ADMINISTRATIE PROBLEMS OF PUBLIC CORPORATIONS: A CASE STUDY OF THE AGRICULTURAL DEVELOPMEMT CORPORATION (ADC) IN CROSS RIVER STATE.

BY

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A thesis submitted to the Postgraduate School, Ahmadu Bello University, in partial fulfilment of the requirements for the degree of Master of Public Administration (MPA).

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DECLARATION

This Research work is dedicated to my dear mother for her love and interest in my education right from my school age. May God grant her long life to live and enjoy the fruit of her labour.

A C K N O W L E D G E M E N T

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B. S. Ekanem
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ABSTRACT

Modern Economists hold the view that there are two major approaches to the problem of economic development. One is the so-called "Marxist-Lenist" or the "Socialist[1]' approach which calls for direct intervention of the state in the production and distribution processes. The other, Adam Smith and others or "Capitalist" approach which sees the role of the public sector as limited to the provision of a congenial economic and political atmosphere in which production can take place. This approach rests on the assumption that private entrepreneurs are capable of responding to economic incentives. There is also an ideological basis for the two approaches but this is not the subject of this study.

Nigeria is a mixed economy, and our National Constitution is unmistaken about our economic objective. The concept of planned, development and increasing state participation in economic activities has been the corner stone of our National, policy ever since independence twenty-three years ago. The growth of public enterprises in diverse fields of our national endeavour is conceived as one of the major instruments for the transformation of our backward economy into self sustaining and progressive one, and for the preservation of social equilibrium and political stability.

A country or state benefits a great deal by the public sector enterprises only when they are managed efficiently. It also loses a great deal, on the other hand, if scarce financial resources and scarce managerial talent are wasted. If the continued growth of these enterprises in the key sectors of our economy is necessary for the future well-being, their failure in the present can therefore mean disaster to our country or state, and no segment, including the private sector of our economy, can avoid the terrible impact of such a failure. Hence the importance of achieving maximum efficiency in the management of these enterprises, and consequently of creating the necessary managerial framework and providing an adequate flow of competent managers for these enterprises, should be obvious.

Huge sums of money have been invested in public sector projects in our country but unfortunately their performance is far from satisfacotry. The poor performance of some of these enterprises can be attributed to inadequate assessment of demand, but most of them could run efficiently and earn sizeable profits if a proper diagnosis of the problems of these organisations could, be carried out, the constraints identified and necessary remedy, applied to them.

This study is our humble effort to inquire into

the administration of statutory corporations in the Cross River State and to identify the key variables that constitute their performance problems. The centra piece of this study or inquiry is the Cross River State Agricultural Development Corporation (ADC). The author has chosen the Agricultural Development Corporation (ADC) among the other corporations in the Cross River State because that establishment happens to be the oldest corporation inherited by the Cross River State Government from the defunct Eastern Nigeria Development Corporation (ENDC), Enugu, through the States (Creation and Transitional)Decree of 1967 which the Cross River State, along with other Nigerian States, were created by the Gowon Administration As a pioneer Corporation in the Cross River State, it is only normal that the ADC should perform well to be able to generate enough profits for capital development in other fields of the State's economic endeavour. Besides, the ADC is expected to be the pace-setter for other public corporations in the state to find their feet. But for obvious reasons, as this study will reveal, the Agricultural Development Corporation has not been able to achieve its objectives.

Since after the civil war, the ADC has been an economic disaster. For months on end, it could hardly find enough money to pay salaries and wages to its eight thousand employees. Production was almost nill.

Till this day the ADC is heavily indebted to commercial banks in the state to the tune of N24 million. For reasons sometimes beyond its control, the rubber in the Estates could not be properly tapped. The palm fruits were yielding but could not be harvested although the ADC had hundreds of people who were employed to harvest these fruits. This was the . bleak situation in the ADC when the present administration took office in 1979. Initially, the State Government, perhaps as a short term measure, advanced substantial amounts of money in a futile effort to revive the corporation. What happened instead was that the more money Government sub-vented to the ADC the more it sank into the administrative and economic abyss.

As was to be expected, the tragedy of the ADC produced its own crop of critics who sought to lay the blame for the disastrous situation *on* the shoulders of the State Government. The Cross River State -Government was accused of everything from incompetence to being insensitive to the plight of the over eight thousand workers of the corporation. Most often, the critics did not mention the fact that Governor Isong's administration was not responsible for the ADC disaster.

When the present administration took office in 1979, it found that the problems of the ADC had been

accumulating since 1969. While the critics were busy-accusing the State Government of incompetence, the State Government was busy trying various programmes and policies aimed at revitalizing the ADC. The Cross River State Government set up a cabinet committee to take a hard look at the ADC and recommend ways of revitalizing the corporation. The Cross River State Government also decided to stop giving subvention to the Corporation mainly because the financial resources of the Government were dwindling and also because there had been no improvement in the conditions of the ADC despite previous Government subventions.

The adoption of the panel report by the Cross River State Government involved a rethinking of the fundamental philosophy behind the establishment of the ADC. Rather than allow the corporation to continue to be a social charity organisation offering employment to thousands of unproductive men and women, the State Government is still at a loss of what to do in order to transform the ADC into the profit making organisation.

This study, therefore,- is the author's effort to critically analyse the administrative problems of the ADC and suggest possible lasting solution to them.

In this study, the words, parastatals, parastatal organisations, public corporations, State-owned companies, public enterprises or statutory corporations

TABLE OF CONTENTS

		Page
Acknowledgements	.. ..	i
Abstract	.. ..	iv
Table of Contents	.. ..	x
List of Tables	.. ..	xii
List of Figures	.. ..	xiii
Abbreviations	.. ..	xiv

CHAPTER I

1.01	Introduction	1
1.02	Problem and Objective of Study	6
1.03	Scope of Study	18
1.04	Survey of Related Literature	19
1.05	Methodology	31

CHAPTER II

ORGANISATION AND MANAGEMENT OF THE ADC

2.01	Historical Perspective	36
2.02	Corporate Objective	42
2.03	The Governing Boards of Public Corporations	46
2.04	Organisational Structure and Management	68

CHAPTER III

THE ADC PROJECTS

3.01	Oil Palm Estates	76
3.02	Pioneer Oil Mills	80

Page

3.03 Cocoa Estates 83

3.04 Rubber Estates 85

3.05 Obudu Cattle Ranch 89

CHAPTER IV

FINANCIAL MANAGEMENT OF THE ADC

4.01 Financial Policy 96

4.02 Sources of Finance 99

4.03 Finance and the application of funds 109

CHAPTER V

INSTITUTIONAL LINKAGES AND PUBLIC ACCOUNTABILITY

5.01 The dilema of Institutionalised Control and autonomy of the ADC 112

5.02 The ADC and the Cross River State Legislature 116

5.03 The ADC and the Cross River State Government 120

CHAPTER VI

CONCLUSION

Summary of findings and Recommendations 133

LIST OF TABLES

Page

1. The Existing ADC Organisational Chart (Table 2.1) 68A

2. Recommended Organisational Chart for the ADC (Table 2.2) 68A

3. Location of Oil Palm Estates in Cross River State (Table 3.1) 77

4. Statistics ofProduction of Palm Oil and Kernel of the ADC (Table 3.2) 79

5. Performance of the Pioneer Oil Mills (Table 3.3) 82

6. Cocoa Estates (Table3.5) 83

7. Output of Cocoa for the years 1977/78 to 1979/80 (Table 3.6) 84

8. Rubber Estates (Table 3.7) 86

9. ADC Trade loses for 1977/78; 1978/79 (Table 4.1) 106

10. ADC Indebtedness (Table 4.2) 109

LIST OF FIGURES

Page

An outline Map of Cross River State of Nigeria (Figure 1.1) 5

ABBREVIATIONS

CDC - Commonwealth Development Corporation

ENDC - Eastern Nigeria Development Corporation

ADC - Agricultural Development Corporation

POM - Pioneer Oil Mill

REK - Rural Extraction Kits

NACB - Nigerian Agricultural And Co-operative Bank

U.N. - United Nations

CHAPTER I

1.01 INTRODUCTION

In recent decades there has been a phenomenal growth and expansion of public enterprises in the Developing world. These enterprises cover a wide spectrum of commercial, economic and productive activities. In view of the critical role which these public enterprises are expected to play in the National Development Plans, there is a clear and imperative need to ensure that they are managed professionally and at high standards of efficiency and productivity. This objective points to the necessity of evolving adequate systems of evaluating the performances of these public enterprises, devising suitable indicators both quantitative and qualitative to judge such performances and to establish a sound system of information and control for the purpose. This is so because a country or state benefits a great deal by the public sector enterprises only when they are managed efficiently. It loses a great deal, on the other hand, if the scarce financial resources and scarce managerial talents are wasted.

The history of government-in-business has shown, that only a few public enterprises in Nigeria have financially justified their existence. Various Reports of Tribunals[1] and Commissions of Inquiry point to the

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[1] For further details, see Report of Coker Commission of Inquiry into the Affairs of certain statutory corporations in Western Nigeria, (Federal Ministry of Information, Lagos, 1962), Vol. 2, pages 36 - 39.

fact that in the past, most of the public enterprises (including productive and commercial) have been a drain on the scarce public funds. In other words, they have displayed, on the whole, a poor image.

The fact that the Government is forced to set up a Commission of Inquiry to investigate the activities of any public corporation should be taken as an indictment of that corporation's efficiency and effectiveness. Evidence abound to support that there is hardly any corporation in Nigeria today that has not been probed. For instance, a portion of a Report of a Tribunal of Inquiry into the Nigerian Railway Corporation (NRC) had this to say. "That many Nigerian public corporations have not been properly and efficiently run was manifestly made clear from the reports of the tribunals and study panels appointed by various Governments to look into their administrations."[2]

From the above reports, it is clear that a lot of professional irregularities characterize the administration of our public corporations. It is hardly surprising then when Harison suggests that "when a public enterprise

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[2] See Federal Republic of Nigeria, Report of the Nigerian Railway Corporation Tribunal of Inquiry appointed, under the Tribunal Inquiry Decree 1966 to inquire into affairs of the Nigerian Railway Corporation (Lagos Federal Ministry of Information, 1967); Federal Republic of Nigeria, Report of the Electricity Corporation of Nigeria Tribunal of Inquiry (Lagos Federal Ministry of Information, 1967).

is not working well, its re-organisation is overdue, and it is an obvious solution.[3]

A detailed examination of the failures of some of these public enterprises in Nigeria, is however, not the subject of this study. The author had decided to limit this inquiry to public enterprises in Cross River State in general, and to the Cross River State Agricultural Corporation (ADC) in particular.

The Nigerian Civil War which lasted from 1967 to 1970 had its most traumatic impact on the economy and social life of the Cross River State of Nigeria. Much of the private and public buildings and institutions were either destroyed or looted, and the State Government had to provide relief for more than five hundred thousand displaced persons during the first few years of its operation. The first development plan of the then South Eastern State (now Cross River State) 1970 - 74, therefore, had, within the National objective framework sought.

1. To replace and reconstruct the facilities and assets damaged or looted during the war;
2. to expand food and cash crop production over and above the pre-war level;

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3 A. H. Hanson, Public Enterprise and Economic Development, London: Rout-ledge and Kegan Paul, Ltd., 1960 page 447.

3. to build up the infrastructure especially transportation and communication net work;
4. to embark on rapid industrial programme;
5. to improve and expand medical and educational facilities; and
6. to provide financial and credit facilities for indiginous businessmen.[4]

In order to achieve the above-stated objectives, the Cross River State Government established various parastatal bodies in the state and assigned them specific functions. The Cross River State (ADC) which is the subject of this study, was one of the oldest Agro-based public enterprises established by the State Government in 1969.

The Cross River State Government, from its very inception, found it necessay and, indeed, imperative, to use public enterprises as both instruments of planned development and to extend its participation in the socio-economic activities to any profitable industrial and commercial undertaking. What is not yet well understood, however, is how the Government can make these public enterprises function as effective as possible

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[4] Third National Development Plan 1975 - 80, the South Eastern State (now Cross River State) Programme, Calabar Government Printer, 1975, page 25.

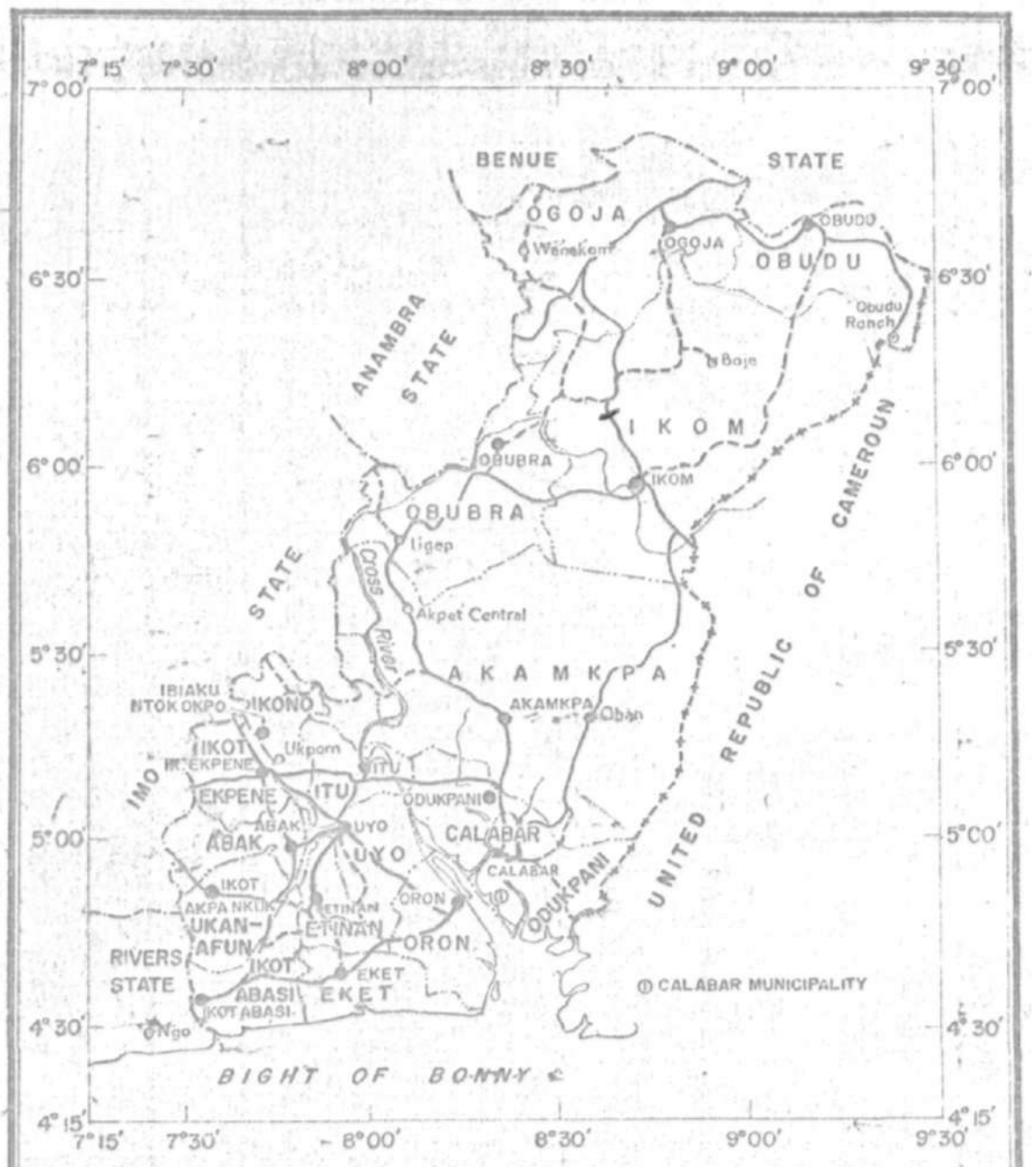
so as to achieve the desired objectives for which they were established.

It is the thesis of this study that if public corporations in the Cross River State that are directly productive or commercial are to restore their lost image and win the public confidence of the people of the State, then their management should be cost-conscious, efficient, profit motivated and objective. These call for a number of measures which this study has set out to examine.

The central theme of this study is, therefore, the administrative problems of public corporations in the Cross River State using the ADC as a case-study.

Fig. 5.1 -5A

NIGERIA 1:2,000,000 **CROSS RIVER STATE** OUTLINE MAP



PROVISIONAL EDITION
M. T. C. 58A

Drawn by C.R.S. Surveys, Calabar, Sept, 1974
Amended March, 1975
Amended March, 1978

Scale:- 1: 2,000,000

Kilometres 20 0 40 80 120 Kilometres

Miles 20 0 20 40 60 Miles

REFERENCE

Boundaries:- International..... State Capital..... ■CALABAR
State..... Local Govt. H/Q..... ●IKOM
Local Govt. Area..... Touring Area Base..... ▲OBAN
Roads:- Main..... Rivers.....
Secondary.....

Note:- Names of Local Govt. HQs. are identical with their respective Local Govt. names excepting Ikono and Ukanafun.

1.02 PROBLEM AND OBJECTIVE OF THE STUDY

Given the great disparity in the rate and level of socio-economic development among the various ethnic groups and geographical areas of the Cross River State of Nigeria, the acute shortage of infrastructural facilities, and a population that is predominantly rural, illiterate and poor, the need for the Cross River State Government to play a dominant role in the planned development process of the State cannot be over emphasized.

The need was therefore felt by the State government to use public enterprises as instruments of planned development to supplement private investment activities in the State. To achieve the above objectives, various parastatal bodies were established by the Cross River State Government and assigned specific functions in the fields of industry, agriculture, social welfare, finance and commerce. At present there are twenty-nine[5] parastatal bodies operating in the Cross River State ranging from profit-oriented industrial, agricultural, commercial and financing institutions requiring large capital outlay, to those providing services of a public

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[5] The Nigerian Public Enterprises as Instruments of Socio-Economic Policies. A case study of a Government Trading Company in the Cross River State of Nigeria by Gordon Idang, 1978, page 15.

utility nature. Some are either joint ventures between the Cross River State Government and the Federal Government or between the State Government and overseas technical partners.

In all these cases, the understanding is that the business activities of the State Government are better operated by more or less autonomous parastatals than by the regular Government Ministries or Departments. In this connection the Governor of the Cross River State, Chief (Dr) Clement N. Isong, stated as follows:

> "Perhaps, it may be necessary for me to remind you that the present significant position occupied by public enterprises in the economic system of the Cross River State, has not been accidental, but has been the product of deliberate Government decisions to establish such enterprises as one of the ways in which it could create suitable, commercial-type institutions to further economic growth and development . . . .
>
> 'For instance, the 1970/74 Development Plan (P.75) justifies the establishment of public enterprises by asserting, among others, that the normal Government machinery does not lend itself to the speedy decisions so essential for commercial operations',

> and that commercial undertakings tend to generate an atmosphere of initiative and release greater energy on the part of the operational personnel."[6]

Besides, parastatal bodies can (provided they operate efficiently and enterprisingly) finance themselves, thus reducing the burden of general taxation as well as generate capital for accelerated development of other sectors of the economy.

The economic rationale of the Cross River State for the creation of public enterprises in the State was therefore rooted on Government's assumption or expectation that:

(i) Efficiency could be achieved to a higher degree than was possible if the enterprises were run by a Government Department or Ministry.

(ii) There would be freedom of initiative, possibility of quick and sound decisions and more flexible policies and methods all of which were impaired under direct governmental management.

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6 Being part of an address by His Excellency, the Governor of Cross River State on the occasion of his meeting with Chief Executives of parastatals in his office on October 15, 1979, Government House, Calabar.

(iii) As a result of (i) and (ii) above, the corporation would be in a position to run its business at a profit.

(iv) As Government, and therefore the people, are ultimate owners of the enterprise managed by public corporations, the profits accruing from their operations are public money and can be fully utilized in the public interest, for exaample, by reducing the consumer prices for the products.

(v) Although public corporations are expected to operate as profit-making concerns, and make profits, they are also expected to provide more employment opportunities for the indigenes of the state.

(vi) Profits made by public corporations could be ploughed back into the state economy. In other words, incomes of public operations can produce multiplier effects in the state and so can help in the general economic development of the state.

But unfortunately the objectives for setting up some public corporations in the Cross River State have not been realised. The Cross River State ADC, for instance, which is the centre piece of this study, has always been the sick baby of the State Government.

Available records and statistics reveal that the Corporation has been recording losses since its inception thirteen years ago. For instance in the financial year, 1977/78, 1978/79 and 1979/80 respectively, the following excerpts on the FINANCIAL POSITION OF THE ADC for the periods speak for themselves.

RUBBER ESTATES

> ". . . Due to inadequate processing facilities at Nko and Biakpan Rubber Estates, only 47% of the total crop of 495 tonnes of rubber was processed into marketable rubber sheets and crumbs; 53% of the crops was sold as lumps at give-away price of ₦185.00 per tonne, instead of ₦550.00 per tonne. The difference of ₦365.00 per tonne is a foregone revenue. Thus a total loss of 184.44 tonnes at ₦365.00 giving a total sum of ₦67,320 as the foregone revenue for the period . . . . With such heavy losses it is very difficult for the Corporation to meet her commitments such as payment of salaries and wages, repayment of bank loans and settlement of outstanding debts . . . .
>
> The total liabilities of the Corporation as at 30th April, 1979 stood at ₦6,627,789; a greater part of that amount was liabilities in respect of bank loans and overdrafts . . .

> same liabilities were also carried forward from that 1977/78 financial year because for these two years the ADC was not provided with Capital funds to service its capital investment in the Third National Development Plan . . . . The sum of ₦500,000 00 was made available as a measure to enable ADC avert a labour uprising due to lack of payment of salaries and wages for two months . . . ."[7]

It is against this background that the Agricultural and Allied Workers Union of Nigeria, Cross River State Council - Calabar in its memorandum to the Commission of enquiry into the management, productivity and corrupt practices in Government Agencies and Parastatals instituted by the Cross River State House of Assembly submitted, in part, as follows about the ADC: "The Cross River State ADC since its inception thirteen years ago, has been very diappointing to the Government, the people, and the nation. It has never made profit nor break even."[8]

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7 MEMO NO. CRSADC/1979-80/8 on FINANCIAL POSITION OF ADC dated 3rd September, 1979 by the Chairman of the ADC and presented to the Hon. Commissioner for Agriculture in the Cross River State.

8 MEMO NO. AAWUN/CRS/OOE/1/2 of 29th December, 1981 submitted by the Agricultural and Allied Workers Union of Nigeria, Cross River State Council, Calabar to the Commission of Inquiry into the management, productivity and corrupt practices of State-Owned Agencies and Parastatals, House of Assembly, Calabar.

The problem with the State ADC is the expectation by the people that the Corporation should, on one hand, function as a social institution offering employment to thousands of unproductive men and women in the State and on the other hand, function as a profit making concern.

Production in the ADC had virtually come to a stand still while salaries and wages of the employees and other social overheads continued to rise in the corporation without the corresponding increase in productivity. As at the time of this Research, the ADC is indebted to commercial banks in the Cross River State to the tune of N24 million. It is known that this debt resulted from efforts by the Corporation to rehabilitate the plantation after the Nigerian Civil War in 1970, and at the same time, trying to carry out expansion of the plantations when there were no feasibility studies on these projects. This situation is considered to have resulted from poor planning.

When the present Administration took office on October 1st, 1979, perhaps as short term measures, it advanced substantial amounts of money to the ADC in a futile effort to revive that corporation. What happened instead was that the more money Government subvented to the ADC, the more it sank into its

Administrative and economic abyss.

This study has also revealed that for thirteen years now, that is, since the inception of the Cross River State ADC in 1968, the Corporation has had six sets of Boards of Directors to manage its affairs with an average of two years per Board. This is certainly not a healthy situation for a commercially oriented enterprise such as the ADC.

It is on record too, that between 1971 and 1980, on account of poor performance of the ADC, a total of five studies were commissioned by the State Government to look into the problems of the ADC and make concrete suggestions that would put the Corporation on a sound economic footing.

The first was the 'Inyang Panel' set up in 1971 by the then South Eastern State (now Cross River State) Government to identify the problems of the ADC and make recommendations to the Government for improved performance. Among others, the Inyang Panel recommended that the ADC be supplied with Mills and Factories and sizeable funds to enable it rehabilitate the plantations and process the crop. But these recommendations, for reasons not revealed to the author, were not implemented by the Government.

The study also revealed that in 1972, the Cross

River State Government procurred the services of Harisons Fleming, a London firm of Agricultural Plantation experts to look into the ADC problems. Among the terms of reference given to that Company, included the following: "To make a survey of the organisational set-up of the entire corporation, as well as each project unit, department of operation, in order to ensure costs reduction, economic utilization of input and to make recommendations."

It is understood that four-fifths of the recommendations of the Harison Fleming's study group were not implemented by the State Government. The author was not given any reason why the State Government refused to implement the recommendations.

Again, in 1977, the State Government commissioned SKOUP and Company Limited to undertake the feasibility studies of all the ADC projects and Head Office with a view to identifying their problems, needs and recommending corrective measures. That exercise, the author gathered, stopped at the stage of the draft final reports. The Company had long abandoned the job because it said it had not fully been paid. And the draft final report for which the author was made to understand that the sum of N155,000.00 (one hundred and fifty-nine thousand naira) was paid, could not be used by the State Government.

This study further revealed that in 1978/79 the ADC Board of Directors internally worked out a re-organisational proposal which it felt could enable the ADC perform economically. This study revealed that the Board suggested the breaking up of the entire ADC into companies to be run on crop basis. The author understood that the State Government set aside the Board's recommendation for undisclosed reasons.

In a genuine desire to find a lasting solution to the problems of the Cross River State ADC, the Governor-in-Council appointed a sub-committee of the Cross River State Executive Council in March, 1980 to study and make recommendations to the Council on proposals for internal re-organisation of the Corporation so as to make it profit oriented.

Among the terms of reference to the Executive Council sub-committee included an examination of the factors responsible for the absence of sound organisational policy and objectives of the ADC; why the corporation was unable to generate funds to sustain itself and invest in development; why there was insufficiency and irregularity of government funding; what factors were responsible for the lack of functioning processing facilities in the corporation, and the frequent changes of the Board of Directors of the ADC and the poor composition of the present Board, which had rendered

it virtually ineffective.

At the time of this study the report of that sub-committee of the Cross River State Executive Council had not come the author's way but the terms of that sub-committee have been incorporated as an integral part of this study.

Investigations revealed generally that other public Corporarions in the Cross River State were no exception to this poor performance. It is on record that the operations of other state-owned companies are far from satisfacotry.

Some, because of poor performance, have caused public enquiries to be conducted into their affairs. Infact, because majority of public corporations in the Cross River State continue to sustain terrible losses that require monthly subventions by the Government, suggestions have been made by the citizens of the State as to whether it would not be better to transfer their functions to the private sector of the economy.

Management inefficiency, public complaints about the quality of their services, irregularities in appointments and promotions, corruption in the award of contracts, waste of public funds, unhealthy rivalries and struggles over management succession are some of the criticisms levelled against public corporations by

the State Governor, Chief (Dr) Clement N. Isong. Arising from the above, there have been frequent changes of the Board of Directors of the ADC with new ones in the hope that the objective of the Corporation would be realised. The position, however, has not changed for the better.

The objective of this study, therefore, is to find solutions to the following problems of the ADC, namely:

1. Inadequate working capital to enable the corporation carry out optimum level of field maintenance and procure production inputs for increased production and revenue.
2. Absence of adequate processing facilities as there are no modern mills or factories in the Corporation. The crude and old mills now in use in the corporation are very inefficient, small, antiquated and lack spare parts.
3. There is also the problem of increase in labour wages arising from the minimum wages Act of the Federal Government of Nigeria with no corresponding production increases as a result of lack of production inputs and facilities stated above.
4. The problem of the corporation's inability to train managers or recruit and retain trained ones as a result of poor conditions of service in the ADC.
5. There is also the problem of poor organisational set up and the absence of clear cut organisational policy for the corporation.

Apart from the problems highlighted above, the author also intends to look into other related constraints that militate against the successful operation of the ADC and then make recommendations that he thinks will improve the corporation's economic feasibility, commercial viability, financial soundness and profitability of its various projects and activities.

1.03 SCOPE OF STUDY

The study is limited to a period of thirteen years, that is, from 1969 when the ADC was established under Law of the Cross River State (Edict No. 3 of 1969) till date.

Given this, the study will be directed towards investigating the organisational structure, finance, and personnel policy of the ADC so as to determine the relationship between these key variables and the administrative problems of the ADC so as to know to what extent these problems emanate from these areas and how they affect the goals of the corporation.

1.04 SURVEY OF RELATED LITERATURE

This chapter will not be fully appreciated without an attempt being made by the author to answer the following questions which are very pertinent to the subject matter of public corporations. The questions often asked are as follows: what is a Public Corporation? What is its raison d'etre? What are its characteristics? And, what are its genesis?

The twentieth century has witnessed the growth of yet another device of administrative organisation. This new growth is "Public Corporation" or "Public Enterprise." Public Enterprises have assumed various titles all over the world. They are known as Board Corporations, Companies, Parastatals etc. A Public Corporation has been described by Professor W. A. Robson as "the most important innovation in political organisation and constitutional practice."[9] Professor Dimock describes a public corporation as "a publicly-owned enterprise that has been chartered under Federal, State or Local Law for a particular business of financial purpose."[10]

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9 W. A. Robson: Nationalised Industry and Public Ownership, George Allen and Unwin, 1960, page 319.

10 M. E. Dimock: British Public Utilities and National Development (London), 1953, page 158.

Public enterprises are public institutions which have responsibility for either general or some specific areas of a country's economic development. This includes the responsibility for industrial, financial and agricultural development as well as the establishment and operation of public utilities with both planning and executive powers.

In Nigeria, public enterprises represent one of the many ways of achieving a high level of prosperity and progress in a country with different levels and degrees of development. Apart from being an agent for boosting economic development, "these Bodies also help to realise finances for infrastructural and social programmes."[11]

Contributing to the subject matter, Professor Shukla describes a public corporation as "a corporate body created by the Legislature, with defined powers and functions and financially independent, having a clear-cut jurisdiction over a specified area or over a particular type of commercial activity."[12]

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11 For further details, see a paper titled "Some Aspects of Training and Training Schemes in Public Enterprises" by Olatunji Olagunji of the Institute of Administration, A.B.U. Zaria, presented at the conference on Public Enterprises in Nigeria held at the Institute of Administration, A.B.U., Zaria from 27th April to 30th April, 1970.

12 M. C. Shukla: Business Organisation and Management, S. Chand and Company, Delhi (1955), page 359.

With regard to the raison d'etre of public enterprises, it is stated that all the poor countries of the world are now striving, with varying degrees of determination and intelligence, to develop themselves economically. It is said that even Yeman,[13] ruled by an obscurantist Imam, has invited foreign experts to survey its resources and suggest how to exploit them. This is so because it has now become an acceptable fact that in all the countries of the world, particularly the developing ones, growth and development of their economies are now the responsibilities of the state. And the establishment of public enterprises is one of the many methods by which governments of developing countries attempt to promote growth and development.

Other authorities have written a lot of literature to justify the creation of public enterprises. It is believed that because of the inevitable huge capital outlay involved, the long gestation period, risks, and above all, the desire for a faster pace of economic development, developing countries have embraced the establishment of public enterprises as one of their major responsibilities instead of leaving them to the private entrepreneur who has lean resources.

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13 A. H. Hanson: Public Enterprises and Economic Development, Rout-ledge and Kegan Paul Limited; London, second Edition, page 3, 1960.

The size of public enterprises and their scope of operations partly depend on the speed and growth that a government envisages. Much will also depend on the relative emphasis placed at a particular stage of economic development on infrstructural, agricultural, and industrial enterprises. But broadly speaking, "the more capital intensive, the more complex, and the more slowly-yielding an enterprise, the greater the likelihood that it will be in the public rather than the private sector."[14]

Public corporations have their own characteristics. Many authorities on the subject have said much on the characteristics of public corporations. The author, however, is fascinated by the views expressed by Professor A. R. Tyagi.[15] The Professor sets out the following as the main characteristics of a public corporation:

1. It is a legal person capable of suing and being sued, entering into contracts, acquiring and owning property in its own name.
2. It is incorporated under a special statute

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14 For further details see a paper titled "Management of Public Enterprises: Control and Autonomy, External and Internal Problems," presented by Mr. T.I.O. Nzegwu, General Manager, Nigerian Railway Corporation, Ebute Meta at the 12th Inter-African Public Administration and Management Seminar organised by the African Association for Public Administration and Management (AAPAM) held at Ibadan, Nigeria from 3rd December to 8th December, 1973.

15 A. R. Tyagi, Public Administration, (Principles and Practice), Atma Ram and Sons, Delhi Chandigarh Jaipur Luchnow, Fifth Revised Edition, page 206, 1975.

of the Parliament which lays down the public purpose, its powers, duties and immunities, etc.

3. Its functions are primarily of a business or industrial nature. Although its primary objective is not profit by public service, yet it is run on business lines and not in accordance with departmental procedures and practices. In the words of President Roosevelt, it is 'clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.'

4. The Public Corporation has its own finances separate from the National Finances. It holds funds in its own name which are granted to it by the Parliament once a while and which have been accumulated by it through its own earnings. It enjoys complete autonomy in the management of these funds and is not accountable to the government in the handling of these funds except in only matters of general policy.

5. It enjoys sufficient adminsitrative autonomy from the control of the Chief Executive. The government has only the power of laying down general policy. The day-to-day administration is the exclusive responsibility of the Managing Directors of the Corporation.

6. Its personnel do not form a part of the civil services but are recruited independently on the pattern of business executives. In fact, the personnel of a Public Corporation have, in their conditions of services, management and control, skilled and temparament more in common with the private business executives than with the civil servant.

Public Corporations have their origins in the various countries of the world. For instance, in the United States of America it is believed that public corporations came into being as a result of war time emergency situations whereby certain ad-hoc arrangements made it possible for the government to achieve quick results which otherwise would have been a bit more difficult or even impossible to attain. It is believed that the United States War Finance Corporation and the State Grains Corporation as well as other similar public bodies were the products of the First World War while the Second World War produced the United States Defence Plant Corporation. After these wars, these bodies were not destroyed, but were preserved for improved functions and duties.

In Britain, the story, was the same. Such Pioneer British Public Corporations like the British Broadcasting Corporation (BBC) and the Central Electricity Board (CEB)

are believed to have been established during the nineteenth century.

On the achievement of independence, politicians in East and West Africa discovered, to their dismay that the commercial and industrial sectors of their countries' economies were largely in the control of foreigners. A survey in Uganda,[16] for instance, made shortly before the mass exodus of expatriate businesses, revealed that four thousand non-Africans controlled 70% of the distributive trade whilst sixteen thousand Africans were responsible for only 30% of the distributive trade. Such a situation was unhealthy both politically and economically for a country. It was politically unreasonable to leave the control of the economy of Uganda in the hands of foreign entrepreneurs. With this control, the East African governments could not plan economic growth, nor bring about African participation in business, nor solve the problem of unemployment in the area. The governments of these countries came to the conclusion that the urgent problems of development could not be solved by private enterprise, and that governments must get away from their traditional care-taker and regulatory functions, and move into an era

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16 See paper titled "Ways and Means of Improving Performance and Management of the Public Enterprises" presented by Chief J. O. Udoji, Chairman, Public Service Review Commission, Lagos at a Seminar held at Ibadan, Nigeria on 8th December, 1973.

cf active participation in the productive sector. For example, the Ministry of Agriculture should no longer be satisfied with being a Research Department, but should go into agricultural production. In the same manner, the Mines Department should not only produce maps of mineral resources, but should go into mineral exploitation. These are some of the reasons for the establishment of the development and state trading corporations that have become a common feature in East and West Africa today.

In West Africa, it is stated that the few public utility corporations were established by the colonial governments. Public utilities were also fields which the colonial governments considered essential for the maintenance of minumum civilized standards by the Civil and Military administrators, as well as for facilitating the maintenance of law and order in the territories. This was how public corporations, such as water, electricity, railways came into being in the various colonial territories of West Africa.

In Nigeria, Nwanene has said that the beginnings of the public corporations in Nigeria go back to the closing years of the ninteenth century. According to him, "in 1897 the Lagos colonial administrators established, by ordinance, the Lagos Race Course Management Board to run, regulate, manage and develop

the race course of the island of Lagos."[17] In 1961 it is understood that the race course Management Board was dissolved, and in its place, was instituted the Tafawa Balewa Square Management Board in Lagos.

Writing also on the origins of public corporations in Nigeria, R. O. Teriba said that "public corporations had, by and large, come into existence through governmental initiative and pioneering rather than through a policy of nationalization. . . . Their formation has been haphazard and piece meals, stimulated in the main, by socio-economic and political exigencies."[18]

The next public corporation in the chronological order, according to Nwanwene, came in 1912. In that year the British government set up the West African Currency Board to help them secure more stable sources of revenue. The West African Currency Board functioned up to 1958, when it was dissolved and its functions, in respect of Nigeria, were transferred to the Central Bank of Nigeria which was created in that year.

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17 O. Nwanwene, Public Corporations and State-owned Companies, Ife: Quarterly Journal of Administration, Vol. V, Number one, October, 1970, page 53.

18 See "Studies in Nigeria Administration (ed) D. J. Murray, 1970, Hutchianson Educational Limited, London, page 50.

In 1945, a number of public corporations emerged from the government of Nigeria's Ten-year Plan of development and welfare. In that year the Gaskiya Corporation was created to promote the Hausa Literature. And in 1946, Nwanwene says that the Nigeria Local Development Board (NLDB) was set up to lend money to such authorities, societies and persons as would embark on development projects.

In 1947, the Cameroons Development Corporation was established while in 1949 the Mokwa Agricultural Project[19] was inaugurated jointly by the Government of Nigeria and the newly formed British Colonial Development Corporation.

In 1949, the Nigeria Local Development Board was re-organised into Eastern, Western, Northern and Colony Development Boards. In the then three Regions of Nigeria, the Boards developed, through Regional Production Development Boards, into Regional Development Corporations, while the Colony Development Board yielded place to the Federal Loans Board in 1956.

The war time emergency arrangements for the marketing of West African primary produce in the United Kingdom yielded place, on the cessation of hostilities and at the instance of the British Government, to

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19 For an excellent account of the project, see K. D. S. Baldwin, the Niger Agricultural Project, O.U.P., 1957.

the Nigerian Commodity Marketing Boards. "Thus were formed the Nigerian Cocoa Marketing Board (1947), the Nigerian Oil Palm Produce Marketing Board (1949), the Nigerian Groundnut Marketing Board (1949) and the Nigerian Cotton Marketing Board (1949)."[20] When in 1954 Nigeria became a Federation, the Commodity Boards were replaced by four all-purpose regional marketing Boards. The Boards maintained a common shipping and selling organisation, the Nigerian Produce Marketing Comapny Limited, which took over all produce from the Boards at port.

The creation of twelve states in the federation during the Gowon regime in 1967 and the thirty-month Nigerian Civil War had a profound effect on the Nigerian public corporations and other public concerns, particularly in the East and North. The position in the East was that all the original public corporations had ceased to operate. Two of the three states there had been recreating some of their enterprises, like the then South Eastern State (now Cross River State) and the Rivers State Marketing Board and Sports Councils.

The South Estern State (now Cross River State also created the South Eastern State (now Cross River State) (ADC), the Rubber Plantations Limited, the Coastal Shipping Company, the Newspapers Corporation and the Housing

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20 Nwanwene, op cit, page 54.

Corporation.

The author has attempted to trace the origins of public corporations in some parts of the developed and developing worlds and has noted that public corporations so created by law in the various countries were meant to achieve a public purpose for the people. The author has also attempted to discuss the raison d'etre for the public corporation. In the main it is known that war time emergencies, the quest for faster pace of socio-economic development, the unsuitability of the civil service system, the need for large capital investment, the attendant risks, the slowly yielding returns and so on, contributed in no small measure to the creation of public corporations in various parts of the world.

1.05 METHODOLOGY AND SOURCES OF DATA

Since this study involves an indepth examination and evaluation of the ADC's organisational structure, its projects, finance and profitability prospects and marketing as well as its personnel policy for thirteen years of the existence of the corporation, it is clear that a task of this nature and magnitude requires a considerable amount of pre-study preparation followed by extensive field investigation - oral interview and data collection.

It is believed that the principle of Research should be that the methodology is ancillary and that the Research problem and setting should determine the methodology to be chosen. The choice of the instruments and means employed in the data collection for this study has been influenced by a number of considerations. They include, among others,

(i) The environment and coverage of the investigation, and

(ii) The need to ensure adequacy, quality and reliability. Thus the methods employed in the field for collecting information/ data which are used in this study are those proven techniques, very much in vogue both in the developed and developing countries.

They include interviews, informal sources as well as documents previously written on the subject of this inquiry. The use of a combination of questionaire with interview method for this study was not considered desirable or expedient for the obvious reason of the large geographical spread of the corporation's projects and the lean financial resources of the author.

As will be discussed later in this study the Cross River State ADC is one of the biggest of the seven Agro-based parastatals the state has established in terms of size and undertakings. It has fifteen Agro-industrial projects comprising six oil palm Estates, three rubber estates, four Cocoa and one Cattle Ranch and a number of oil palms. These projects are scattered all over the length and breadth of the Cross River State.

The oral interview method was employed in the collection of information and data for this study. In order to reduce cost and save time, as it was not possible, and indeed, necessary to obtain information from the entire staff of the ADC, this study relied on random sampling method. That is to say that selection of respondents included the most accessible and representative source of information. This, it was thought, would enable the cream of opinion to be elicited by giving the preference of selection to the top management of the ADC.

Essential documents pertaining to the setting up of the ADC together with Annual Reports and Estimates of the Corporation were also collected for this study.

About the essential documents, this led the author to the use of content analysis in data collection. This is the method of fact-finding which attempts to state the problem of the study in dimensions based upon the best available theoretical conceptualizations.

A good number of writers have covered various aspects of the ADC. The justification to find a theoretical framework for this study stemmed from the writer's reliance on newspapers, Radio and T.V. sources and informal discussions with friends and other experts not directly connected with the corporation under this study.

Many of the writings on the ADC came into existence thirteen years ago and would as well serve very important and unique access to the historical as well as some current social situations with or without a restrictive usefulness. It may be that some of the original texts have stood up to the experience that has been accumulated since they were first written. It may also be true that while some simply require major or marginal modifications (which might not have been done) most of the old texts have become obsolete, anarchronistic and therefore, irrelevant. In particular, some objectives and functions

enshrined in the legal document establishing the Cross River State ADC on which various writings were based, call for major changes in the face of a growing and dynamic economy.

It is on the above mentioned facts that the quest for the statutory corporation based on the existing theoretical framework became pertinent.

In the main, this study relied on aggregate documentary data supplemented with information collected during interviews in the field.

LIMITATIONS

It would be incorrect for the author to assume that during the process of his labourious search for information and data for this study, he did not encounter some problems. Most of the data needed for this study, apart from written books on the subject matter, were stored in files marked either "TOP SECRET" or "CONFIDENTIAL" in the various government departments and ministries that had something to do with the ADC. Access to these "secret" files was difficult since government officials would not want to divulge "official" information about the Corporation to an "outsider" for fear of its being used to either castigate the Government or the management of the ADC.

At the beginning of field work there was evidence

of co-operation from the respondents. But as time went on it became a bit difficult to receive much co-operation from some of the staff of the ADC. The apparent lack of co-operation from some staff of the ADC could be understood when viewed against the background of their plight, namely, having stayed for six months without salaries/wages, owing to the Corporation's inability to pay them.

CHAPTER II

ORGANISATION AND MANAGEMENT OF THE ADC

2.01 HISTORICAL PERSPECTIVE

This chapter attempts to trace the evolution of the Cross River State ADC in a chronological sequence dating back from the time the corporation was known as the Common-wealth Development Corporation (CDC) before it changed hands and became known as the Eastern Nigeria Development Corporation (ENDC) and then to South Eastern State (now Cross River State) ADC and finally to the structural changes in the corporation since the present administration under His Excellency, Chief (Dr) Clement N. Isong, Governor of the Cross River State, came into office on 1st October, 1979.

The Eastern Nigeria Development Corporation (ENDC) succeeded the Common-wealth Development Corporation (CDC) which was operated on the basis of providing employment for the demobilized soldiers of the second world war while at the same time securing relatively cheap raw materials for the British Industries.[21]

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[21] Cross River State ADC: Feasibility study. An Interim Report, SCOUP and Company Limited, August, 1976, page 77.

The ENDC was established under the Provisions of the Eastern Nigeria Law No. 12 of 1954 as amended by the Eastern Nigeria Law No. 24 of 1956 and commenced operation in February, 1959.[22] It was charged with the principal duties of improving the quality and quantity of palm oil produced on which the economy of the then Eastern Nigeria was very largely dependent, and also with the improvement of food supplies and the introduction of other cash crops as Cashew, Cocoa, Coffee, Rubber and Coconuts. In addition to these principal tasks, the ENDC was also charged with the building of new roads and bridges to open up under-developed areas; the building of powered river-crafts for the many hundred of miles of inland water ways in the Region; the operation, either alone or in partnership with foreign or local interests, of industrial and agricultural projects as well as the issue of loans to assist agricultural and industrial schemes.

In carrying out these functions, the ENDC operated and managed the following Agricultural and Industrial schemes - Pioneer Oil Mills Scheme (POM), Oil Palm Plantations, Cocoa Plantations, Cashew Plantations, Cattle Ranch and the Oil Rivers Boat Yard.

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22 Nigerian Hand Book of Commerce and Industry, compiled and published for the Federal Ministry of Information, Lagos, June, 1962 page 57.

In the main, the bulk of the activities of the ENDC at that time consisted of ninety-four Pioneer Oil Mills schemes, twenty-six Agricultural Projects, twelve Catering Rest Houses, two Luxury Hotels and a number of Industrial and Commercial projects.[23]

There were no feasibility studies carried out to establish the suitability of the crops to the project locations; identify the various inputs, particularly sources of sustained funding, management policy, ultimate projects sizes and thereafter determine the economic viability of the projects.

In the absence of the vital economic pre-requisites mentioned above, one might assume that the Eastern Nigeria Government's primary objectives for setting up the Eastern Nigeria Development Corporation (ENDC) and its projects was to provide employment opportunities for the people of the majority tribes of the region and to win the political support of the minority tribes by locating the plantations in their area.

In May, 1967 when the thirty-month Nigerian civil was broke out, the ENDC had three hundred senior staff, one thousand junior staff and a labour force of eithteen

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[23] Nigerian Hand Book of Commerce and Industry, op cit; page 28.

thousand people.[24] Only twenty-seven out of the three hundred senior staff were of the South Eastern (now Cross River State) origin.[25]

Arising from the fact that the plantations of the former ENDC were left in a very precarious position, the sole Administrator appointed a "Care and Maintenance Body" in Ogoja in the Cross River State under the charge of the Chief Agricultural Officer (the most senior Agricultural Officer who survived the war) to administer those plantations projects of the former ENDC that fell within the geographical boundary of the newly created Cross River State. Other senior staff of the Ministry of Agriculture, Calabar, were seconded to assist the "Care and Maintenance Body" in their task of rehabilitating these plantations.

The sole Administrator had at this time evolved the following policy for the maintenance of the defunct ENDC projects in the divisions of old Ogoja Province.

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24 Nigerian Hand Book of Commerce and Industry, op cit; page 45. There were no available records for other years.

25 Report of the Commission of Enquiry into the Affairs of the former ENDC Plantations from May, 1967 to November, 1968, Ministry of Home Affairs and Information, Printing Division, Calabar, 1969, page 5.

1. "The Office of the Chief Agricultural Officer was established;
2. "All former projects of the defunct ENDC came under the umbrella of the Chief Agricultural Officer;
3. "All projects lost their 'Corporation' status and had to be run as part of the general civil service of the Province, except that separate management Committees were appointed to control the Obudu Cattle Ranch and the Foineer Oil Mill (POM);
4. "Finally, all projects were run on a 'Care and Maintenance' basis".[26]

With the complete liberation of the entire Cross River State from the Rebel Troops, the seat of government of the State moved from Ogoja to Calabar where the herculian task of reconstruction, rehabilitation and reconciliation commenced immediately for the good of the people of the state.

From 1967 to September, 1979, the plantations of the ENDC in the former South Eastern State (now Cross River

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26 South Eastern State of Nigeria, Report of the Commission of Enquiry into the Affairs of the former ENDC Plantations from May 1967 to November, 5 1968, Ministry of Home Affairs Information, Printing Division, Calabar, 1969, page 7.

State) were run as a unit of the Ministry of Agriculture in the State and therefore, an arm of the state's civil service. The Chief Agricultural Officer over-seered the management of this unit which was re-christened "Plantation Department."

This study has revealed that the economic and organisational inadequacies of the ENDC were transferred to the new body which became known as the ADC. There was therefore only a change in name. For instance, the study has revealed that the conditions of service were the same and that the ENDC workers became the ADC workers. Even members of the Agricultural and Allied Worker's Union had all along been ex-workers of the ENDC/ADC. Staff of the Ministry of Agriculture, mostly Agricultural Superintendents, were deployed to work in the new ADC. The General Manager of the ADC was an Agricultural Officer from the State Ministry of Agriculture.

Most of the Managers of the ADC were civil servants who were inexperienced in Plantation Management. This study has also revealed that workers of the ADC were paid civil service salary scales and also depended on the Sub-Treasury from 1967 - 1973 for their salaries.

From the above findings, it can safely be said that the ADC was an "adopted offspring" at a mature age, from the ENDC. Being the same organisation

except only by change of name, the ADC was born with a lot of economic inadequacies of the ENDC, a situation that made the ADC vulnerable to economic tribulations as this study will reveal in the subsequent chapters.

2.02 CORPORATE OBJECTIVE OF THE ADC

The Cross River State Agricultural Development Corporations (ADC) is a statutory corporation, and was established under Law of the Cross River State Edict No. 3 of 1969, and was incorporated on 15th April, 1969. It is a body corporate with perpetual succession and a common seal.

The objectives of the corporation as spelt out in section 8(1) of the Edict are as follows: ". . . securing the investigation and formulation of policies for developing the Agricultural resources of the State with a view to the expansion, improvement, increase, diversification, and intensification of production of foods, foodstuffs and export products, processed or otherwise and for other agricultural developments as well as foster the provision of employment to the people."[27]

As a corporate body the ADC has the power to sue and to be sued in its name, and to enter into contracts

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27 Supplement to South-Eastern State of Nigeria gazette No. 10 Vol. 2 dated 24th April, 1969 part A.

except those that are specifically forbidden by law. It can also purchase, lease, acquire, hold and dispose of lands, shares and other property of whatever kind for the purpose of its functions.

As a public enterprise, the ADC has no shareholders as is the case with the State-owned Mercantile Bank of Nigeria Ltd. in Calabar. None of its equity capital or debenture stocks is held by members of the public. Its capital is provided by the government in the form of grants and/or loans. The general expectation of the State government is that the Agricultural Development Corporation should, as far as possible, carry out its functions with the flexibility of an independent organisation or in a manner befitting a Commercial Enterprise. But unfortunately, as will be revealed later in this study, the ADC has not achieved its objectives.

Interviews the author had with top management, staff and some members of the ADC indicated what may be taken as their perception of the Government's objectives for the corporation. Profit motive was seen as secondary. The primary objective was found to be the exploitation of the rich agrictultural resources of the state and the provision of employment to the citizens of the Cross River State. Instances however abound in the Board's minutes of objections by the

Board members to the introduction of schemes that would entail a cut on the labour force.

The ADC's predecessor, the Commonwealth Development Corporation (CDC) as was pointed out earlier in this study, operated on the basis of providing employment for the demobilized soldiers of the second world war while at the same time, securing relatively cheap raw materials for the British Industries in their country. The ENDC which succeeded the Commonwealth Development Corporation had not much of an improved view of the fundamental economics of the work programme. It however, introduced systems to improve the foreign exchange earnings of the corporation but the profit motive remained unprospected.

Section 8 of Edict No. 3 of 1969 established the Cross River State ADC is comprehensive and anticipates all probable future undertakings of the ADC. What has, however been left out, is the now growing concept that the corporation should be run on a profits basis or should at least, break even.

The corporate objective of any public corporation should be clearly defined in the law establishing it. But the law establishing the Cross River State ADC makes the objectives rather wide and vague with the result that the ADC can do, and indeed, has done anything and everything imagineable to "foster economic

development of the state and provide employment to the people." What is being stressed here is that part of the confusion and financial chaos in many of the corporations in Cross River State including the ADC can be attributed to the government which does not seem to know what it wants from these public corporations.

If the government overcomes the problem of legislation whereby the objectives of public corporations are clearly spelt out and clearly defined and understood, it is believed that the ADC would not be faced with the problem of having to function as a social enterprise and at the same time (function) as a profit-making body. The objectives of the ADC are rather ambiguous and broad, ill-defined and confusing.

The author holds the view that while the objectives of the corporation may be stated in general terms as they are in the Act establishing the ADC, they should be translated into particular and quantitative targets by the responsible ministry over a planning period. However, the objectives should be as realistic as possible and worked out in co-operation with the management of the corporation. Again, the corporation should be allowed the maximum discretion of choosing the methods such that its planned assignments may be fulfilled. Furthermore, it is stressed that checks should be regular, not frequent and should be followed immediately by remedial action, where this has been shown to be necessary.

2.03 THE GOVERNING BOARDS OF PUBLIC CORPORATIONS

In this section, the author will attempt an exploratory discussion on the vital aspects of public corporations - the governing boards, with a view to relating the experience gained from the governing Boards of public corporations in other parts of the world to the Nigerian situation in general, and the Cross River State ADC in particular.

Public Enterprises, whether at the Federal or State level, are complex organisations. The Boards of public corporations have heavy responsibilities and must be able to take decisions, and unlike the civil service, failure to take correct and immediate decisions are reflected instantly in poor performance. The starting point is to ensure that corporations have first class, expert and contributing members on their boards because the Boards play a major role in the selection of top management. Only a good Board can select a good management.

Again, the Board of Directors of a public corporation occupies a key position in the entire process of goal-attainment by the organisation. Aside form formulating the broad policies of the organisation and playing a leading role in the appointment of the organisation's Chief Executive, it has to provide the necessary leadership, inspiration and advice to the top management

of the organisation.

Five important questions arise in connection with the composition of the governing board of public corporations, namely, (a) whether the Boards should be two boards or one? (b) whether they should be representative or appointive? (c) whether membership should be on a full-time basis or on a part-time basis and what should be the size of the board? and (d) what should be the tenure of members?

One general observation is necessary in connection with these questions concerning the composition of Boards membership of public corporations. It is stated that in view of the latitude allowed to them, experiment with the public corporation would stand or fall by the quality of men at the top level. In order to succeed, "the Board must consist not only of men who are actuated by highest of motives, whose only satisfaction is the high prestige built up as a result of successful management of public enterprises, but also of those who have the energy, imagination, experience and technical competence to handle their jobs with success."[28]

(i) Two Boards or One?

The first question that arises in connection

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[28] Amba Prasad, The Theory and Practice of Public Corporation in a Democracy, Indian Political Quarterly, Vol. XXI (1953) page 180.

with the Board of a public corporation is: Should it have two or one Board: In some countries of Europe, for instance, Germany, it is a fact that there are two boards as is the practice in joint stock companies.

But they were more in vogue in pre-war years. France had adopted, since World War II, a single-board system; the governing Board has deliberative and controlling function, whereas the Director-General is the Chief Executive.

In the English-speaking countries, on the other hand, the practice has been to have only one directing board. The various corporations in England have one governing Board each. Understandably, Nigeria being a former British Colony, favours a one-board system for her public corporations.

The answer to the question as to whether there should be one or two Boards, is therefore, not easy. Some writers favour the adoption of "double directorate" like what obtains in Germany.[29]

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[29] Professor Cole in among them. See G.D.H. Cole, Economic Tracts for the Times, page 295. It is stated that a proposal was mooted by Sir Oscar Warbury for the control of London Transport before the Joint select committee on London Passenger Transport Bill (1931). Put before the Committee, the scheme was defeated on division.

The arguments against a two-board system for public corporations are unanswerable. Prasad, for instance, argues that "an additional board would encumber the operations of the enterprise, as a large representative Board would degenerate into a tug of sectional interest."[30] Again it is argued that the problem of division of power between the two bodies is full of difficulties and policy and execution could not possibly be divorced in so thorough-going a manner.

In India and England, for example, the actual experience shows that the two-board system has not worked successfully in the case of public corporations.

(ii) Representative or Appointive Board?

There are two main types of public boards: the appointive and representative. The appointive is that which has members appointed by the Government of the country with or without consultation with certain interests. This is the prevailing practice in the United Kingdom and United States of America.

The representative corporation is less common, as so far, no satisfactory technique for it has been devised anywhere. "The French practice of representing on the Boards of their Nationalised industries, three equal groups of representatives namely, the state, the consumer

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30 Prasad, ibid, page 200.

and the employees, has not proved a success."[31]

But for theoretical and practical reasons, a representative corporation is less desirable than an appointive one because it is not easy to determine which interests are to be represented and in what proportion. Again, there is the problem of representation of un-organised interests. The responsible minister, however, represents all these interests.

On the theoretical grounds, there are two objections. First, efficiency requires that the board should act in a corporate spirit, which is not possible if the members of the board play the role of advocates of particular interests they represent, with the result that boards are unable to provide unity of purpose, energetic administration as well as coherent policies. It is a very difficult thing for a body which represents different vested interests to be singly minded. Also, representative bodies are likely to be too much at the mercy of the conflicting claims of vested interest, and too conservative in outlook to bring about the radical changes that are needed. Second, if the members are "mere representatives" they may not satisfy the

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31 W. A. Robson, "The Governing Board of the Public Corporation," Political Quarterly, Vol. XXI (1950), page 138.

requirements of a board of experts who must possess special technical and managerial qualifications.

From the foregoing, it is clear that the appointive Board is desirable in the circumstance of our developing economy.

(iii) Size and Nature of Membership

The actual number of members on the Board will depend upon the nature and requirements of the undertaking. In some instances, the Legislature prescribes a fixed number of members on a Board; in others, it merely defines an upper and lower limit, and in yet others, it states only the maximum. But the general principle about the size of the Board is that it should be neither too small, nor too large. If the board is too small, all manifold problems cannot be expected to receive the attention required. On the other hand, if it is too large, the individual member's interest and responsibility will tend to be diminished. Its large size will also stand in the way of quick, effective and concerted decisions. The convenient size is put at five or seven by some writers. Prasad puts the minimum size at three and the maximum at nine, while yet another writer regards from five to nine as the most satisfactory size of the Board of corporation.

(iv) Qualification for Appointment to the Board

Our fourth question is what should be the basic qualification for appointment of persons to the Boards of Corporations? Based on the experience of British Public Corporations, one would say that two considerations should receive special attention regarding qualifications for appointment. First, all partisan and political considerations should be kept out of the picture. Second, members should be technical, managerial and financial experts who have already established reputation for fairness, successful management and executive ability. As far as possible, the best man should be sought. Members appointed should be men with special knowledge and experience of the industry proper, and in finance, men with technical knowledge, persons familiar with allied industries and interests and men with the knowledge of the consumers' needs etc.

(v) Tenure of Members of the Board

In the pre-war corporations in Britain for instance, either the actual or the minumum term of office of a person appointed to the Board was specifically stated in the Act. The normal pattern for the post 1945 corporations was to leave the Minister free to deal with the question of tenure by way of Regulation.

Boards have been appointed for tenures varying

from three to nine years depending upon the circumstances of a country. Some countries choose to appoint board members of their Corporations for such term, not exceeding five years, as may be determined by the Minister before appointment of such members. The tenure is thus for a specified period and is not for an indefinite period, nor is it for life. But in almost all cases, re-appointment is possible so as to guarantee continuity of policy and to keep the services of tried experienced men.

THE BOARD OF DIRECTORS OF THE ADC

The Board of Directors of the ADC, under the current Edict No. 3 of 1969, has ten members including the Chairman and Deputy Chairman, and representatives of the Ministry of Agriculture and Finance respectively. All Board appointments are made by the Governor of the Cross River State but unfortunately, the General Manager of the Corporation is exluded from the Board of Directors of the ADC. The ADC Board is functionally, a Policy Board,[32] and not an Executive Board.

Experience has shown that a "Policy Board" is not very satisfactory when applied to a commercial or

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[32] A Policy Board is one that takes broad policy decisions but is not involved in their implementation or in the management of the enterprise.

industrial undertaking. It is not easy to decide where policy begins and stops in the running of an undertaking such as the ADC. This study has revealed that both the Board and Management of the ADC are engaged in the running of the Corporation as can be seen from Section 10 of the Enabling Edict, which reads: "subject to the approval of the Commissioner. the Corporation may, by the majority vote of all its members, delegate to the Chairman or to the Deputy Chairman or to any employee of the Corporation, the routine administration of the affairs of the Corporation."[33] Policy is the highest function in management and it is a misconception to regard the Board as not being concerned with or taking part in management. In circumstances of this nature, Policy Boards try to gain control of management duties while pretending not to usurp the detailed functions of Management.

The Chairman and the Board of the ADC had increasingly assumed executive powers in the Corporation. Writing on the subject, W. A. Robson sets out the following inadequacies of a policy board.

(i) A Policy Board holds power but is not responsible for the way the power is used. It is not in contact with the

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[33] South Eastern State of Nigeria Law, No. 3 of 1969.

actual work of the Corporation and is not often very well informed about the problems of the business.

(ii) The inadequacy of the knowledge of Board members can lead them into fanciful notions; Board members can easily be hood-winked by Management. Such a Board is not the thinking type because its members do not have enough time to be sufficiently acquainted with the details of the business it manages.

(iii) The processes of a Policy Board are slower because of the time it takes to convene a Board Meeting. This makes it unsuitable for quick action as in an emergency.[34]

In such a situation the Board should be seen as managing a system and it should be held directly responsible and accountable for the success or failure of the enterprise. The arrangement will also eliminate the wasteful duplication of efforts by two authorities, the Commissioner and the Board, all dealing with broad policies for the same Corporation. The

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[34] W. A. Robson, op. cit., page 200.

weakness of a "Policy Board" in relation to a commercial enterprise such as the ADC is very glaring.

An 'Executive Board,' on the other hand, satisfies all these objectives and is eminently more suitable for the management of a Commercial or industrial undertaking. It is not all the members of an 'Executive Board' who need hold executive posts. Normally, the Chief Executive would be a working member. So also would the financial expert and the Manager-in-charge of production.

In the 'Policy Board' now being operated by ADC, the Chairman tends to assume powers of the Board and also tends to act unilaterally because of the difficulty of convening Board Meetings at short notices. This could not have happened where an 'Executive Board' were in existence.

This study again has revealed that the appointment of the Board members of the ADC were not made from the considerations of good general education and experience in the field of business management, labour organisation or public administration. One would have expected that the Chairman of the ADC should have a background knowledge of Agricultural Education or business Management. It is revealed that the present Chairman is a retired Secretary to the defunct Military Government of Udokaha Jacob Esuene. The Chairman's appointment to the post appears to have been made either by

the desire of the Governor to "balance" ethnic appointments in the State or to "please" certain groups of people in the allocation of State benefits.

The wisdom of the Cross River State Government's involvement in the appointment of the Chief Executive and some members of the top management of public enterprises in the State has been called to question by many people in the State. Where these appointments are based on merit and industry as the sole criteria, there appears to be little grounds for criticism. But where such appointments have the under-tones of reward for services rendered in other directions, or on other criteria, which are difficult to justify on the basis of the particular nature and needs of the enterprise, the results have not always been in the best interest of the undertaking or the State.

Again, the author has noted that the Board of Directors of the Corporation consists of officials and non-officials. Non-officials are largely on a part-time basis. They are mostly politicians, that is, party supporters of the rulling N.P.N. Government in the State. It is believed that appointments to the Board of Cross River State ADC is used by the Government to reward Party faithfuls for the support the rulling party received from them during their political campaigns and elections. The problem now with the State Government appears to be how to reconcile the pressure

for popular participation with the requirements of efficient managment of the ADC. The pressure is mostly politically motivated and difficult to resist, eventhough they are so important that Government cannot afford to play politics with them. This study has revealed that most of these politicians appointed to the ADC Board do not possess the required outlook for managing an Agricultural undertaking efficiently.

This study has also revealed that apart from the Chairman and the General Manager, all others on the Board of the ADC neither possess any experience nor ceritificates beyond the West African School Certificate to entitle them to hold important positions in the top management of the Corporation. The result of this unfortunate situation is that there is a wide gap between the knowledge and outlook of the part-time politicians. The author considers this gap as a great handicap in the Corporation as it can militate against the implementation of new ideas and modern methods of management.

It is true that persons having close touch with other people and doing social services in the society can bring their experience and knowledge to bear upon policy decisions, but this not enough. The author feels that what is also required is the correct outlook towards management of a complex public enterprise

such as the ADC. Although it may be said that the Chairman and his team are good in themselves, but some of them do not have specialized knowledge and experience which their appointments demand.

A situation such as above, is at variance with the decision of the Federal Government of Nigeria which states that: "the Board of a public corporation, being a policy making organ should be composed of men of suitable educational qualifications, ability, experience and integrity, who need not primarily, be selected on the basis of their political standing or affiliation."[35]

The author recommends that members should be technical, managerial and financial experts who have already established reputation for fairness, successful management and executive ability. As far as possible, the best man should be sought. It is the opinion of the author that members should be chosen more or less in this order: men with special knowledge and experience in agricultural economics, of finance, of consumers' needs as well as of persons familiar with allied industries.

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[35] Statement of Policy by the Government of the Federal Republic of Nigeria on the Relations between the Federal Public Corporations and the Legislature, the Government and the public, the Public, and between the State-owned Companies and the Government, Federal Ministry of Information, Lagos, 1964.

TENURE OF OFFICE OF BOARD MEMBERS OF THE ADC

The author's sustained effort to document membership of the Board of Directors of the ADC right from the inception of the Corporation in 1969 was unsuccessful. However, the following documentary membership of the Corporation from 1977 till date has been obtained.

RESPONSIBLE COMMISSIONERS: 1978 - 1979

(i) Chief Hon. Udo Udo Okorouwem (April, 1978 - October, 1978).

(ii) Hon. Eno L. Inanga (October, 1978 - August, 1979).

(iii) Hon. O. B. Iwara (October, 1979 - till date).

BOARD OF DIRECTORS - 1977 - 1979

Chairman - Chief Francis E. Archibong

Deputy Chairman - Mr. Cyril M. Ekiko

Directors - Chief B. A. Okokon

- Dr. Okon J. Essien

- Mr. P. J. U. Ukah

- Mr. Edet W. Ndarake

- Mr. Ochikry Idagbo

- Mr. E. B. Offiong

- Permanent Secretary, Ministry of Agriculture and Natural Resources.

- Permanent Secretary, Ministry of Finance.
- Permanent Secretary, Ministry of Economic Planning.[36]

The regulations which thus seem to give a substantial degree of security of tenure of the governing boards nevertheless confer on the Governor of the Cross River State, the power to dismiss any member who has become, in his opinion, "Unfit to continue in office or incapable of performing his duties."

The exact meaning of these words are open to doubt. They may cover not only physical or mental incapacity in the medical sense, but also more disabilities of the more obvious kind such as a conviction of a disgraceful crime.

In the Cross River State, the practice, generally, is to appoint board members for a term of three years. In the private sector, membership remains more or less unchanged; though there is a provision for the retirement of certain proportion of directors at certain intervals but they are eligible for re-election. Continuity in policy making is ensured in the private sector. But

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36 SOURCE: Handing over notes by Mr. C. N. Chima (1969 - 82) op. cit. page 2.

this is mostly not so in our public corporations, particularly the ADC, because of the short term for which the Board of Directors is constituted. Again, because of its short term, the Board is generally not able to devote much time and attention to evolving basic policies on a long term basis. It would rather be interested, in short term solutions by way of expediency.

For thirteen years now, that is, since the inception of the ADC in 1969, the Corporation has had six sets of Boards of Directors with an average of two years per board, to wit:

1st team: from 1969 - 1972 - 2.5 years
2nd team: from 1972 - 1973 - 1.5 years
3rd team: from 1973 - 1975 - 3 years
4th team: from 1975 - 1975 - 0.33 years
5th team: from 1976 - 1981 - 5.33years[37]

If change itself is a desired thing, then the ADC should have been economically growing with the years with change of Boards. The life span per Board has been so short to allow any of them to achieve any substantial results. Infact, many of the Boards of the ADC have hardly had the time to understand the ADC before they were removed. Since each new Board had been in a hurry to achieve "something" fast, there was evidence to show that one of their first lines of action was to search and bring out "who was wrong" rather than'

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37 Source: Handing over notes op. cit., page 6.

establish "what was wrong" in the ADC. This has created problems in the Corporation.

The General Managers of the ADC have never been lucky to be members of the Board of Directors of the ADC, to have influenced, for example the changing of say, the recruitment procedure or the adoption of modern management techniques and the like for the ADC.

As at the time of this study, the author noted that the state government had dissolved many Boards of statutory corporations in the State for poor performance. The untimely dissolution of these boards of statutory corporations and state-owned companies by the Civilian Governor of the Cross River State, to the author's mind, is a negation of the provisions of the terms and conditions of service as contained in the instrument appointing the Board Members.

Board members should be allowed to finish their term in office. It is felt that a situation of this nature is not in the best interest of our public enterprise management. By this practice, one is reminded about the "spoils system" in the American political life of the 19th Century where each successive government would replace all public servants of the old regime with new ones of its choice. The result of wanton dissolution of boards, is lack of commitment to the goals of our public enterprises on the part of

board members since the exercise spells insecurity of tenure of members. It is suggested here that the Governor should exercise greater care and caution when considering mass dissolution of boards of public corporations in the State in future.

The provisions of the instrument that brought the enterprise into being, the terms and conditions of service of the members should be strictly observed. The author feels that the tenure of our boards should be extended from the present three years to five to make for long term planning, dedication to duty and a sense of commitment by the members to the goal of the public enterprise.

In summary, the following recommendations are made for the Board of the ADC. An Executive Board of this nature is recommended:

Chairman (Part-time);
Managing Director and Chief Executive (Full-time);
Controller of Finance (Full-time);
Controller of Operations (Full-time);
Others (part-time or varied according to circumstance and requirement).

The Board should act as a team and the Chairman should not usurp its functions. Both the Chairman of the Board and the Chief Executive should have direct access to both the Commissioner and other Government

functionaries who are in position to assist them to solve their problems, but it is expected that the Commissioner-in-charge of Agro-Allied Industries will first handle the problems before deciding whether or not to pass such problems to some other quarters within the Government.

It is further recommended that the following should be the functions of the Executive Board of the ADC:

(i) to establish the longer term objectives of the Corporation, and the basic strategies by which these are to be attained;

(ii) to define the specific policies (in respect of such things as production, finance, personnel, marketing, and the like) that are to be followed in implementing the Corporation's strategies;

(iii) to decide the organisational structure of the corporation's management, and to make appointments of individuals to fill management positions in it;

(iv) to see to the development of management planning and maintenance of information and control systems appropriate to the organisational structure of the Corporation, and to use thesesystems effectively to ensure control by Board

at all times over the performance of the ADC;

(v) to take decisions on such matters that the Edict establishing the Corporation may reserve to the Board, (e.g. disposal of corporate assets, or that which the Board in its own discretion decides not to delegate e.g. capital projects above a certain amount, diversification into a new business).

Board members should be judidiously selected. They must be non-partisan and be endowed with talent and broad outlook, of high integrity and unquestionable character in public and private life. They must be completely dissociated from politics and political control and should be men of enterprise and in proven business success. It is further recommended that the Governor should continue to appoint members of the Board, while members of the Board of the ADC should be drawn from a wide and related field as follows:

(i) Finance;

(ii) Law;

(iii) Business;

(iv) Trade Unionism;

(v) Agriculture;

(vi) Eminent citizens;

(vii) Users of ADC products.

Ethnic groupings should not be encouraged and the Board must remain wieldy at all times and be composed of not more than seven members. All members except members of top management should remain in office for not more than four years at a time. They may be eligible for re-appointment but this should be based on their contribution to the progress of the Corporation.

2.04 ORGANISATIONAL STRUCTURE AND MANAGEMENT

The existing organisational structure of the ADC (see Table 2.1) can simply be described as consiting of two parts, namely: The Board of Directors which consits of the Hon. Commissioner in-charge of Parastatals in the State, the Chairman and Board Members. The Board is charged with the responsibility for the formulation of broad policies for the Corporation.

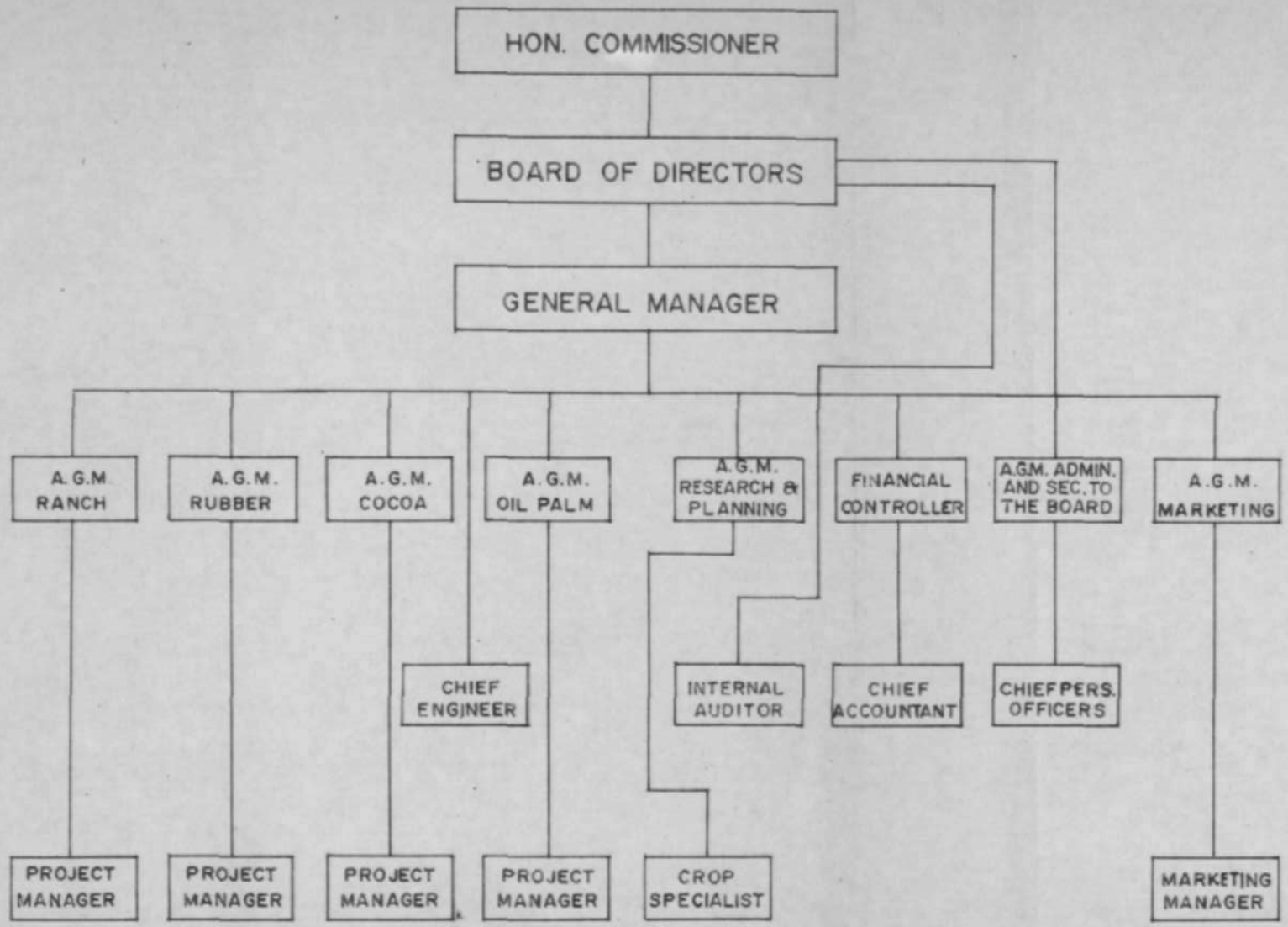
The other is the Administration headed by the General Manager who is responsible to the Board of Directors. The General Manager is supported by a corps of other staff. The General Manager is responsible for the implementation of the Board's decisions and the day-to-day administration of the Corporation.

The General Manager co-ordinates the activities of the various departments of the ADC, namely: Finance, Engineering, Marketing or Commercial, Research and Planning etc.

This study has revealed that the entire structure of the ADC is faulty. For instance, it is observed from the present structure that the Secretary, the Chief Engineer and with the General Manager do not constitute the top management of the ADC. There is no Production Department and the Crop Group Managers who are located in the Estates are not members of the Management Committee.

TABLE 2.1

A.D.C. ORGANISATIONAL CHART



A situation such as the one observed above can, and does constitute a great weakness in the administration of the ADC at the exclusion of these key Departmental Heads from top management meetings deprives management of vital field information and technical advice for good policy processes and execution.

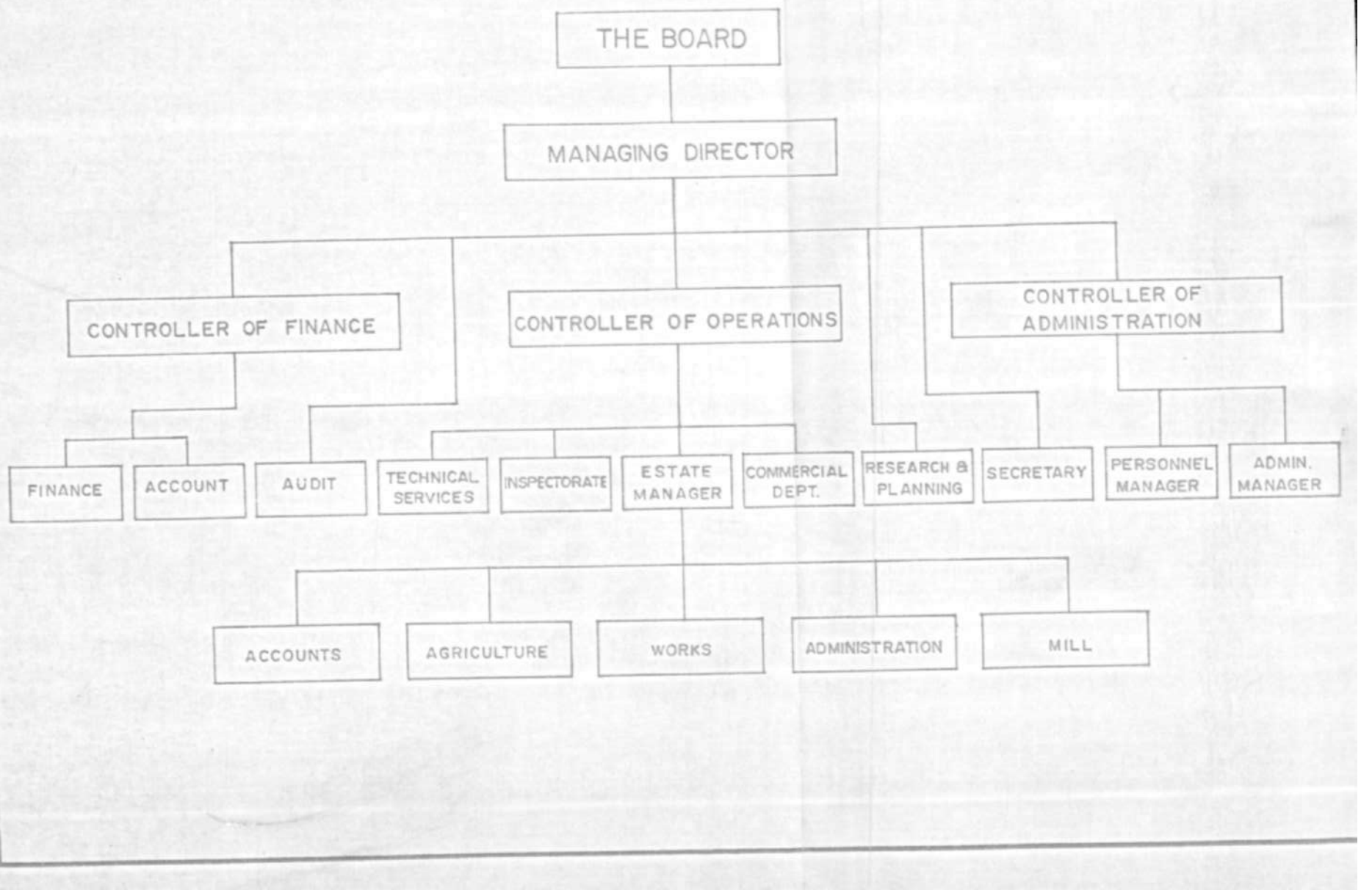
The author has observed another weakness in the present organisational structure of the ADC. Heads of Departments together with the three Crop Group Managers and the Obudu Cattle Ranch Manager report directly to the General Manager. It is the author's view that for an enterprise like the ADC with a commercial bias, the present organisational structure does not lend itself to efficiency and effective decentralization of functions.

In order, therefore, to remove all the administrative anomalies inherent in the existing organisational structure of the ADC, the writer has recommended Table 2.3 as the new structure for adoption for the ADC.

The new management which the author envisages for the ADC comprises the Managing Director as the Chief Executive, assisted by the Controller of Finance, Operations and Administration who are Heads of Finace and Accounts, Operations and Administration Divisions respectively. Together they constitute the Management Committee.

TABLE 2.2

RECOMMENDED ORGANISATIONAL STRUCTURE FOR A.D.C.



Other recommendations as well as brief discussion of the roles of management are as follows:

(i) Managing Director

He will be a member of the Board of Directors and Chief Executive responsible for the day-to-day operation of the NDC and accountable to the Board. He interpretes the policies of the Board and effectively controls its management staff and ensures effective delegation of authority and responsibility.

(ii) Controller of Operations

The writer proposes the establishment of the post of the Controller of Operations to head the Operations Division. The incumbent should also be a member of the Board of Directors. He will assist the Managing Director in the control and supervision of all production and sales activities, and services connected with these operations. In general, the Controller of Operations is directly responsible to the Managing Director and should be seen as such.

(iii) Controller of Finance

The Controller of Finace should be an

Executive Director of the Corporation charged with the responsibility for raising investment funds for the Corporation's financial image. He controls the Finance and Accounts Division at the Head Office. The Estate Accountants report to him through the Estate Managers but as much as possible, the work of the Financial Controller should be that of co-ordinating the financial and accounting activities of the Corporation. It is in this respect that the author recommends that only a minimum of staff strength should be maintained at the Headquarters.

(iv) Secretary

It is recommended that the Secretary should be a member of Management and responsible to the Chief Executive.

His functions should include:

(a) arranging for Board Meetings;

(b) preparing the agenda and minutes of Board Meetings;

(c) arranging for the payment of fees and allowances to Board Members and attending to any other duties

assigned to him by the Board, and other duties assigned to him by the Managing Directors;

(d) arranging for the safe keeping of company seal;

(e) arranging for the preparation of Annual Report and Accounts.

The author expects that as the Secretary will work under the Chief Executive, it will be his duties (Secretary) to inform the Head of Departments of Board resolutions and directives. The Secretary should not, however, be entrusted alone with the sole responsiblity of interpreting and conveying Board decisions.

(v) Controller of Administration

He is responsible to the General Manager and is charged with the responsibilities for Administration and personnel matters. In view of the increased reponsibilities the author envisaged for the Estate Manager, it is recommended that the recruitment of established staff on Grade Levels 01 and 06 (junior staff) should follow the following procedure.

(i) Estates/Project Managers should make their annual budgets indicating their staff requirements

which should be approved by the Head Office.

(ii) On approval, Estate/Project Managers should have a free hand to recruit without further reference to the Head office.

(iii) The Head Office may, however, send an observer at the interview to ensure that sound recruitment policies are maintained

(vi) Technical Services Department

The Chief Engineer is the Head of the Technical Services Department and reports to the Controller of Operations. The incumbent should be an Engineer by profession and should be familiar with management techniques, operational planning and co-ordination. He would be required to understand the problems of his engineers in the field and make appropriate contact with plants, machines and tools suppliers. He will arrange for the purchase of the equipments based on sound strategic operation planning which would allow the Estate Engineer to concentrate on the day-to-day operations in the field.

(vii) Crop Inspectorate Department

The recommendation is that three Crop Groups Inspectors for this Department; one in-charge of Oil Estates, the other for Cocoa Estates and the third, Rubber and Ranch together. They would be Head Office staff in the Operations Division reporting directly to the Controller of Operations. The Crop Group Inspectors would direct, supervise and co-ordinate field operations which are directly under the different Estate Managers. Although stationed at the Head Office for easy assessibility to the Controller of Operations, the Crop Group Inspectors are functionally Estate/Project Supervisors.

(viii) Commercial Department

The Chief Commercial Manager would head the Commercial Department. The Department should come under the Controller of Operations and be responsible for bulk sales of the Corporation's commodities to the Commodity Board and others. It has been observed that the Commercial Department is heavily staffed. In view of the guaranteed markets which the products of the ADC enjoy and which the Corporation will continue to

enjoy in the foreseeable future, it is recommended that the staff strength of the Department should be kept to the barest minimum without, however, jeopardising efficiency and effectiveness.

(ix) Research and Planning

This Department would continue to operate as at present but reporting directly to the Managing Director. It would undertake comparative studies and exercise in work study and help in the monitoring of performance of different projects.

(x) Audit Department (Internal)

It is recommended that the Internal Audit should be strengthened to give it authority and independence, and the scope of its work should be enlarged to cover all areas of activities which involve receipts and payments of money and the acquisition and dispocal of the Corporation's assets.

CHAPTER III

THE ADC PROJECTS

It has already been stated in this study that the Cross River State ADC is one of the biggest of the seven Agro-based Parastatals in the Cross River State in terms of size and undertakings. The ADC has fifteen Agro industrial projects comprising six oil palm estates, three rubber estates, four cocoa estates, one cattle ranch a number of Palm Oil Mills (POM). With the exception of POM, these projects are operated as estates in different parts of the Cross River State. They differ in size, age and viability. Also, with the exception of the Obudu Cattle Ranch whose manager reports directly to the General Manager, the plantations or estate managers report to the General Manager through their respective Crop Group Managers. In this chapter, therefore, the author will look at the various Estates of the ADC one by one with a view to assessing their performance and offering suggestions aimed at improvement.

3.01 THE OIL PALM ESTATES

There are six Oil Palm Estates located in various Local Government Areas in the Cross River State shown in Table3.1.

TABLE 3.1

Estates	Acquisition ha.	Planted ha.	Mature ha.	Immature ha.	Plantable Reserves ha.
Calaro	6,397	5,068	4,652	416	164
Kwa Falls	2,025	1,872	1,059	813	68
Ibiae	5,560	2,413	1,324	595	2,800
Boki	4,261	1,736	1,291	445	2,752
Nsadop	5,411	1,280	1,085	215	2,959
Eko	1,223	1,162	1,162	17	-
	24,877	13,554	11,053	2,501	8,743

The biggest problem of theOil Palm Estates has been obsolence of existing mills and the absence of modern mills in some of the Oil Palm Plantations. According to the General Manager of the Estate, the Calaro Oil Mill has an average extraction rate of 14% as against 22%. He told the writer that if the extraction rate were 22%, then the revenue from palm oil could have been ₦940.484.07 and not ₦598,489.90, adding that with the present low extracting rate, the ADC had lost huge sums of money. On enquiry, the General Manager disclosed that the manufacturers of the mill had been invited to inspect the mill and submit an estimate for its complete

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* SOURCE: Proposals for re-organisation of the ADC, 1980. page 8.

overhauling, adding that the job would soon be accomplished.

FIELD MAINTENANCE & CROP OUTPUT:

In the course of the author's tour of the Corporation Estates, it was observed that the six Oil Palm Estates were inadequately maintained. A good proportion of the Estates was left unslashed and the paths were poorly maintained. The trees were neither pruned nor harvested, while the crowns were overgrown with ferns.

On inquiry, the author was informed that scarcity of labour was responsible for the poor plantation maintenance and the low crop harvest. It was observed that scarcity of labour was brought about by irregular payment of wages. This had continuously led to the drift of virile labour from the project to other areas of gainful employment with the result that set targets had not been met. For example, a close look into the Calaro Estates production statistics during the past thirteen years, reveals that on the average, only 35% of possible annual yield was harvested, resulting proportinately in about 65% loss. The author also observed that in the same Estate only about 49% of the required labour force was available for deployment in the year 1979/80. This gloomy picture was not much different from the other five Oil Palm Estates of the ADC other years.

In terms of final crop output, the low harvest

experienced in all estates is further worsened by the poor condition of processing mills. Statistics of production of palm oil and kernel by the Corporation during the following years for instance is as follows:

TABLE 3.2

Year	Palm Oil (tonnes)	Kernel* (tonnes)
1976/77	7,472	814
1977/78	5,939	575
1978/79	6,041	446
Annual average	6,484	612

The General Manager remarked that if all the Corporation's Estates produced efficiently based on the present state of maills, at least 15,474 tonnes of palm oil and 4,421 tonnes of kernel should have been obtained annually from the Corporation's 11,053 hectares of mature plantations as against the annual averages shown in the above table, which represents 42% and 13.8% yield of palm oil and kernel respectively. This is an unsatisfactory state of affairs, he concluded.

PROCESSING

This study also revealed that none of the Estates had a good modern processing mill. The stock mill at

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* Source: Proposals for Re-organisation of the NDC op. cit. page 9. There were no records available for other years.

Calaro and the POM which are used to process part of fruits harvested from Ibiae, Boki and Nsadop Estates are very old and break down often during the peak harvest season when they are more heavily used. There are no readily available spare parts for these mills and the POM are now obsolete. Even the Rural Extraction Kits (REK) installed at Ibiae, Boki and Nsadop are technologically inferior to the POMs. They have low oil extraction rate. They do not process nuts into kernel.

On the whole, the state of the mills of the ADC constitute a bottleneck to efficient harvesting and processing of fruits from the oil palm estates of the ADC.

3.02 POINEER OIL MILLS

On enquiry, the author learnt that the Pioneer Oil Mill (POM) scheme was established in 1954 to bring about marked improvement in the output and quality of palm oil and kernel processed. At its inception, the scheme had 23 Pioneer Oil Mills which were widely distributed throughout the State irrespective of the area with high density oil palms. See Table 3.3 Nevertheless, the scheme had made modest contribution to the State Oil Palm industry, by reducing the amount of mannual labour content in the production process. It was reported that the scheme achieved partial success in palm oil and kernel production before its operation began to decline just before the outbreak of the Nigerian

Civil War.

The first noticeable problem by the author was the insufficient fruits bought and delivered at the mill. This led to the closing down of some of the mills and the cannibalisation of some of the unproductive ones to revamp those that had broken down. Furthermore, these mill are now obsolete, and are out of production. The General Manager told the author that it was therefore difficult to indent for spares. The author was made to understand further that parts, fabricated are highly expensive.

Availabe statistics in the ADC show that in 1979/80 financial year for instance, POMs produced and sold 283.455 tonnes of palm oil. In 1977/78, production was 287.020 tonnes. Out of the 23 Pioneer Oil Mills, the author understands that only five are run effectively by the ADC for the reason that fruits from the plantations are processed in these mills. With respect to the other mills, only three make profits at Mill level. There are not enough fruits to keep the rest in operation. Accordingly, it is recommended that ADC should retain only those mills it considers economical to run and that all other mills should be phased out in accordance with author's earlier recommendations on this subject.

TABLE 3.3

23 PIONEER OIL MILLS OF THE ADC

CLASSIFIED ACCORDING TO THEIR PERFORMANCE

1. Attached to Estates and are in good working conditions
    1. Ugep
    2. Mkpani
    3. Bansan
    4. Okundi
    5. Oyubia
2. Mills that make profit at Mill Level
    1. Akpap
    2. Ikang
    3. Ikot Efanga
3. Unprofitable Mills
    1. Mbierebe Akpawat
    2. Ukam
    3. Ette
    4. Iwo Eto
    5. Egbe Mbube
    6. Katchuan Irruan
    7. Ndiya
    8. Usung Inyang
    9. Odot
    10. Ibesit
    11. Nto Edino
    12. Ikot Adakpan
4. Mills Dismantled
    1. Ekuri
    2. Iyere
    3. Nko

Source: Handing over notes, op. cit. page 10.

3.03 COCOA ESTATES

The Agricultural Development Corporation owns four Cocoa Estates. The fifth, Boje, was converted and left to grow Kola on account of unsuitability of the soils for Cocoa growing. Details of land acquired and hectarage of cocoa planted are shown in the Table below:

TABLE 3.5*

Cocoa Plantation Development

	Land Acquired ha.	Planted ha.	Mature ha.	Immature ha.	Plantable Reserve ha.
Ikom Cocoa - Estate	2039	1733	1703	30	-
Abia/Bendeghe	2610	1410	1410	-	1109
Cross River Forest	3998	1278	1268	10	2635
Abonita Estate	3000	434	-	434	2462
Boje Estate	1378	32	32	-	-
	13025	4887	4415	474	6206

Cocoa Estates have identical infrastructural problems of roads and housing as the Oil Palm Estates. However, one of the greatest problems in the Cocoa Estates is how to curtail cocoa diseases to the barest minimum. The Estate Manager disclosed that in respect of crop protection against diseases, there had never been enough

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* Source: Proposals for Re-organisation of the ADC op. cit. page 16

funds to pruchase requisite chemicals for spraying againstblack-pod and capsid. This factor, he said, more than anything else, was responsible for poor harvest in all the Estates. For 4413 hectares of mature field he said, a yield of 1,600 tonnes as against 590 tonnes would have satsified minimum expectation from the Cocoa Estates. The Table **3.6** for instance, illustrates output of cocoa in the four estates in the financial years 1977/78 to 1979/80.

TABLE 3.6*

Financial Year	OUTPUT (TONNES)		TOTAL
	Main Crop	Light Crop	
1977/78	754.37	85.69	840.06
1978/79	436.00	74.03	510.03
1979/80	512.08	80.50	427.66

The Estate Manager further stated that because of lack of funds, the Corporation could not give its cocoa estates the minimum slashing and shade tending that would bring about high crop yield.

This study revealed that in the Oil Palm Estates, labour supply in cocoa estates was adversely affected by the inability of the Corporation to pay

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* Source: Proposals for Re-organisation of the ADC op. cit. page 17.

wages regularly. In all, only about 59% of the required labour force was being retained by the Cocoa Estates.

The author therefore recommends that in the light of financial constraints faced by the corporation, further expansion of the Estates should be temporarily suspended to enable adequate rehabilitation of the already planted areas to be carried out. The rehabilitation programme envisaged here should comprise the provision of sufficient chemicals for spraying against diseases and pests and the provision of better processing facilities in an anticipation of improved yield which would result from proper cultural operations.

3.04 RUBBER ESTATES

There are three Rubber Estates within the Agricultural Development Corporation agro-industrial complex. These estates are located at Nko/Agoi Ibami in Obubra Local Government Area, Biakpan in Biase District of Akamkpa Local Government Area, and Use Ikot Amama in Ikono Local Government Area. Details of land acquired and developed as the author saw are shown in Table 3.7.

Each Estate is managed by an Estate Manager. Reporting to the Estate Manager are the Assistant Managers, Field Supervisors and Overseers in that order.

TABLE 3.7

RUBBER PLANTATION DEVELOPMENT*

Estates	Land Acquired ha.	Planted ha.	Mature ha.	Immature ha.	Plantable Reserves ha.
Nko/Agoi	3915	1693	1258	435	1796
Biakpan	2985	1606	913	693	711
Use Ikot Amama	2268	106	-	106	2151
	8768	3405	2171	1234	4658

Two of the Estates Nko/Agoi Ibami and Biakpan are in production while Use Ikot Amama Estate is young, having been only planted in 1978.

INFRASTRUCTURE

Like the other two crop plantations, the author observed that Rubber Estates require good, adquate and well maintained roads, staff quarters, good water supply, vehicle, power and adequate processing facilities. For the Rubber Estates which the author visited, it was observed that these facilites were far from adequate and a call is made for more capital investment in the projects if the production targets must be achieved.

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* Source: Proposals for Re-organisation of the ADC op. cit. page 18.

FIELD MAINTENANCE AND TAPPING

As had been reported earlier with respect to Oil Palm and Cocoa, Rubber Estates require very high standard of field maintencance. General lack of tappers was reported in the Estates and the scarcity was known to have been hightened by irregularity in payment of labour wages The scarcity of labour and marked absenteeism resulted in some field blocks remaining untapped, and some areas left unopened.

Apart from the problem of labour, other constraints, also caused by lack of funds include tools and equipment required for tapping and processing which could not be procured. Particularly shocking was the abandonment of about 300 hectares of Nko plantation which was not being tapped because the Estate could not afford to buy latex cups usually manufactured by Alumaco and sold at about 15k only.

PROCESSING FACILITIES

The Estate Manager hinted that a new rubber sheet factory was under construction at Nko to process ten tonnes of ribbed smoked sheets a day. The factory hall and one smoked house had been roofed, but because of lack of funds to complete other ancillary structures and provide equipment, the factory had not been commissioned.

For the Crump factory at Biakpan, it is hoped that when the Tubo Mill now being ordered, would have been installed, sufficient funds would have to be provided as working capital to facilitate repairs and purchase of spare parts as well as chemical and fuel to increase crump manufacturing at full plant capacity.

The most serious problem facing the Rubber Estates was lack of processing facilities. On the author's visit to Nko Rubber Estate, it was observed with astonishment the colossal waste of latex arising from lack of a modern processing factory in the Estate. The author observed the improvised processing facilities put up by management in that Estate and it was reckoned that about two-thirds of latex was left to coagulate into clumps. The result was that very small revenue was derived from the operations. It is therefore proposed that the most important requirement was for the completion of the Rubber Factory, at Biakpan which had been very well started and the completion of the Nko Rubber Sheeting Factory which was also started. Once these are installed, it is believed that the Rubber Estates should be completedly self-sufficient and will require no further capital investment except in respect of the maintenance of the immature areas in the three estates. The Estate Manager hinted that about ₦420,000.00 would be sufficient to put the two

factories in sound operational conditions and it is recommended further that this amount should be provided to bring about complete development of the two estates.

The author is encouraged to make this recommendation because of the present high demand for rubber in the world market, and feels that our economy should benefit from this trade boom. The author is also encouraged to make this recommendation because the investment has very high returns and would pay off in a very short period.

3.05 THE OBUDU CATTLE RANCH

The Agricultural Development Corporation Ranch is located 72 kilometres from Obudu Town on a plateau 1,600 metres above sea level. Because it is situated on a high elevation, the Ranch has a temperate climate for most of the year. It occupies an area of about 10,364 hectares and was established in 1951.

The Ranch goals include cross breeding of selected exotic cattle with local zebu and the multiplication and fattening of the hybrid as well as pure Nigerian breed for slaughter.

The author understood that the exotic breeds and their off-spring crosses have not thrived very well because of incidence of a disease of streptothrocosis. A few South Devon and about 241 of their crosses were

however still thriving. With multiplication and occasional purchases of yearlings for fattening, the stock on the ranch stood at just over 3,000 heads made up mainly of zebu breed. The Ranch also has a piggery and chicken farm.

Apart from the livestock enterprise owned and run by the ADC, there is a Hotel at the Ranch which is managed by the Cross River State Hotels and Tourist Board.

The Hotel provides excellent accommodation for sixty people. It has a grotto and tennis courts as well as a golf course. There are other facilities for games such as Table Tennis and horse riding. The Hotel is set in a picturesque environment of rolling hills dissected by wooded valleys, thus providing captivation for tourists.

The Hotel was originally owned by the ADC but in 1974, the management of the Hotel was removed from the Corporation and handed over to the Hotels and Tourist Board. Since then, all attempts to bring it back to the Corporation failed. The separation, the Manager disclosed, was to bring about specialization in service and thus enhance efficiency and profitability. Although the author spent a considerable time there, he was unable to see any noticeable benefits of this separation. However, there were noticeable areas of

conflict and duplication of services, such as water supply and electricity.

THE RANCH PROBLEM

One major problem of the Ranch is lack of sufficient grazing pasture particularly in the dry season. The soils are thin and dry up readily during the dry season, with the result that grass dries up too. Also because of limited pasture yield, the Ranch grazes some of its stocks in the Republic of Cameroon section of the Ranch for which the author understood royalties are paid.

The next serious problem was the lack of fencing off of the cliffs from the table land. This study revealed that large areas of the Ranch were still left unfenced, and consequently cattle slip off into ravines. The author observed also during his stay at the Ranch that there was irregular supply of water and electricity. On enquiry, he (the author) was informed that the pump to lift water from the valleys to the Hotel was weak and required replacement. About electricity supply, it was learnt that since there was no stand-by plant, it was necessary that the plant be shut down occassionally for cooling.

On the road to the Ranch, the author noted with satisfaction, the construction of beautiful bituminous road going on in the place. However, the Ranch still

lacks a workshop for repairs of vehicles, plants and other equipment. It was also observed with disappointment that the cattle ranch did not have a Veterinary Clinic. The visit took the author to the slaughter house where he noted that there was no refrigerated van to convey meat from the Ranch to the urban centres where it was sold. The result had been that a large quantity of meat was held in the cold store and could go bad sometimes.

RECOMMENDATION

In the light of the short-comings stated above, it is recommended that there should be planting of good and adaptable pasture on the Ranch. This will bring about marked improvement in the health of cattle and meat and milk production. Also, it is recommended that the Amana fattening grounds at the foot of the slopes should be expanded and developed to reduce dependence for grazing on the Cameroon section of the Ranch. This will also be a good political decision.

The author supports the fencing off of the cliffs and urges that the programme be given priority consideration by Management. It is further recommended that the Ranch and the Hotel should come under one management, employing a General Manager of a high status who will be able to run both the livestock and the Hotel together with the assistance of suitable

managers under his supervision. The livestock Manager should take charge of the Cattle Ranch, Poultry, piggery and the Ranch zoo when established. The Hotel Manager should concentrate in catering and the provision of sporting facilities.

Because of its uniqueness, the Ranch deserves special attention.

It had been stated earlier that the Ranch comprises the Hotel and the Livestock enterprise/units and that it stretches through 10,364 hectares of land, and that the Hotel for its existence depends on the produce of the livestock unit while the livestock unit looks up to the hotel for its immediate market. The services of the units are therefore complementary and should remain inseparable. The author noted that the Ranch provides the tourist attraction for visitors because of its scenic and beautiful environment and climate. This tourist attraction enhanced by the setting of the Ranch should not be disturbed by the existence of two management organisations - the Hotel Management and the Livestock Management (ADC).

Accordingly the following arrangement is recommended.

(i) The Ranch should remain as one unit and managed by one organisation. The present arrangement whereby the Hotel units and the Livestock Unit are managed

by independent bodies is unsatisfactory and unprofitable and should be discontinued.

(ii) The Ranch should expand its livestock activities into piggery, goatery, sheep rearing and poultry. The writer notes that some of these activities are already being carried out in the Ranch, however in a small scale. It is accordingly recommended that full scale commercial operations of these activities should be undertaken in order to satisfy the market and also give the unit a high scope for larger earning capacity.

(iii) It is further recommended that the poor pasture should be replanted with adaptable and more nourishing grass.

The scope and expansion programme envisaged for the Ranch call for heavy amount of capital. The author notes however that the ADC cannot, even in the immediate future fund this size of investment. Therefore, to raise this much needed fund, other sources of capital should be explored. It is considered that the Ranch should be open to other investors. The author is convinced that this investment would be speedily brought about if the Ranch is incorporated into a limited liability company. Accordingly, to bring about the full development of the Ranch, the author recommends that

the Ranch should be separated from the ADC and incorporated into a limited liability company without further delay.

RELATIONSHIP BETWEEN THE RANCH AND ADC

The author recommends that the Ranch in order to pursue its business with effect, under this arrangement should have a clearly defined relationship with the ADC or other interested investors. It is envisaged that the Ranch will have joint ownership in which case it would either be a subsidiary (over 50% shares) or an associated company of the ADC depending on the size of its (ADC) share holding.

If, however, ADC is not interested in any share holding of the Ranch, then the Ranch will exist independently of it.

CHAPTER IV

FINANCIAL MANAGEMENT OF THE ADC

4.01 FINANCIAL POLICY

The term "Financial Management" simply means the management of funds whether in the private or in the public sector of the economy. Discussions on this subject will however be limited to the Cross River State ADC.

This study has revealed that there is nowhere in the Enabling Edict establishing the ADC that a clear guiding principle for the formulation and application of financial policy of the corporation has been stated. For example, there is nowhere stated in the Edict, a principle that the corporation should balance its recurrent budget over the years. The absence of this guiding principle has been exploited and has led to the settled and comfortable attitude that as long as the Cross River State Treasury was available to make subventions to the ADC for payment of salaries and wages there was not much to worry about. There is therefore, no sense of urgency about the matter. This then reveals the background to the vagueness with which the ADC undertook its functions and the will with which it was endowed in applying itself to the task of the Corporation.

In the survey of the existing system, the author

made a collection of the available operating statements of accounts of some of the projects of the ADC. As will be seen later, these accounting statements have uniformly revealed that none of the operations of the ADC has been making any profits. Targets have not, for once, been achieved either in volume or amount of output, or in the maintenance of costs. A detailed analysis of those statements has been undertaken in Chapter 4.03 with a view to identifying areas of failures, in so far as such failures are financial by nature or implication. Although this study is in the nature of post-mortem, it has much value to the extent that it helps to identify relevant financial malaise within the ADC as an entity, with the purpose of determining remedial actions for similar, present and subsequent future financial operations of the Corporation.

In this connection, this study had discovered one cost item called "General Expenses" which has consistently generated most of the unfavourable cost variance in the financial administration of the ADC. For some purpose, this cost item could be ignored in assessing the operating results of the Eastates of the ADC. But viewed from the fact that in responsibility accounting, Managers are to be held responsible for costs that are controllable from their ends of the operations, this study could not ignore this one cost item.

The "General Expenses" which has been found in the ADC Estates Accounts similar to the "Headquarters Administration Accounts" which the author found in the Poineer Oil Mills Accounts of the ADC, are cost inputs that are outside the control of the management of these projects. They are Headquarters cost apportioned to the projects on some vague basis. Admitting the need for co-ordination and control from the Headquarters in Calabar, and the logic for projects to earn enough profits to cover their individual and respective shares of the costs of their general adminstration, there should also be a provision that the Headquarters cost burden on the projects is objective and equitable.

According to the Financial Controller of the ADC; the total production cost of the Pioneer Oil Mills in the Calabar area for the period 1969 - 73, for instance, was over ₦125,931.05 whereas the Head Office overhead apportioned to them amounted to over ₦40,922.96 or just over 31% of the mill's own production cost.

On further inquiry, the Financial Controller explained that in the Obubra/Ogoja Pioneer Oil Mills, the Head Office cost charged to the Mills accounts were about 20% for the first six months of 1975, adding that the Mills own total production cost was ₦108,042 for the same period. Statistics for other years of the period under study were not available.

But from the present situation it is feared whether these charges were not excessive to the benefits which the Mills derive from the Headquarters in Calabar.

4.02 SOURCES OF FINANCE OF THE ADC

The second National Development Plan for Nigeria (1970 - 74) states that some enterprises suffer from over-capitalization. But the author's findings show, however, that the reverse is too often the case, especially with those in the states, and in this case, the Cross River State. This study has revealed that enterprises in the Cross River State are either under-capitalized from their inception, or are at too high an interest-rate. An unfortunate situation such as this tends to restrict enterprises abilities from functioning effectively.

Financial management of a public corporation represents one of the most important aspects of the responsibility of the Board of Directors. It is the basic responsibility of the Board to secure survival of the Corporation by ensuring, at all times, that the Corporation has access to adequate capital on the right terms and conditions to finance the enterprise. The procurement of long - term funds for investment and the development of available capital are all matters which financial policies determined by the Board should be designed to serve.

This study has, however, revealed that the ADC had all along been plagued with scarce funds situtation over the thirteen years of its existence. In his Handing Over notes, the General Manager of the Corporation commented that from 1967 - 1973 for instance, the ADC depended entirely for its rehabilitation effort on funds made available from the State Sub-Treasury. He complained that most funds made available to the Corporation were not released by the Treasury to the Corporation when agriculturally needed. Accordingly, the quality and quantity of the job done suffered. He added that in late 1972 to 1974 for instance, the ADC was sustained with revenue made through the then South Eastern State Government by the United Nations Organisation. And in 1978 the ADC was badly hit by lack of funds to even maintain the three thousand hectares of immature plantings undertaken within the 3rd Plan period. As a result, a million seedlings and eight hundred hetares of developed land for planting were abandoned at Ibiae estate alone, the General Manager of the ADC lamented.

The Cross River State ADC has three principal sources of funds available to it. These are:

1. Grant/Long-term soft loans[38] or advances from the

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[38] The term, soft loan, means a loan that attracts very low rate of interest.

State Government. In the present time when commercial banks and money lending agencies charge anything from 11% on loans given, it is impossible for the ADC to borrow at this rate of interest all of the time to undertake its activities and still service the loans given to it. It is recommended, therefore, that the government should give the corporation loans at a very low rate of interest. In this way, the corporation may be able to service the loan and show a little surplus in its operations. Commercial banks, by their nature, can only lend on short-term basis and even financial houses can hardly lend for a period exceeding ten years. For the ADC to make any contrivution at all, it must be able to borrow on a long-term basis of between fifteen to twenty years.

2. Short-term loans/overdrafts from financial institutions. The relevant instrument setting up the ADC has clearly laid down its borrowing powers: viz. "The corporation may, with the prior approval of the Commissioner borrow within Nigeria sums of money required by it for meeting any of its obligations or discharging any of its functions"[39]

From this study it is known that the ADC in 1976, for instance, received short-term loans from the following

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[39] See Edict No. 3 of 1969 op. cit. paragraph 15.

banks operating in the Cross River State. They include: The Nigerian Agricultural and Co-operative Bank (NACB) which made a loan of ₦497,786 available to the corporation as part of the Bank's loan to Ibiae Oil Palm Estate; Mercantile Bank of Nigeria Limited which gave the corporation ₦50,000.00 as loan and ₦186,169 as overdraft; the Standard Bank of Nigeria Limited which also gave the corporation the sum of ₦73,336.00 as loan and ₦1,900.118 as overdraft; the Barclays Bank of Nigeria Limited which also gave the corporation ₦490,271.00 as loan and ₦804,043 as overdraft.[40]

3. Internally-generated funds from transactions - sales of produce, moneys earned or arising from any property or investment acquired by or invested in the Corporation. In this regard, the ADC in 1980 for instance, based on the available, small, inefficient and crude mills/factories generated the following revenue to the corporation. "₦3,224,165.00 on palm produce, ₦1,593,143.00 on rubber produce and ₦946,918.00 on cocoa produce".[41]

This study has shown that the total revenue internally generated (from all sources) produced by

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[40] Handing over notes, op. cit. page 25.

[41] Handing over notes op. Cit. page 8. No records were available for other years.

ADC in 1980 stood at N3,048,916.00 (which is only 17% of realizable revenue from rubber and palm produce alone) whereas at 30th April, 1979 the total liabilities of the ADC stood at N6,627,739.00; a greater part of that amount was liabilities in respect of bank loans and overdrafts.

As the author has stated in this study, the ADC had been plagued with scarce funds over the years of its existence since 1969. The author will however use the 1978/79 financial year to demonstrate the financial situation of the ADC as records in respect of other years were not available.

As at 31st March, 1979 the ADC completed its ninth year of operations. During the year the corporation was obliged to finance most of its activities from internally generated resources and bank overdrafts. The author understood that the Cross River State Government provided N1.7 million for the financing of 40% values of letters of credit for Ibiae and Kwa Falls. The total capital expenditute during that year stood at N3.7 million which shows that the Corporation financed N2 million projects from funds generated internally and overdrafts granted by the Commercial banks.

REVENUE PICTURE OF THE ADC FOR THE 1978/79 FINANCIAL YEAR: INFLOW AND OUT-FLOW OF CASH

On enquiry the General Manager told the author that the ADC set out to generate a total revenue of

₦6,541,987 during the period under review but actually achieved ₦5,037.313 which represents 77% of the budget. The Corporation budgeted to spend ₦5,985,598 but the actual expenditure stood at ₦5,840,040 which is 98% of the budget. The result was that while the income fell by ₦1,504,974 the expenditure fell only by ₦145,588, showing a deficit of ₦803.027. The above analysis was not the final trading result of the corporation which should incorporate depreciation and amortization. It was strictly on analysis of funds generated and expenditure undertaken by the Corporation during the period. Accounting adjustments of the ADC therefore were not included. The General Manager attributed the poor performance of the ADC during the period under review, to the following factors, namely:

(i) Inadequate funds for capital which resulted in the use of bank overdrafts to finance capital expenditure, thus incurring interest of over ₦260,500 which in itself is one major contributors to the high expenditure of the corporation for that year.

(ii) The cocoa as a crop failed.

(iii) The break-down of Calaro Mill which resulted in the loss of eight weeks of production. The estimated loss of revenue as a result of this break-down was conservatively put at about ₦300,000.

The author understood that but for these factors, the ADC might have broken even.

LIQUIDITY POSITION OF THE ADC

The liquuidity position of the Corporation has continuously deteriorated. The principal of the three factors responsible for this had been the lack of adequate funds for capital financing.

The study has shown that for the year ended 31st March, 1979, for instance, the Corporation invested N3,674,624 in capital expenditure. Of this amount the Cross River State Government was able to release N1,700,000 which was paid directly to the Central Bank at Lagos to enable them open the Letters of Credit for the proposed mills at Ibiae and Kwa Falls. The result was that the Corporation had to rely on working capital made available by the Union Bank. As soon as these facilities reached limits, the operations of the Corporation almost came to a standstill.

Another factor which the author was told contributed to the poor liquidity position of the Corporation was the failure of cocoa as a crop. Cocoa generated a total revenue of N639,837 of the projected revenue of ₦1,370,304. The short-fall of N730,467 of the projected revenue from this crop had a serious adverse effect on the finances of the Corporation. The trading

statistics profits and loss results for the fiscal year 1977/78 and 1978/79 of the ADC showed the poor trade performance of the ADC. Records for other years were no better. All along the picture had been a catalogue of trade losses and failures. Table 4.1 for instance, demonstrates this fact.

*TABLE 4.1

UNADJUSTED TRADING AND PROFIT AND LOSS RESULT OF THE ADC	1978/79	1977/78
	N	N
Income from all sources	4,969,491	4,665,337
Deduct direct cost	2,944,528	2,985,320
Surplus income before charging direct cost, depreciation and amortization	2,024,963	1,680,017
Deduct indirect cost before depreciation and amortization	2,895,512	2,110,375
Deficit before charging depreciation and amortazation	(870,549)	(430,356)
Add miscellaneous income	67,522	88,946
Deficit for the year	(803,027)	(341,411)
Deduct depreciation and amort.	519,480	519,480
The unadjusted loss for the year	(1,322,507)	(860,891)[42]

The corporation's power to borrow and finance its many projects since government subvention were irregular and almost none existent, was further restricted.

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*42 Source: Handing over notes op. cit. page 17.

The corporation now has to borrow with the state's guarantee and such borrowing is subject to the Commissioner's approval of the source, amounts, and the terms of the loan.

The investment capital programme of the ADC are part of the government development plans and thus form part of the annual budget speech of the Cross River State Government. For that reason the Commissioner's control over the corporation's activities extends to that of preventing or restricting any expenditure proposals which appear to him to be too big or superfluous.

This study has revealed that the process of releasing the sums for the approved expenditure of programmes for the ADC are unduly long and quite inconsistent with the basic concept of financial mismanagement. When such controls give an impression of government watch dog in the corporation, their actions can literally reduce the independence of the ADC to the vanishing point.

Again, even with the oil revenues, there is a limit to the funds which any government can make available to an enterprise. State grants to public enterprises depend, among other things, upon the statutory grants of the Federal Government to the states and even at the state level these grants are

competed for by many and pressing needs of the states and public enterprises have to take their place in the queue. It is the recommendation of the author, therefore, that the board of the ADC be allowed to raise loans and advances in the open market free from any direct controls other than those normally applying to such transactions. Money so raised, should be used for capital budget, thus ensuring its investment in major corporate objectives. The author believes that these recommendations will foster more financial discipline and self support not only for the ADC but also in all the public corporations in the state with less dependence upon government subsidies. Such subsidies are debilitating, however attractive, they may appear to the enterprises. Given the necessary financial support to get started, the ADC should exercise various options to gain fiscal strength, both to carry out its operations as well as to expand them or diversify. The author, however, realises that these few recommendations do not cover all the options. But the guiding principle is that business-like operations require business-like management, especially in financial matters. Both the government and the enterprises themselves have a responsibility to see that they prosper and grow in the best interest of the state and the toiling masses.

4.03 FINANCE AND APPLICATION OF FUNDS

It is on record that as at 31st March, 1979, the ADC accummulated a loss of ₦20.5 million. Of this amount, the loss attributable to the year ended 31st March, 1979, amounted to ₦2.4 million of which ₦436,528 was due to amortization of development expenses while ₦2 million approximately arose from trading operations. See tables

From the statistics, it is clear that ADC cannot generate enough revenue to pay for its operations. Meanwhile, its indebtedness stood at ₦6.623 million made up as follows:

TABLE 4.2[43]

Source		Amount
Creditors	-	1.309 million
Commercial Banks	-	4.554 "
Staff Salaries, wages and claims	-	0.551 "
Others	-	0.209 "
Total		6.623 million

Examination of the management accounts of the ADC for the period ended on 29th February, 1980, has revealed that the following ventures cannot pay for themselves:

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[43] Being an excerpt from the memo. Submitted by the Cross River State Sub-Committee to the Government on proposal for the recognization of the ADC on January, 1981.

(a) Rubber;

(b) Pioneer Oil Mill (POM).

Statistics show that the actual revenue earned on rubber was ₦398,531 against expenditure of ₦55,336. For the POM, the revenue amounted to ₦20,067 while its revenue expenditure stood at ₦75,478 over the period. The contribution from cocoa and palm produce which on the face of it seemed profitable was not enough to support the Head Office overhead expenditure. There were no records available for other years but the author was told that the situation was anything but satisfactory.

The whole accounts present a gloomy picture of an organisation whose actual monthly trading results fall short of target by over 50%. In other words, less than 50% of the monthly budget output or revenue is actually achieved in the ADC. In precise figures, it can be noted that the achievement in the month of February, 1980 for instance, was 47% of budget revenue for the month, and for the period 1st April, 1979 - 29th February, 1980, it was 43.6%.

From the facts and statistics shown above, it is obvious that the ADC lacks sufficient funds to finance even its working capital requirements, let alone the overhead expenditure. This means that even in areas where more investment of funds would yield profits,

the ADC is lacking. This is a very deplorable situation because any business that has such liquidity problems cannot operate successfully.

The author has already reflected on low level of capital investment in all ADC projects, particularly in Chapter III which dealt with the ADC Projects. The author has therefore come to the conclusion that ADC has two main problems about capitalization, namely:

(a) inadequate Working Capital, and

(b) inadequate Capital Investment.

It is a matter of regret that inspite of these persistent problems, the Corporation has not done anything to reduce its overhead expenditure. This is why the losses of the Corporation have been on the increase from year to year.

Again, the study has revealed that the ADC has not shown enough evidence of pursuing a commercial approach in the operation of its business. For example, the Corporation still maintains a high level of staff at the Head Office inspite of the fact that it can hardly generate enough output or revenue at the production centres. No amount of money sunk into the business would change the picture of the ADC unless the employment of all factors of production matches with the expected and actual revenue.

CHAPTER V

5.01 THE DIELEMA OF INSTITUTIONALISED CONTROL AND THE AUTONOMY OF THE ADC:

There is a body of opinion which advocates a maximum degree of governmental control over public Enterprises. The argument is that public Enterprises must be thoroughly controlled in a planned economy committed to rapid economic development. There is also the view, especially for the developing countries, that since public enterprises in their infancy lack experience, their functions and activities must, therefore, be properly guided and controlled by the State. This is so because such Enterprises are organised, financed and controlled in the same way as other government departments to supplement public revenue.

The author notes that the people of Cross River State have increasingly recognized that public enterprises in the State are basically economic units and unless they are run efficiently, the role expected of them in the economic transformation of the Cross River State would bring about a disaster to the State instead.

There is a basic assumption, however, that the business or commercial aspect of public enterprises

and the expectation that they should be run efficiently presupposes the need for greater 'autonomy' in their administration. It is generally accepted also that the success of the private enterprises is largely attributed, among other things, to the autonomy they so enjoy in the management of their affairs.

The question then arises as to what are the elements of autonomy of a public enterprise against which the performance of the Cross River State ADC can be examined to see to what extent that corporation has performed in this respect.

A United Nations pamphlet on public undertakings includes the following freedoms in the word "autonomy" which public undertakings should enjoy to justify their existence.

(i) freedom from the annual appropriation process at least for operating expenses;

(ii) freedom to receive and retain operating revenues;

(iii) freedom to apply operating revenues to operating expenses;

(iv) freedom from general government restrictions particularly in the field of expenditure;

(v) freedom from normal governmental appropriation accounting;

(vi) freedom from normal government audit of operation;

(vii) freedom from central purchasing and contracting requirements; and

(viii) other related freedoms like freedom to borrow money, freedom to hire and fire, freedom to pay salaries at the discretion of the enterprise and freedom to control its long term planning etc.[44]

The above stated freedoms, are at the most, theoretical propositions. The author knows, as a matter of fact, that in practice, the autonomy granted to an enterprise varies from one enterprise to another. For instance, the Edict establishing the Cross River State ADC recognized, though not in unambiguous terms, two separate spheres: one, of "policy matters" and another, of "matters related to the day-to-day administration" of the Corporation. It is expected that in normal circumstances, or if larger public interest does not require otherwise, the government of the Cross River State, should restrict itself to the first sphere, while leaving the ADC to look after the second sphere. It is expected also that the ADC should take decisions on its own in regard to the power given to the corporation and should not look

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[44] B. P. Mathur, Accountability of Public Undertaking In India, LOK Udoyog, New Delhi, Vol. II, 1969, page 125.

up to the government for decisions on them. The question as to whether this objective has been achieved will be examined in this study.

ASPECTS OF CONTROL:

However, "complete autonomy" or freedom to take decisions independently in all the matters cannot be found in the mangement of the ADC because of some obvious reasons. First, public enterprises in the Cross River State were created with some socio-economic philosophy behind them which they cannot forget or deny; second, public money is invested in their creation and growth; and third, the motive behind their creation is 'service' to the public at large and lastly, they are viewed as an instrument of a larger public policy of the State Government.

The Cross River State ADC, however, enjoys autonomy in respect of matters such as the following, to take only a few examples:

(i) the creation and filling of vacancies up to Grade Level 07 in the hierarchy;

(ii) Taking of financial decisions not above ₦5,000.00 required in the day-to-day adminstration of the corporation.

(iii) Communicating directly with executive authorities of the Government or other states or governments except in matters that involve finance.

This study has revealed that the ADC has not enjoyed the full autonomy it is supposed to enjoy. The corporation is virtually run as an arm of the State Ministry with bureaucratic controls thereby interfering in their operations. In Chapter 5.04 of this study, attempts have been made to analyse the various ways the State Government has controlled the ADC thereby infringing upon its autonomy. The State Government has continued to dominate the affairs of the ADC. One explanation found for this situation is the fact that the ADC relies heavily on the State Government in matters of personnel, money and management and these have affected the corporation's autonomy. There is, therefore, the inescapable conclusion that the "autonomy" of the ADC is a farce because the Corporation has not met any of the eight criteria for autonomy as recommended by the U. N. pamphlet quoted above.

5.02 THE RELATIONSHIP OF THE ADC WITH THE CROSS RIVER STATE LEGISLATURE:

This chapter will examine the relationship of the ADC with the Cross River State Legislature with a view to determining to what extent such relationships hindre or enhance the achievement of the objectives of the ADC.

The author, notes however, that the position in the Cross River State, and infact, the whole of the

Federation of Nigeria, are constitutionally the same vis-a-vis the establishment of public corporations.

The State Legislature creates the ADC by its own statute and sets its aims and objectives as well as its functions and responsibilities. It also has the power to expand, contract, quash or vary the powers of the ADC by an amending piece of legislation.

Apart from the above stated constitutional powers of the State Legislature, this study had revealed that the Cross River State Legislature exercises enormous power of control, accountability and supervision over not only the ADC but also other public enterprises in the State.

The State Legislature also examines the working of all public enterprises in the Cross River State through its standing committees of the House, namely, the Estimates, the Public Accounts and the Public Enterprises Committees. It also receives every year, a comprehensive appraisal of the working of all public enterprises in the State as carried out by the Director of Audit. Besides, all public enterprises are required by Law, to submit to the State Legislature, their Annual Reports together with copies of their audit reports made by the Director of Audit of the Cross River State.

THE LEGISLATURE PROBLEM

Through this study it has been discovered that there exists in the statute setting up the ADC, some legal flaws and omissions. The same also could be found in other statutes establishing other public enterprises in the Cross River State.

For instance, the Edict No. 3 of 1969 establishing the Cross River State ADC does not clearly specify the functions or objectives of the corporation, nor does it make it clear the structure and management that are required for the corporation. This study has discovered that the inadequacy of the corporation's statute in this regard has also contributed to some of the ills of the ADC. The lack of clearly defined and understood objectives of a public enterprise is an unfortunate legislation omission which has to be corrected.

For instance, when one talks of a corporation achieving its objectives it must be clear what the objectives are. Achievement of objectives may not always be synonymous with profitability. It is a fact that in a socialist-oriented economy, a corporation may be achieving its objectives by not making profits. If such is the objective for our public enterprises, it should be clearly stated, but this is seldom the case in respect of the Cross River State Agricultural

Development Corporation (ADC).

The author feels that the framers of the statute of the ADC did not seem to know exactly what they wanted the Corporation to do. The objectives as stated in the Legislation of the Corporation were in broad general terms, for example, the Enabling Law No. 3 of 1969 establishing the Corporation states inter allia: "The ADC is to foster the economic development of the Cross River State by the promotion, establishment, operation or assistance of approved agricultural, industrial and commercial projects."

These objectives are rather too broad and vague, with the result that the ADC can do, and indeed, has done, anything and everything immaginable "to foster the economic development of the Cross River State." These broad objectives should be re-examined in the light of the ills of the ADC and translated into particular and quantitative targets over planning periods. No organisation can operate successfully unless it has an idea of what it wants to do. It is no wonder that public enterprises too often perform poorly. They are not sure of what they are to do, nor how they are to do it. For instance, the ADC is trying to make profits while simultaneously being given public service oriented operations to run.

It is strongly recommended here that the vague and ambiguous objectives of the legislation of the ADC should be amended by the State Legislature for effective and profitable performance of the corporation.

5.03 THE RELATIONSHIP OF THE ADC WITH THE CROSS RIVER STATE GOVERNMENT:

The Cross River State Government (like any of the States in the Federation does to its public enterprises) exercises a considerable measure of control and supervision over the State-owned ADC. This is so because public enterprises are the creations of the government.

But the problem now with the Cross River State ADC is with respect to achieving the synthesis between the required governmental control and the much-needed autonomy of the ADC as a public sector enterprise. Though the need for autonomy is conceded in principle by the State Government, but in practice, the trend has been towards greater governmental involvement, control and supervision not only of the ADC but also of other State-owned public enterprises in the State. Reasons for government's action in this respect have been stated in chapter 5.01 of this study. This chapter will focuss attention on the patterns of relationships of the Cross River State Government and the ADC, and assess how these relationships have

enhanced or hindered the operations of the corporation.

Government, whether at the centre or in the State, is accountable to the people through the Legislature for money spent out of the consolidated fund. This then explains the reason for Government control, supervision and involvement in the affairs of public sector enterprises.

This study has shown that the Cross River State Government exercises enormous control over the operations of the State-owned ADC through the following ways, namely: the appointment of Board of Directors and top Executive at periodical intervals for the Corporation. It is revealed that no posts carrying pay above grade level 15 can be created in the ADC without obtaining Government approval. As presently structured, the Enabling Law No. 3 of 1969 which established the ADC has given the State Government a dominant role in the affairs of the Corporation.

The State Government approves the budget of the Corporation, fixes prices of goods and services and gives directions to the Corporation in a number of fields such as labour realtions, and the Board of the ADC are not allowed to take decisions on certain issues without the concurrence of the Economic Adviser to the Government and or the Ministry of Finance respectively.

For instance, Sections 12 (1) and 12 (2) of the Enabling Law empowers the Commissioner to give binding general and specific operating directives on matters of public interest,
He also requires information and accountability by the Corporation of all its various forms of activities, Section 12 (3); he appoints Auditors for the Corporation, Sections 19 and 21.

The author knows as a matter of fact that the Commissioner charged with the responsibility for Agriculture in the Cross River State is a 'Minister of State', (a very busy duty post) and functions through a vast array of Ministry personnel in several departments. Through this process, the ADC has become at best, a department of the Ministry of Agriculture as seen from the Edict No. 3 of 1969, not withstanding the assertion of Section 7 that it is a 'body corporate.' Any misconception in its objectives or failure in attaining the objectives of the ADC is therefore inferrable from its unique structure. The purpose of the Ministry of Agriculture has traditionally been the conduct of research in all aspects of Agriculture, leading to improvement of crop yields and dissemination of knowledge to farmers, individual, co-operative or corporate farmers through the setting up of model farms, plantations and extension (advisory) services.

The ADC should be seen as a commercial entity. It faces input markets where it buys the scarce resources it uses to produce its outputs. On the other side, it faces output markets where it sells what it produces. On both market types, goods and services are exchanged on purely voluntary quid pro quo basis and its survival depends on its success in the joint tasks of buying and selling of the factors.

The relationship between the ADC and its controlling Ministry - the Ministry of Agriculture therefore, should derive from a sound understanding of this two-faced corcept of the Corporation. The implications are clear. Whereas the Ministry operates within a politically-oriented environment and is not expected to justify its existence economically, the ADC operates within an economically oriented environment and must justify its existence by making profits. Consequently, responsibility for decisions that impinge on its functions as a commercial organisation such as the ADC should rest wholly on the Corporation. This means that governmental control must not be exercised in such a way as to immobilize the Corporation as it is the case now.

Specifically, the operations of the ADC are commercial agriculture and agro-based industries. The variables are many and to some critical extent,

uncontrollable. Inputs like rainfall and sunshine, though to a large extent free, have to be had at the right moments and taken advantage of or the consequences would be costly. Other uncontrollable factors apart from the weather, are pests, outbreaks of diseases and downward trends in the world prices of agricultural commidities. Faced with such a dynamic environment, an organisation needs well defined structures that would enable it monitor its environment, make prompt decisions to ensure the attainment of organisational effectiveness which we know as the ability of an organisation to mobilize its centres of power for action - production and adaptation. Effective organisations are those that produce more and higher quality outputs; that achieve the greatest outputs for the least input, evidenced by adapting more effectively to environmental and internal problems than do other similar organisations.

As a direct result of the links the ADC has with the State Ministry of Agriculture, the resources available to the Corporation are consequently stereotyped to those available to the controlling Mininstry. Thus, staff recruitment of key personnel from grade level 07 upwards, is done through the State Civil Service Commission; purchases of bulk supplies and for equipment and facilities of substantial sums are made through the State's Tenders Boards, the Ministry

of Finance approves the budgets and releases funds to the Corporation through the routinised procedure of the Financial Instruction popularly known as the F.I. These procedures of resource procruement are not suitable for a commercially oriented organisation like the ADC. In the light of this relationship between the ADC and the Government, it is alrdeady becoming evident why the Corporation has found itself in its present deplorable stance.

Furthermore, this study discovered that the Cross River State Government is overbearing on the Management of the state-owned ADC. A situation such as this, does not give the management of the ADC, a free hand in the operations of the Corporation so as to achieve the Corporation's objectives.

For instance, the ADC had a persistent shortage of qualified management staff and it is obvious that the conditions of service, work routines and rate of remuneration in the corporation are not different from those obtained in the Civil Service. The slow processes of recruitment by the Civil Service Commission which also recruits staff for the ADC is a hindrance to the realization of the Corporation's objectives. Thus the author was told when qualified staff were scouted out, the corporation failed to obtain their services because by the time the

recruitment procedures could go through the Civil Service Commission pipeline, the prospects had secured alternative jobs elsewhere.

Again, funds from the State Government are channelled to the corporation through the Ministry of Finance. The Ministry of Finance, however, functions through a system of Appropriations and Warrants. Appropriations made for specific Heads of expenditure are approved for use in late April each year for the succeeding fiscal year. These funds are not made available until a warrant is issued authorizing their release. An early release comes out about late May. Such releases are made by the Ministry of Finance based on considerations of priority determined by government economic or political policies. The ADC, like other beneficiaries of government funds, competes on no easily identifiable terms for these scarce funds. In the meantime, the agricultural calendar, determined and fixed by mother nature, runs on regardless of the issue of a warrant or an Authorization to Incur Expenditure.

These bureaucratic procedures are suitable for the type of non-market activities of the civil and/or social services, but are ruinous when super-imposed on a commercial enterprise such as the ADC.

The study has therefore revealed that the degree of control which the civil service has on the operations of the Corporation is total.

The conclusion from this position is that, if the Corporation's operations have been inefficient, and inefficient organisations are poorly managed entities, the relationship of authority and control of the civil service with the Agricultural Development Corporation is the primary cause of the latter's failures. It is therefore a paradox of the Corporation's existence, that while the government imposed on it all the control characteristics of a bureau, it at the same time, expects from it, the results of a commercial organisation, a kind of approbation and reprobation in one breath. This confirms the author's earlier diagnosis of the ADC as being conceived only as a department within the Ministry of Agriculture and the philosophy of its sponsor, the government, has not changed from what it was when the Corporation was constituted initially to absorb ex-servicemen under the former Commonwealth Development Corporation (CDC).

The author recognises, however, that government is the owner of the ADC and must maintain a lively interest and eventual control over the organisation and like industries in the private sector, the ADC has

to come under the broad and general regulations of the economy by the government. The immediate relationship between the Government and the ADC must, however, be clearly defined so as to remove doubts and prevent undesirable incursions of the past caused by the imprecise clauses in the Enabling Law and other Ministry directives.

The author feels that government duties should be restricted to the handing down of broad policy directives which should be limited to such areas as:

(i) Appointment of Board Members;
(ii) Approval of appointment of top management;
(iii) Approval of production schemes;
(iv) Approval and underwriting of loans;
(v) Approval of capital structure;
(vi) Approval of ADC expansion programmes;
(vii) Deliberation in the State Legislature; and
(viii) Audited Annual Accounts of the Corporation.

Accordingly, the author re-emphasizes the fact that Government should convert the ADC into a Limited Liability Company with an Executive Board.

By this recommendation the ADC will be freed from stifling governmental processes and procedures which hinder its efficiency and cost-consciousness. The ADC, we have pointed out on many instances in this study, should be run as a commercial entity with high

profit motive rather than as a public utility that it appears to be at the moment. The fact that the earning of profits was not an immediate requirement has led to the concealment of waste, inefficiency and uneconomic operation by the corporation to the detriment of the State.

The author feels that he will be failing in his duties if he fails to relect on the mood of the nation which is one of disenchantments with public Corporations in preference for private or public Limited Liability Companies. This disenchantment has been brought about by the failure of public corporations to live up to expectations and the objectives for which they were set up. The author realises however that mere incorporation of a public enterprise into a limited liability company does not automatically bring about efficiency and profitability. Public limited liability companies must demostrate sustained probity and good management to be successful.

This mood of the nation was amply reflected by the President of this country, Alhaji Shehu Shagari, in his speech at the Calaro Oil Palm Estate on Saturday, May 3, 1980. Relevant portions of the spedch read:

> In order to facilitate Federal Government participation in sveral of such estates, government is considering the desirability

of establishing a Federal Oil Palm Company, a holding company which can invest in Oil Palm Estates throughout Nigeria.

I would urge State Governments to establish limited liability companies rather than Corporations so that they can borrow from Commercial Institutions and get technical partners to participate in these ventures. Experience has shown that such profitable ventures do not perform well under public boards and corporations. To save such ventures from their present predicament, I would advise State Governments to incorporate such ventures and ensure their efficient management.

Unless this approach is adopted, Federal or State Governments grants to such Boards and Corporations will not help them to break even or make profit. My comments here are relevant to the constraints mentioned by the management of the Cross River State Agricultural Development Corporation (ADC) as they affect the Oil Palm Plantations, Cocoa and Rubber Estates and the Obudu Cattle Ranch.[45]

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[45] Part of a response to a welcome address presented to the President, Alhaji Shehu Shagari during his official vist to the Calaro Oil Palm Estate on Saturday, May, 3rd 1980.

Earlier in this study, the author had recommended that the ADC should be converted into a public limited liability company. The author now proposes that the company should be called Agricultural Development Company Limited. Under this arrangement, the ADC as a limited liability company, should manage the existing potentially viable estates and in future, as it becomes necessary, further develop and acquire more estates.

With respect to the unviable projects particularly the pioneer Oil Mills (POMs) the author recommends that they should be phased out in their present form, by consolidating for the time being, the few parts drawn from unserviceable units. It is believed that the scheme as a policy, deserves reconsideration, and in the light of continued government sponsorship of small-holder Oil Palm Scheme, the POM scheme should be remodelled as partnership investment undertaking between say, the State and Local Governments, and Oil Palm Group Owners Associations. The Ministries of Agriculture and Natural Resources and Rural Development and Co-operatives should initiate action in this direction so as to bring about the much desired integrated rural development.

Notwithstanding the recommendation that the Ranch should be constituted into a separate company, the write does not consider that the rest of the ADC

should be broken immediately into many subsidiary or associated companies run either as Crop Group Companies or as Estate Companies. The break up will, in his opinion, increase costs and overheads without corresponding increase in revenue. It would also lead to the unnecessary establishment of many separate companies with the attendant concomitant mangement problems.

The author had earlier recommened that the estates or projects should be regarded as cost centres in which case they should be seen to run their day-to-day management. However, under the general policy direction of the Company, the existence of Crop Group Inspectors in the organisation should not be taken as the introduction and the running of Group Companies. The Inspectorate exists to ensure compliance and standards and should diasppear immediately the estates develop into Estate Companies.

It is the author's further recommendation that where the Government proposes that the ADC or the proposed Company should undertake social or public service function, the undercharge should be met entirely from the Government Treasury as a subvention. This arrangement will not deprive the ADC or the proposed company of its revenue nor will it deprive the public of the benefits of social service.

C H A P T E R VI

C O N C L U S I O N

6.01 SUMMARY OF FINDINGS & RECOMMENDATIONS:

In this Chapter, the author will only give a brief summary of the findings and recommendations as contatained in Chapters I - V of this study.

1. APPRAISAL OF THE GOVERNING BOARD OF THE ADC:

(i) New organisation - The business of the ADC is essentially commercial in nature and should therefore be organised outside government control. It is recommended that the ADC undertaking should be run strictly on commercial lines as a Limited Liability Company and that the name of the Corporation should be changed to Agricultural Development Comany Limited.

(ii) The Company should have an Executive Board with the following composition :-

(a) Chairman (Part-time);
(b) Managing Director and Executive (Full-time);
(c) Controller of Finance (Full-time);
(d) Controller of Operations (Full-time);
(e) Three Others (Part-time);

If it is desirable to combine the offices of Chairman and Chief Executive, this may be done. In between

Board meetings, the working members should constitute a working committee to deal with urgent issues.

(iii) Members of the Board should be drawn from a wide and related field such as:

(a) Finance;

(b) Law;

(c) Business;

(d) Trade Unionism;

(e) Agriculture;

(f) Eminent citizens;

(g) Users of ADC products.

(iv) The relationship of the Government to the ADC should be similar to that of a shareholder to a business enterprise and be restricted to the handing down of broad policy directives in the following areas:

(a) appointment of Board members;

(b) approval of Production Schemes;

(c) debate of the annual accounts in the Legislature;

(d) requisition for special services which, in the opinion of the Government should be provided;

(e) harmonization of plans to fit into those of other State-owned enterprises;

(f) approval and underwriting of loans;

(g) approval of appointment of auditors and officers in top Management.

(v) It is also recommended that where the Corporation undertakes uneconomic services at the instance of the Government, the Government should pay the undercharge.

(vi) The ADC has not lost the Civil Service mentality as the relationship of the Government to it has tended to be on lines similar to those between the Government and the Civil Service Department. This and the invasion of the Board by politicians should not be allowed in future.

(vii) Board members should be carefully selected. They must be non-partisan and be endowed with talent, high integrity and unimpeachable public and private life.

The terms of office should be for 3 or 4 years, at a time and re-appointment should only be based on contributions to the success of the undertaking.

The Secretary of the ADC should be brought under the Chief Executive, and should continue to serve the Board.

His duties should include:

(a) arranging for Board Meetings;

(b) preparing the agenda and writing of minutes of Board meetings;

(c) arranging for the payment of fees and allowances to Board members and attending to matters affecting Board members;

(d) any other duties assigned to him by the Board; and

(e) any other duties assigned to him by the Managing Director.

(viii) The Internal Audit Department should be strenthened to give it authority and independence and the scope of its activities, enlarged.

2. THE ADC PROJECTS:

All indices show a picture of progressively worsening development of the ADC projects. Activities have slowed down but costs and overheads have risen. Trading results are poor and the Corporation is unable to service its loans or honour its financial obligations. A number of factors may have contributed to this and it is recommended that a moratorium of all further development or expansion of the ADC projects should be observed for at least 2 years.

The author recommends that during the moratorium, a re-appraisal of the capital structure and the

viability of the projects should be undertaken. Also in the mean time, the State Government should write off all losses incurred by the Corporation.

It is the author's view that official interference could do much harm to an enterprise, be it private or public. In the case of the ADC it is noted that control and interference have often emerged from different official bodies. In this respect, the author particularly mentions the financial controls exerted by the Ministry of Finance by not releasing all approved monies to the ADC for investments in time. No business of a defined size can successfully operate with financial resources which are below investible minimum. Moreover, business is risk-conscious and timing is a very important element in risk-taking. The capital funds approved by the State Government to be released to the ADC by the Ministry of Finance are venture-capital which must be utilized at a time when it is most needed. The timing is even more relevant to the ADC than most other enterprises in the sense that its operations are highly seasonal. Furthermore, the author observes with surprise that loans made to the ADC by Government on specific terms were recovered enbloc without regard to repayment terms and conditions stipulated in the loan agreements.

Apart from the above handicaps on the ADC Management, the author has also identified the following administrative problems of the corporation. These include:

(i) Incompetent management Boards;
(ii) Defective organisational structure;
(iii) Over-staffing at Head Office;
(iv) Inadequate decentralisation and control;
(v) Personality conflicts at the top.

2. THE OBUDU CATTLE RANCH:

Because of its uniqueness, the Obudu Cattle Ranch deserves special attention.

The author had in Chapter III, touched on the Ranch; its size, nature of activities and management. It was said that the Ranch comprised the Hotel and the Livestock enterprises or units and that it stretched through 10,364 hectares of land. It was also said that the Hotel for its existence depends on the product of the livestock unit while the livestock unit looks up to the hotel for its immediate market. The services of the two units are therefore, complementary and it is the author's recommendation that they should remain inseparable. It is further said that the Ranch provides the tourist attraction for visitors because of its scenic and beautiful

environment and climate. This tourist attraction enhanced by the setting of the Ranch should not be disturbed by the existence of two management organisations - the Hotel Management and the Livestock Management.

Accordingly, it is recommended that

(i) The Ranch should remain as one unit and managed by one organisation. The present arrangement whereby the Hotel unit and the Livestock unit are managed by independent bodies is unsatisfactory and unprofitable and should, therefore, be discontinued.

(ii) The Ranch should expend its livestock activities into piggery, goatery, sheep rearing and poultry. The author also notes that some of these activities are already being carried out in the Ranch, however, in a small scale. Accordingly, it is recommended that full-scale commercial operations of these activities should be undertaken in order to satisfy the market and also give the unit a high scope for larger earning capacity.

(iii) It is also recommended that the poor pasture should be replanted with adaptable and more nourishing grass.

The scope and expansion programme the author envisages for the Ranch call for heavy amount of capital. It is noted however, that the ADC cannot, even in the immediate future, fund this size of investment. Therefore, to raise this much needed fund, it is recommended that other sources of capital should be explored. And the author considers that the Ranch should be open to other investors. The author is convinced that this investment would be speedily brought about if the Ranch is incorporated into a Limited Liability Company.

Accordingly, to bring about the full development of the Ranch, it is recommended that the Ranch should be separated from the ADC and incorporated into a Limited Liability Company without further delay.

RELATIONSHIP BETWEEN THE RANCH AND THE ADC:

It is recommended that the Ranch, in order to pursue its business with effect, under this arrangement, should have a clearly defined relationship with the ADC or other interested investors. The author envisages that the Ranch will have joint ownership in which case it would either be a subsidiary (over 50% shares) or an associated company of the ADC depending on the size of its (ADC) share holding.

But if however, the ADC is not interested in any share holding of the Ranch, ther the Ranch will exist independently of it.

PIONEER OIL MILLS (POM):

It is recommended that the ADC should retain only those Pioneer Oil Mills it considers economical to run and that all other mills should be phased out.

CROP GROUP MANAGEMENT

During his fact findings, the author also looked into the desirability of giving greater autonomy to the crop/group managers. With respect to the Crop Managers, the author maintains that the Estate Manager should have greater autonomy to run the day to day affairs of the Estate. The Crop Managers should prepare their budgets, present them personally at the Management Committee and thereafter, disburse the funds that have been provided without further reference to the Head Office in Calabar.

The Inspectorate Department and the Audit Department would however, ensure that funds available to the Managers have been properly disbursed in accordance with a drawn up programme.

With respect to the crop/group managers, it is recommended that they should not have greater autonomy in the group of crops they maintain surveillance/supervision over than they now exercise. The crop/group managers should be seen only as an inspectorate functionary of the Head Office in Calabar.

One of the author's reasons for recommending that the ADC should be broken up is the large number of projects inefficiently run by one management. Again, the communications problems and the wide geographical dispersion of the projects make effective management difficult. Therefore, to group a number of crops/projects together under a crop/group manager is again breaking up of the ADC. In urging that the idea of greater autonomy for crop/group managers should be discouraged, the author is satisfied with the good results which have been produced where estates are managed as single projects/estates companies and not as crop groups. Evidence abounds in the success stories, for instance, of the Oban Rubber Estate, Cross River Estates and Agip Eku which were run as Estates Projects or Management. What is required of the present estates is development into optimum economic units so that they can become autonomous Estates Companies.

OTHER PROJECTS

As had already been pointed out in Chapter V the author urges that Government should note the current mood of the nation which was amply reflected by the President of this Country Alhaji Shehu Shagari in his speech at Calaro Oil Palm Estate on May 3, 1980, about the disenchantment of Nigerians with Public Corporations in preference for private or Public Limited Liability Companies. In recognition of this mood, and in keeping with our desire to see public enterprises show good results, the author recommends further that where there is a proven interest for outside investment by way of equity or debenture stock, such Estate or plantation should immediately be converted into an Estate Company.

The author's recommendations have the effect of bringing about greater efficiency in the ADC. The proposals, the author believes, will bring about;

(i) restructuring of the organisation of the ADC and better delegation of powers;

(ii) improved management and control;

(iii) joint ventureship and capital restructuring and

(iv) good accountability and cost-consciousness.

The author wishes, however, to mention here that it is not easy to quantify these benefits but the

over-all effect is to improve efficiency and productivity in the Corporation, particularly in the following areas:

(a) rehabilitation of existing plantings in all the Estates of the ADC;

(b) installation of new mill and the improvement of the Calaro Mill;

(c) installation of processing facilities at the Nko and Biakpan Estates respectively;

(d) provision of chemicals for the cocoa Estates, and

(e) improvement on the facilities at the Ranch and POM.

A serious cost implication of re-organisation proposals which also received the author's attention is the cost of retirement of old and unproductive workers of the ADC. The author was told during his enquiry that although there are a large number of staff due to retire on grounds of old age, redundancy and unproductivity, the ADC is unable to bear the charge. Accordingly, it is recommended that the Corporation should provide funds to make the retirement possible and thus create room for greater efficiency and eventual savings.

It is further recommended that the ADC should

operate commercially with a profit motive. The author urges that each project should operate as a cost centre and that it should not be burdened with the inefficiencies of others, including Head Office large overheads. All the Corporation's projects should be re-appraised and those unlikely to make profit, even after the investments envisaged in say, the next three years, should be abandoned and the investments written off.

In order to shape up the ADC for commercial opertions it is further recommended as follows:

(i) that Government should write off the Corporation's accumulated losses which now stand at over ₦24 million in order to make its books attractive for external borrowing and joint veatureship;

(ii) that Government should assist the Corporation to reduce its overhead by re-deploying redundant staff and retiring old and unproductive ones;

(iii) that Government should provide funds as well as guarantee loans for existing and potentially viable projects in order to make them productive, and able to service all outstanding loans. The new Mill for

Ibiae and Kwa Falls should be scheduled for Calaro;

(iv) that the ADC should be incorporated into a Limited Liability Company.

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