EFFICIENT RESOURCE ALLOCATION AND UTILIZATION:
THE MISSING LINK IN NIGERIA’S QUEST FOR
SUSTAINABLE DEVELOPMENT

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Abstract. This study examines resource allocation and utilization in Nigeria as the missing link in the nation’s quest for sustainable development. The main objective of the research is to examine how inefficient allocation and utilization of material, human and financial resources has made the attainment of sustainable development goals (SDGs) elusive in Nigeria. Given the abundant resources at the disposal of successive regimes in the country, it is difficult to explain why the citizens remain desperately poor with 70 percent living below poverty line. The excruciating poverty faced by the rural majority and the urban poor has led some people into indulging in unwholesome practices such as armed robbery, pipeline vandalism, prostitution, risky migrations, advanced fee fraud and other forms of social vices. The paper utilizes a qualitative design based on the interpretivist philosophy while the ontological orientation is subjectivism. Findings from the study indicate that there has been gross inefficiency in resource allocation and utilization in Nigeria due to corruption, ethnic prejudices, bad governance practices, absence of accountability, lack of transparency and wasteful spending on frivolous activities. Conclusion drawn from the study indicates that if proper project planning, execution, monitoring and evaluation are carried out in a transparent manner, and resources are efficiently allocated and utilized, Nigeria would be on the path to sustainable development. The paper therefore recommends that economic and technical efficiencies should be embraced in resource allocation and utilization for Nigeria to attain sustainable development goals.

Keywords: Resources, Efficiency, Poverty, Sustainability, Development.

JEL Classification: G61, Q01

INTRODUCTION

Nigeria is blessed with abundant human and natural resources as the country is regarded as one of the most naturally endowed nations in the world. The discovery of oil in large commercial quantities in 1957 at Oloibiri, as well as other precious solid minerals, paved the way for wealth and greatness for the country shortly after independence from Britain in 1960. But the attainment of this ideal state has so far remained a mirage due to gross mismanagement arising from inefficient resource allocation and utilization (Mohammed, 2013). The oil boom of the 1970s made Nigeria a middle income country comparable to such countries like Turkey, Israel, South Korea, Taiwan, Argentina and Brazil. But the military regimes that prevailed
over the affairs of the nation that were not accountable to anyone frittered away the proceeds of the oil boom in dubious and highly controversial projects that had no positive impact on the lives of the citizens (Salawu, 2007).

Ogbeidi (2012) observes that by 1974 reports of unaccountable wealth of the military governors at that time and some public office holders had become the crux of discussion in the various national newspapers. Okonkwo (2007) as cited in (Ogbeidi, 2012) in his own submission, opines that public office holders in ministries and parastatals had no regard for laid down procedures in contract awards as most of them floated companies which won many of the lucrative contracts. During the regime of Ibrahim Babangida (1985-1993), as noted by Ogbeidi (2012), the government operated a Dedicated Account as well as a Stabilization Account outside the national budget. The Okigbo Panel Report of 1994 had indicted the former military ruler, Ibrahim Babangida, of misappropriating the sum of $12.4 billion oil windfall in questionable projects (Ogbeidi, 2012). The Shehu Shagari administration (1979-1983) was also alleged to have misappropriated over $16 billion oil windfall in highly controversial circumstances, including financing of projects that had no developmental value for the citizenry.

Among the various projects that these huge sums of money were assumed to have been expended include Ajaokuta Steel Company, which gulped billions of dollars to build but was never completed. It was later put on concession to an Indian company that did nothing to improve it, but rather, embarked on asset stripping in order to strengthen its export of steel to Nigeria (Asaolu, 2015). Another such white elephant project is the Aluminium Smelter Company at Ikot Abasi in Akwa Ibom State. The company which was alleged to have cost $1.1 billion to build was sold to Russal Aluminium Company of Russia for $250 million out of which only $126 million was paid to the Federal government. Gross inefficiency in resource allocation and utilization is equally highly evident in most of the Federal parastatals that have since ceased to exist including the Nigeria Airways, the Nigerian National Shipping Line, the Iwopin Paper Mill, and other investments in cement, hydro and thermal power stations, salt, sugar, hotel and tourism, insurance and banking.

Kachukwu (2018) declares that about $40 billion has been wasted in the Niger Delta in the last ten years without corresponding projects to show for such colossal amount of money. Most of the money, instead of directing it towards regenerative ventures or setting up factories that can employ people, is simply shared among former militants just to “keep them quite”. On paper, there are about 11,000 projects purportedly executed with the $40 billion but there is nothing on the ground to suggest that any project was ever carried out in the region.

Till date, the inefficiency still persists as year after year, trillions of Naira is read out in the annual ritual of budget preparation and presentation. But the citizens are at a loss as to when and where these huge sums of money allocated to different sectors of the economy is ever spent because their effects are hardly felt in the lives of the citizens. Thus, it is instructive to note that sustainable development will for a long time remain elusive if nothing is done to correct the present state of economic and technical inefficiencies in allocating and utilizing material, human and financial resources in Nigeria. This research is an attempt to identify some of these inefficiencies in resource allocation and utilization as the missing link in Nigeria’s
quest for development and make suggestions for improvement. In order to achieve its stated objectives, the study will attempt to provide answers to questions such as: To what extent are resources efficiently allocated and utilized in Nigeria? Does government allocate resources and utilize them in the best interest of the Nigerian citizens? Does resource allocation and utilization have any impact on sustainable development? The paper is organized into five sections including the ongoing introduction, literature review in the second section while methodology comes next in section three. This is followed by discussion in section four while conclusion and recommendations make up section five.

Statement of the Problem. Nigeria has abundant material, human and financial resources at her disposal. However, the availability of such resources has not translated into meaningful improvements in the lives of the citizens who are still groping for survival in the midst of plenty. With an estimated population of 182 million people, over 70 percent of the citizens live below poverty line (World Bank, 2017). Abject poverty, high rate of unemployment, high crime rate, prostitution, risky migrations, political uncertainty, advanced fee fraud, suicide, drug trafficking and usage, child and women trafficking, tribalism, nepotism, ethnicity, favoritism, religious crisis are among the social ills bedeviling the country due to corruption and the gross inefficiency in resource allocation and utilization that tend to favor a few privileged individuals at the expense of the vast majority (Okolo & Akpokighe, 2014; Ehiorobo, 2018; Otoghile, Igbafe & Agbontaen, 2014). The consequence of this state of affair is an elusive quest for sustainable development as no nation can make meaningful developmental strides without managing its resources in an efficient manner. This paper is therefore an attempt to identify some of the areas where these inefficiencies in resource allocation and utilization persist and proffer solutions that if implemented could put Nigeria on the path of sustainable development.

1. LITERATURE REVIEW

1.1. Theoretical Underpinning: Rational Choice Theory

This study is underpinned by the rational choice theory. The rational choice theory is a framework for understanding and modeling social and economic behaviors displayed by individuals, organizations and society. Rational choice theory originated in the late 18th Century with the work of Cesare Beccario (Wright, 2017) while a modern version of it is contained in the works of Gary Becker (1974). It is an economic principle that presupposes rationality in decision making whereby individuals will always make prudent and logical decisions. Such decisions are assumed to provide the decision maker with the greatest benefit or satisfaction - given the choices available – and are of the highest self-interest or for the benefit of all. The rational choice theory is found suitable for this research as government is expected to make rational choices in allocating and utilizing resources for the benefit of the citizens.
1.2. Conceptual Clarifications

1.2.1. Resource Allocation

Nigeria is blessed with abundant resources which include raw materials, energy resources, human and financial resources among others. Countries are ranked in terms of wealth depending on how well endowed they are in terms of available resources. However, ownership of these resources and how efficiently and effectively they are deployed play a crucial role in the level of development attained by each country.

Effective resource allocation is required for the survival of the economy and for sustainable development. Resource allocation is the diligent deployment of scarce resources onto tasks and projects where they can produce the highest rate of returns (Kurt, 2018). This will imply optimizing utilization levels of all resources involved. With efficiency of resource allocation in mind, the manager becomes more concerned with achieving both economic and technical efficiencies. While economic efficiency is concerned with ensuring that production of goods and services represent consumer preferences, technical efficiency refers to how productive a system or an economy can be, given the fewest amounts of resources or inputs. It is concerned with achieving maximum output with minimum input. According to Kurt (2018), certain steps can be used to improve resource allocation and they include:

Make room for strategic reallocation: This happens when you observe some lapses in your initial resource allocation strategy. Corrections can be effected to enhance productivity.

Diversify your resources: It pays to diversify scarce resources for optimal performance.

Subscribe to an easy, automated resource request process: Rather than manual requisitioning of resources, employ the use of software that can help you track resource deployment at a glance.

Make optimal utilization the benchmark: Having optimal utilization as benchmark is the first step towards healthy resource allocation habits. You must avoid under or over allocation of resources to different sectors of the economy.

Make comparisons between actual versus planned resource allocation in terms of the desired levels of efficiency in performance.

For the citizens to derive any real benefits from available resources in the country, managers of the economy must strive towards achieving Pareto optimality. Jhingan (2016) opines that Pareto optimality is reached when welfare increases as a result of some people being made better-off without making some other people worse-off. In other words, any change which harms no one and which makes some people better off must be considered to be an improvement. Thus, a society that is concerned about the well-being of its citizens must do everything possible to bridge the gap between the rich and the poor through efficient allocation of its resources.
1.2.2. Resource Utilization

Effective resource utilization is an essential task of the managers of an economy in order to ensure optimal use of allocated resources. Optimal resource utilization will ensure waste reduction and higher factor productivity (Jhingan, 2016). When resources are allocated, there is need for performance measurement to ensure people are put in check and that the desired productivity results are being achieved. The Nigerian case is totally different as government makes yearly budgetary allocations to every sector of the economy with little or no regard for performance. Due to public sector corruption, most government agencies are alleged to award frivolous contracts even for unwanted materials just to exhaust budgetary allocation and thus make case for higher allocation in the following year.

There is no attempt by any agency of government to investigate how previous budgetary allocations were spent nor what they were spent for. Thus, the poor budgetary performance has impacted negatively on the standard of living of the majority of Nigerians with about 72 percent living in extreme poverty. Living in extreme poverty implies that the people live on less than $1.90 per day (World Bank, 2017). People living in extreme poverty are unable to meet their minimal survival need which is to eradicate extreme poverty by 2030 (UN, 2015). According to the United Nations, to achieve this goal would imply that 90 people are removed from extreme poverty level every minute. But in Nigeria, 6.8 or 7 people enter into poverty every minute when 9 people are supposed to leave (Runsewe, 2017). The problem with resource distribution in Nigeria is that more wealth is concentrated in the hands of a few elite despite the huge oil wealth. Those who have access to this oil wealth through politics have been the major recipients of most of the wealth of the land. The high rate of unemployment, endemic corruption, lack of basic social amenities, the difficulty of doing business and the millions living in poverty are all consequences of a corrupt and highly inefficient resource allocation and utilization in Nigeria. (Runsewe, 2017; Ehiorobo, 2018).

High capacity utilization of resources leads to lowering of costs. This basic concept suggests that any entity that is able to maintain higher levels of capacity utilization, either through better demand forecasting, conservative capacity-expansion policies, or aggressive pricing, will be able to maintain a lower cost than a competitor of equal size and capacity (Harrison, 2003). White elephant projects abound in the Nigerian industrial landscape. Diseconomies of scale occur when an entity builds facilities that the sheer administrative costs and confusion associated with the added bureaucracy overwhelm any potential cost savings (Harrison, 2003). Income disparity among Nigerians is a result of poor income distribution strategy by the government. This has resulted in very few people controlling more than 80 percent of the wealth of the country. Similar experience can be found in some other poor countries such as Brazil where the richest 20 percent of families receive 67 percent of national income whereas, a country like Denmark has the richest 20 percent of families controlling just 40 percent of national income (Begg, Fisher, & Dornbusch, 1994).
1.2.3. Project Planning, Execution and Evaluation in Nigeria.

Developmental projects are embarked upon by the government to improve the living conditions of the citizens. Such projects must be properly planned, executed and their impact evaluated to ensure that developmental goals are achieved. Resources are allocated to such projects to ensure their successful execution. But wherein, the actual usefulness of the project or its desirability by the citizens is questionable, whatever resources allocated to it is sheer waste as it will make no difference in the lives of the citizens. For a project to be selected for execution, an initial screening process is essential if the government is not to over-commit resources and fail to deliver the desired results (Young, 2005). Prioritization of projects must be carried out from the total portfolio of projects to ensure that resources are utilized where they will make greater impact on the lives of the citizens. Those approved for more detailed scrutiny are then subjected to a full needs and expectations analysis by an initial project team vis-à-vis the availability of resources (Young, 2005).

When a project passes this first stage, it then goes to the Project Steering Team (PST) for further screening and review with the qualitative and quantitative data generated at the initial screening stage. Thus, a business case can now be made and actual project definition is undertaken. Some pertinent questions that need to be answered before undertaking a project will include the following: Will the project maximize profits? Will it maximize utilization of existing manufacturing capacity? Will it maximize utilization of human resources? Will the project be environmentally friendly? Will it increase the risk faced by the people living within its proposed location? And will the project be within the scope of available skills and experience?

Most developmental projects in Nigeria are situated and embarked upon for political, ethnic and other dubious motives rather than impacting the lives of the citizens positively. Location advantages and other rational bases for establishing industries are often ignored for these primordial sentiments. The result is high failure rates and early mortality, and most of the time, the projects are never completed. Ajaokuta Steel Company, Aluminum Smelter Company, Ikot Abasi, the steel rolling mills, and so many other such failed projects abound in all the six geopolitical zones of Nigeria having gulped billions of dollars to establish (Asaolu, 2015).

1.2.4. Sustainable Development

Sustainable development means that present developmental needs are met without jeopardizing future needs of other generations. Adebayo (2010) sees sustainable development as the effort at improving the environment or natural resources for the purpose of improving the quality of human life in such a way that the needs of future generations are not jeopardized. Mohammed (2013) in his own submission sees sustainable development as the ability to preserve the existing resources of the state for the collective use of the citizens while conscious efforts are made to conserve the resources for the use of future generations. Sustainable development was introduced by the Brundtland Commission, otherwise known as
World Commission on Environment and Development in 1987. It enjoys universal endorsement that shows global commitment to everyone’s well-being, while recognizing the need to operate within the planet’s ecological limits (Wackernagel, Hanscom & Lin, 2017).

The United Nation’s Environmental Programme (UNEP, 1991) defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The United Nation’s Sustainable development Goals (SDGs) are the most significant global effort so far to advance global sustainable development. According to Wackernagel et al., (2017), sustainable development has become the North Star of the international community as it is committed to protecting the ecosystem for present and future generations of humanity. The researchers also opine that “the fact that the world’s regenerative capacity is overstretched is hardly disputed, nor that natural capital is becoming a limiting factor for current and future human activities”. Huntingford and Mercado, (2016) cited in Wackernagel et al. (2017) have also documented several evidence of ecological degradation, including rapid biodiversity loss, excessive nitrification and climate change. The 2015 Paris Climate Agreement (from which the US pulled out in 2017) has as its target for any nation not to exceed 2°C warming over pre-industrial temperatures.

The most significant global effort to comprehensively address sustainable development is the 2015 United Nation’s sustainable development goals (SDGs) which were launched in September, 2015. With 17 goals and 169 targets, the SDGs address issues ranging from combating excruciating poverty to efficient resource utilization that benefits present and future generations. The very first among the sustainable development goals is resource security to fight poverty while the second is to eliminate hunger. Good health, quality education, gender equality, access to clean water and sanitation, affordable and clean energy, decent work and economic growth are some of the basic requirements for sustainable development as contained in the sustainable development goals (UN, 2015). In Nigeria, May 29, 2018 marks 19 years of uninterrupted democratic rule. As one of the 190 countries that are signatories to the UN sustainable development agenda, there is nothing on the ground to show that Nigeria is making any effort to address any of the issues before the target date of 2030.

2. METHODOLOGY

The study utilizes a qualitative design that leans heavily on the interpretivist philosophy. Qualitative research emphasizes words rather than quantification in collecting and analyzing data (Chidi & Shadare, 2017). Interpretivism advocates that researchers, as a matter of necessity, should appreciate differences between humans in their role as social actors (Saunders, Lewis & Thornhill, 2012). As resources are allocated and utilized by these social actors, their perception of sustainable development is subject to individual interpretation of what constitutes reality. How different individuals feel and interpret the reality of sustainable development is a matter of personal opinion and such opinions are value-laden. The ontological position of the study is subjectivism as the whole essence of resource
allocation, utilization and sustainable development are subject to individual opinion in determining what constitutes developmental priority for a given people. The research attempts to analyze and explain phenomena from data obtained from secondary sources including written texts, articles, published materials on the internet and other public sources. Such materials are then subjected to a rigorous content analysis from which conclusion and recommendations are made.

3. DISCUSSION

3.1. How Resources are Inefficiently Allocated and Utilized in Nigeria

Nigeria, as a country, is still struggling for the right governance structure, a legal and institutional framework that can lead the country out of its present developmental challenges (Okolo & Akpokighe, 2014). With the inherited over-centralized system of governance where the winner takes it all, the ruling class will continue to allocate and utilize the nation’s resources in corrupt, inefficient and parochial ways that cannot result in any meaningful development for the country. The appointment of ministers, special advisers and board members into government ministries and agencies usually based on ethnic, religious and political considerations rather than on the ability to deliver. When any government comes to power, developmental projects are initiated based on ethnic consideration rather than location advantages. This is quite evident at federal, state and local government levels where the leaders woo the legislators to approve the location of such projects in their communities. Most federal and state universities were established on primordial considerations rather than locations that would be conducive for learning and research. The consequence of this poor choice of location is a drain on resources that could have been utilized for other projects.

It has been observed that 60 percent of corruption cases in Nigeria are procurement related (Onyilimba, 2017). Contracts are usually awarded by federal, state and local authorities on the bases of political patronage, ethnicity, nepotism, and other primordial considerations without much regards for due process. This creates room for non-execution or poor execution of such contracts without any consequences for offenders and thereafter, it is classified as ‘abandoned project’ to be re-awarded by another regime. Kaoje (2017) opine that corruption in procurement makes up 70 percent of government’s total budget. In 1999, the Obasanjo government commissioned an enquiry into procurement malpractices in Nigeria. Nigeria Country Department Africa Region (2000) submitted Country Procurement Assessment Report (CPAR) in 2000. Among its findings, as contained in the report are:

- Sharing of contracts to civil servants through their own registered companies.
- Loss of confidence in public service by public contractors.
- Contracts awarded to unqualified and ill-equipped contractors.
- Huge amounts paid to unqualified contractors who abscond and abandon the projects.
- The report also revealed that out of every N1.00 spent by government, 60Kobo was lost to underhand practices.
The damning report on pervasive corruption in the procurement process led the government to send a bill establishing the Bureau of Public Procurement to the National Assembly and was subsequently passed into law in June, 2007. The bureau had among others, the following objectives:

- Economy and efficiency in public procurement.
- Competition – open competitive bidding.
- Value for money.
- Transparency in the procurement process.

Laws are made but observance of the law is a different issue altogether especially by the custodians of the law. Everywhere anti-corruption laws are in the books, in practice they’re often skirted or ignored. People frequently face situations of bribery and extortion, rely on basic services that have been undermined by the misappropriation of funds, and confront official indifference when seeking redress from authorities that are on the take (Transparency International, 2016).

Since the discovery of oil in Nigeria, the government has always fared well in revenue generation through crude oil sales and other internally generated revenue such as taxes and duties. Nigeria accumulated gross revenues of N28 trillion in quarter one of 2018 (NBS, 2018). However, the citizens have not felt the impact of this huge opportunity due to poor and inefficient resource allocation and utilization. Kachukwu (2018) observes that $40 billion was wasted in the Niger Delta within a period of 10 years without any meaningful developmental project on ground to show for it. In a similar manner, $16 billion was allegedly wasted on power project between 1999 and 2007 without much to show for it (NBS, 2018). Okonjo-Iweala (2018) alleges that the National Assembly collected N17 billion gratification in order to pass the 2015 national budget. Allegations of the same national assembly demanding bribes from government ministries, agencies and parastatals are well reported by the Nigerian press.

Between 2007 and 2017, the national budget has tripled in size, for instance, the budget passed in 2007 was N2.39 trillion, N2.74 trillion in 2008, N3.05 trillion in 2009, N4.4 trillion in 2010, N4.7 trillion in 2011, N4.9 trillion in 2012, N4.99 in 2013, N4.64 in 2014, N4.46 in 2015, N6.06 trillion in 2016 and N7.30 trillion in 2017 (Nigeriabulletin, 2018). But with successive increases in revenue generation and higher national budgets, poverty levels also increase in Nigeria. In 2004, about 54.7 percent of Nigerians lived below poverty line. This figure increased to 60.9 percent in 2010. By 2017, those living in extreme poverty increased to 72 percent (World Bank, 2017). It is thus clearly evident that resources are not allocated or utilized in an efficient manner nor are the abundant resources the nation is blessed with utilized in the best interest of Nigerians.

3.2. Why Sustainable Development Remains Elusive in Nigeria

Among the key sustainable development goals are the eradication of hunger and poverty (UN, 2015). With 72 percent of the Nigerian population living below poverty line, (World Bank, 2017) it is quite clear that sustainable development will remain elusive for some time in Nigeria. Corruption in resource allocation and utilization has deprived millions of Nigerians access to good life while a privileged
few appropriate the wealth of the land to themselves and their protégés. Transparency International (2017) cited José Ugaz, Chair of Transparency International who observes “in too many countries, people are deprived of their most basic needs and go to bed hungry every night because of corruption, while the powerful and corrupt enjoy lavish lifestyles with impunity”. In a country where roughly N400 billions was paid as bribe in 2016 (UN Office on Drugs and Crime, 2017), sustainable development will be a difficult task indeed.

Societies that care about the wellbeing of their citizens would allocate and utilize their resources in programs and projects that are beneficial to the citizens. A primary obligation of any caring government is ensuring that people have access to food, water, shelter and a means of livelihood.

CONCLUSION

Conclusions

The study was undertaken to ascertain efficiency in resource allocation and utilization in Nigeria as the missing link in the country’s quest for sustainable development. From the findings, it was observed that materials are not procured at competitive rates by government agencies, political appointments are based on ethnic prejudices and political patronage; financial resources are usually wasted in white elephant projects that are of little or no relevance to the well-being of the citizenry while graft and corruption are tolerated by the ruling parties. Sustainable development goals which include eradication of hunger, poverty, illiteracy, access to clean water, affordable healthcare and a means of livelihood among others have remained elusive in Nigeria despite huge annual budgets that are read to address these challenges. The resources allocated to address these problems are corruptly diverted as contracts are awarded to family, friends and political allies without regard for the attainment of the sustainable development goals.

Absence of proper project planning, execution and evaluation has led to the plethora of abandoned projects that adorn the six geopolitical zones of Nigeria. Resource allocation and utilization in Nigeria is therefore poorly executed through corrupt, ethnic, political, fraudulent and primordial considerations that result in making a privileged few better-off while making the vast majority poorer and helpless. Therefore, inefficiency in resource allocation and utilization remains the missing link in Nigeria’s quest for sustainable development.

Recommendations

Based on the findings of this research, the following recommendations are made:

- Economic and technical efficiencies should be considered in resource allocation and utilization.
- Government appointments should be based on competence and track record of high performance by such appointees.
- Proper planning, implementation and evaluation of projects should be made a priority so as to obtain value for money.
• Anti-corruption agencies should beam their searchlight on contract awards and intensify their prosecution of corrupt officials, including perpetrators of fraud through collection of mobilization fees and thereafter, abandoning the project.
• Finally, sustainable development goals should be given special focus in annual budgets while more concerted efforts by the three tiers of government should be made towards achieving some of the goals.

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AUTHORS’ SHORT BIOGRAPHY

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