

I Economic Crisis and Crisis in Education: Country Case Studies

Economic Austerity Structural Adjustment and Education: The Case of Nigeria

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I Introduction

Over the past decade and a half major changes have occurred in the fortunes of the Nigerian education system. Between 1975 and 1982 enrolments in primary schools increased from 6.2 mn to 14.7 mn and in the universities from 21,000 to 98,000. Since 1982, primary enrolments have fallen (by 12 per cent) and while university enrolments have continued to increase, annual growth rates have been reduced from around 20 per cent to around 4 per cent. The downturn in educational growth mirrors the downturn in the economy. This article charts the course of education and the economy since the early 1970s, but focuses mainly on the period since 1982. Within the education system, primary and university education are concentrated on.

Nigeria being a federal country, some understanding of the complex system of federal financing and the constitutional responsibilities of each level of government is necessary for any discussion of educational development. This is provided in Section II. In Section III, trends in the economy and the economic policies which have been implemented in response, particularly since 1982, are discussed. It is useful to divide this discussion into two time periods: from 1982 until mid 1986 which coincided with the so-called austerity period, and the period since then which is associated with the structural adjustment programme (or SAP) supported by the World Bank and the IMF. In Section IV, the effects of these economic policies on educational finance are briefly presented. The impact of reduced funding and other aspects of policy on primary and university education are then discussed in Section V. Finally, the responses which have been made to the educational situation so far, and those that appear imminent, are considered.

II Federal Finance and Responsibility

In Nigeria, each tier of government has rights guaranteed by the constitution. While some functions of government are the responsibility of a particular tier, others are shared. With regard to the education sector, the current constitution (of 1979) allows both

Federal and state governments the right to operate secondary schools and universities, while primary schools are the responsibility solely of the state governments. In varying degrees this latter responsibility has been further devolved to the 301 local governments. In practice, the Federal Government has direct responsibility for 89 per cent of university enrolments (and 20 of the 28 universities), 23 per cent of polytechnic enrolments, 7 per cent of teacher training college enrolments and just 1 per cent of secondary school enrolments. The remaining enrolments at these levels are funded by the states. Public funds for primary schooling are almost all provided by state and local governments. Until now, the proportions have differed widely across the country.

The large responsibilities of the state and local governments for education (and other services) require that they have revenues to carry them out. Compared to the older federations such as the United States, Australia and Canada, as well as younger ones such as Brazil and India, in Nigeria the lower tiers of government are funded more by revenue sharing arrangements than by locally collected taxes [Hinchliffe 1987a]. Statutory grants have typically averaged between 70 and 80 per cent of state finances since 1975. Distributions of grants are of two types; (a) between the Federal Government, all state governments and all local governments, and (b) between the 19 states and between the 301 local governments. Not surprisingly, the criteria on which distributions of revenue are made have been centre-stage politically, and since Independence 13 changes have been made to them.

In 1978 the system changed radically from one of dividing revenues from specific taxes to a division of total revenues. Allocations have since been made from what is termed the Federation Account. The components of this are all the major taxes and duties on petroleum, profits, imports and exports. Of the revenues, 55 per cent are retained by the Federal Government, 32.5 per cent allocated to the state governments and 10 per cent to the local governments. The states' allocation is then divided mainly on the basis of equal shares and population. Allocations to local governments are made by each state government, again largely based on some mixture of equal shares and population. Independent sources of revenue for

most state and local governments (apart from Lagos State) provide few resources. If revenues of the Federation Account fall, there are no significant ways — beyond borrowing — in which they can be offset.

III The Economy and Economic Policy

Significant increases in both the price and production of oil in Nigeria in the 1970s transformed the economy from one dominated by agriculture at the beginning of the decade to one dominated, even more so, by oil at the end. By 1980, oil accounted for 81 per cent of government revenues and 96 per cent of export earnings. As revenues and foreign exchange rapidly increased, ambitious public investment programmes were put into effect across all sectors. In education, for example, the universal primary education programme was launched, resulting in a more than doubling of enrolments, and the number of universities was increased from six to 16, with enrolments doubling every four years.

The recession in the industrialised countries which reduced the demand for oil and subsequently led to falls in its price in 1981, rapidly reduced Nigeria's export earnings. These fell from US \$26 bn in 1980 to US \$13 bn in 1982. Further price drops in 1986 resulted in foreign exchange receipts of only US \$7 bn in that year. Initially both the Federal and state governments were slow to respond. Imports in 1982 remained at their 1980 level, resulting in a US \$7 bn current account deficit. Expenditures by both tiers of government were supported by increased borrowing. By 1983, the Federal external debt was US \$18.3 bn compared to US \$7.8 bn in 1980, while foreign exchange reserves had fallen from US \$10.2 bn to US \$1.2 bn. Inflation was over 20 per cent a year, and rising.

Negotiations for loan support were held by the civilian government with the World Bank and IMF in 1983, but broke down over aspects of conditionality. Following the December 1983 coup, the new military government responded to the situation by stringent exchange and import control measures and large, general, reductions in budgetary expenditures. These resulted in a significant improvement in the current account balance, and a much reduced fiscal deficit. Accompanying these, however, were severe reductions in imports, negative rates of growth of production in most sectors, increased urban unemployment and, overall, a 25 per cent reduction in per capita income by 1985 compared to 1980. With falling revenues from oil and import duties, resources in the Federation Account shrank and then remained more or less constant in nominal terms. As price increases of 23 and 40 per cent were recorded in 1983 and 1984, the real value of allocations fell considerably.

The deteriorating economic and social situation was

instrumental in the toppling of the Bukhari regime and its replacement by the Babangida government in August 1985. The further sharp fall in the oil price in early 1986 from around US \$27 to US \$14 per barrel forced the government to re-open discussions with the World Bank and the IMF. This signalled a major shift in attitudes to economic policy by the Nigerian authorities, heralded by the catch-phrase 'from austerity to austerity with structural adjustment'. The government launched a two-year structural adjustment programme in July 1986. This has since been extended.

The core of the SAP has been the move towards a more market-determined exchange rate for the naira (N) through a bi-weekly auction [Federal Ministry of Finance and Economic Development 1987a]. Initially involving only a limited slice of transactions, this second-tier foreign exchange market (SFEM) expanded rapidly in scope and the rate was merged with that of the official first-tier in July 1987. Compared to a rate of US \$1 = N1.57 immediately prior to the auction, the initial SFEM rate was US \$1 = N4.62 — a depreciation of 66 per cent. Since the merging of the two rates, the value has fluctuated within a range of N4.0 and N4.3 to the US dollar. In conjunction with this major currency depreciation, the trade regime has also been substantially liberalised, with a comprehensive shift from licensing and quantitative restrictions to tariffs.

Since around 75 per cent of government revenues derive from oil exports, the currency depreciation has served to significantly raise their naira value. Revenues for the Federation Account totalled N11.7 bn in 1985 and N12.5 bn in 1986. In 1987, while the revenue estimate was N15.3 bn the outcome was closer to N25 bn. The 1988 budget estimates imply only slightly increased revenues [Federal Ministry of Finance and Economic Development 1987b].

Revenues in the Federation Account largely determine the revenues of the Federal and state governments. For the Federal Government, revenues in 1985 were N9.6 bn, in 1986 N13.0 bn and were estimated at N15.5 and N15.8 bn for 1987 and 1988 respectively [Federal Republic of Nigeria, various years]. The corollary of increased naira revenues from exports is increased debt service payments. In the recurrent budget estimates for 1987 and 1988, the consolidated revenue fund charges accounted for 67 and 55 per cent respectively. State government revenues from the Federation Account (averaging around 70 per cent of the total but over 90 per cent in some states) have also benefitted from the depreciation of the naira. These have been N3.71, N4.98 and N8.23 bn for 1986, 1987 and 1988 respectively. The 1982 allocation was N3.55 bn. However, these naira increases associated with the SAP need to be viewed alongside the increased cost of servicing the states' foreign debt and higher import prices.

IV Educational Finance

To recap from Section II, the Federal Government provides 90 per cent of university financing, while the state governments fund almost all secondary schooling, and the state and local governments together are responsible for primary schools. Partly as a consequence of this three-tier system of financing, no recent reliable estimates exist of the total level of resources spent on education in Nigeria.

Federal Government expenditure figures on education are the most accessible. These expenditures appear to have fallen during the 1980s in both nominal and real terms and as a percentage of total Federal Government expenditures. Recurrent education expenditures were N781 mn in 1981 and N599 mn in 1986. These represented 21 per cent of total recurrent expenditures in 1981 and 17 per cent in 1986. For 1987, they were planned to fall to 14 per cent. Deflating the nominal allocations by the domestic price index, Federal recurrent expenditures on education in 1985 were 38 per cent of their 1981 value (although, since wages were constant during this period, purchases of goods and services would not have fallen by this amount).

Assessing total state government expenditures on education is more difficult. However, some indicative figures can be provided. According to state budget estimates, combined capital and recurrent expenditures on education in 1984 were N1.75 bn compared to N2.56 bn for 1981. This decline is likely to have continued. As was described in the previous section, statutory allocations from the Federation Account to the states in 1985 were lower (by 14 per cent) than in 1982, despite price increases. Obviously, as the sector of government consuming the largest single allocation of recurrent expenditure, education felt the brunt of the significant real cut in total expenditure. In the rest of this section, the levels of financing of the primary and university sectors of education will be discussed.

Universities. During the 1980s, between 46 and 62 per cent of Federal education expenditures have been devoted to the universities. Very roughly these expenditures have been equal to around 18 per cent of total educational expenditures. In current prices, allocations increased up until 1984. They then decreased until 1988, when again they rose. Table 1 presents the Federal Government grants to the universities for selected years from 1977 to 1988, together with enrolments and the resulting unit costs.

The 1987 allocation could be viewed as something of an aberration, and was the result of last minute across-the-board budget cuts. Ignoring that year, in current prices, over the past decade or so, unit costs rose to a height of N4604 in 1981 and steadily fell to a low of N3758 in 1986. The allocation for 1988 provides for a

Table 1 Federal University Enrolments, Grants and Unit Costs, 1977-88

Year	Enrolment	Federal Grant (Naira mn)	Unit Costs (Naira)
1977	39,732	154	3,876
1981	69,725	321	4,604
1983	97,361	371	3,810
1985	111,513	422	3,784
1986	110,443	415	3,758
1987	120,670	316	2,619
1988	n.a.	500	n.a.

Source: 1977, Oduleye (1985)

1980-85 National Universities Commission (1986)

1986-88 Federal Government of Nigeria (various years)

Note: n.a. = not available

unit cost of around N4000. Allowing for increases in costs a severe erosion of funding has occurred. Between 1982 and 1986, the erosion was almost 40 per cent.

Capital expenditure grants to universities have substantially collapsed, particularly since 1984. From 1980 to 1983 grants averaged N221 mn a year, falling to an average of N41 mn for 1984 and 1985 [Federal Republic of Nigeria, various years]. Since 1986 they have shown a partial recovery in current price terms.

The naira allocations are not the sole determinants of purchasing power trends in the universities. While there are no estimates of the foreign exchange implications of their expenditures over time, they are likely to have been substantial prior to the 1985 to 1987 budget cuts and the currency depreciation of September 1986.

Summarising, at current prices the allocations per student have recently averaged around 20 per cent lower than they had been in 1981 — the last year before the first fall in oil revenues. In terms of purchasing power, and considering both domestic inflation and the fall in the value of the naira, they have been much more substantially reduced.

Primary Schooling. Until the launching of the universal primary education programme in 1976, funding had been the overriding responsibility of the state and local governments. However, 'full financial responsibility' was initially assumed by the Federal Government for the programme, and both capital grants and per capita recurrent grants were provided. In practice this came to mean the Federal funding of teachers salaries. By 1981 the new revenue sharing formula (described in Section II) was resulting in state

and local governments receiving an increased proportion of federally collected revenues. The quid pro quo was that the non-statutory grants for education provided by the Federal Government were phased out. This arrangement would not have raised problems for the provision of primary schooling had the revenues of the Federation Account continued to grow. In fact, after 1981 they fell, even in current prices, and not until 1987 did they recover to 1981 nominal levels.

The underlying implication of the federal legislation and financing arrangements is that the major responsibility for primary education should lie with the local governments. The ability to do this varies across the country. A survey of 15 state budgets for 1985 demonstrates a great diversity between southern and northern states in this regard. Among the former, primary school provision is well beyond the means of the local governments, and over 40 per cent of the state governments' expenditures on education are for this level of schooling. In contrast, northern state government expenditures on primary schooling are often minimal. That even state government revenues are insufficient in several of the southern states is indicated by the widespread imposition of a mix of education levies and school fees. Imo State provides an example of both the trends in funding and its composition. While expenditures have stayed relatively constant in nominal terms, this has been achieved only by the imposition of substantial charges to the community. Of the 1986-87 expenditures, 53 per cent were financed from the local governments, 22 per cent from an education levy on all taxable adults and 25 per cent from an equipment levy on all pupils [Imo State Ministry of Education 1986].

V Impact of Austerity Measures and Structural Adjustment

Universities. The impact of the 'austerity' and 'austerity with structural adjustment' policies on the universities has been felt in several areas [Hinchliffe 1987b]. Even before the implementation of these policies, however, the older universities in particular were already facing curtailment of their activities. In 1983 the University of Ibadan was described in the following way: 'Everything in the university today points to an agonising decline. Students swarm from their hostels where there are six in a room designed for two, into a dingy lecture room where a lecturer shouts his notes across a hall of 500 listeners . . . there are generally no course seminars or tutorials . . . For several months now we have been expected to run a physics laboratory without electricity, perform zoology and biology experiments without water and get accurate readings from microscopes blinded with use and age. Chemicals are unimaginably short'. (*West*

Africa, September, 1983). Since then the availability of finance in general and foreign exchange in particular has declined further. A smattering of anecdotal evidence can help to convey the areas and degree of shortage.

Books and Journals. At one of the second phase universities in 1983, 1,600 journals were subscribed to. Subscriptions in 1986 had fallen to 800. Book purchases in the late 1970s were 15,000 to 20,000 a year. In 1986 they were 1,200. Naira depreciation has made the situation even worse, with the cost of journal subscriptions alone being equal to the combined journal and book allocation.

Scientific Equipment and Materials. The last year that this item was anything like adequately funded was 1982. The result of reduced allocations and increased foreign exchange costs has commonly produced the somewhat bizarre situation whereby expensive items of equipment purchased in the 1970s are inoperative due to the lack of a relatively minor spare part or complementary materials. The situation depicted in the quotation above has become both worse and widespread around the country.

Staff Development. In the mid 1970s, expatriates filled a quarter of the total teaching posts; by 1984 this had fallen to 18 per cent. The dependence on expatriates for senior lecturers and above in the northern universities, however, is much greater than this average figure suggests. For eight northern universities at least, there will be a continued need for staff development programmes. For those using overseas universities, costs are over three times as high today as in August 1986. The result will inevitably be a significant decrease in overseas training and a slowdown in the indigenisation of faculty posts.

Research. As the proportion of university budgets devoted to salaries increases, there is a strong tendency for allocations, ostensibly made for research purposes, to become squeezed. In 1985, in one of the oldest universities only 1.8 per cent of the budget was allocated to organised research units and 0.3 per cent to research outside these units. Faculty student ratios are similar to those found in British and North American universities. The potential for research appears vastly underutilised.

Buildings. Several universities operate on split sites. In the late 1970s, the new universities were largely begun on existing academic sites, while new ones were planned. The plans invariably incorporated the self-supporting campus ideal requiring several thousands of acres and located many miles from an existing urban centre [Austin 1980]. Beginning in 1982, capital allocations for the universities were substantially reduced, and while allocations increased in 1987 and 1988, it is unlikely that they have more than countered the effects of devaluation. It is estimated that over N1.0 bn is required to complete existing part-finished

buildings. In the meantime, the split sites, shuttle buses and severely overcrowded classrooms and hostels will remain.

Primary Schools. Enrolments in primary schools increased from 6.2 mn in 1976 to 14.7 mn in 1983 and fell to 12.5 mn in 1986. This pattern of growth and decline is not totally attributable to the changes in the state of financing, but the two are closely connected.

In describing the immediate pre-SAP period, the Minister of Finance recently stated that: 'public salary workers were owed salaries for many months, in some cases for up to 18 months . . . education was a special culprit as schools in some states were closed for several months because of lack of funds' [Ministry of Finance and Economic Development 1987a]. As a result, many teachers left their jobs and others were made redundant. Between 1983 and 1986, the total number of teachers fell from 384,000 to 303,000. Since the introduction of the SAP and higher naira receipts in the Federation Account, the salary situation has improved: 'Every tier of government in the Federation is now current in salary payments'. Part of this situation, however, is due to the collection of community levies and school or equipment fees. The stress felt by local and state governments in funding primary schools remains.

Despite the falling numbers of teachers, the salary bill has taken up almost all of the education budget, leaving little for educational materials. Overall, it is estimated that only N1.5 (35 US cents) is spent per pupil per year. Even these small amounts vary considerably between and within states. Children in the northern states are provided, on average, with more materials than those in the south, and those in urban centres more than those in rural areas.

School buildings, partitioning and furniture are also widely inadequate. Many northern schools have no roofs, some have had walls blown away and some have no desks or chairs. In one local government area, out of 132 'schools', 87 have been wholly or partially destroyed. In southern states, children can be seen carrying their own desks to school each day.

While the depreciation of the naira has not affected the costs of inputs to primary schooling to the same extent as at the universities, there is still an effect. Although educational materials can be printed within Nigeria, the paper, inks and printing machinery are imported and have substantially increased in price.

Financial constraints on the teacher training colleges are also likely to have had an effect on teacher quality. On the whole, as untrained teachers were the first to be retrenched, the proportion of 'certificated' teachers has risen. However, while virtually all teachers in many southern states are qualified, in some of the northern states the proportion is only 10-20 per cent. Fewer teachers, high student: teacher ratios in some

states, untrained teachers, a severe lack of both writing materials and textbooks, dilapidated school buildings and school fees or levies have all combined to reduce enrolments. Generalising, the fall in school quality (and perhaps a reduction in political pressure to enrol all children during the latter part of the civilian government) is responsible for the reductions in the north. In the south, the much more generalised resort to fees, equipment levies and so on is most responsible. There are some indications, however, that the decline has been recently reversed.

VI The Response

Universities. Apart from in one instance, the universities and the institutions designed to increase the effectiveness of the university sector were slow to respond to the changed economic environment. The exception was the abolition of the student feeding subsidy and the charges imposed for hostel accommodation in the 1984/85 session [Hinchliffe 1987b]. These policy changes reduced university spending by around 16 per cent. At the same time fees were introduced for postgraduate courses.

Although few specific new policies were enacted during the austerity period, the government tentatively began the process of restructuring courses across the universities. Since 1984, two committees have sat to consider this issue, and the debate in the universities and in the press has been fierce. Finally, in 1987 the government issued a white paper on the subject [Federal Republic of Nigeria, 1987]. Apart from setting enrolment targets for the different sets of universities, the major decisions are (a) that each university will provide a rationalisation plan aimed at removing 'duplication within and between universities and providing modalities for phasing out programmes that are neither attractive to students nor to the economy'; (b) to place a ban on new universities over the next plan period, and (c) to allocate grants to universities in such a way that they are tied to specific courses and projects, to which specific objectives and expected results are attached. To aid the National Universities Commission in this work, its powers over the universities have been increased, and 13 subject panels concentrating on staffing, enrolments, curricula and facilities have been established and have reported. The momentum for change in this area is now strong.

Another area in which the government is encouraging change is in the privatisation or financial self-sufficiency of many university activities. Most universities have moved rapidly in this direction, covering bookshops, printing presses, guest houses, laundries, staff clubs and so on. More controversial, and less successful, has been the encouragement given to develop large-scale income generating activities. All universities have received grants to develop farms.

A third major area of change regards the norms and parameters used by the National Universities Commission to appraise individual universities budget requests [Kadiri 1986]. The existing norms were established in the late 1970s but, particularly over the past few years, the budgets implied have borne little relation to those received. For this and other reasons a working group was established in 1987 to suggest revisions to the parameters. The report is still being considered. The recent addition of line items in the block grants for research and libraries suggests that it would be possible to further increase the degree of tying specific allocations and thereby strengthening the application of the norms and parameters.

Finally, legislation passed in early 1988 aims to increase the effectiveness of the Student Loans Board. Whether this will lead to an extension of fees to undergraduate programmes has not as yet been announced.

Primary Schooling. Problems associated with the financing of primary education have been apparent for several years. Since 1983 three bodies have been established to suggest new policies for financing education, and two of these have focused solely on primary schooling. Key recommendations from these reports have been, in turn:

- (a) funding for primary education should be based on all three levels of government;
- (b) an amount covering the salaries of teaching and non-teaching staff should be taken directly from the Federation Account, prior to its distribution between governments;
- (c) teachers' salaries should be financed 50, 30 and 20 per cent by local, state and Federal governments respectively.

After years of pressure on the Federal Government to reintroduce direct support for primary schools, the creation of a National Primary Education Fund was announced in March 1988. This Fund will provide for 65 per cent of all primary school salaries to be met by the Federal Government. In 1984, this commitment would have implied around N600 mn. For 1989, and taking into account recent salary increases, the figure is likely to be nearer N1.0 bn equivalent to around 7 per cent of all Federal Government revenues. This action should ensure a significant increase in the amount of non-salary items financed by local governments. It should also result in the reduction or abolition of fees, levies and charges on parents and communities which have been required for salary payments. Again, any such remaining payments can now be directed towards educational materials. As long as Federal Government funds remain at levels which allow this new, major commitment to be met, primary schooling is now on a more secure footing than it has been for several years.

Six years after the downturn in oil prices, government revenue and foreign exchange the Federal Government is now responding in the field of education. For primary schooling, the new measures should significantly increase both the level and stability of finance. In the universities more structural changes appear to be intended. These are aimed at both diversifying the forms of financing, and at reducing the operating costs, particularly in non-academic areas. The increases in federal finances since 1987 have paved the way for some of the worst consequences of the recession to be alleviated in the education sector. Several problems remain. First, the increased cost of foreign exchange will have a negative effect on the universities out of all proportion to the amount of foreign purchases relative to total expenditure. Second, the employment prospects for leavers at all levels of the education system remain dismal.

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