CHAPTER 2

THE NIGERIAN POLITICAL ECONOMY AT THE DAWN OF THE MILLENNIUM

The structure of the economy

Nigeria, with an estimated population of about 120 million, is Africa's most populous country and the continent's fourth largest economy. The economy is still basically agrarian, even if since the advent of petroleum in the mid-1970s the relative share of agriculture, livestock, forestry and fishing which was 65.6 per cent in 1960/61 (with the agriculture subsector accounting for 56.6 per cent) has declined with the agricultural sub-sector accounting for only 32 per cent per annum in the 1990s. But the sector still constitutes the source of employment and livelihood for about three-quarters of the population. It is also the dominant activity in terms of linkages with the rest of the economy.

In spite of the rapid increase in the production of oil and its current dominance in the economy (source of nearly 90 per cent of government revenues and 95 per cent of foreign exchange earnings), Nigeria is one of the poorest oil-producing countries and its oil is a major source of political strife. This is unfortunate given the fact that the country is the seventh largest oil producer and the sixth most important oil exporter in the world. While the oil is concentrated in a small area in the Niger Delta, the management of the resources accruing from it has been the responsibility of the Federal Government. The sharing of oil revenue among the three tiers of government — federal, state and local — and among the 36 states has remained a volatile issue in the country's political agenda. Thus, the current controversy about resource control boils down to access and control of revenue and royalties from oil.

First and foremost, Nigeria must learn to manage its economy effeciently, effectively, honestly and transparently.

On the whole, oil production has been a mixed blessing in Nigeria. It has exacerbated the impact of the boom-and-bust cycle, as it is, after all, no more than another commodity export. In addition, the economy, in the 1980s and early 1990s, experienced many symptoms of the "Dutch disease" with the real effective exchange rate having appreciated substancially during the 1970s and the 1980s This resulted in a steady erosion of the competitiveness of the non-oil tradable goods sector and, as a consequence, both food production and agricultural exports suffered substantial decline.

Given the persistent rapid increase in the country's population, the long-term negative impact of the civil war, inappropriate food production policies or the lack thereof and other factors, Nigeria became a food-deficit country with rapidly escalating food import bills which rose from N57.7 million in 1970 to N1437.5 million in 1980. It peaked at N1646.5 million in 1987, after the fall between 1984 and 1986. It has steadily increased since then reaching N88.0 billion in 1996 — roughly about 10 per cent of the country's total import values. There is no doubt that Nigeria faces a major food crisis (Box 2.1).

With its estimated population of 120 million, Nigeria is the tenth most populous country in the world. By the end of the first quarter of the twenty-first century, the population is projected to be between 232 million (Low Variant) and 247 million (High Variant). This will probably put the country among the five or six most populous nations in the world. Unless the food question is addressed and tackled urgently and successfully, hunger and malnutrition will be the plight of the vast majority of Nigerians. Hunger and malnutrition becomes pandemic as food imports will become unaffordable.

To meet this challenge, Nigeria must learn to manage its economy efficiently, honestly and transparently. According to the **World Bank *World Development Report 1982*,** the country's GDP in 1980 was US$ 91.13 billion. This puts the country in the 20th position in the world in terms of the size of GDP. In 1983, it dropped to US$ 64.57 billion and rose to US$73.45 billionbetween 1984 and 1985respectively.its world rankings in the two years were 23rd and 21st positions. From 1986/1987 onward, the country was hit by the triple disaster of political instability, economic stagnation and the pursuit of inappropriate and ill-fated structural adjustment programmes which obliged it *inter alia* to undertake repeatedly excessive devaluation of its currency. This in turn devalued all its assets, its productive resources and its output during the past twenty years successively by factors of 1:4, 1:8, 1:22, 1:45, 1:89 and now 1:126. The cumulative effect of all this was that in US dollar term the country's GDP in 1987 had plummeted to US$24.39 billion and its ranking had dropped to 44th position (see technical appendix). In 1999 it had risen to US$35.045 billion in i.e. about 26.2 per cent of what it was in 1980.

The current effort to improve and indeed revamp the management of the Nigerian economy must be sustained and deepened at all levels of government and in all spheres of activities. The benign neglect of the past two decades has made the task and challenge of managing the Nigerian economy efficiently extremely herculean. Efficient economic management will never be achieved as long as there is no national consensus on the development paradigm that can accelerate the process of the restructuring and transformation of the country's security, poor human and physical infrastructure and the pursuit of macro-economic policies that focus on demand management rather than on the expansion and diversification of the productive capacity; that devalues the assets and worth of the economy and its society rather than enhance them; and, above all, that alienates rather than mobilise the people. Macro-economic policies that are not pro-people, and gender sensitive are doomed to fail. All these call for a high level of social discipline and the pursuit of excellence and professionalism.

Box 2.1

The food question

Before and immediately after independence in 1960, food was relatively plenty and cheap in the country. So was it in the mid'80s. But, the advent of the Civil war in 1967 and its attendant consequences, coupled with increasing fortunes in oil wealth which engendered the upsurge in rural-urban migration, robbed the subsistence agriculture of able hands, thus resulting into a decline in farming. Consequently, the hitherto self-sufficient nation has become lacking in food supply and has since resorted to food importation to complement local production.

The increasing food supply deficit led to a rising food import bill from N88.3 million in 1971 to more than N70 billion in 1999. Between January and June 2000, over N50 billion was spent on importation of vegetable oil and sundry food items from Malaysia, which, ironically in 1971, was supplied with oil palm seedlings by Nigeria.

Over the years, successive governments have evolved various agricultural schemes to tackle the ever-burgeoning food import bill. Most of the schemes aimed at long-term effects. Programmes such as the National Accelerated Food Production Programme (NAFPP), the Green Revolution, Operation feed the Nation (OFN), the Integrated Agricultural Development (IADP), River Basin Development Authority (RBDA) and the Directorate of Food, Roads and Rural Infrastructure (DFRRI) were variously designed for the purpose of solving the dearth in food supply.

Though established to address the immediate and future food needs of the country, the programmes and schemes only recorded little success. While the NAFPP laid the foundation for extension services and research by the introduction of high-yielding seedling varieties, the target was specifically on self-sufficiency in local production.

The structural neglect of the agricultural sector manifested in the elitist agricultural policies, which never impacted on the peasant farmers that formed the bulk of the farming population. Such policies as the Agricultural Credit Guarantee Scheme (ACGS) that made it mandatory for the commercial banks to assign about 10 per cent of their loan able funds to agriculture was utopian because the banks' collateral hurdles can only be scaled by the elite, including retired army Generals-turned farmers. The inconsistency of policy in the subsidies on farm inputs and machineries such as fertilizers and improved seedlings, drew a great setback to the sector

Source: *Leader Article of*
The Comet*, (Lagos) July 3, 2001*

Development is by choice and not by chance and it cannot be engineered, generated or sustained by foreigners

political economy, with all the stakeholders — the governme nts — federal, state and local — the private sector, civil society and community-based organisations and organised labour working together in pursuit of the common goals. Planning and prioritisation are essential. Partisan politicisation of development inevitably results in a pork-barrel approach which in turn leads to inefficiency, ineffectiveness, misallocation of resources, lack of transparency and accountability and pervasive corruption. Development cannot be engineered, generated or sustained by foreigners; only the people in a society can generate and sustain it. In other words, economic regression is inevitable in nations that depend on foreigners to diagnose their problem, articulate their vision and design solution for them.

Development is by choice and not by chance. A state cannot be deemed to be developmental until it has learned to manage its resources rationally by utilising them optimally. This also requires addressing the problems of political instability, lack of personal and public

At present, the international community believes that in the field of financial mis-management, Nigeria is class of its own. The *Financial Times* of London once likened Nigeria to a notorious recidivist. If the nation is to secure a sympathetic hearing to its plea for debt relief and increased flow of foreign direct investment to the agricultural, industrial and infrastructural sectors not just to mining and oil exploration, then the governments and the legislative assemblies at all levels must manifest always signs of financial prudence.

Four sets of action are required to put the Nigerian economy on the path of economic dynamism and away from the dangerous highway of economic regression. These are

- Correcting any distortion affecting any of the four major prices — exchange rate, interest rate, domestic price level and the wage rate;
- Avoiding regression in employment and external balance;
- Avoiding devaluation. While devaluation makes good politics in the short run, it is at

the same time dangerous and risky economics also in the short run and explosive politics in the long run. Devaluation, either openly or by stealth, scares away foreign investment and promotes macroeconomic instability, unemployment and poverty;

- Creating an incentive and opportunity system that would generate a resumption of growth in Nigeria as a follow-up to correcting distortionsin the four prices.

Finally, the process of de-industrialisation that has been on during the past two decades must be halted and reversed. Low capacity utilisation has dogged the manufacturing sector for more than two decades. Whereas capacity utilisation averaged more than 70 per cent in the 1960s and 1970s, it had dropped precipitously to 41.6 per cent and 30.8 per cent respectively in the 1980s and 1990s.(Figure 2.1)

Nigeria's monoculturalism continues to hinder its transformation and development and consequently its effective participation in the globalisation process.

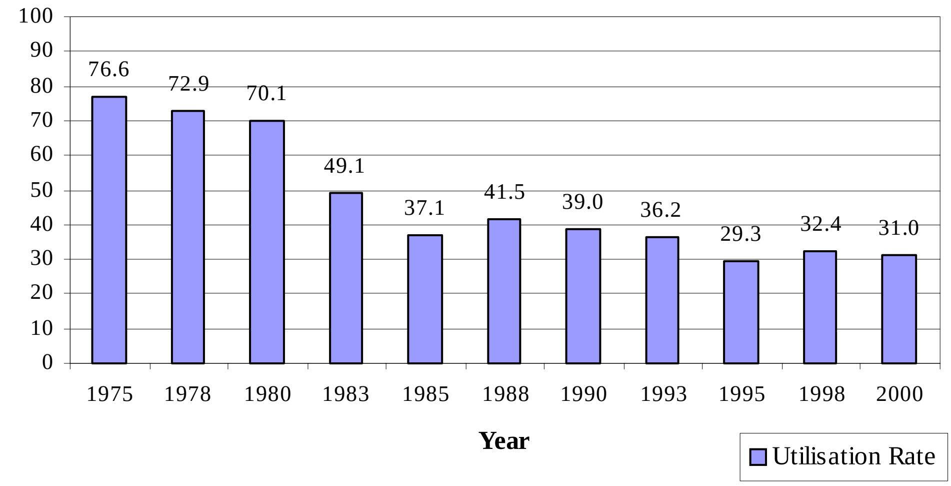
not be alleviated under a free-for-all imports of consumer goods that put Nigerian firms out of business.

The Nigerian political economy and globalisation.

Nigeria is a typical Sub-Sahara African country both in terms of the manner in which it has been integrated into the global political economy and the impact of the first and second generations of globalisation in shaping its own political economy. Although Nigeria, as a political entity, came into existence in 1914, just at the end of the first era of globalisation (1875-1913), its impact was no doubt widely felt in the different regions that later constituted the country. The five centuries of dispossession and of colonial conquest and colonisation that preceded the first era of globalisation was an exceptionally exploitative

Figure 2.1

Manufacturing Capacity Utilisation Rate 1975-2000



***Source**: CBN, The Changing structure of the Nigerian Economy and the implications on Development (Lagos, 2000) Table 5.5, page 69*

Three reasons are primarily responsible for this wastage and decumulation of capital. The first is the persistent weak aggregate domestic demand arising from the decline in consumer purchasing power due to economic stagnation. The second is the massive devaluation of the naira which has made accessing imported raw materials very difficult, if not impossible in view of the price effect of the high cost of imported raw materials in naira terms. The premature imposition of the policy of liberalisation on an economy that is very uncompetitive and without measures to make it competitive being put in place as a prerequisite to liberalisation and marketisation is the third reason. To make manufacturing competitive, the interest rates must fall, the naira must appreciate and dumping of susbstandard products must be limited by strict enforcement of product standards and a consumer protection legislation. Poverty can-

period which came to a climax with the Berlin Conference in 1884. Indeed, the foundation of Nigeria's colonial political economy was laid during this period. It was deepened during the first two decades of the nineteenth century and fine-tuned during the rest of the colonial period which ended in 1960, when the country became independent.

In other words, the evolution of Nigeria and its eventual emergence as a polity took place during the age of laissez-faire when there was virtually no restriction on movement of international finance and investment, trade and flows of services and on technology information and ideas across the national boundaries of the imperial powers (Britain, France, Germany, Portugal and Spain) and the other extremely small group of industrialised market economies. All of these signaled the bonding of Africa's economies into the peripheries of the industrialised capitalist economies. The efforts made after the second world war to achieve political independence and decolonisation merely deepened that bonding as the structures of dependence were strengthened and the stage was thus set for neo-colonialism - so strong were the structures of dependence erected on those of dispossession that began during the slave trade era from the sixteenth to the nineteenth centuries.

Today, this dependence manifests itself in six different ways:

(i) Disproportionate share of international trade in GDP

Export trade accounts for 41 per cent while imports account for 34 per cent of GDP (1997). The corresponding figure for the United States is 12.2 per cent in 1999 and this is because the US economy has become more open than ever before in its history. In 1960, US international trade stood at only 4.6 per cent of GDP. In spite the great advances in opening up the US economy, it is still basically insular. This is in contrast to the long history of the open veins of the African economies in general and of Nigeria's in particular. Indeed,Nigeria's monoculturalism (like the rest of SSA) has hindered its effective participation in the globalisation process.

(ii) *Monocultural economy*

The second most significant bonding of the Nigerian (and, indeed, African) economy is its monocultural nature. Nigeria is at the extreme end of the spectrum, being dependent on one single primary commodity – oil – for more than 95 per cent of export earnings which contributing more than two-thirds to revenue and about 12.00 per cent to GDP. For the rest of Africa (Figure 2.2), nine other countries - Angola, Botswana, Congo, Gabon, Guinea, Niger, Somalia, Uganda and Zambia – receive more than 75 per cent of their export earnings from one product. Seven other countries – Chad, Democratic Republic of the Congo, Ethiopia, Ghana, Liberia, Mauritania, Namibia, - receive over 75 per cent of their export earnings from two products each.

The monocultural nature of the African economies has made them to be more dependent on primary commodities for their export earnings than any other region in the world. Whereas in 47 out of 53 African countries primary commodities make up more than one-half of total export earnings, in East and South-East Asia, only 8 out of 19 countries have a similar ratio.

(iii) *Price elasticity and income-elasticity of African exports*

A third principal feature of Africa's commodity exports is that the demand for them is highly income-inelastic while their supply is price-elastic. But because of the monocultural nature of the economies, producers expend a lot of scarce resources to produce more and more of these commodities in order to make ends meet with the inevitable price instability which is made worse during periods of global economic recession and crises.

The boom-and-bust cycles that accompany commodity exports are inimical to the African economies. Commodity booms, which result in high export earnings invariably lead to the much-needed increase in public expenditure, particularly in the fields of human development and infrastructure. However, with the perennial instability of these commodities, a bust sooner or later follows, resulting in reduction in or closure of essential services that are grossly inadequate in the best of circumstances.

The boom-and-bust cycles that accompany commodity exports are one of the cosequences of monoculturalism and structural vulnerability and impact adversely on the sustainable provision of essential public services.

(iv) *Lack of diversification*

Table 2.1 shows that 52.2 per cent of Sub Sahara Africa's agricultural prod-

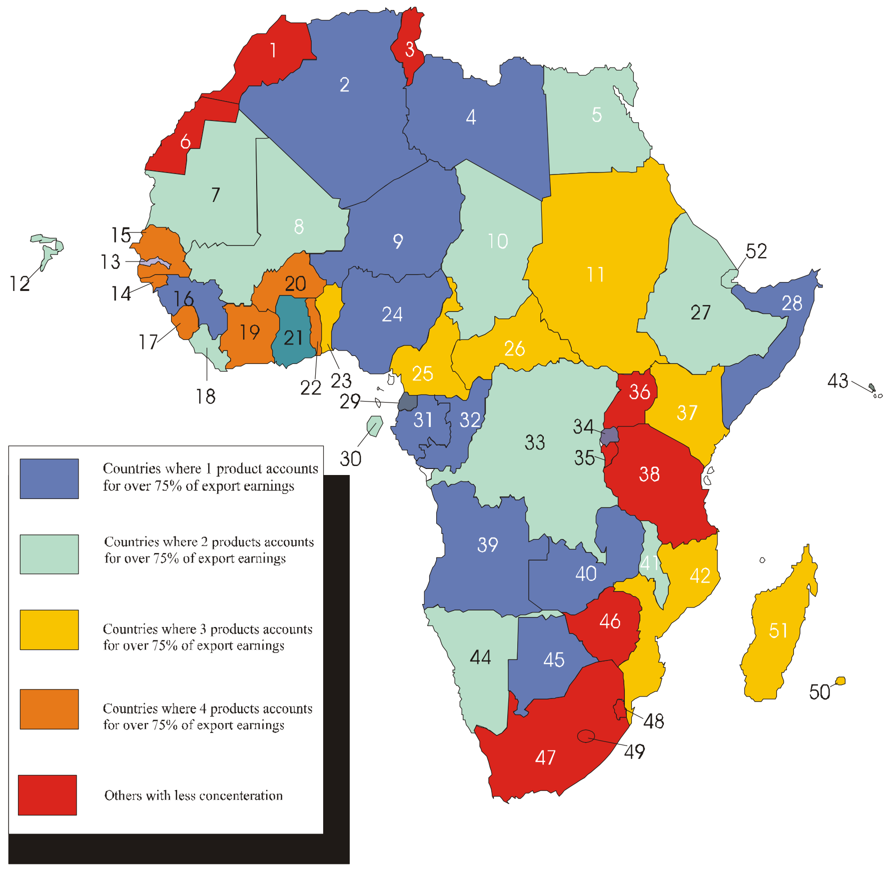
Table 2.1
Shares of different classes of primary products in total export, by region 1990 (Percentages)

	Processed Commodities		Unprocessed commodities	
Region/Country	Minerals, fuels and metals.	Agricultural-Products	Minerals, fuelsand metals	Agricultural products
Sub-Sahara -Africa	5.9	6.0	24.9	52.2
South Asia	0.8	4.8	1.9	26.
East & Southeast Asia	3.2	8.6	13.0	15.2
Latin America	12.3	8.4	18.5	32.6
Developed countries	4.2	9.4	6.0	9.9
Nigeria	0.6	16.2	12.0	83.6

***Source**: UNCTAD, Trade and development report, 1998 (Geneva); Table 50 p. 189.*

Figure 2.2

Africa's dependence on a limited range of commodity exports



Source: J. Forbes Munro, Africa and the International Economy, 1800 - 1960 (London, 1976); p86

Key to Countries					
1.	Morocco	19.	Cote d'Ivoire	36.	Uganda
2.	Algeria	20.	Burkina Faso	37.	Kenya
3.	Tunisia	21.	Ghana	38.	Tanzania
4.	Libya	22.	Togo	39.	Angola
5.	Egypt	23.	Benin	40.	Zambia
6.	Western Sahara	24.	Nigeria	41.	Malawi
7.	Mauritania	25.	Cameroon	42.	Mozambique
8.	Mali	26.	Central African Republic	43.	Seychelles
9.	Niger	27.	Ethiopia	44.	Namibia
10.	Chad	28.	Somalia	45.	Botswana
11.	Sudan	29.	Equatorial Guinea	46.	Zimbabwe
12.	Cape Verde	30.	Sao Tome and Principe	47.	South Africa
13.	Gambia	31.	Gabon	48.	Swaziland
14.	Guinea-Bissau	32.	Congo	49.	Lesotho
15.	Senegal	33.	Democratic Republic of Congo	50.	Mauritius
16.	Guinea	34.	Rwanda	51.	Madagascar
17.	Sierra Leone	35.	Burundi	52.	Djibouti
18.	Liberia				

ucts are exported unprocessed without any value added as against 32.6 per cent for Latin America; 26.0 per cent for South Asia; 15.2 per cent for East and South Asia; and, 9.9 per cent for developed countries. Thus, in terms of diversification within the agricultural primary sector, Sub - Sahara Africa has achieved very little progress.

With regard to minerals, metals, and fuels exported unprocessed, Sub-Sahara Africa has 24.9 per cent, Latin America 18.5 per cent; East and Southeast Asia 13 per cent; and, developed countries 6.0 per cent

(v) *Direction of African Exports*

Table2.2 illustrates the economic dependence of Africa, particularly in the direction of its exports. Only 13 years ago (1988), over two-thirds of Africa's exports (in value) went to the industrial countries, with only 16.2 per cent to the developing world. Of these latter figures, only 6.2 per cent was intra-Africa, with 4.5 per cent, 1.6 per cent and 1.4 per cent exported to Asia, Latin America and the Middle East respectively. In 1996, the industrial countries were still the dominant recipients of Africa's exports (64.7 per cent) although the share of developing countries had increased considerably to 24.0 per cent. It is significant that although Africa's exports to Asia are still relatively small (9.1 per cent) it had doubled as a proportion to the total between 1988 and 1996. In the case of Nigeria, the increase had been exponential (from 0.5 to 7.5 per cent) whilst its intra-African trade has remained more or less stagnant. Figure 2.3 shows the direction of Nigeria's crude oil export and the overwhelming importance of North America(43.8 percentand wester Europe(22.9 percent)as Nigeria's principal oil importers.

(vi) *Dim export prospects*

While internal blockages are no doubt at the heart of economic development in Nigeria and other African countries, external factors also constitute almost impenetrable obstacles. It has been extremely difficult for Africa to break out of its inherited primary commodity straitjacket and become a major exporter of manufactured goods. Apart from its lack of competitiveness, protective barriers against imported manufactures and against the more processed stages of primary commodities frustrate most African effort to diversify their economies. While it is generally believed that foreign investment by TNCs is the key to diversification, value adding, access to foreign markets and increasing market shares, unfortunately these TNCs have been consistent in focusing their investment in mining, mineral and oil production. Nor have the Bretton Woods institutions been of much assistance. Unlike the East and South East Asian countries, which have received generous support from them for diversification, African countries have not been so lucky. Even the recent effort by the

The persistence of structural vulnerability and dependence has made economic decolonisation intractable.

Table 2.2

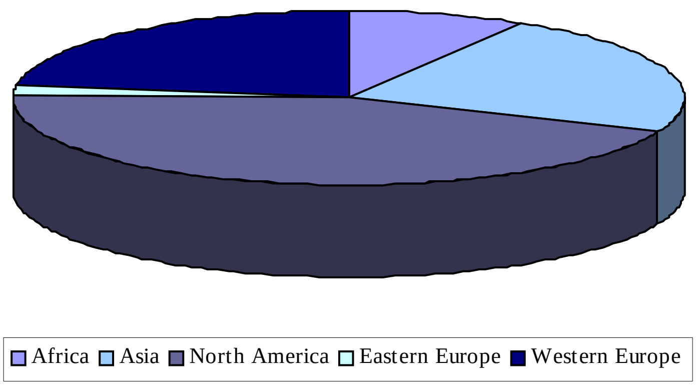
Destination of African Exports (in value), 1988 and 1996 (Percentages)

Export From	Year	Industrial Countries	Developing Countries	Africa	Developing Asia	Middle East	Latin America
Africa	1988	67.6	12.7	6.2	4.5	1.4	1.6
	1996	64.7	23.9	10.1	9.1	1.9	2.8
Nigeria	1998	88.1	11.3	6.5	0.5	0.1	4.2
	1996	79.9	19.7	8.5	7.5	-	3.7

Source: UNCTAD, Trade and Development Report, 1998 (Geneva); Table 56 p. 205.

Figure 2.3

Direction of Nigeria's Crude Oil Export, 1999 (%)



United States to accord greater access to African products in America has been made subject to structural adjustment programme conditionality.

These six characteristics of Africa's dependency provide essential background to the Nigerian situation.

The persistence of structural vulnerability and dependence

If the first era of globalisation occurred when Nigeria was going through the process of unequal integration into the global economy, the second and contemporary era of globalisation has found Nigeria and indeed the rest of the Sub Sahara Africa in conditions which are relatively worse than they were 50 to 100 years ago. In spite of the euphoria of political independence, the colonial economic legacy has remained in tact. While political decolonisation was relatively easy, economic decolonisation has proved intractable.

Through a series of undeclared protocols linking the former colonial territory to the metropolis in some special relationship as well as through mental links via the educational system and cultural and religious ties with the two very muscular religions of Christianity and Islam imported from the west and from Arabia respectively, economic decolonisation and liberation has become quite difficult while dependence and dispossession have become more insidious. A class of indigenous supporters and collaborators drawn from the highest echelons of the society has emerged lending their considerable weight and influence to the perpetuation of the **status quo**. Educated Nigerians have generally exhibited, more than the ordinary folk, this moral and intellectual mimicry and enslavement.

The pervasive lack of democracy due to the intervention of the military in the governance of Nigeria for over three decades has further exacerbated the colonial legacy of human development deficits. This is because military involvement in governance is basically a hold-up Prolonged beyond reasonable limits, it becomes a war against the people.

The past has continued to haunt both the present and the future, particularly as the colonial deficits have been carried forward. At independence, Nigeria, like all other Sub- Sahara African countries, suffered from four major deficits: democratic, political, technological and managerial deficits. With a majority of its population illiterate and lacking experience in democratic governance, the institution of modern state-craft were little understood and regularly misapplied. It soon became clear that while it was relatively easy to replicate British institutions on governance with utmost fidelity, it is extremely difficult to stick to and faithfully apply the ethos that govern them. Consequently, in less than two years after independence, serious breaches had been committed in democratic governance and these got worse over the years leading to violence, repression and the denial of human rights. By 1965 there had developed widespread threat to national security which culminated in the entry of the military into the domain of governance in January 1966 to save the Nigerian State from systemic collapse.

Coups d'etats — even when they are successful — are revolts against constitutional authorities and, as such, constitute an act of institutionalised indiscipline by the very organisation set up to be the epitome and symbol of discipline and good governance. Military involvement in governance is basically a hold-up. Prolonged beyond reasonable limits it becomes a war against the people. And in Nigeria, the military were in power from 1966 to 1999 except for the brief period of civilian inter regimn of 1979 to 1983.

The political and democratic deficits have been further exacerbated by human development deficits and the cumulative effects of these is the enormous task of coping with a pervasive and rapidly increasing process of internal and external marginalisation. The single and most marginalising domestic factor is the high incidence of poverty and political instability. Poverty in Nigeria is both broad and deep, as both income and human poverty are quite extensive. Income poverty is further accentuated by skewed income distribution. Nigeria's Gini index is above 0.5. With so much inequality, most of the increases in real income accrue to the non- poor — the richest 20 per cent — of the population.

Democracy cannot thrive in a monocultural, stagnant economy which because of its overwhelming dependence on one or two export commodities is the victim of the vicious boom-and-bust cycles which characterise commodity exports. Nor globalisation for that matter. Commodity boom results in high export earnings, which invariably lead to significant increases in the level of public expenditure. Given the low level of human development, such increases are inevitable. However, with the perennial price instability of these commodities, a bust sooner or later follows — resulting in severe damage to the economy; reduction or even closure of essential services that are grossly inadequate in the best of circumstances; downsizing of civil services that are grossly inadequate and deficient to meet the challenges of good governance; and, widespread economic depression with the consequent increase in the pool of the unemployed.

Excessive dependence on oil exports makes the Nigerian economy is even more vulnerable today than it was during the first era of globalisation when the colonial system organised the economy to produce export commodities for which there was limited domestic demand, and whose technological know-how and skills requirements were minimal. With the country then producing four export commodities — cocoa, palm oil and palm kernel, groundnuts and rubber — the risk was somewhat spread. The returns to local labour were also minimal and industrialisation was positively discouraged if not banned. Throughout the colonial period, Nigeria was obliged to specialise in producing what its people did not consume nor want, while it was dependent on Britain for its need – particularly its basic consumer and capital goods. The commodities were exported unprocessed without any value added. With virtually no diversification, its dependence and marginalisation was complete. Like the rest of Sub-Sahara Africa it was at the periphery.

Today, the country's structural vulnerability and dependence has not only persisted but it has also become aggravated. Whereas between 1960 and 1975 the country achieved an average of 3.66 per cent in the growth of real per capita GDP, during the last quarter of the last century — between 1975 – 2000 — it has consistently, year-in-year-out, achieved negative real per capita GDP growth rate of 1.39 per cent.

The rapid growth of the mining sector in general and petroleum production in particular has not ameliorated the overall GDP growth situation. As already admitted it has generally aggravated the country's structural weaknesses. The nation has learnt to its chagrin that dependence on oil is no more than a mere replacement of one type of monoculturalism with another. Industrialisation failed woefully to become the jewel in the economic crown. The premature deregulation requirement of structural adjustment programmes deprived the infant industries of their tariff protection. Consequently, the manufacturing sector has been having an average negative growth rate of 3.0 per cent per annum for almost two decades. A process of deindustrilisation and capital decumulation, manifested **inter alia** in persistent low capacity utilisation, dearth of new productive investment, under selling of privatised parastatals and capital flight, has been set in motion

Box 2.2

In office but out of power

…After its installation, Nigeria's first civilian government for 18 years is in danger of loosing the battle to cope with its daunting inheritance of mismanagement, corruption and other ravages of military rule stretching across the county's 40-year post independence history.

To everybody's relief, soldiers are back in the barracks, but the country is not working. Schools are without books, hospitals without drugs, water and power services are sporadic, phones remain unreliable and public transport has collapsed.

There are very many signs that things are about to improve. Despite a tripling in the oil price and the boom in the sector that accounts for no less than 90 per cent of export earnings, the mood of the rest of the business community is as gloomy as it has ever been.

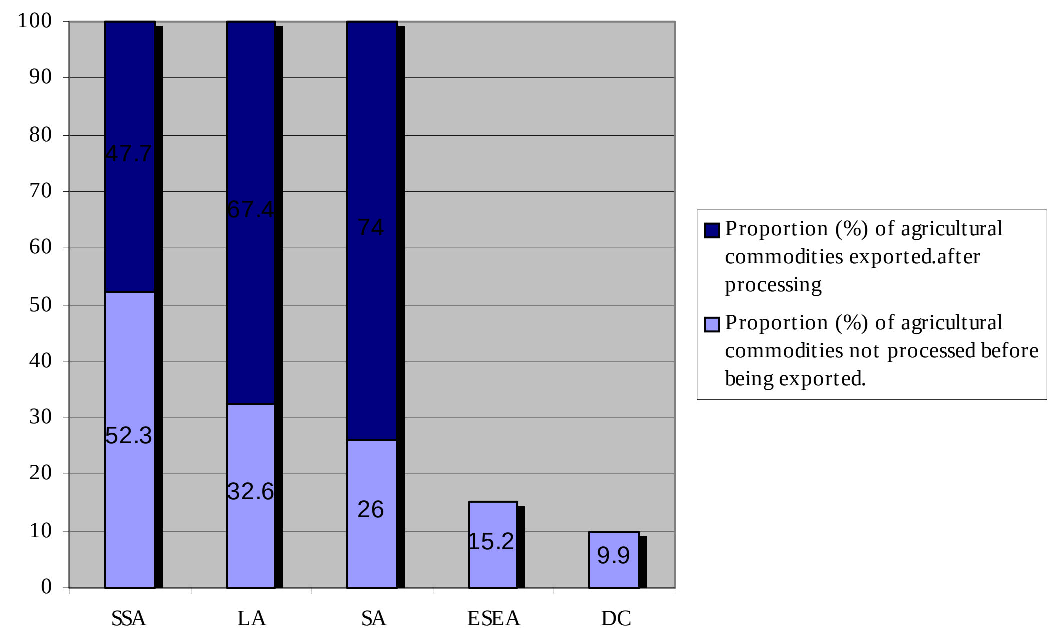
…And it is becoming apparent that additional resources are not in themselves the answer to Nigeria's problem — the government is unable effectively to spend the money it already has or to create a better investment climate.

Source*: London Financial Times Survey on Nigeria, March 30, 2000.*

Unfortunately, in spite of the restoration of democracy since May 1999 and the upsurge in the price of oil, the decline and decay has persisted (Box 2.2, Figure 2.4). While it was generally recognised in 1999 that the inheritance of the new democratic government was a most unenviable one and that the challenge would be a herculean task, unfortunately, two years on the economic situation has deteriorated rather than improve in spite of the buoyancy in oil revenue.

Figure 2.4

Relative shares of processed and unprocessed commodity exports on a regional basis



This lack of movement forward is due primarily to the fact that certain essential prerequisites are still lacking

These would include:

- Restitution and restoration of legitimacy
- Proactive maintenance of law and order, of personal and community security and of the security of property
- Putting in place firm foundations for good governance
- Attaining a significant reduction in corruption and creating anti-corruption ethos among public servants and politicians. That is, cleansing the Nigerian augean stables.
- Restoring and reinvigorating social discipline.
- Establishing mutual trust and mutual respect between the government and the governed and between the political class and the civil society
- Providing adequate social infrastructure utilities
- Putting in place macro-economic policies which are pro people especially the poor and women
- Address the hostile external environment
- Broaden the narrow product and market concentration
- Address the problem of food security
- Have a genuine people-centred development vision and leadership

In other words, it is essential for the country to succeed in putting its house in order and in rehabilitating and revitalising the ailing economy before it can be prepared to face the challenge of globalisation. Doing first things first is an imperative in jump-starting the Nigerian economy.

Doing first things first

The persistence of the country's vulnerability requires paying immediate attention to the many debilitating factors that continue to hinder progress with the view to creating an enabling environment for enterprise and investment and laying the foundation for a competitive economy. There is also the need to ensure the efficiency of the public service in the production of such public goods as public utilities, infrastructure, banking services and social services. This a precondition for ensuring the efficiency of the society as a whole which is achievable only through social discipline.

Doing first things first means giving the highest priorities to human development, poverty eradication and the efficient provision of public goods in the domainsof infrastructural facilities and financial and banking services.

While in this era of globalisation, Nigeria like any other developing country cannot but think globally, prudence and enlightened self interest demand that its leaders and stakeholders should act locally in order to prepare the country's political economy to face squarely and at minimum cost the challenge of globalisation by becoming increasingly competitive. And efficiency is an overarching goal of competitiveness.

How competitive the productive sectors of an economy are depends on how efficient are its social sector – education and health care — its financial sources sector – particularly its banking, insurance, capital and money market— its social capital sector – power, transport and communication and, its governance — that is, whether or not there is the supremacy of the rule of law, basic ethical values of justice and equity, human rights (including minority rights), empowerment, accountability and transparency.

Competitiveness and efficiency are factors of social discipline. The more disciplined a society as a whole becomes the more hardworking and efficient is its economy. Put bluntly, if Nigerians are to exit from poverty and the country is to become rich, then the leadership, from top to bottom, must learn to behave better and be more developmental in its attitude and role.

The most important factor that enhances and accelerates the process of competitiveness both within an economy and internationally are education and technology. Economists have long recognised the crucial role of education at all levels — primary, secondary and tertiary — in human development. Adam Smith stressed its importance as a fixed capital which benefits not only the person who has acquired it but also the society to which such a person belongs. According to Alfred Marshall, the most valuable capital is that invested in human resource development which is the process of increasing the knowledge, skills and capacities of all the people in any society.

As the World Bank has so aptly put it in its **Education in Sub-Saharan Africa** (Washington DC 1988), *world class University-based programmes of basic and applied research and of postgraduate education are the breeding ground for the mastery of science and technology. They are the key to sophisticated consumption of mankind's exploding stock of knowledge. They are a necessary condition for Africa's escape from intellectual dependency. Unfortunately, these are ares that have been neglected for too long. Successive governments,while showing no restraints establishing new universities have invariably failed to fund and equip them sufficently even to carry on their undergraduate work the mastery of science and technology has been accorded little priority in funding.*

Box 2.3 restates one of the main hypotheses of the **1998 Nigerian Human Development Report** that with change in the old motors of growth and development from quantitative assets – land, capital and natural resources – to a series of qualitative features such as quality of skills, organisation, motivation and self discipline, comparative advantage will become increasingly knowledge-based. Indeed, the struggle for competitiveness and efficiency for mastering dependence and overcoming dispossession while establishing a firm basis for social discipline will, first and foremost, be fought and won in the classroom. The quantity and quality of education and the proportion of young people in higher technological education will be decisive factors. There can be no doubt that the Asian miracle has been due, in no small measure, to massive investment in education that the countries of East and South East Asia have made as the secret of their success. While there is no single or simple answer as to how the Asian miracle has taken place, the positive role of education cannot but be duly acknowledged.

Doing first things first means giving the highest priorities to human development, poverty eradication and the efficient provision of public goods in the domains of infrastructural facilities and financial and banking services. Because of their primary importance this Report will focus on them in the chapters that follow. It cannot be over emphasised that in addressing the challenges of globalisation, charity should begin at home. Governments (federal, state and local) and stakeholders should therefore always act locally, first and foremost.

Marketisation – forces of inequity and marginalisation.

The advance of the market – marketisation - began under the influence of monetarism which held away first in the USA and then UK in the 1980s. It spread to developing countries largely as a result of pressure from the international financial institutions (IMF and World Bank, particularly) and to the CIS countries after the collapse of communism. Domestically, marketisation meant reduced state intervention, reduced subsidisation, deregulation and increased privatisation. Globally, marketisation has brought about massive flow of financial resources and technology as well as trade flows and flows of people, particularly highly skilled people. Indeed, marketisation is the theoretical underpinning of globalisation and a major force of inequity and marginalisation.

The dominance of TNCs in investment, production and trade exacerbates marginalisation in the global economy. Not only do they have a monopoly of the technology market, they dictate the terms and conditions of technology transfers to developing countries. More often than not, the North/South technology transfers involve heavy financial cost while they determine the direction of technology change in developing countries (often in an inappropriate direction). Through such transfers, strict conditions are imposed on recipient countries including restrictions of markets and technology development.

The advance of the global markets has had and continues to have adverse impacts on poor countries and within countries on the poor people. Liberalisation of the global market is biased towards changes favouring rich countries; liberalisation of technology markets favours technology suppliers while liberalisation of the goods market discriminates against products from developing countries.

In addition to the marginalisation process unleashed at global level by forces of marketisation, there is the no-less serious process of internal marginalisation in each African country which has been grinding away at the foundation of the African societies. This internal marginalisation is the consequence of the political, economic and human development deficits already referred to. Additional casual factors are the poor management of the economy and corruption as well as the pursuit of the structural adjustment paradigm which has polarised the different social and economic groups and has led to the disappearance of the budding middle class while giving fillip to the rise of an adjustment-induced elite made up of a class of speculators and wheelers and dealers to replace productivity-oriented entrepreneurs. There is no doubt that the single

Box 2.3

The 21st century – a knowledge-based century

… Among the emerging economies of the world, the successful ones will be those that have educated their workers up to and in many cases, beyond levels typically achieved in the West. This is crucial because globalisation and technological change will continually reconfigure demand for skilled labour both in quantitative and qualitative terms. Comparative advantage will thus be increasingly knowledge-based and new jobs in industry will depend more and more on human skills responsive to a shift in demand, thereby requiring a labour force that is literate, numerate, adaptable and trainable – in one word meaningfully educated. If Nigeria is to succeed in the emerging global political economy, one of its top priorities must be the introduction of a compulsory high quality and need-based twelve–year long education for all boys and girls between age 6 and age 17.

***Source**: UNDP NHDR 1998 page 20*

The high incidence of poverty excarbated by civil strife and political and social instability have aggravated internal maginalisation.

most marginalising domestic factor in Africa is the high incidence of poverty exacerbated by civil strife and political and social instability.

Although marketisation and globalisation, by their very nature, are forces of inequity and marginalisation, individual countries such as Nigeria, particularly when they are weak, dependent, dispossessed and marginalised have to accept the framework of the international system as given and then try to see how they can manoeuvre to improve their position by using the market selectively and bargaining for improved conditions. By so doing, they will establish some space for themselves which they must use to launch the process of a human-centred development paradigm through which they will embark on the restoration and strengthening of their social economy whose overwhelming objective will be socially just, economically productive, ecologically sustainable, politically participatory and culturally vibrant. The coexistence of a strong social system and an appropriate market economy should ameliorate the forces of inequality and marginalisation and in turn lead to the emergence of the country as a net beneficiary in the globalisation process. It is only by so doing that all segments of society and, indeed, all countries across the globe can develop the capacity to share in the prosperity made possible by globalisation and marketisation (Box 2.4).

Box 2.4

Excerpts from the Communiqué of the Denver Summit of the Seven most Industrialised countries of the World (June 1977)

The process of globalization, a major factor underlying the growth of world prosperity in the last fifty years, is now advancing rapidly and broadly. Globalisation encompasses the expansion of cross-border flows of ideas and information, goods and services, technology and capital. More openness and integration across the global economy create opportunities for increased prosperity as countries specialise in those economic activities which they do best, while also promoting increased competition and efficiency, and the rapid spread of technological innovations. Our task, as we enter the 21st century, is to make the best of these opportunities.

At the same time, globalisation may create new challenges. The increasing openness and interdependence of our economies, with deep trade linkages and ever greater flows of private capitals, means that problems in one country can spill over more easily to affect the rest. We must cooperate to promote global growth and prosperity. We must also ensure that all segments of society, and indeed all countries across the globe, have the opportunity to share in the prosperity made possible by global integration and technological innovations. It is particularly important that young adults see the path to a successful life, and be adequately prepared to follow that path.