to the generality of Civil Servants and members of the public at pre-determined ratios. Serving Officers who make the purchase have a choice of either paying cash or having the cost deducted from their salaries over a period of three years.

(ii) Laid-Off Drivers

16. A key problem that has arisen from carrying out the above measures is the fate of existing Drivers on Government payroll, numbering about seven thousand, who are no longer needed. Government has decided to disengage this class of Drivers on the basis of stated criteria with the main goal of lessening the trauma of their sudden disengagement. Their retirement package includes prompt payment of retirement benefits and the mounting of re-orientation programmes designed to expose the participants to various trades and job opportunities. In this same direction of minimizing their pain and

better preparing them for post-service life, Government has decided to allocate 30% of the excess vehicles to be disposed of exclusively to this category of Drivers to purchase.

(c) **Medical Allowance**

17. Traditionally, Civil Servants and their nuclear families have always enjoyed medical treatment at Government expense, mainly at Government Hospitals and Staff Clinics. Whatever expenses they incur in the course of treatment are submitted to Government for refund. Over the years, putting in claims for these refunds has grown into an industry and become a cesspool of corruption actively facilitated by the claimants, the processing officials, the approving authorities as well as those making the payments. All efforts to straighten out the mess have been frustrated by the benefiting syndicates, and Government has been at its wit's end about what to do to effectively curb the menace. Now with the introduction of the Monetization Policy, Civil Servants will be paid 10% of their Basic Salary as Medical Allowance.

18. Payment of this allowance will free Government from investing so much time and resources in operating the dubious medical refund enterprise. Officers, on their own part, will no longer have motivation to start manufacturing fake medical bills to enable them make irregular

claims. One problem that will, however, test the system is what to do about assisting Officers with genuine major medical problems that they cannot be expected to manage from their incomes because of the huge costs involved.

CHALLENGES AND PROSPECTS

19. The merits of monetization to Civil Servants include, inter alia, equity in provision of amenities as well as encouragement to own personal houses. The new arrangement will also enable officers to plan better for a more comfortable post – service life. Of immediate relevance, is that their take-home pay will also increase significantly. To Government, the policy also holds out a number of promises of import. There will be better efficiency in resource allocation as well as minimization of waste and reduction in mis-use and abuse of public facilities. It will reduce both capital and running/maintenance costs. It should also promote within the system the observance of maintenance culture and discipline in the use of public utilities since individuals will now have to pay for services hitherto paid for by Government. All in all, introduction of the Monetization Policy in the Federal Civil Service should be a win-win situation for both the Civil Servant and the Government.

20. There are, however, significant challenges that must be addressed if the policy is to yield the benefits it promises. First and foremost is the issue of funding. Data and information coming in from the various arms of Government, while not final, conclusively suggest that the cost of implementing the policy will be very substantial. At a time last year, Government estimated that it would need ₦8.5 billion (US \$62.96 million) to pay the requisite allowances to the top-most echelon alone. Means must be found to ease the financial burden on Government. Paying of some of these allowances, such as housing and furniture, instalmentally is one of such means devised but even then, reality on the ground has already forced Government to move forward the effective date of implementation from 1st July, 2003 to 1st October, 2003. Even with this shift, however, Government has not yet been able to find the funds to pay Civil Servants all their entitlements. Predictably, Civil Servants are finding the situation very frustrating. A number of other reasons account for this frustration. In the first place, expectation of higher take-home pay has been substantially raised within the system and because information about the expected windfall is already within public domain, prices of items in the market have gone up. Experience has shown that once prices go up in Nigeria, they never

come down. So, the Civil Servant is adversely affected from both the income and the expenditure angles. Secondly, while Government has been quick and effective in withdrawing the privileges and perquisites traditionally enjoyed by Civil Servants, it has been rather tardy in finding the money to pay them the allowances meant to compensate them for their loss.

21. Another challenge confronting the system sequel to the adoption of this policy is the widely-perceived belief among civil servants that their jobs are on the line. The on-going dis-engagement of excess drivers is seen as a harbinger of what is in store for the other cadres. Under extant regulations, a Civil Servant who does not run foul of the laws or rules should expect to retain his job until he attains the age of sixty years or has put in thirty-five years of service. What is happening to the Drivers however shows that job security in civil service is no longer sacrosanct. Unless this fear is effectively addressed, it has the capability of lowering morale in the service and undermining on-going efforts to curb corruption in the system.

CONCLUSION

22. Full monetization of benefits in the Federal Civil Service of Nigeria represents a fundamental change being wrought in the

system. Like any other similar changes of immense impact, it entails significant challenges to all stakeholders. There are, however, a few pre-requisites that will strengthen the chances for successful implementation and sustainability of the reform. The first is the commitment of the political leadership at the topmost level to its implementation. Another is the overall receptiveness of Civil Servants to the idea, albeit with the expectant reservations and apprehension. There is also the fact that the Service is in a position to learn from the experiences of numerous organizations in the country, both in the private and public sectors, that have fully monetized the fringe benefits of their staff for several years now. We believe this reform should be seen as a genuine partnership between the leadership and its followership toward the development of a viable and robust Service.

It can be a safe bet that over the next couple of years, the Monetization Policy will be safely introduced in our Civil Service.

Thank you

MALLAM IBRAHIM TALBA
Permanent Secretary
Federal Ministry of Education
Abuja, Nigeria.

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