

## Monetization Reform Programme in Nigeria: its Operations as a Source of Fund for Public Servants' Real Property Development Initiative

<sup>1</sup>Theme C.C., & <sup>2</sup>Uzere D.O     A b s t r a c t

<sup>1&2</sup>*Department of Estate  
Management Federal  
Polytechnic, Nekede Owerri  
Imo State.*

Monetization no doubt is an economic monetary reform programme, which allows its beneficiary more physical cash in the pocket in lieu of some benefits as conditions of service. It was introduced in Nigeria by 1<sup>st</sup> October, 2003, One area of social need, which the public servant beneficiary can benefit (utilize), the excess liquidity from the monetization benefits is in the area of development of owner-occupier residential accommodation. This paper discussed the monetization reform programme; its operations as a source of fund for public servants' real property development initiative. An extensive review of related literature was conducted, followed by a survey (descriptive) research design. Three research questions were raised to guide the study - in line with the purpose of the study. It was discovered among others that several underlying factors can influence the psychology of investors in real property, of which among the factors include, the national situation and finance, as well as the government policies. Among the recommendations is that government should be more disciplined in handling good policies.

Keywords:  
Monetization  
Reform  
Public Servants  
Development  
Initiative

## Background to the Study

A very pertinent question today in Nigeria undergoing economic reform, transformation and monetization programme is: Would new salary package for public servants in the form of monetization strategy be compatible with increasing inflation rate, unstable exchange rate and dwindling economy? Monetization can be described as a monetary policy designed, which means benefits being enjoyed by public servants would be paid enbloc (monetized),

Interestingly, some of these had become fully or partially monetized before 1999 (Ekaette, 2003, cited in Saka, 2011). Some of these benefits include; leave grant, meal subsidy, entertainment allowance and allowance for domestic servants (The Guardian Newspaper, 2003). However, the terms listed for monetization include residential accommodation, provision of vehicle (including fuelling and maintenance), provision of medical treatment, telephone and personal aids), housing and transportation allowances. Ekaette (2003) cited in Saka (2011) states that this will lead to the passing into law, certain political, public and judicial office holders (Mobolaji, 2003), salaries and allowances, and bill in 2002.

The law prescribes the salaries allowances and fringe benefits of certain political, public and judicial office holders (Mobolaji, 2003). The monetization policy according to Ekaette (2003) cited in Saka (2011) gives 100% of annual basic salary for residential accommodation, 300% of annual basic salary for residential allowance. However, the circular letter Ref. No. SGF. 19/5.47/CI/11/371 of 27 June, 2003, titled - Monetization of Fringe Benefits in the Federal Public Service and signed by Ekaette as cited by Saka states that those already occupying government quarters or rented accommodation provided for them are not qualified.

Instead they are expected to pay 10% of their basic salary as service charge for the maintenance of the quarters. Monetization as part of the monetary policy strategy has been used to solve a number of economic problems in different parts of the world. Ramachandram (2003) says prudence consistent with growth and stability is to monetize some portion of government policy.

Nigeria faced with severe socio-economic problems, high cost of governance and the need for efficient use of public facilities (Frances, 2004), the government decided to fashion out the monetization policy in a manner that will address those problems confronting the nation. According to Ekaette, cited in Saka, it is observed that the cost of governance has continued to escalate beyond imagination in recent times. This increase emanated mostly from the burden of providing basic amenities to the public officers.

The Federal Government in an attempt to reduce the burden of providing basic amenities for the public officers and to curb the abuse and misuse of public facilities decided to convert all those benefits enjoyed by the public servants into monetary award, and this is the focus of this paper. Saka (2005) observes that the spirit behind monetization policy as far as Nigeria is concerned is:

- a. To reduce the high cost of governance in view of the fact that past and present regimes are riddled with corruption which makes the cost of administration of government affairs to be expensive?
- b. To make the public servants adopt a better productive approach to public property.
- c. The prevalent mismanagement of public property by public servants would be offered money to acquire such property elsewhere.
- d. The policy also offered the government the opportunity to renovate and add value to its property in order to generate income for the business of governance. It is an economic reform, though the vision for reform(s) (monetization) is not shared by people who surrounded Mr. President. Most of them are typical Nigerian elite who got to the corridors of power to enrich themselves at the expense of the public treasury (The Punch Newspaper, 2003).

#### Literature Review

The idea of monetization policy is intended to cut costs. This is because, over the years, capital projects have not been implemented due to running political, public and judicial office holders according to Saka (2004). The federal government circular titled "monetization of fringe benefits in the federal public service", Saka (2011) citing Ekaette, (2003) states that over the years, the cost of governance has continued to escalate. The burden of providing basic amenities for 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 (Nyong, 1998). Government has approved the monetization of fringe benefits of public and judicial office holder salaries, allowances etc; (Saka, 2004). The fringe benefits according to Saka 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 (Economic Update, 2004).

#### Residential Accommodation

Provision of residential accommodation for political, public and judicial officers has been monetized at 100% of Annual Basic Salary to be paid enbloc, annually to enable the officers to rent houses of their choice. However, in order to avoid exerting severe strain on officers presently occupying government quarters, in the first year of the monetization exercise, their residential accommodation allowance (100% of annual basic salary) will be converted to rent for the quarters they occupy. Government residential houses across the country will be sold by public auction at the end of the first year of monetization after proper valuation. Public officers occupying such houses would be given the first option to purchase the houses. But at the price of the highest bidder.

To ensure that government quarters are properly maintained during the one year transition period, all residents will pay 10% of their basic salary as service charge into a trust fund which will be managed by a board of trustees made up of representatives of

residents, facility manager appointed to manage each estate/group of property and the federal government.

#### Furniture Allowance

A furniture allowance of 300% of annual basic salary will be paid to political, public and judicial office holders once in every four years. This allowance will be paid annually at the rate of 75% of annual basic salary.

#### Utility Allowance

The allowance had already been monetized and shall continue to apply as follows:

GL (Grade Level) 01-06	-	N3,600 per annum
G.L07-10	-	N6,000 per annum
G.L. 12-14	-	N7,800 per annum
G.L. 15-17	-	N9,600 per annum

Permanent Secretary N16,8 00 per annum

Head of the Civil Service of the Federation - N16800 per annum. Political, public and judicial office holder 20% of annual basic salary.

#### Domestic Servant Allowance

The domestic servant allowance has already been monetized for public servants and the rates still apply as follows:

G.L 15	-	N119,586 per annum
G.L. 16	-	N239,172 per annum
G.L. 17	-	N35 8,544 per annum

Permanent Secretary has four domestic servants - N478.344 per annum.

Head of Service has four domestic servants -N478,344 per annum.

Political, public and judicial office holders 75% of annual basic salary.

#### Motor Vehicle Loan and Transport

The provision of motor vehicles to public officers is not monetized. Government will no longer provide chauffeur driven vehicles to hitherto entitled officers. Officers will be granted motor vehicle loan at the rate of 350% of their annual salary. The loan will be recovered within six years at 4% rate of interest as contained in extent regulation on motor vehicle advance. As regards the use of government vehicles, government has directed as follows:

- i. No new vehicles would be purchased by any ministry. Extra Ministerial Department, Federal Government Agency or Parastatals.
- ii. Each Ministry/Agency will be allowed a specific number of utility vehicles, including buses, for essential services;
- iii. Where there is the need to purchase (a) new vehicles(s) by any Ministry, Extra Ministerial Department, Agency or Parastatals, a request shall be made to Mr. President for approval.

- iv. A committee has been set up to work out details of the disposal of the vehicles,
- v. Service wide staff buses will be pooled under the management of the, office of the head of the civil service of the federation to convey staff to and from office at an approved date.

#### Fueling/Management and Transport Allowance

An allowance of 10% of annual basic salary will be paid to public servants and 30% of annual basic salary will be paid to political, public and judicial office holders as contained in the Act.

#### Medical Treatment

The provisions in chapter nine of public service rules shall continue to apply until further notice.

#### Meal Subsidy

The allowance has already been monetized as contained in the circular Nos. SWC 04/Vol. IV/991 of 5<sup>th</sup> May 2000, issued by the National Salaries, Incomes and Wages Commission (NSIWC) and will continue to apply as follows;

G.LOI-06	-	N6,000 per annum
G.L07-10	-	N8,400 per annum
G.L.12-14	-	N9,600 per annum
G.L.15-17	-	N10,800 per annum
Permanent Secretary	-	N16,200 per annum
Head of the Civil Service of the Federation	-	N16,200 per annum.

#### Entertainment Allowance

Entertainment allowance for entitled civil servants has already been monetized and shall continue to apply as contained in the circulars NOS. SWC. 04/Vol. IV/911 of 5<sup>th</sup> May, 2000 and SWC. 04S.I/V6I. IV of 5<sup>th</sup> May, 2000, issued by the National Salaries, Incomes and Wages Commission as follows:

G.L. 15	-	N8,400 per annum
G.L. 16-17	-	N10,800per annum
Permanent Secretary	-	N27,000 per annum
Head of the Civil Service of the Federation	-	N27,000 per annum.

Political, public and judicial office holders 10% of annual basic salary.

#### Leave Grant

The provision of the public service rule number 13213 shall continue to apply, which means that "leave allowance shall be 10% of annual basic salary".

#### Personal Assistant Allowance

An allowance of 25% of basic salary will be paid to entitled officers as listed in the circular: political, public and judicial office holders (salaries and allowance, etc) Act, 2002.

To facilitate the implementation, Ekaette (2003) cited in the Punch (2003) states that the policy on the monetization of fringe benefits for public officers, the budget office of the 'Federal Ministry of Finance' will issue a call to all ministries, extra ministerial departments and agencies to prepare supplementary budget for the remaining part of the year 2003 to take account of monetization, exercise. Igbokwe (2003), cited in Saka (2011) appeals to the government to be fair to workers in the course of implementing its monetization policy.

#### Purpose of the Study

The purpose of the study was to examine the monetization reform programme in Nigeria: Its operations as a source of fund for public servants' real property development initiative. Specially, the following aim and objectives were raised:

- a. To examine the effects of monetization on the further improvement disposable float of public servants.
- b. Ascertain the investment preferences of public servants to plough the excess float from monetization.
- c. To ascertain its impact on national economy.

#### Research Questions

The following research questions guided the study:

1. What are the effects of monetization on the further improvement disposable float of public servants?
2. How can the investment preferences of public monetization be ascertained?
3. What impact has the monetization reform programme on the national economy?

#### Methodology

To carry out this study, the survey research technique was employed. A survey research design is a design that facilitates the description of a situation in its current state and solicits information directly from the respondents which makes the information more distinct and finite (Osuala, 1993; Okechukwu and Adoghor, 1999; Anyanwu, 2002; Iroegbu, 2005; Egonu, 2005; Uwazie and Ezeonye, 2008).

The investigators prepared close - ended questionnaire items. Section 'A' of the questionnaire sought information from the respondents on the effects of monetization on further improvement disposable float of public servants. Section 'B' contained statements and questions that concerned the investment preference of public servants to plough the excess float from monetization. While section 'C' contained questions concerning the impact on national economy.

A total of fifty (50) copies of questionnaire were distributed to all public servants from both Abia State and Federal Government Civil Structure (FGCS) and from the tertiary institutions of learning in the state. From each set of the public services administered, questionnaire items were separate to accommodate all levels of cadre. For the lowest, middle and highest cadre levels, 15, 1 and 17 questionnaire items were administered respectively, and the questionnaire items were collected on the spot.

The return rate of the questionnaire was 100%, possibly because of the method of distribution and (respondents) public servants' interest in the study. For the sample and sampling technique, the selection was randomly organized. The essence for this pattern was to permit a fair representation of opinion from all the state of the public service on the subject matter.

In the study, three research questions were answered using percentages.

Results:

Tables 1,2 and 3 presents the results of the study.

Table 1: The Effects of Monetization on the Further Improvement Disposable Float of Public Servants

Distribution of Items	No of Items	Agree (A)	Disagree (DS)	No Opinion (NO)
Respondents				
Civil Service	50	48	-	2
Tertiary Institutions	50	50	-	-
Total	100	98	-	2
Percentage	100%	98%		2%

Table 2:

Investment Preferences of Public Servants to Plough the Excess Float from Monetization

Respondents	Distribution	Domestic Needs	Bonds and Shares	Residential Housing Development
Civil Service	50	11	5	34
Tertiary Institutions	50	3	10	37
Total	100	13	15	71
Percentage	100%	13%	15%	71%

Table 3:  
Impact on National Economy

Respondents	Distribution	Disposable	Improved Self Esteem	Stable Treasury Expenditures	Improved Worker Output
Civil Service	50	14	16	10	14
Tertiary Institutions	50	15	12		
Total	100	29	28	18	29
Percentage	100%	29%	28%	18%	19%

### Discussion

Several underlying factors can influence the psychology of investors in real property of which among other factors according to Millington (1980) are national situation and finance, as well as government policies, viz, “if there is a boom in the national economy, investors in real property are always confident in expected returns on such investment. As it is with the national economic factors, policies of government which make it easy for individual to control substantial cash liquidity encourages individuals to direct their ideas towards more secured avenues to save the excess liquidity for the rainy days that eventually lie ahead.

Often, this resource falls on the investment in real property development. Thus referring to results in table 1 above, a whopping 89 of the tested public servants are affirmative of boast in their cash floats. Table 3 also indicates the satisfaction on the float, desire to work more, self - target achievement and even stable economy is envisaged by almost the responses.

### Findings

Among the underlying factors that can influence the psychology of investors in real property include among others:

1. National situation and finance.
2. Government policies e.g if there is boom in the national economy, investors in real property will be confident in expected returns such as investment.
3. Policies of government which make it easy for individuals to control substantial cash liquidity encourages individuals to direct their ideas towards more secured avenues to save the excess liquidity for the rainy days.
4. These resource of ten times falls on the investment in real property development.
5. Public servants are affirmative of boast in their cash floats.
6. Respondents indicated satisfaction on the float.
7. They also desire to work the more.
8. Self-target achievement was envisaged.
9. Stable economy was also envisaged.
10. The reform if adopted, will benefit the average public servant in Nigeria.



## Conclusion and Recommendations

Specifically, this study examined the monetization reform programme in Nigeria: Its operations as a source of fund for public servants' real property development initiative. An extensive review of related literature was conducted; this was followed by the research questions and methodology - which employed a survey research technique.

Monetization of fringe benefits is a good economic policy that can minimize waste, eradicate corruption and enhance labour productivity if well implemented and sustained. Our findings and conclusion support the need for the government to be more disciplined in handling good policies. Among other recommendations include:

1. The government is implored to pay an amount that would be equal to the worker's benefits in terms of materials which should have been at disposal in the course of performing government functions (Saka, 2004).
2. The government should note that if the workers' interests were not taken into due consideration in the execution of the policy, public servants might feel that the programme was designed to short change them.
3. The amount of monetization benefits should be commensurate with the property or other materials expected to be enjoyed by the public servants as their benefits.
4. Thus, there has to be a balance in the execution of the monetization policy so that we do not counter any productive or destructive psychological signal or message to the minds of the public servant who might feel he is being cheated by this policy.
5. Government policies towards the reform should be ideal and meaningful.

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