



When the Problem Was How to Manage Financial Windfalls: Issues of Public and Private Sector in Nigeria

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Abstract: The study looked at what financial windfall is all about as well as the legal perspectives and the constitutional framework of managing such fund in Nigeria. The study went further to looked at the reasons behind the clash of interest of the private and public sector of the economy on the management of the financial windfall. The possible effects of financial windfall on the economy and; finally, proffer suggestions and ways towards effective and efficient management of such financial windfall.

Keywords: Financial Windfall, Private Sector, Public Sector

INTRODUCTION

Windfall was described as unexpected good fortune by the Concise Oxford Dictionary of Current English. As such, financial windfall could be described as unexpected financial good fortune. In other words, it was unexpected revenue accruing to a person, group of persons, an incorporated entity and/or state as the case may be.

It must be noted that such accruing fund was never expected; it was, therefore, not budgeted for and spending such money tends to be more sensitive, difficult and dangerous. It was sensitive because for every bonanza, there must be a price to pay for it at the end of the day. It was difficult because you do not have a plan for spending such money as it was not expected and when it comes suddenly there was always noise from left and right accompanying such money. One, everybody want to be part of success, as such, in Nigeria context it has to be shared like a wedding cake or else,.....! Again, it is dangerous because if not properly managed or invested it can dictate the doom of such entity. You can set a standard, as a result of the windfall, that you will not be able to catch up with in the near future. Then, there will be problem(s).

Financial windfall was a temptation and trial to many, as it can be a blessing as well as curse on the person(s) having it. To narrow the discussion down, we assume that the government was the receiver and manager of such financial windfall. As such, it will be the problem of private and public sector of the economy to either enjoy the blessing or suffer the curse arising from such windfall.

However, financial windfall could arise as a result of unexpected event like war, unexpected rise in demand for a country mineral resources like gold in Ghana or crude

oil in Nigeria and possibly, monopolistic effect on price of crude oil in Nigeria, for instance.

One could imagine why there should be a problem in managing fund especially unexpected fund but academically and even, practically it was found to be very tedious as a lot of things has to be put into consideration. During the Gulf war, Nigeria, for instance, enjoy huge financial windfall as a result of the war between Iraqi and United States of America. But when America was assumed to be terrorizing Afganistan by indirectly terrorizing the Organisation of Petroleum Exporting Countries (OPEC) that they, the member nations, should not take advantage of the situation on ground to increase the price of crude oil or else individual member country will be seen as supporting terrorism.

The question was, must there be a problem in managing financial windfall? Yes, there are many problems because the private sector and/or public sector want to be charged with such responsibilities. The question again, was why asking for bigger and enormous task and responsibility? Simply, it was because they are Nigerian! An average Nigerian wants the best for his or herself alone. No more, no less! It is not because they want to be prudent and wise in managing such fund.

This is, therefore, the reason for this study. To know why there was clash of interest from both the private and public sector; who should manage such financial windfall really and possible immediate and future effect(s) of such windfall on the economy and on the citizenry in terms of standard of living and possibly, suggest some prudent ways of managing such fund.

LEGAL PERSPECTIVES

This is just to look at the legal and constitutional framework of managing such financial windfall. Section 162 subsection 1 of 1999 constitution of the Federal Republic of Nigeria says “The Federation Account shall maintain a special account to be called The Federation Account into which shall be paid all revenues collected by the Government of the Federation, except the proceeds from the personal income tax of the personnel of the armed forces of the Federation, the Nigeria Police Force, the ministry or department of government charged with responsibility for foreign affairs and residents of the Federal Capital Territory, Abuja.”

While subsection 2 of that same section 162 talks about seeking for approval from the National Assembly by the President upon receipt of advice from the Revenue Mobilisation Allocation and Fiscal Commission on the revenue allocation to the states and local governments based on population density, equality of states, internal revenue generation, land mass, terrain and so on.

We shall be concern with the subsection 3 of section 162 which states that “any amount standing to the credit of the Federation Account shall be distributed among the federal and state governments and the local government councils in each state on such terms and in such manner as may be prescribed by the National Assembly”.

The word revenue in subsection 1 of this section means any income or return accruing to or derived by the government of the Federation from any source according to subsection 10 of section 162 of 1999 constitution. Based on the above citation, certain things were obvious to us.

- That all revenue whether “breeze fall” or windfall, any revenue whatsoever collected by the government of the federation shall be kept by the government of the federation.
- That the only exception are taxes from the personnel of the armed forces, foreign affairs and the Federal Capital Territory, Abuja.
- That such fund can only be shared, based on the approval of National Assembly accordingly among the three tiers of government. This implies that the private sector could not benefit from such financial windfall, at all.
- That management of financial windfall is vested in the President of the federation and it should be spent just as other revenue accruing to the government.

In the days of the military government in Nigeria, like during General and President Ibrahim B. Babaginda’s regime, such windfall was spent at the discretion of the Military Head of state (or was it the Military President). Infact, nobody have the courage to ask how much that was accrued from such source not to talk of how to manage such financial windfall. Instead, what we saw was the sharing of Peugeot 504 saloon car and Jetta Executive car to the member of the Nigerian Army within the rank of Captain and Major free of charge and motorcycle to other lower rank. The cry today by the private sector in the management of such financial windfall could be said to be one of the gains of democracy in Nigeria.

PRIVATE AND PUBLIC SECTOR – THE CLASH OF INTEREST

Public sector of the economy is that sector of the economy being operated by public official and concerns the people as a whole. Usually, this is done or operated through

government agency, ministry or department. Usually, public sector economy is being guarded with yearly financial budget and guarded by the appropriate ministry.

On the other side, private sector of the economy is that sector of the economy being manned individually. The individual here could be person, group of persons or corporate entities. Private sector is usually sub-divided into industries like banking, textile, oil and many other industries.

Though the private sector dominates the economy, they do not dictate the pace. This is just like the case of a man with wisdom and no power and/or authority or vice versa. It is usually being argued that government, that is, the public sector must not play a major role in the economy to give room for rapid development and increase in standard of living. But government, on the other side, has always argued that her involvement is to checkmate the overzealous private sector of the economy. The common saying is that 'government does not have business being in business'.

Nevertheless, our main concern was the management of financial windfall. We have seen from legal perspective that management was not only vested in the public sector but end with the public sector; directly or indirectly. But the issue was who bears the pains much among the public and the private sector?

The issue then, was why the clash of interest among private and public sectors knowing fully well that the position and submission of the law of the land was that the management of any financial windfall was vested on public sector via the government.

A lot of argument has been pushed across which include the fact that mostly such money are usually being pushed into economy uncontrollably by both the federal and

state government. Let us imagine what 'Udogie award' did to Nigerian economy in the 70's and early 80's. Some even believe that it was as a result of financial windfall that makes the government to go into wasteful spending or rather celebration of financial windfall tagged 'Festac 77'. This was money spent with no single positive effect on the economy, individual standard of living and our country reputation.

Again, it was argued that such fund should go to the private sector because such financial windfall always ends in individual private purse. That is, it was being shared like war booty among the government representatives. Such money end outside the shore of our land like Swiss Bank and so on.

This led us to position our states governors are taking recently especially the so-called Niger Delta governors. With the huge sum of money being collected as monthly allocation nothing reasonable has been done, they are still crying for sharing of the recent financial windfall as a result of unexpected increase in the price of crude oil at the international market. You will find out that such fund mostly will not be judiciously spent by most of our governors. For instance, as at the time of commissioning a gas turbine in one of our states it was being run, instead of natural gas, with diesel (AGO) and the then President and Commander-In-Chief of the Armed Forces of this nation was present and unknowingly commission such project. Worst still, up till today, the project has not been put into normal position. Why? The money meant for the project has gone into something else!

One will now be convinced beyond reasonable doubt that the argument of the private sector to manage financial windfall could be justified. This is on the ground that the intention of most of the agent of the public sector was not in the best interest of this nation.

Moreover, it was argued that public sector should only play the role of monitoring not fully involved in the economy. From experience, even insurance company owned by government- National Insurance Corporation of Nigeria(NICON), there has never been any project/business our government has been able to run successfully. If a brewery could be run down, what else can they manage? This was a business that does not need much and complex raw materials. Companies like PABOD brewery in Rivers State, Benue brewery in Benue State and West African brewery (TOP) in Abeokuta, Ogun State, Nigeria. Of late the Eleme Petrochemical Company Limited (EPCL) was at verge of collapse before it was partly sold to private individuals to give room for Private-Public Initiative management which was the miracle the company need to survive and now the company had expand in terms of material and human resources.

Public sector involvement in the economy or rather management of financial windfall by public sector will not give room for adequate and proper competition which was the back bone of any successful economy. Public sector without any financial windfall usually enjoys huge and bigger financial base as such dominate the economy. Private sector, thereby, find it reasonably difficult to 'rub shoulder' with such entity as financial capability determine most things in the normal economic activities. If you have the money you can afford the best human and material resources to cope with dynamism of our economy.

The clash, therefore, arise as a result of the position of the 1999 constitution which abrogate all the power of managing all revenue including any financial windfall and consequently, the role of people charge with the management of such revenue not to have allowed such fund to circulate properly and accordingly, in our economy.

EFFECTS OF FINANCIAL WINDFALL ON THE ECONOMY

Financial windfall, as we all agreed, was unexpected revenue accruing into the purse of the government. Normally, there should have been much effect, particularly, on the economy. But the then President Olusegun Obasanjo of the Federal Republic of Nigeria in one of his monthly press chat opined that in the first case, he cannot understand why such money should be described as windfall and what was the justification of the governors, especially, the Niger Delta governors, for asking for the sharing of such money when they have not been able to adequately account for the normal and usual monthly allocation.

To some extent, he was right but this study was not for advocating rather it was for intellectual development purposes as such, what are the likely positive and negative effects of financial windfall on the economy.

To start with, if such money was improperly introduced into the economy like the 'Udogie award' in the mid-70's it can push up the inflationary trend. Inflation was described by Ewa and Agu, (2011) as "a condition in which supply persistently fails to keep pace with the expansion of demand". This was as a result of more money chasing few goods. When the public sector release more money into the economic system and the private sector which produce and manufacture goods and services does not have the means to expand their production capacity, then, there is going to be problem. Like the simple economic theory, when the demand is higher than the supply, the price of such goods and services is likely to go up.

Such improper management of financial windfall may give room for lavish spending by the agents of the public sector. Have you ever heard of the so-called 'Owambe'

governors in Nigeria, who go outside the country to organize lavish get-together parties overseas for nothing, sake? This was just because the money was over-available. They were even named 'Owambe' governors by President Olusegun Obasanjo. Again, can you imagine a governor donating as much as Ten million Naira (₦10million) to a church just for celebrating ten years anniversary? The same governor use to give between half a million naira to one million naira with a bus and possibly, a Peugeot 504 station wagon to any group of persons that visit him in his office in the name of solidarity visit. Was this the proper way government fund should be used? Can you imagine what such governor will do if there was financial windfall?

Furthermore, most financial windfall was usually being put into unproductive investments. A good case for study was the construction of a stadium in Abuja by the former Federal Government of Nigeria. Stadium was useful to us but of which direct benefit was it to us and our economy in the next five years. People are yearning for what to eat and possibly the money with which to do that! Was increasing people purchasing power by trying to establish more manufacturing companies not better than going into construction of a stadium? Were you aware of what a governor did with public fund just because a football team won a challenge cup? Our former President Olusegun Obasanjo travelled out of this country, about ninety-two (92) times. What for? To go and beg for aid and for America to come and help us protect our oil installations in the Niger Delta. What were our security agents-Police, Army, Navy, Air-force and even, the State Security Service, doing? Does it mean they were not capable of doing what they were paid to do or do you think America that find it difficult to arrest an individual in Afghanistan can protect our interest better than us? What was America doing with their military-base in Saudi Arabia apart from protecting their own interest? Most of these tours by the president were wasteful and such money spent on such trips could be use to explore more mineral resources; improve generation of electric power

supply and even, our agricultural products; imagine Nigeria importing beans from Burkina Fasso.

Financial windfall, ordinarily, dictate economic boom like we had in the 70's; but the mismanagement of the fund bring us economic doom. Because our standard of living was pushed-up very high and after a short while we were not able to cope with the standard set. Government, then, now introduces austerity measure, for people to now live within their limit but it was too late for all of us to cry including the Federal Government. That was when we started having deficit budget and the beginning of our problems in Nigeria. This was as a result of financial windfall from crude oil that was discovered. Other sources of income to the nation and/or the public sector were ignored completely. The cocoa of the West, the groundnut of the North, the palm products of the East were allowed to die a 'natural death'. Board like Nigeria Palm Produce Board, Nigeria National Shipping and Supply Company were neglected and eventually perished.

The only positive effect financial windfall has brought to us was having more money in our purse to buy few things available in the market. No more, no less! Can you imagine, how rich we were individually during our 'oil boom' period in Nigeria but eventually our country was turned to a dumping ground by foreign producer.

This was accompanied with a lot of health hazards like cancer of different kind. This kind of ailment was very rare in our country before the oil boom, but via the consumption of canned foods like Geisha, Sardine, Canned Beef and many more. Infact, toxic waste was packed in containers and sent to us as food sometime. Do you remember the ship that berth at KOKO port with toxic waste? Up till today the Koko

village residents are still battling with the health hazards as a result of the environmental pollution from the toxic waste.

TOWARDS PROPER MANAGEMENT OF FINANCIAL WINDFALL

Proper management of financial windfall requires a lot of knowledge in the financial management particularly the roles of financial management as outlined in Agundu, 2000, like:

- Advising management on the best way to invest and utilize corporate finance for maximum returns; and
- To make meaningful inputs and offer experts financial advice on corporate policy, issues and work with other functional areas to ensure efficient and effective implementation of financial policy decisions and profitable execution of projects.

Keeping the above roles behind one's mind with particular reference to financial windfall; a special account could be kept for saving such fund for future use. In economics, money was kept for three main purposes- Speculatory, precautionary and translatory purposes. Such fund can be kept for the first two purposes (speculator and precautionary). Speculatory purpose, in the sense that it can be kept for a particular special profitable and beneficial purposes. Like using it to set-up a particular project like a profitable and productive factory which will be beneficial to both the private and public sector. Precautionary purpose for the 'dry season' when we are likely to be suffering from the effect of the financial windfall. It can, then, be used for the 'cushion' effect of the financial windfall.

Honesty of purpose was also required on the part of the sector that may be charged with the management of such financial windfall. But to be honest with ourselves, honesty of purpose in terms of management of such financial windfall could be achieved from the private sector more than the public sector. This implies that such fund must be transferred to the private sector to manage while the public sector serves as the monitoring and controlling of its utilization by the private sector.

Better still, such financial windfall must be kept for the future balance of payment at the international market or rather for future balance or surplus budget rather than having deficit budget almost every year. If we have such fund kept differently and it was yielding returns or interest; whenever there was an urgent need for fund, instead of running to the International Monetary Fund (IMF) or Paris Club, we can conveniently fall back to such fund.

On the final note, since the public sector has failed us thrice – windfall from discovery of commercial quantity of oil in the late 60's and early 70's; Gulf war of 1990 and year 2001 windfall, we can conveniently suggest that we try the private sector in managing of any other financial windfall in future.

CONCLUSION

Looking at the legal framework, which was the 1999 constitution which empowers the public sector indirectly to manage any fund accruing to the government. One can submit that though managing such fund by the public sector was legal but not productive and something was wrong somewhere.

Therefore, the law relating to the management of financial windfall in this country, where patriotism was only displayed when there was an international football match involving Nigeria only, should either be amended or made somehow flexible to accommodate the private sector of the economy to play the key role in the management of financial windfall.

As such, section 162, subsection 1 and subsection 10 must be amended. That is, the phrase 'all revenue' must not include financial windfall. Also, another section and/or subsection must be added to make provision for the genuine private sector participation in the management of such financial windfall.

It was, therefore, in the researcher opinion that all the above will be used for academic purposes alone and not for any other purpose(s) by anybody whatsoever who might come in contact with this study.

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