NATIONAL ECONOMIC EMPOWERMENT DEVELOPMENT STRATEGY & POVERTY REDUCTION IN NIGERIA: A CRITIQUE

Abdu Ja’afaru Bambale
M. Sc (Economics), MBA, B. Sc (Business Administration),
Department of Business Administration,
Bayero University, Kano.

ABSTRACT

Poverty is one of the most common characteristics of the third world countries including Nigeria. National Economic Empowerment and Development Strategy (NEEDS) is a reform agenda by Nigerian Government modeled on the IMF’s poverty reduction and growth facility to achieve some macroeconomic goals of stability, poverty alleviation, wealth creation, and employment generation. This paper investigates the extent to which the goal of poverty reduction has been achieved after the first phase of its implementation (2004-2007). The paper adopted the content analysis of library materials, publications and other documented researches pertaining to the subject-matter. The paper concludes that NEEDS has not made a significant impact on Nigeria’s infrastructures and standard of living of the majority and therefore status of poverty remain at an alarming rate. The failure of NEEDS to significantly generate employment and reduce poverty has been attributed largely to weak institutional frameworks and lack of political will in the Nigerian state. To achieve poverty reduction and economic progress in Nigeria, majority of Nigerians must have access to quality education and the leadership must be truly committed to the economic reform agenda by encouraging development of stronger State institutions and creating an enabling investment environment.

Keywords: Poverty Reduction, Employment, Reform Program, Wealth Creation

1. INTRODUCTION

Nigeria is a Federal Republic comprising of thirty-six states and a Federal Capital Territory, Abuja with an estimated population figure of 154.7 million people (UNDP, 2009). The country is located in the West of Africa and shares land borders with four countries including the Republic of Benin in the west, Chad and Cameroon in the east, and Niger in the north. Its coast in the south lies on the Gulf of Guinea on the Atlantic Ocean. Nigeria has three major ethnic groups called Hausa, Igbo and Yoruba. In terms of religion the country has two dominant religions – Islam and Christianity. A few portion of the population practice traditional religion.

Nigeria is the most populous country in Africa, the eighth most populous country in the world, and the most populous country in the world in which the majority of the population is black (Adelakun, 2008). It is a member of the United Nations and Commonwealth countries. It is also a very influential member of African Union (AU) and Economic Community of West Africa (ECOWAS) among other international and regional organizations. Nigeria’s economy has been described as one of the fastest growing in the world.
(IMF, 2008; Ayodele, 2008; Atser, 2008). It is the third greatest economy in Africa and the largest exporter of oil in Africa (Spencer, 2010).

At the time of Nigeria’s political independence in 1960, agriculture was the main stay of the economy, accounting for about 70 percent of the GDP and about 90 percent of foreign exchange earnings. Manufacturing, which contributed 3.9 percent in 1960/61, reached a peak of about 10 percent in 1981 and thereafter started to decline progressively to lowest level of 2.57 percent in 2006. Crude oil became dominant in the Nigerian economy, starting from 1970s and presently accounts for about 40 percent of GDP, over 95 percent of foreign exchange earnings, and over 70 percent of Federal Government revenue source (Chinedu, Titus and Thaddeu, 2010). Since her independence in 1960, Nigeria’s economy has been a mono-cultural one, moving from over dependence on agriculture to over dependence on crude petroleum. Over dependence on a single primary product (crude oil) has made the Nigerian economy to be volatile and susceptible to vulnerabilities in the global market environment. Therefore, the recent economic reforms (NEEDS) introduced after 13 years of military rule target restructuring the economy through value reorientation, privatization and diversification of the economy.

Unfortunately, despite the country’s vast oil wealth and abundant human resources, endemic corruption and mismanagement of the nation’s resources as a result poor leadership, have continued to undermine country’s economic development and social integration (Adogamhe, 2007; Bambale, 2005). The country continues to plunge into poverty and its attendant consequences. In line with that argument Nwokeoma (2010) and WB (2010) report that more than 70% of the Nigerian population lives in poverty despite the country's enormous resources. Nigeria has a low per capita income which is an indication of the existence of poverty among its citizens. The per capita income has experienced a sustained retrogression for more than 2 decades, for example the per capita GNP in Nigeria was estimated at US$1,000 in 1977 (Kirk-Green and Rimer, 1981) dropped to US$800 by 1982, it fell to US$359 in 1986 (Fadahunsi, 1993) and fell further to US$90 in 2000 (Obasi, 2000).

After the successful transition to civil rule on May 29th1999, the then President Chief Olusegun Obasanjo, stated the need for reform because of the myriad socio-economic problems that engulfed Nigeria. According to the Government, the economy was overburdened with problems such as an energy crisis manifested in widespread scarcity of petroleum products and erratic power supply; high fiscal deficits which threw macroeconomic fundamentals out of order and a near total collapse of infrastructure and services. The economy was experiencing low industrial outputs, high unemployment and a crushing debt burden (Obasanjo, 1999). The President therefore launched a series of economic reforms in March 2004 designed to address the structural and institutional weaknesses of the Nigerian economy. The economic reform package includes acceleration of privatization, deregulation and liberalization of key sectors of the economy, monetary and fiscal reforms, infrastructural development, enhanced transparency and accountability and institutionalization of anti-corruption machineries as key factors of good governance (Adogamhe, 2007).

President Obasanjo’s administration stated that the new reform programs have been condensed in what
they called an all-embracing home-grown economic program known as the National Economic Empowerment and Development Strategy (NEEDS). The federal Government also seeks an effective economic coordination of and a close collaboration with the state and local Governments by encouraging them to design and implement equivalent programs based on the NEEDS model with acronyms including State Economic Empowerment and Development Strategy (SEEDS) and Local Economic Empowerment and Development Strategy (LEEDS) respectively. The NEEDS program which was modeled from the IMF’s Poverty Reduction and Growth Facility (Adogamhe, 2007) was specifically designed to lay a solid foundation for sustainable poverty reduction, employment generation, wealth creation, and value-oriented economy (Obasanjo, 2004). The poverty reduction and wealth creation were dependent on the private sector to grow the economy and provide jobs and on the public sector to provide an enabling environment for development” (Okonjo-Iweala, 2005).

There was a high expectation that the new economic reform could fix the socio-economic problem that bedeviled Nigeria for a long period considering its scope, comprehensiveness and reorientation potentials it portrays. It could be deduced easily from program papers that NEEDS differs significantly from the past similar economic policy Nigeria had in the mid 1980 called Structural Adjustment Program (SAP) as it is thought to be more comprehensive, realistic, and better coordinated and tends to reflect the input of the country’s stakeholders.

The objective of this paper is to provide a critical review of the performance of NEEDS in respect to poverty reduction in Nigeria. The paper presents diverse areas of the Nigerian economy where the Government reform package (NEEDS) has recorded tremendous achievement during its first phase (2004-2007). Similarly, the paper makes a critique of the reform agenda using various stakeholders’ standpoints and assessments of the performance of the neoliberal economic reform package. Therefore, as the methodology, the paper uses research papers and views expressed about the economic reforms’ problems and failure documented in published journals and e-resources. It is observable, therefore, that the paper tries to present a balanced reports and analysis of the performance of the NEEDS. This paper is unique in the sense that it provided a balanced review of NEEDS’ performance using a lot of statistical data and diverse stakeholder assessments. Conclusively, using the diverse outcomes and viewpoints expressed, the paper proposes some solutions for effective poverty reduction reforms.

2. NEO-LIBERALISM AND NEEDS: CONCEPTUAL ANALYSIS

Some nation states perform better economically than others in bringing about growth or development. There are predominantly two major economic paradigms, namely the statist or conservative economic paradigm and neo-liberal paradigm. The conservative approach accepts the state as the agent of economic development (Evans, Rueschemeyer and Skocpol, 1985; Streeten, 1992; Kohli, 2004) while the neo-liberal paradigm tends to discourage or minimize the role of State in performing business activities (World Bank, 1987 and 1991; Williamson, 1998; Gore, 2000). The theoretical debates therefore thrive along those who view the state as the key economic player and
Engine of economic development and the neo-liberal or pro-market school who believe in minimizing the role of the state in the process of economic development.

The NEEDS was conceived within the framework of neo-liberal economic order that limits the role of Government ownership of productive resources. The NEEDS was premised on recognizing the private sector as the engine of economic growth and that a robust private business initiative is associated with profitability, efficiency and promotion of rapid economic growth. The neo-liberal economic order believes that Government intervention in the economy to conduct business operations generally threatens private investors’ incentives because sometimes the goal of the Government may be to divert efforts and resources from productive to non-productive activities and corruptibly redistributes wealth to benefit the ruling elite rather than further investment in business operations for the realization of greater capital surplus (Adogamhe, 2007). Therefore, NEEDS has been anchored to return business to private investors by creating an enabling environment for the private sector to thrive and to restructure the State by making it smaller, stronger, better skilled, and capable of providing essential services that promote an effective and efficient market. One core component of NEEDS is the transfer of state owned enterprises to capital owners and thus privatization has become the pillar of Nigeria’s economic reform. The architect of the reform agenda, former President Obasanjo stated “privatization permits Governments to concentrate resources on their core functions and responsibilities, while enforcing the rule of the game so that the market can work efficiently with provision of adequate security and basic infrastructure as well as ensuring access to key services like education, health and environmental protection” (Obasanjo, 1999). It was well argued by neoliberal economists that privatization positively correlate with improved macroeconomic performance and real higher GDP growth. Hence other things being equal, there would be increase in the levels of incomes and employment and reduction of poverty (Barnett, 2000)

2.1. Needs’ Performance Achievements

The Nigerian Government and the IMF were conspicuous in explaining the achievements of the neoliberal reform agenda (NEEDS) in the economy that hitherto operated an economy that Government was a major player. The achievements of the reforms have centered on macroeconomic stabilization of the Nigerian economy by improving budgetary planning and execution, and provided a platform for sustained economic diversification and non-oil growth (Okonjo-Iweala and Osafo-Kwaako, 2007). The reform fiscal policy had enabled accumulation of government savings for back-up purposes. Government expenditure estimates were based on a prudent oil price benchmark. Government budgeting was based on conservative oil prices of $25 per barrel in 2004, $30 per barrel in 2005 and $35 per barrel in 2006, despite higher realized prices of $38.3 and $54.2 in 2004 and 2005 respectively, and an estimated average price of $68 for 2006 (Ikonjo-Iweala and Osafo-Kwaako, 2007). This development had helped in declining government expenditure from oil revenue earnings. Gross excess crude saving totaled about $6.35b at the end of 2004 and about $17.68b by the end of 2005 (CBN, 2006). Additionally, the external reserves had grown by an annual average rate of about 23% from US$7.68 billion in 2004 to US$43 billion at the end of 2006, as against 12.2 percent target (IMF, 2007).
Statistics provided by the IMF (2007) indicated Nigeria had experienced growth in virtually all its sectors of the economy during the first phase of NEEDS’s implementation. Real GDP annual growth rate averaged 6.6 percent (2004-2006) as against the annual target of 6.0 percent; phenomenal growth in the net in-flow of foreign direct investment (FDI) and portfolio investment particularly in the banking and telecommunications sectors was achieved. The FDI rose from US$1.866b in 2004 to US$2.3b and US$4.8b in 2005 and 2006 respectively. However, the oil sector annual growth rate averaged 0.23 percent as against 0.0 percent targeted in the period 2004–2006 while the non-oil sector average annual growth rate was 8.2 percent as against the NEEDS target of 8.0 percent between 2004 and 2006.

The domestic and foreign debt profile had constituted another constraint on Nigeria’s macroeconomic stability. Under the reform programme, Nigeria was able to pay its debts arrears owed to some International Finance Institutions (IFIs) particularly the Paris and London Clubs via: (1) Direct repayment where $6.4b was paid (2) Debt buy back arrangement where $8b was settled at 25% discount, and (3) Debts write-off where $16b was written-off by the creditors. The entire Paris Club debt relief enjoyed by Nigeria totaled US$18b, or a 60% for a US$12.4b payment of arrears and buyback. Similarly, the debts owed to London club commercial creditors were also restructured and paid off. The domestic debts constituting about 12% of GDP in 2005, owed to contractors and civil service pensioners were systematically paid (Okonjo-Iweala and Osafo-Kwaako, 2007; IMF Report 2007). Furthermore, IMF (2007) claims that Nigeria’s total external debt stock had reduced from over US$30b to less than US$5b in 2006. This was a positive development to Nigeria economy that hitherto was overridden by internal and external debts.

In order to address the structural constraints to growth, state-owned enterprises which were largely considered unproductive, corruption-ridden and a drain on scarce public resources, were privatized. The reform program which included deregulation of telecommunication sector for example, had attracted over US$1b a year in investment in the four-year period of the NEEDS’s first phase resulting in increase in the number of telephone lines from about 500,000 landlines in 2001 to over 32 million GMS lines. That had made Nigeria to become one of the countries with the fastest growing teledensity in the world (Okonjo-Iweala and Osafo-Kwaako, 2007).

Other economic spheres where NEEDS had recorded appreciable achievement include fiscal and monetary policies. Public spending was reduced from 47.0 percent in 2001 to 35.4 percent in 2004 which resulted to budget surplus of 7.7 percent of GDP for 2004, up from deficits of 4-5 percent of GDP in 2002-2003 (USAID, 2006). The supply of money declined from an annual rate of 24.1 percent in 2003 to 14.0 percent in 2004. This restraining monetary policy, along with fiscal restraint and the policy of putting the excess crude oil revenues into reserves led to reduction of inflation from an average of 18.5 percent in 2001-2003 to an estimated 10.1 percent in 2005 (Adogamhe, 2007).

The banking sector was among the sectors of the Nigerian economy that got a boost from the implementation of NEEDS. The new rules of recapitalization and restructuring exercise had made it possible for the Nigerian banking sector to
become stronger to support industrial growth and reduce the rate of bank failure in Nigeria. Market capitalization, which stood at ₦285.8b in 1996 rose to ₦2.9trn 2005. The mergers and acquisitions of banks that followed the banking restructuring and consolidation had provided the desired synergy for faster and easier growth of the private sector (Adogamhe, 2007). In the civil service sector, the reform considered the civil service as over-sized, poorly remunerated, corrupt and under-skilled, resulting in poor service delivery. Therationalization policy of the reform therefore weeded out a total of 35,700 redundant workers which resulted in saving the Government an estimated cost of about ₦26b, while 1,000 university graduates were recruited. Also the public service wages were increased by 15% and fringe benefits including house and cars were monetized and consolidated with basic salaries (Ogbo, 2006). On governance front, innovative processes that promoted anti-corruption, transparency and accountability were put in place. The ECOWAS Common External Tariff, the simple (unweighted) average tariff rate was introduced which resulted in declined tariff rate from 29% to 18%, while the weighted average tariff rate fell from 25% to 17%. Also as a result of adopting the ‘due process mechanism’ the trend of losing an average of about ₦40b each year from corrupt practices in public procurement had stopped (Okonjo-Iweala and Osafo-Kwaako, 2007). The mechanism had promoted an open tender process, competitive costing of contracts, and use of database of international prices, tender publishing and issuance of due process certificate. Also a monthly publication of the state and local government shares of the Federation Account was introduced in January 2004, providing details of revenue allocation to all the 36 state Governments and Federal Capital Territory, as well as the 774 Local Governments. Furthermore, as part of governance and institutional reform achievements, the Government introduced two institutions to tackle corruption in the domestic official and business environments; these are the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC). Through these institutions, there had been more than 500 convictions and many are awaiting trial for various corruption practices and assets worth over ₦5b had been seized, confiscated and refunded to the State and other victims of crime (Okonjo-Iweala and Osafo-Kwaako, 2007). Recently ₦66.7b was recovered from ₦747b granted indiscriminately without following the due process (Waziri, 2010).

3. THE CRITIQUE OF NEEDS

Using economic data and statistics, NEEDS had recorded tremendous success as indicated in the preceding presentation. However, the economic reform was not free of criticisms from different stakeholders of the Nigeria’s economy. Many individuals have maintained that available evidences have indicated some shortcomings and failure of NEEDS. Many critics have claimed that NEEDS instead of ameliorating poverty had aggravated it and had failed to improve the basic infrastructures that have direct link to poverty reduction. The UNDP using its Human Poverty Index (HPI) showed an increase in poverty from 34.0 percent to 38.8 percent during the period 2001-2007 (UNDP, 2009). The HPI ranges from 0 (for no deprivation) to 100 (for extreme deprivation). Recently, Nigeria ranks 114th with HPI-1 value of 36.2% among 135 selected countries (UNDP, 2009). The UNDP’s HPI-1 measures severe deprivation in health, education and standard of living. Similarly, in a research
about how far the globe was doing on poverty and hunger reduction that included 81 countries of the world (Gentilini and Webb, 2008) found that Nigeria was seriously behind when measured against a new poverty indicators they called poverty-hunger index. Specifically, they found that Nigeria had 0.156 values on matching towards achieving the Millennium Development Goals (MDGs) which interprets to mean low. More important revelation about the poverty situation in Nigeria in their research was the negative values of -0.392 and -0.355 on poverty and poverty gap composites respectively. The negative values on the two composites of the poverty and hunger index (PHI) were indicators of reversing trends in the Nigeria’s performance towards reducing poverty and poverty gap that formed part of PHI. In the 81 countries included in the (Gentilini and Webb, 2008) robust poverty study, Nigeria was ranked 73rd in terms of poverty and hunger index.

The reform measures have left much to be desired on the Nigeria’s local manufacturing sector. Harsh business environment has restrained the performance of local manufacturers in Nigeria. The sector confronts with myriad of constraints including acute power shortage, multiple taxations, insecurity of life and property, high interest rate, poor infrastructure, inefficient port administration, among others leading to more than 45 percent decline of industrial capacity underutilization and closure of more than 60 percent of industrial companies (Amanze, 2010). The reforms need to be consolidated by different policy measures designed to discourage imports and encourage greater reliance on the products of domestic industries, stimulate local production to contribute to GDP growth, create more jobs and reduce unemployment and poverty.

The privatization process of Nigeria’s reform regime was marked by lack of transparency and institutional capacity, weak private sector, poor management and absence of popularly acceptable regulatory framework. The sales of public assets were mostly without competitive bidding and were largely sold off to the political class, politically well-connected individuals and family members of political elites (Adogamhe, 2007; Izibili and Aiya, 2007). Relative to lack of transparency and institutional capacity, Nigeria’s Senate investigations had revealed the corrupt involvement of the top two political power holders of Nigerian State in the privatization process. The sum of $145m was found to be diverted as loans to the friends of former Nigerian Vice President from the Petroleum Technology Development Fund (PTDF). Similarly, the investigations have indicted the former Nigerian President of diverting funds from same PTDF for purchase of public assets to the tune of $27m (Alechenu and Josiah, 2007; Orilade, 2007). Specifically, privatization process in Nigeria was manipulated to generate new opportunities for rent-seeking and corrupt business practices, in a manner that undermines rather than enhances economic efficiency (Daily independent editorial, 16/08/2010).

In spite of the reform structures and institutions established by the Government to ensure economic efficiency, transparency and proper management, there is enough evidence that the reforms did not achieve those noble objectives (Adogamhe, 2007). Critics and analysts have claimed the corruption is on the increase and could not allow any meaningful reform such as NEEDS to make impact on the economy. Tilde (2010) reveals that US$16billion was stolen between 2004 and 2007 on electricity projects alone. In a similar fashion, from 1997 to 2010 the EFCC puts the economic and financial

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crimes at an approximate sum of ₦1.2t. In the Corruption Perceptions Index (CPI) 2009 report by Transparency International (TI), a global anti-corruption watchdog, Nigeria received 2.5 out of a possible 10 marks, emerged 27th out of the surveyed 47 nations in sub-Saharan Africa, and 33rd out of the 53 countries in Africa. Nigeria’s CPI index in the span of an eight year period dating back to 2001 did not improve until 2006 when it ranked 142nd out of 163 countries. For four years consecutively from 2001 to 2005 Nigeria ranked second to last in CPI ranking with 1.0 (Edet, 2009).

With less corruption, many infrastructures will function and budgeted funds will be spent for the real purpose (Okoh, 2010). Similarly, in his critical remark about state of the economy in the era of Nigeria’s reforms, former Head of State, Gen MuhamaduBuhari was reported saying, “Despite the enormous funds that have accrued to the country in sustained way over a period of thirteen years, Nigeria has never had it so bad. That wealth and the economic growth the Government has been claiming, has not in any fundamental way improved the ordinary Nigerians’ condition in terms of literacy, health, nutrition, employment and physical security” (Jide and Azken, 2007).

4. CONCLUSION

Despite the achievements recorded by NEEDS, the reality indicates that the reforms have left much to be desired. The basic infrastructures including water, electricity, education, transportation and health facilities remain deplorable. In spite of the increased economic fortune as a result of high crude oil prices in the international market in the last 13 years, Nigeria is still grouped among poorest countries in sub-Saharan Africa, with a very high poverty level (UNDP,2009) and collapsed infrastructures (Biereenu-Nnabugwu,2007). Unless the Nigerian State plays its required role as provided in the neoliberal economic order of providing enabling environment, the actualization of poverty reduction would continue to remain a mirage. Regular and efficient power supply remains the main infrastructure that is required to release the full entrepreneurial energies of Nigerian economy. Stable power supply is the basis for creating more wealth, providing more job opportunities and unleashing unprecedented economic growth and poverty reduction (Fashola, 2010).

Although the neoliberal oriented reforms represent the Government’s robust and bold attempt to reposition the Nigerian economy to achieve economic progress, the reforms could be functional only when the State fulfills its stakeholder role within the premise of a free market economy. The major obstacles to improving opportunities and capabilities of the poor and reducing their vulnerabilities contained in the reforms remain at the level of Nigeria’s leadership where the political will and ethical considerations seem to be lacking. Going by the reform critique, the reforms substantially benefited only the political class, big business enterprises, rent seekers and a few local small and medium scale entrepreneurs. Nigeria must have focused leadership and stronger State institutions for reforms to significantly reduce poverty and stimulate economic progress. Corruption, poor state of basic infrastructure and weak institutions remained the major deterrent to investment, sustainable growth and improvement in social welfare (DFID, 2006). Leadership and stronger institutions for successful neoliberal reforms including NEEDS could be achieved through promotion of popular democracy, free and fair election and quality education.
REFERENCES


