The Nigerian Economy Under Obasanjo

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Introduction

The long years of military role in Nigeria had a devastating effect on the Nigerian economy. Economic planning was haphazard, policies distorted, and implementation processes undermined. In addition, corruption, fraud and general mismanagement became the order of the day. As such, the Nigerian economy was in a serious comatose when the civilian regime of Chief Olusegun Obasanjo assumed office in May 1999.

However, hopes and expectations were high, and the Nigerian people were yearning to yield the dividends of democracy in socio-economic aspects. But how has the new civilian administration fared in the management of the economy and what has been the result? These are the issues addressed by this paper.

The Nigerian Economy Before May 29, 1999

The Abacha regime, which came to power in November 1993 under the pretence of resolving the political logjam. occasioned by the annulment of the June 12, 1993 presidential elections, sought to perpetuate itself in power. In the process, institutions were subverted, procedures bath in the economy and polity undermined and political crisis intensified.

The economy was the worse for it. The junta through its repressive and dastardly acts undermined the economy. Inflation was at its peak and double standard became the rule of operation in the foreign exchange market. Friends and relatives of the junta were allowed to buy foreign currency at "official rates" and in large quantities only to sell at high prices at the parallel "black market". Manufacturers and other genuine users of foreign exchange were at the mercy of the junta’s cohorts. The economy, after about four decades of political independence and economic management, suffered from fundamental structural defects, and remained in a persistent state of disequilibrium. The productive and technological base was weak, outdated, narrow, inflexible and externally dependent (Federal Republic of Nigeria, April 2000).

Also, infrastructure was poor, inadequate, lacked maintenance and economic incentives were generally low, giving fuge to inadequate utilisation of the factors of production.

This mirrored the Nigerian economic situation until June 8, 1998 when the head of
the military junta, General Sani Abacha died. Immediately after his death. The Provisional "Ruling Council met and decided that General Abdul Salam Abubakar, who was the minister of Defence under Abacha, should fill the vacuum. It is important to stress that Abubakar's reign was faced with so much problems bath at home and abroad. Internationally, the regime had problems of image laundering, sanctions and suspension from international community, as a result of the "high degree of human rights abuses recorded under the Abacha regime. This became the major concern of the regime as efforts were geared towards gaining the lost glory of the country. Abubakar embarked on serous "shuttle diplomacy" which gave him the little support with which he Tan a ten month transition programme.

Locally, the regime’s attention was drawn to several attending problems facing the Nigerian people. At this point, the economic condition of the people was highly deplorable that it needed immediate attention. This made the Abubakar regime to announce the upward review of minimum wage from N250.00 to N 5,200.00 which was later slashed to N 3,500.00 for Federal civil servants and N 3,000.00 for their state counterparts.

Both social and physical infrastructure was in the state of disrepair. There was no particular aspect of the country’s infrastructure that could be pointed to as being in fair shape. However, most of the issues raised under the Abubakar regime were left un-tackled as emphasis and concern was on the transition plan.

*The Obasanjo Administration and the Nigerian Economy*

The morning of May 1999 witnessed a turning point in the political history of Nigeria as civilian political leaders were sworn in. The birth of the Fourth Republic became a reality after a prolonged military rule. The newly born fourth republic became highly instructive considering the scope and array of economic and political problems bequeathed to the country by the prolonged years of military rule and which the newly elected civilians have to cope with.

It is interesting to note that the performance of the Nigerian economy in 1999 was mixed. Inflationary pressures eased especially during the second half of the year. At this period, inflationary pressures had decreased to 6.1 per cent. This was a great decrease as it had risen up to 70 percent in 1995 and 1996 (Masha, 2000: 36). This coincided with a period of expansionary fiscal deficit and money supply growth. Also, the Naira exchange rate was stable the as dollar exchanged for N92.00 to a dollar as at the last quarter of 1999. However, the later part of year 2000 witnessed a drastic increase in the exchange rate. At this period up to the second half of year 2000, a dollar was exchanged for N135.00. This shows a decrease of about 50 percent in the value of the Naira.

Although, on assumption of office in May, 1999, the Obasanjo administration immediately took decisive steps to put in place an enabling environment for the thriving of democracy, regaining international respectability, and credibility and putting the economy on the path to sustainable growth and development. However, the se measures have not had significant impact on the economy, rather life bas continued to be miserable for an average Nigerian. The analysis of the Nigerian economy shall be done further by examining certain significant sectors and aspects
of the economy in order to show the extent of deterioration in the economy.

The increase in agriculture production in the preceding five years (i.e. from 1995) was sustained in 1999. During this period, the aggregate index of agricultural production rose by 3.3 percent, compared with 3.1 percent recorded in 1998 while the performance has been highly unimpressive in the later part of year 2000. Consequently, this shoot up prices of agricultural commodities. Also, while the prices of agricultural commodities went up at home, the prices of Nigeria’s major agricultural commodities in the world market declined substantially in 1999 relative to their levels in 1998. According to Central Bank of Nigeria’s report, the dollar prices of all the commodities recorded declined during 1999. The decrease in prices ranged from 16.9 percent for soya beans to 30.8 per cent for cocoa. (CBN Annual Report, 1999). This was attributed to increased supply and reduction in demand.

The manufacturing sector is another important sector in this analysis. Although the manufacturing sub sector recorded a moderate recovery in 1999 and 2000 from what it experienced in 1996. However, the sector still finds it difficult to change the taste and orientation of the people for imported goods. According to a nation-wide survey conducted by the CBN which covered 560 manufacturing establishments, the weighted average capacity utilization rate of the sub-sector rose from 30.3 per cent in 1998 to 34.3 per cent in 1999. The total cost of operations also increased by 14.2 per cent over the level in 1999 owing mainly to high costs of raw materials, machinery and spare parts. The value of imported raw materials rose significantly by 34.7 per cent and accounted for about 47.5 per cent of the total value of raw materials used, while the value of locally sourced raw materials, accounting for 53.5 per cent of total, increased by 5.8 per cent (CBN Annual Report, 1999).

Further growth in the manufacturing sub-sector was impaired largely by low demand for locally manufactured goods occasioned by the influx of cheaper products into the country. Other constraints include the poor state of social and economic infrastructures, including erratic power and water supply, as well as poor performing transport and communication systems.

Social Services

The performance of social services in the economy was highly unsatisfactory in 1999 and 2000. Service delivery by key institutions designed to mitigate the living conditions of vulnerable groups was hampered by deterioration of basic facilities, poor funding, the unprecedented high incidence of industrial strikes especially in the education and health sub-sectors as well as civil strife and disturbances. The health system deteriorated to the extent that hospitals were described as “mere consulting clinics”. The situation was compounded by the mass exodus of experienced Nigerian health experts to other countries in search of better conditions of service and greener pastures. The hospitals were poorly equipped. Infrastructure remained poor, inadequate and fast deteriorating. As a result, there was high infant, under-five and maternal mortality, and the prevalence of many diseases, several of which were of epidemic proportions.

However, by 1999 the population per physician had improved slightly from 4,977 to 4,479 in 1998 while population per hospital bed improved from 1,738 in 1998 to
1,564. It is important to stress that the impact of the Petroleum (special) Trust Fund (PTF) in the supply of drugs is important in this regard. Also, the administration of Obasanjo accorded high priority to the health sector, which accounted for the rehabilitation works in health institutions. There was an increment in the budget of the health sub-sector by 21.7 per cent from #10,756.3 million in 1998 to #13,737.3 million in 1999. This represented 4.6 per cent of total Federal Government budget (Ibid.). However, this still fell short of the 5.0 per cent minimum standard recommended by the World Health Organization.

The education sub-sector on the other hand, experienced deep crises for many years. The schools, at all levels lacked teachers and basic infrastructure. They suffered from over-crowding, poor sanitation, poor conditions of service for teachers resulting in poor quality of teaching and poor quality of products. This sub-sector has equally been burdened by frequent industrial disputes and strikes actions. It suffered from poor management, manifested in poor intra-sectional allocation, multiplicity of agencies with duplicated functions and inadequate coordination. Prior to 1999, teachers at both the primary and secondary school levels were owed up to six months salaries while those who have retired were not getting their pensions as at when due. However, by 1999 adult literacy had increased to 57 per cent from 53 per cent in 1998 (Federal Republic of Nigeria, 2000). Also, the Universal Basic education scheme was launched in September 1999 with enlightenment campaigns to elicit support, by the Obasanjo’s administration. At the tertiary institution level, visitation panels were inaugrated, reports of which led to some crucial decisions of Government. Also, cultism, which had eaten deep into the structure of the Universities, was drastically dealt with as judicial panel of inquiry on secret cults in tertiary institutions was instituted. The vice-chancellors of different Universities were compelled to tackle the menace of secret cults.

**Nigeria's External Debt Profile**

As at 1996, Nigeria’s external debt stood at US$31,407,000.00 which presented Nigeria as the highest indebted country in Africa followed by Cote d'Ivoire which has US$19,713,000.00 (cited in Southern, 2000).

However, as at the end of December 1998, Nigeria’s debt service obligation amounted to some 36 per cent of the National budget which translated into a payment of some $1.68 million out of the $3.61 billion that was actually due for 1998 (The Guardian 13, September, 1999).

However, it is important to stress that Nigeria borrowed some $28.025 billion over the period 1979 to 1995 and paid back $35.845 billion in principal and interest, yet the outstanding debt as at the end of 1997 still stood at a staggering $27.008 billion (The News, 2 August 1999). The adoption of the debt conversion programme as a viable, market-based strategy of debt reduction, is yet to reduce the country's cumulative liability. The efforts of the present civilian administration of Chief Obasanjo in the campaign for debt relief should be appreciated. This must have informed the increment in the debt service payments in 1999 as this rose by 35.6 percent over the level of 1998.

A total of US$724.9 million was used to service the country’s debt in 1999 representing an increase of US$452.4 million over that of 1998 (CBN Annual Report,
1999). Also, there was a decline in the debt conversion scheme in 1999 as application for the programme dropped from 29 in 1998 to 20 in 1999. The value of the applications also dropped to US$ 276.5 million from US$ 20,060.8 million. Consequently, the total debts redeemed declined from US$ 88.4 million in 1998 to US$ 59.7 million in 1999 (Ibid.). Therefore, the cumulative value of debt redeemed between 1995 and 1999 amounted to $524.32 million.

**Concluding Remarks**

It is obvious that the Nigerian economy suffered a severe blow during the prolonged years of military rule of Babangida, Abacha and Abubakar's regimes. Life became miserable, while opportunism and greed thrived in the socio-political and economic environment of the country. The economy was battered and at the verge of collapse as social policy, economic and political institutions were undermined. The policy errors of the past regimes have seriously affected the current position of the Nigerian economy. Political and policy instability discouraged foreign investment despite the huge domestic market and the strategic location of the nation.

However, the need for policy redirection in the country became obvious especially with the revelation of the consequences of past policy errors and the emergence of recent global trends. Therefore, on assumption office as earlier pointed out, the Obasanjo's administration took certain decisive steps to put in place an enabling environment for the thriving of democracy, regaining international respectability and credibility and putting the economy on the path of sustainable growth and development. It is noteworthy that some of the measures taken by the administration which include the inauguration of Anti corruption bill; monitoring domestic and international campaign to recover looted public assets; introduction of Universal Basic Education, addressing the energy crisis, establishment of a Poverty Alleviation Programme, the upward review of the minimum wage among other things are good steps in the right direction. In addition, the efforts of the administration in the promotion of the private sector in order to achieve rapid economic growth and development should be appreciated and encouraged.

Nevertheless, the administration should ensure that these policies measures are implemented to the letter, as Nigerians are anxious to reap the dividends of democracy, which they have suffered from. Again, the point should be made that the administration has a lot to do in ensuring that the kinds of policy makers appointed are the right people with genuine intentions. This has long-run implications for the economy and the society as a whole.

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