

# Effects of Restructuring in Promoting Development and Tourism Business

Augustine Nnoruka Okeke

Department of Hospitality and Tourism Management  
Federal Polytechnic Oko, Nigeria

**Abstract:** The paper took a broad over view of how restructuring the Nigerian economy will promote development and even Tourism business. It briefly took a conceptual clarification of the subject, It also took a glimpse at Nigeria's developmental plans and the structure of the Nigerian economy since 1960, it also considered how restructuring will promote Tourism business which is so because, restructuring will enable each state to harness all viable means of income. Lastly, it considers the current administration's agenda for restructuring the economy or True Federalism as argued by some groups. It recommends that the 2014 Confab report should be implemented or reviewed. Lastly, it recommends that Nigeria must diversify her economy away from oil revenue.

**Keywords:** Restructuring, devolution of powers, resource control, True Federalism. Tourism business.

## INTRODUCTION

The term 'Restructuring' has generated much debate and heat in the Nigerian polity with different groups calling for an immediate attention to it while some, especially the ruling class believe that it is an attempt to hijack power from them by some politically disgruntled politicians and groups. The term restructuring is also complicated because it bothers on: devolution of powers, resource control, regionalism and even self determination

While some argue that restructuring is the solution to Nigeria's political and economic woes, some believe that it is true federalism that will bring the solution, well, even the two national conferences that was held in the fourth republic in light of restructuring has been trailed by suspicion that they were held to advance some kind of personal or sectional political agenda. The two conferences were instituted by president Obasanjo (2005) and Goodluck Jonathan (2014) but did not lead to restoration of true federalism.

In the next section, the paper will briefly examine some conceptual and historical clarification of the term 'restructuring' and its significance; it highlights Nigeria's developmental plans and the structure of Nigeria's economy since 1960. It will highlight how restructuring can possibly promote tourism business in the country. Lastly, it will also examine how the current Buhari administration (APC) is seeking to address the clamour for restructuring.

## Literature Review

### Restructuring: A Conceptual Clarification

Etymologically, the word "restructuring" is from its verb form "to restructure".

According to Word web dictionary, 'Restructure' means to 'Construct or form anew or provide with a new structure'

### Dimensions of Restructuring

Whenever we talk of restructuring there are some aspects that are considered which includes:

- Regional restructuring to four regions that is, Northern region, Eastern region, Southern region, and Western region of Nigeria.
- Creation of more states
- Devolution of power of federal government to state government
- Resource control
- Self-determination of regions
- Geopolitical restructuring

### A brief overview of Nigeria's Developmental Plans

Nigeria in her bid to develop engaged in planning. Generally, post-independence planning can be divided into three periods as follows:

- The Era of fixed medium term planning (1962-1985) during which four medium term plans were executed. Planning at that time was mainly project based. The year 1962 saw the beginning of fixed medium-term plans as follows:
  - First National development plan, 1962-68
  - Second National development plan, 1970-1974
  - Third National development plan, 1975-1980 and
  - Fourth National development plan, 1981-1985
- The SAP era (1986-88), this was mainly policy oriented
- The era of perspective planning (1990 till date) this included the vision 2010 document. Rolling plans were introduced at this period.

### Structure and development of Nigerian Economy since 1960

According to Iyoha (2003), "the structure of the Nigerian economy has been evolving since the nation was not together by the British in the early part of this century. Before the outbreak of the Second World War, the Nigerian economy

was still largely dominated by peasant agriculture albeit with a small and active export enclave. It was an open economy exporting agricultural products and importing manufactured ones.

Nigeria has been an Agrarian economy since 1960 with agriculture accounting for about 64% of output and employing over 73% of the total labour force. In addition, agricultural products accounted for a lion's share (approximately 71%) of total exports and were thus the predominant earners of foreign exchange used to pay for imported manufactured goods. In 1960, the industrial sector accounted for a mere 7.7% of output while the manufacturing sub-sector produced less than 4% of total Gross Domestic Product (GDP). The Services sector accounted for 28.5% of GDP. Nigeria then was largely rural with only 14% of the population living in urban areas while the rest were rural dwellers. Nigerian economy was 'dualistic' with low exports largely accounted for by Agriculture. The financial counterpart of this was a dualistic and spatially fragmented financial sector with a small modern monetized financial sector coexisting with a large, unorganized rural informal one which was yet to be fully monetized. There were few banks with all of them located in the urban areas. The country was poor, with per capita Gross National Product (GNP) amounting to about US\$100.00. In addition, there was a high level of illiteracy (about 80%) and low life expectancy (about 40 years). Thus, the Nigerian government had its work cut out for it. Given the widening gap in income levels between it and the advanced industrialized countries of the West, it was imperative for the Nigeria government and people to transform the structure of their economy, accelerate the rate of economic growth, and improve the standard of living of the growing population.

We examine some leading issues in the structure and development of the economy during the four decades since independence. The leading issues identified and analyzed are:

- Evolution of the real or productive sectors;
- Evolution of the financial sector and public sector; and
- Evolution of the external sector and the problem of rising external debt.

Using these issues as handles, an attempt is made to analyze the changes and development in the structure of the Nigerian economy since 1960 and assess the country's position at the cusp of the new millennium.

#### **Evolution of the productive sectors, 1960-1997**

"In certain important respects, there have been fundamental changes in the structure of production in the Nigeria economy since 1960". "From contributing almost 64% to GDP in 1960, agriculture's share has steadily fallen to the extent that it accounted for 33% of GDP in 1997. Urbanization is another case in point. The urban population accounted for only 14% of total population in 1960; by 1997, it accounted for over 41% of total population.

However, there are also several areas in which the structure of the Nigerian economy has hardly changed. Manufacturing is a case in point. In 1960, the manufacturing sub-sector contributed 3.8% of output. Although its share in GDP rose to a high of 9.9 in 1983, it fell thereafter and by 1997 manufacturing accounted for only 4.8% of GDP. In order to accurately trace the changes in the productive structure of the economy and the reasons for the outcome, it has been considered desirable to examine the sectoral changes by decades.

#### **Evolution of the financial sector since 1960**

As with virtually all other African economies, Nigeria's financial sector was underdeveloped, dualistic, and unorganized. It is characterized by dualism, market segmentation and spatial fragmentation. The money and capital markets are thin and shallow. Financial Intermediation is imperfect. Until the adoption of SAP in 1986 repression and bureaucratic control of interest rates were the order of the day.

There were only a handful of commercial banks (which were usually subsidiaries of foreign owned banks) in 1960. In the second half of the 1990s, there were about 67 commercial banks, 55 merchant banks, 6 development banks, and 1 saving bank (the National Provident Fund). The larger and older banks have hundreds of branches across the country. Although the rural areas are still under-banked despite serious efforts by the Central Bank of Nigeria (CBN) to motivate the established banks to setup rural branches), the establishment of people's Banks and Community Banks all over the country in the 1990s, has nevertheless helped to alleviate the problem. Even though the money and capital markets are still not as deep as desirable, a start seems to have been made in the late 1980s and early 1990s to develop a more robust and balanced financial structure which would improve the ability of the domestic financial system to mobilize savings and contribute to self-sustained economic growth.

During the last two decades, there has been an encouraging development in the growth of the capital market. The Nigeria Stock Exchange has come into its own. The number of quoted stocks has increased and market capitalization has burgeoned. The ratio of market capitalization to GDP has risen significantly during the last 10 years. In 1988, the market capitalization to GDP ratio was 4.2% by 1994, this ratio had almost trebled to 11.5% while it has levelled off

somewhat, market capitalization seems to be hindered by the underdeveloped state of infrastructure in the economy. Today, we are in the electronic age and the growth of stock markets is critically dependent on the development of computers and telecommunications. If these essential infrastructure facilities are developed, there is reason to believe that the growth of the Nigerian Stock Exchange would accelerate in the years ahead.

#### **SAP and Financial Deregulation, 1986-1997**

The adoption of SAP in July 1986 ushered in an era of laissez-faire policies, economic liberation and price deregulation in virtually all aspects of economic life. Financial deregulation began in earnest in 1987 and had far-reaching impact especially on the banking industry. Financial deregulation was accompanied by the rapid emergence of financial innovations, deregulated interest rates, and fierce competition among and between various financial institutions.

#### **Evolution of the public sector since 1960**

In the 20<sup>th</sup> century, and particularly since the end of the Second World War, there has been a tendency for the size of government to increase, both in the advanced industrialized economic and the developing countries of the third World. While the growth of government spending has been propelled by the steady increase in transfer payments and subsidies in advanced countries, government expansion has been driven by development expenditures and external debt service payments in developing countries. An empirical regularity found by researcher is that government expenditures have tended to rise faster than GNP or GDP for both advanced countries, government expansion has been driven by development expenditures and external debt service payments in developing countries. An empirical regularity found by researcher is that government expenditures have tended to rise faster than GNP or GDP for both advanced and developing countries. Thom (1967 (who studied 52 countries (both advanced and developing) found that the mean elasticity of central government expenditures to GNP was 1.22. A recent empirical study by Lindauer and Velenchik (1992) confirmed these results and they concluded that “in all cases, the elasticity of  $G_e$  (government expenditure) with respect to GDP is greater than one, consistent with Wager’s Law, which states that in a growing economy the scale of government activity expands relative to nation income.

What seems to have been an important determinant of the share of government spending in GDP in Nigeria was the oil boom. The ratio of government spending to GDP rose significantly during the oil boom years. Rising from 15.9% in 1970 to 28.4% in

1980. It then fell but then peaked again at 31.8% in 1992. It has since fallen, reaching 14.7% in 1996 but recovering to 17.1% in 1997. It is possible, as will be argued later, that government acceptance of a more limited role in the economy in recent years has led to a noticeable decline in the share of government expenditure in GDP.

It may be taken as axiomatic that the ideology and economic philosophy of a given government would have noticeable implications for the role of the public sector in economic development. Nigeria presents a good case study where the change in philosophy and ideological orientation in the second half of the 1980s has resulted in a fundamental shift in the role of the public sector unabashedly played a leading role in directing development.

However, with the adoption of SAP in July 1986, there was a shift from dirigisme and explicit development programming to laissez-faire and increased use of free markets, liberalization and deregulation of prices, and the privatization (or commercialization) of parastatals. Thus, 1986 marked a Turing point with the public sector expected henceforth to play a less visible role while the private sector would play a more important role. The nirvana or El Dorado of private sector driven development is yet to be achieved. However, with a new democratic government in place and the new international orthodoxy emphasizing free markets, it could well be that the role of the public sector would continue to diminish with government adopting market-friendly policies and the private sector transforming itself to become a veritable engine of economic growth.

#### **Structure of foreign trade**

As an open economy, international trade has always been important to the Nigerian economy. During most of her existence, trade has been an engine of growth for the Nigerian economy. From a situation where growth was propelled by an agricultural export boom, Nigeria in the mid-70s moved to a situation where growth was driven by oil exports. Unfortunately, in spite of SAP, the well-publicized attempts to diversify the economy has not been successful. Given that imports have normally adjusted to exports, the emphasis here will be analyzing the structure of exports since 1960. Crude petroleum exports and others (mainly manufactures and semi-manufacturers) in 1960 agricultural exports accounted for 70.8% of total exports while petroleum accounted for only 2.6%. Exports of other commodities like tin and processed goods amounted to 26.6% of total exports. By 1970 agricultural exports only accounted for 33% of total exports while petroleum exports had started to establish dominance by exceeding 58% of total exports. By

the time the oil boom began in earnest in 1974, petroleum exports accounted for approximately 93% of all exports.

The relative share of agricultural exports in total exports had shrunk in 5.4% while other product accounted for the remaining 1.9% with the exception of 1978 when the relative share of petroleum in total exports amounted to 89.1% petroleum's share in exports has consistently exceeded 90% indeed, since 1990 the relative share of petroleum in total exports has exceeded 96% Agriculture's contribution has fluctuated between 0.5% and 2.3% while the share of other products has fluctuated between 0.5% and 1.7% thus, petroleum exportation has totally dominated the economy and indeed government finances since the mid-1970s.

Some of the aims of the structural Adjustment Programme adopted in 1986 were diversification of the structure of exports, diversification of the structure of production, reduction in the over-dependence on imports, and reduction in the over-dependence on petroleum exports. Unfortunately, there has been no significant progress made in the achievement of these objectives. The economy is still overly dependent on petroleum exports while the degree of openness of the economy has increased. The trade openness of the economy has significantly increased in the past 4 decades, with the trade-GDP ratio rising from 26.2% in 1960 to over 75.2% in 1997.

In whole, the Nigerian economy has undergone several political and economic vicissitudes since 1960. In the political sphere, there have been several coups and many years of military rule. The many years of military rule could not but leave a major impact on the structure and development of the Nigerian economy. The buffeting of the economy by domestic macroeconomic policy mistakes was aggravated by internationally transmitted shocks. Of great significance was the collapse of oil prices in the early 1980s which pushed the Nigerian economy into deep crisis. The economy is still to fully recover from the severe economic crisis of the 1980s and the SAP medicine which was supposed to cure it.

Nigeria's per capita GNP from 1964 to 1997 shows that it raised steadily from US\$120 to US\$80 in 1981 thereafter, it fell almost steadily to US\$280 in 1997. Thus, between 1964 and 1981, income per capita increased by 550% or at an annual average rate of 32.3% while between 1981 and 1997, it fell by 64.1% or at an annual average rate of 4% Note that if income per capita had continued to increase beyond 1981 as it did before. Nigeria's GNP per

capita would have equaled US\$1,279 IN 1997. The difference between US\$280 and US\$1,279, i.e., approximately US\$1,000,000, is a rough measure of the cost to the average Nigerian of domestic macroeconomic policy mistakes and adverse international economic shocks.

A puzzling and disturbing aspect of Nigeria's export boom is that the growth it generated did not seem to be lasting or to have had a significant effect in changing the structure of the economy. This led professor Yesufu to declare that the Nigeria economy had experienced "growth without development". The reasoning here is that in the 1970s there was a major increase in measured GDP but the structure of the economy remained basically unchanged. In addition, the extreme dependence on oil has continued in spite of SAP.

The stubborn problem of extreme dependence on petroleum and indeed extreme dependence on the exportation of a single commodity remains in spite of serious attempts to solve it. Attempts at diversifying the economy and its exports have met with less than the expected level of success. Liquefied natural gas exportation has started and is expected to grow in importance as a source of export revenue; but this is still not completely satisfactory as oil and gas are closely linked hydrocarbons. After forty years of operation and at the cusp of a new millennium the structure of the economy is still, strangely, not unlike when it was at independence. Steady and sustained growth and development still seems elusive. This suggests that a concerted effort must be made to design and implement appropriate macroeconomic policies to ensure progress and development in the 21<sup>st</sup> century" Iyoha, (2003).

### **Restructuring and the Nigerian Economy**

According to Professor Ben Nwabueze, Chairman of The Patriots and Project Nigeria Movement, PNT, in the Vanguard Newspaper, September, 29, 2017, the widespread clamour among Nigerians for restructuring was not aimed at breaking up the country but to ensure fairness and equity for all irrespective of tribes or religion.

"Far from that, the objective is to reform the governmental structures and attune them to the needs and wishes of the people, to ensure that the immense diversity of ethnic nationalities comprised in the state will continue to co-exist together in peace, prosperity and progress as citizens of one country united by common interests, common aspirations and a common destiny. "The clamour for re-structuring must, therefore, be seen as a clamour for the setting up of appropriate platforms to renegotiate suitable governmental structures for the pursuit and realization of our common needs for development, good governance and national transformation.



“The governmental structure that needs particularly to be reformed by re-structuring is our federal system. Federalism is commonly agreed to be a compelling necessity for the maintenance of peace, stability and development of Nigeria as one country.

Resource control “The provision in section 162(2) proviso that ‘the principle of derivation shall be constantly reflected in any approved formula as being not less than 13 per cent of the revenue accruing to the Federation Account directly from any natural resources’ runs counter to resource control as a principle of true and fiscal federalism. “Fiscal federalism requires that ‘mines and minerals including oil fields, oil mining, geological surveys and natural gas’ should be a residual matter within the exclusive competence of the regions or states. “Power with respect to these matters should, therefore, be expunged from the Exclusive Legislative List and be made a residual matter in accordance with the requirements of true and fiscal federalism. “Re-structuring, as it is presently being demanded, seeks to revert our federal system to the true federalism of the 1960/63 Constitutions, to further reduce the powers of the Federal Government as may be thought necessary, and to reverse the specific matters mentioned above.

#### **Effect of Restructuring in promoting Tourism business and Economic growth**

The benefits of restructuring cannot be over-emphasized; restructuring will enable states to explore all viable means of income. Since Tourism is a major potential contributor to the economy, each state will harness the sector to the maximum, leading to increase in employment, flow of foreign capital into the state and rapid economic growth and development.

#### **CURRENT ADMINISTRATION (APC) AGENDA FOR RESTRUCTURING/TRUE FEDERALISM**

According to HE Mallam Nasir Ahmad el-Rufai in a meeting held at Chatham House on 21 September 2017 on the subject of restructuring and federalism in Nigeria,

*“The APC Committee began by focusing its preliminary research and preparatory work in the following four broad areas:*

- *Balance in the federation - Devolution of powers to sub-nationals;*
- *Review of revenue allocation formula;*
- *Citizenship matters including federal character, and*
- *Review of key recommendations of the 2005 and 2014 national conferences.*

*The general opinion is that the Federal Government needs to shed weight, and return powers and resources to the states where most government functions can be more efficiently undertaken. For the states to take on these powers, they need to access a greater share of the nation’s resources. And we need to sort out the notion of citizenship so that every*

*Nigerian can enjoy the protection of the Constitution wherever they choose to reside. In many communities, people still use the notion of ‘indigene-ship’ to consign compatriots to a position of ‘settler’ and, by implication, perpetual exclusion from enjoying the full political, social and economic opportunities guaranteed by the Constitution to every citizen.*

*After a careful review of history, literature and reports on the four broad areas identified above, the APC Committee on True Federalism has reduced the subject matter into the following twelve contentious issues that have consistently featured in virtually all previous debates on the issues around restructuring by whatever name or phrase:*

- 1. Creation or merger of states and the framework and guidelines for achieving that;*
- 2. Derivation principle, bordering on what percentage of federal collectible revenues from mining should be given back to the sub-nationals from which the commodities are extracted;*
- 3. Devolution of powers: what items on the exclusive legislative list should be transferred to the recurrent list, especially state and community police, prisons, etc.;*
- 4. Federating Units: Should Nigeria be based on regions or zones or retain the 36-state structure?*
- 5. Fiscal federalism and revenue allocation;*
- 6. Form of government - (parliamentary or presidential?);*
- 7. Independent candidacy;*
- 8. Land tenure system;*
- 9. Local government autonomy;*
- 10. Power sharing and rotation of political offices;*
- 11. Resource control; and*
- 12. Type of legislature – part-time or full-time, unicameral or bicameral?*

Nigerians are yet to see a restructured country even after the 2019 General elections.

The previous effort geared toward restructuring the country is losing momentum.

#### **Summary, Conclusion and Recommendation**

The debate for restructuring the country will continue as some group argues that True federalism is the answer to Nigeria’s problems. The call to restructure the country must not be neglected so as to end agitations within the country, even the Confab report of 2014, that is believed to address Nigeria’s differences is yet to be implemented by the current administration. It should either be implemented or a review should be made, or better still, a new report made.

Nigeria should revert to ‘the people’s constitution’ of 1967 as the present 1999 constitution does not favour the federating units.

There should be a cohesive view on what restructuring should be, so that the subject will be clear, well understood and appropriate action taken.

The government revenue must be diversified away from oil as the country has been overly dependent on oil.

Restructuring must take cognisance of the youths and neglected masses.

The concept of ‘federal character’ should also be revised.

Devolution of power should not be based on land mass but on population.

#### **REFERENCES**

- [1] African Programme meeting Transcript, 21 September, 2017: “Next generation Nigeria, What is restructuring and does Nigeria Need it?”
- [2] <https://www.vanguardngr.com/2017/09/nigeria-must-restructure-nwabueze-2/>
- [3] Itsede and Iyoha (2003), “NIGERIAN ECONOMY: STRUCTURE, GROWTH AND DEVELOPMENT”.
- [4] Yaqub Nuhu, “What Is in Restructuring In The Era Of Change In Nigerian Politics” IASTEM International Conference paper, 17th-18th December 2016, ISBN: 978-93-86083-34-0