

## Neoliberal Reform and Nigeria's Vulnerability to the Current Global Crisis

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**Abstract:** The need to interrogate Nigeria's vulnerability to the current global crisis is germane for 2 reasons. First is that even though, it has been argued that the erstwhile global financial crisis lasted between 2007 and 2010, the ripples of the crisis are still observable across the globe till date. Second is that the global system has demonstrated a practice in which developing countries adjust to the economic structures of the developed ones, thus suggesting that another wave of structural adjustment may still be with the former, even though the crisis may have been abated in the latter. In line with the above, this study noted that the persistent pursuit of neoliberal reforms in Nigeria since, 1986 till date has significant implications for its vulnerability to the global crisis. The prominent neoliberal reforms that have been presented here for demonstrating this trend have included: Privatization and commercialization; trade and financial liberalizations; reforms of public sector management also known as civil service reforms; liberalization of the political party and electoral systems and finally poverty alleviation programmes. The position of the study is that the incapacitation of these neoliberal reforms for democratizing society and for solving Nigeria's continuous underdevelopment is at the core of the vulnerability of the country to the global crisis.

**Key words:** Neoliberal reforms, vulnerability, global crisis, democratizing, Nigeria

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### INTRODUCTION

The concern of this study is to explain that the low efficacy of the ongoing neoliberal reforms in Nigeria on account of their limited implications for domestic democratic development has further, been challenged by the current global economic crisis which began in August, 2007. The problematic is that while democracy has been used to define the successes of economic development, especially in the more advanced countries of contemporary globalization, economic reforms for national development in such countries as Nigeria have rather been undermining democracy in the country. And yet, the trauma has been that the low quality of democracy in Nigeria for instance in the face of growing democratic contestations has been making it to be more vulnerable to the current global economic crisis. The submission of this study, therefore is that Nigeria has remained highly vulnerable to the current global economic crisis on account of the country's persistent utility of its ongoing neoliberal reforms for managing the crisis.

The term neoliberalism has been used in several senses (Ferguson, 2009) but the most related meaning of the concept to this study notes that it refers to a set of market-liberal economic policies. In the developed world, neoliberalism is often coupled with thatcherism and grew up in opposition to Keynesianism. In the developing world, it emerged in opposition to the development of

strategies based on import substitution industrialization which had dominated the period 1945 to the early 1980s. Here, it is often linked to the so called Washington Consensus (privatization and deregulation; trade and financial liberalization; shrinking the role of the state; encouraging foreign direct investment) and to the structural adjustment programmes promoted by the IMF and World Bank.

More recently, it has been used (for example by the anti-globalization movement) to characterize the economic ideology behind capitalist globalization (McLean and McMillan, 2009).

In the study of the competing visions of democracy and development in the era of neoliberalism in Mexico and Chile, Teichman (2009) went as far as noting that:

The neoliberal vision contains a strong dose of the Schumpeterian belief that the act of governing must be confined to elites who unlike the general public are not driven by irrational influences and have a clear sense of reality (Schumpeter, 1950; Teichman, 2009). The neoliberal predisposition to a minimalist definition of democracy sees this as highly conducive to stable economic growth (Teichman, 2009)

It is in line with issues raised above that Jega (2007) further noted that:

Neoliberals are those academics, professionals and policy practitioners who believe in, accept and propagate the so-called economic development theories being promoted by the World Bank and the IMF, a brand of people whose reckless experiments have by and large, resulted in massive socioeconomic upheavals and have created tremendous suffering for peoples of Africa and other third world countries (Jega, 2007)

Neoliberal economic reforms in Nigeria as in the rest of Africa became most visible and pungent because they have clearly short-changed the state social welfare. Reasonable aspects of this has been addressed by Nnoli (1993) in the articulation of the developmental malaise of Nigeria under the SAP regime and in Gibbon *et al.* (1992) but quite interestingly in Aina particularly because of the nexus drawn to globalization in the analysis of the neoliberal economic regimes in Africa over the years.

In the the swinging of the pendulum: The Global Crisis and Beyond, Gills (2008) observed that today, as researchers feel the tightening grip of the most severe crisis in capitalism since the 1930s, the pendulum is swinging again. It started in weaknesses derived from the US subprime housing market (i.e., loans extended to low income or high credit risk individuals), precipitated by the sudden credit-rating agency downgrade of mortgage backed structured-finance instruments (structured bonds that are packaged collections of mortgage loans made to order in terms of level of risk, according to the buyers appetite first invented by New York trader Lewie Ranieri in the late 1980s) but then rapidly diffused throughout the financial system (Gills, 2008).

In a subsequent observation by the same researcher, the latest phase of the crisis involves extreme exchange rate volatility with many emerging country currencies plummeting (alongside their equity markets), as well as a strong currency like the Pound Sterling while the Japanese Yen and the Dollar soar thus inviting a new phase of IMF intervention, combining with new partners, in sovereign rescue packages, though the entire available loan capital of the IMF is a mere US\$250 billion, truly a paltry sum in these times of vast financial flows and potential losses (Gills, 2008).

The major neoliberal political economy reforms in the history of Nigeria have included:

- A precursor neoliberal reform namely Government Austerity Measures, 1982-4 which had been advanced in response to the requirements of Western creditor agencies

- Privatization and commercialization which had been inaugurated in 1988 and further reinvigorated since 1999 till date
- Trade and financial liberalization which have been enunciated since 1986 till date with significant impetus for interest and exchange rate variations
- Reform in public sector management including the 1988 civil service reform and the current due process which came into being in 2001
- Liberalization of the political environment which has resulted in the current registration of over sixty political parties in Nigeria's 4th republic
- Poverty alleviation programme, packaged under the National Poverty Eradication Programme, NAPEP which had been foisted in 2001 when Nigeria's neoliberal reforms became strongly challenged by growing poverty and income inequality. Even though NAPEP is an outlier, overall external support has been built on high commitment to deregulations of the domestic political economy. An example is the 2006 Paris Club Debt Deal

Neoliberal reforms in Nigeria have been re-enacting the significant confrontation between the domestic forces of democratization and the forces of globalization (which spell these reforms). This is primarily because of the comprador character of the Nigerian (and indeed much of African) political economy and the fact that national development here which has been anchored on globalization has been leading to recompradorization of this political economy. The key domestic forces of democratization in Nigeria have included the Nigerian petty bourgeoisie which has been the most privileged social class; the Nigerian working class whose development has been mostly undermined by the comprador character of the domestic political economy; vast swathes of peasant relations which dominate and even largely characterize the Nigerian political economy and finally ethnic nationalities which have also been mostly associated with the dominant peasant relations in the country.

To be clear, the pace of neoliberal reforms in Nigeria has been halted even though not completely abated by the struggles of these domestic social forces; resulting in some amenable programmes, such as poverty alleviation and public sector accountability. It is indeed the pervasiveness of the neoliberal logic that underscores why quite little gains have been made from these programmes.

On the other hand, the forces of globalization which have played roles in the formulation and practices of economic reforms in Nigeria have been historically

defined here. They have included pre-industrial mercantilist capitalism. They have also included imperialist capitalism in the forms of colonialism, multinationalism and transnational capitalism. They have equally included the roles of multilateral institutions and agencies including the Bretton Woods institutions and the current US global hegemony. Due to the comprador character of the domestic political economy of Nigeria orchestrated by these historical global antecedents, the following global gains have in the reverse been contributing to a recompradorization of the Nigerian domestic political economy: Foreign direct investments; international trade; foreign loans; foreign aid and technology transfers from the advanced countries.

There are 3 key aspects of the divergence between the domestic forces of democratization in Nigeria and the forces of globalization. The first is that the relationships between the 2 are largely antagonistic and confrontational. Second, these reforms have been largely anti-people in orientation and practices. And yet, the third and last aspect of these interactions which have been producing high vulnerability to the crisis of global accumulation has been the complementarities of the reform documents and implementations with the core values of contemporary global accumulation, thus making both aspects supportive and reinforcing.

Accordingly, economic reforms in Nigeria as in much of Africa have rather been supporting and reinforcing the infestation of the crisis of global accumulation in the country. For instance, the deregulations and state divestitures in the defunct SAP which have been continued in the economic reforms of the 4th republic have led to the massive closures of import substitution industries in the country and their substitution with massive importation of foreign goods including cars and other automobiles; building materials including cement and even refined fuel and foods. Widening gulf in income inequalities, limited capacity of the state to provide welfare to the population, growth in unemployment and heightened poverty in the country have combined to expand the crisis profile of the country.

Solving the added challenges posed by the current global economic meltdown as well as contributing to the resolution of the high vulnerability of Nigeria in the crisis has been conjunctively considered in the study as outcomes of high democratic credentials. The study leverages the prospectus of this endeavour in the enlivening of peoples power, as well as strong enactment of vibrant democratic governance in the country.

In the existing literature, it has been noted that there is a disconnect between neoliberal economic reforms in countries such as Nigeria on the one hand, democracy

and national development on the other hand. This contention has been dealt with in earlier studies (Umezurike, 2009, 2010). Trends of the neoliberal conundrum in Africa have been articulated in Gibbon *et al.* (1992), Nnoli (1993), Aina, Harrison and Jega (2007). The subject has equally been treated in the context of the limited feasibility of democracy in Africa especially in the light of the modernist and neoliberal developments in the African society (Ake, 2003). Also, Strange (1997) and Keller and Pauly (1997) have focussed attention on the issues of the erosion of the state in the context of contemporary global development.

Prior to the explosion of the global economic crisis in 2007, Nigeria had already gone deep in its neoliberal reforms including in particular the reforms contained in the SAP and its accoutrements and also the continuations of these reforms in the country's 4th republic. The failures of these reforms on matters of human rights and democratic spaces; capacities for resolving social conflicts and violence and finally on matters of declines in electoral democracy and the democratization of the public policy process have been elaborately analyzed in Umezurike (2010). In this study, it had been particularly noted that even the National Economic Empowerment and Development Strategy (NEEDS) which had been conceived as the economic arrowhead of Nigeria's Fourth Republic had been apparently abrogated in 2007; its core components including exercises of privatization and commercialization, national poverty eradication programme and the accompanying macroeconomic reforms have nonetheless been continued.

Even though, addressing the current crisis has been contained in the ongoing neoliberal reforms, stamped actions in banking and capital market reforms, especially in the current expansion of the risk management credentials of the Nigerian economy have been novel. While the crucial issues of fundamentally addressing democratization including in particular the expanding income inequalities and growing poverty continues to beckon attention, it is certainly obvious that the resolutions of the crisis in the political economies of the advanced countries have not also meant similar trends in the case of such developing countries as Nigeria. Accordingly, the subsequent sections of this study have been focused at 2 related issues. The first is that the current global economic crisis has in certainty strengthened the challenges to the already experienced inadequacies in the ongoing neoliberal reforms in Nigeria. The second issue is that the rising democratic contestations in the face of low democratic credentials in

Nigeria's 4th republic have definite implications for continued vulnerability of the Nigerian political economy in the current global economic crisis.

To deal with these twin problems of the further, challenges to economic reforms orchestrated by the current global crisis and the high vulnerability of Nigeria to the crisis in the light of limited democratization, a framework of analysis has been developed. This framework revolves around the low impetus for democratic development of the various aspects of neoliberal reforms in Nigeria. The general proposition of the study, therefore is that the low impetuses of the various neoliberal reforms in Nigeria for domestic democratic development have resulted in their purveyance of high vulnerabilities of the Nigerian political economy to the current global crisis. The key aspects of the neoliberal reforms as have been noted above constitute the structural bases for analysis here. On the other hand, high vulnerability of the Nigerian political economy to the current global crisis is discerned in terms of a number of factors.

The first is the weakness and extreme exposure of the Nigerian economy to the global failure of *laissez faire* economics; especially in the current state interventions to the ailing private sector economies. The position of this study is that the current ameliorations in the advanced countries will continue to spiral off, further dumping of technology and industrial manufactures in the mad rush for market expansion. This will continue to add to the high elite financial exposure (occasioned by privatization and commercialization) in the developing countries such as Nigeria to reduce democracy, escalate crisis and expand underdevelopment. The second aspect of vulnerability identified in this study is the heightening of state physical aggression across the globe. Orchestrated by the current global crisis, this is not only limited to the annihilative policies of the developed countries so far experienced (including numerous purported humanitarian interventions) but also the collaborative thrust of the state in the underdeveloped countries which uses physical aggression to combat popular resistance to contemporary global oppressions. The third is the weakening of exchange rate due to current global regulatory regimes in which the domestic political economies of the developing countries have become weaker. Interest rates of the banking institutions in these underdeveloped countries, also face higher volatility as an expression of vulnerabilities. Fourth and finally, the concomitant resurgence of the state under the aegis of the current global crisis has been denying the requisite instruments for the growth and survival of democratic institutions and processes including in particular the

electoral process and public policies in the developing political economies. These issues constitute the core of analysis in this study.

#### **INCREASED VULNERABILITY OF NIGERIA TO THE GLOBAL CRISIS UNDER THE REGIME OF PRIVATIZATION AND COMMERCIALIZATION**

Even though, state divestiture remains the central logic of neoliberal privatization and commercialization, the ongoing solutions to the current global crisis and the exercises of privatization and commercialization in Nigeria have in concrete terms conjunctively expanded the role of the Nigerian state in the economy. What has rather being the problem is that this state in collaboration with the state in the advanced countries currently adopts high physical aggression against the Nigerian society. This is the trend through which domestic democratic development is mortgaged and vulnerability to the crisis increased. The task of this study is to explain the above statements by addressing the following related sub-issues:

- How the expansion of the Nigerian state rather than state divestiture has prevailed in the ongoing solutions to the global crisis, as well as in the exercises of privatization and commercialization in the country
- Why and how the Nigerian state has adopted the prognosis of physical aggression against society under the current dispensations
- How the above trends have been increasing rather than reducing vulnerability of the Nigerian political economy to the current global crisis

On a general note, the expansion in the role of the Nigerian state on the economy has manifested at two fronts, namely; at the domestic scene in which re-institutionalization and re-bureaucratization processes have been taking place especially, since the neoliberal regime in 1986. The other angle is external where massive public expenditures on the economy especially in the form of financial bail outs to ailing private concerns have been taking place. The advanced countries that are concerned have been collaborating with countries of the developing world including Nigeria to sustain massive state roles for the resuscitation of the ailing global economy.

To begin with neoliberal reforms in Nigeria have ironically resulted in massive re-institutionalization and re-bureaucratization. New economic planning institutions have for instance been created to enable governments cope with fresh requirements. Examples include the

erstwhile National Economic Empowerment and Development Strategy (NEEDS and its State and Local Government variants, namely; SEEDS and LEEDS); Vision 2010; 7 point agenda; Vision 20:20:20 and the current medium term fiscal framework. In addition, there are also fresh institutions to regulate corruption including the Economic and Financial Crimes Commission EFCC; the Independent Corrupt Practices and other related offences Commission ICPC; the National Agency for Food Drug Administration and Control NAFDAC. The bureau for budget monitoring and project implementation unit popularly known, as the due process was also created to strengthen accountability of public institutions. There are still many others which had been created to manage attendant inequities and inequalities that have accompanied the exercises of privatization and commercialization in Nigerian neoliberal conjuncture. The federal character commission has been entrenched in the Nigerian constitution as part of this mechanism.

As has been noted earlier, government bail-out measures to stem the global crisis have, also led to the expansion of the role of the state in the economy. This has aptly been explained thus:

The US Federal Reserve and Central Banks around the world have taken steps to expand money supplies to avoid the risk of a deflationary spiral in which lower wages and higher unemployment lead to a self-reinforcing decline in global consumption. In addition, governments have enacted large fiscal stimulus packages by borrowing and spending to offset the reduction in private sector demand caused by the crisis. The US executed 2 stimulus packages, totalling nearly \$1 trillion during 2008 and 2009. During the last quarter of 2008, these (the Federal Reserve and the European Central Banks) Central Banks purchased US\$2.5 trillion of government debt and troubled private assets from banks. This was the largest liquidity injection into the credit market and the largest monetary policy action in world history. The governments of European nations and the USA, also raised the capital of their national banking systems by \$1.5 trillion by purchasing newly issued preferred stock in their major banks

As has been noted earlier, the problem lies most in the fact that the expanded roles of the state are being effectively deployed as a means of physical aggression against society. This can most meaningfully be understood in terms of the overall accumulation process of contemporary capitalism. This process involves all the

3 instances namely the state, the economy and the ideology. The current injection of public funds into the private sector is also a beginning of what is to happen. In the process of playing its role in the overall accumulation system, the states in the advanced countries are duty bound to facilitate market access by bullying underdeveloped societies. In the earlier time that the European States played this role, they resorted to colonialism. Even though, this is not possible in the contemporary times because of massive transnational development and high growth in multilateralism, the increasing national fervour of the political economies of most advanced countries continues to show signs of aggressive policies towards countries such as Nigeria.

The earlier uncertainties have been worsened by political discontent in the local population. There is no gainsaying that these have been adequate enough for the infestation of crisis. For instance, rather than reducing, ethno-religious conflicts have been on the increase in Nigeria since the 4th republic. The prominent ones have included: The violent conflict between the indigenous Yorubas and minority Hausa groups in Sagamu, Ogun state in July, 1999; the Kano crisis in July, 1999 which had been a reprisal of the Sagamu occurrence; the destruction of churches by Muslim fundamentalists in Ilorin, Kwara State, in December, 1999; religious riots over the introduction of the Sharia in Kaduna in February, 2000; religious riots in Aba and Umuahia in February, 2000; the Kaltungo religious crisis in Gombe in September, 2000; the Miss World crisis in Kaduna in November, 2002; religious conflicts in Numan town in Adamawa State in June, 2004; religious conflicts in Maiduguri in February, 2006; the numerous violent religious clashes in Plateau State, especially between 2007 and 2011 (these have been continuing); the religious violence unleashed by the Boko Haram sect, since 2009; violent religious confrontation unleashed by the Kala Kato sect in Bauchi in December, 2009, amongst numerous others.

The earlier notable ethno-religious conflicts have been in addition to the conflagrations in the Niger Delta region where the following groups have been organized in confrontation with the Nigerian State: Ethnic minorities organization of Nigeria; national youth council of the Ogoni people; movement for the survival of the Ijaw ethnic nationality in the Niger delta; movement for the survival of the Itsekiri ethnic nationality; Urhobo youth movement and movement for the reparation of Ogbia.

An apt summary to this problematic can be made thus: In these trying times, the economic meltdown has caused the crumbling of many businesses including

otherwise formidable corporate giants across the world. In Nigeria, the crisis stumbled on the existing pervasive and convoluted business environment. At the pinnacle is an intractable power crisis. Other numerous factors stringent to business growth including rising cost of refined petroleum products, high interest rate, chaotic ports and intensifying crime rate. The public service sector was not immune to the destructive consequences of the global economic meltdown. As a developing country, the only attractive way the additional debt service payments resulting from the crisis can be made is to spend less on food, transportation, medical care and other expenditures that are deemed to be necessary. The instantaneous and caustic effect of the economic meltdown on several organizational systems worldwide is the inability to maintain the current productive capacity owing to inadequate finance (Onyido, 2009)

#### **IMPLICATIONS OF TRADE AND FINANCIAL LIBERALIZATIONS FOR THE VULNERABILITY OF NIGERIA TO THE GLOBAL CRISIS**

In specific terms, trade and financial liberalizations have presented the following challenges to Nigeria's economic recovery in the context of the current global financial crisis:

- Greater reliance of Nigeria on crude petroleum exports in the light of the low competitive value of peasant agriculture in the international market
- Displacement of Import substitution industries by foreign imports leading to furtherance of unemployment and brain drain in the country
- Balance of payments difficulties and declines in government welfare programmes which further local discontent and increases the vulnerabilities of the country to the global crisis

As the national bureau of statistics observed: export in Nigeria is dominated by exports of minerals, fuels, lubricants and related materials. It accounted for an average of 96.21% between 1987 and 2006. The value increased by 6.63% from ₦657635.06 in 2005 to ₦7006591.11 million in 2006. This was followed by exports of food and live animals and machinery and transport equipments averaging 1.14 and 0.81%, respectively between 1987 and 2006. Other categories of exports such as animals and vegetable oils and fats, crude materials and inedible export fuels, and beverages and tobacco among others, however accounted for <1% of total export trad.

The dominance of crude petroleum in Nigeria's export and revenue base is clear enough. While domestic exports stood at ₦29577.94 as much as ₦28154.4 had been accounted for by crude petroleum exports. The same trend had been replicated in 1997 where out of a domestic export value of ₦785472.67, as much as ₦744230.4 was accounted for by crude petroleum. A similar trend of over 90% contribution of crude petroleum to the total export of Nigeria has been maintained in the year 2005 and 2006, respectively.

Apart from overreliance on crude petroleum exports for domestic revenue, Nigeria virtually expends its revenue on imports of foreign manufactures from the most developed and technologically advanced countries of the world. As the National Bureau of statistics further observed:

Imports from the European Community dominated Nigerian imports between 1987 and 2006. Imports from the European community stood at N1168604.6 million (40% of total imports) in 2006. This was followed by imports from Asia (34.1%) and imports from America (20%) in 2006. The share of imports from African countries to Nigeria, however declined from 8.9% in 2005 to 4.0% in 2006. The lowest import trade was recorded with the Oceanic community with about 1.3% of total imports.

One of the greatest problems of Nigeria's comprador development is that its regional trade within Africa is nothing to be compared with the vastly developed trading relationships which it maintains with the advanced OECD countries. And yet, Nigeria plays extremely inferior roles in these trading relationships. For instance and as has been noted, the Americans as a group was the largest buyers of Nigeria's export. On the average, it accounted for 53.01% of Nigerian exports between 1987 and 2006. The Northern America sub-group, however accounted for about 95% of the export share of the group. This was followed by exports to Europe (28.63%) and exports to Asia (10.03%) in 2006. The thrust of Nigeria's inferiority in these trading relationships is accounted for by the fact that it relies mainly on crude petroleum sales for the importation of foreign manufactures from these advanced countries.

To further underscore the vagaries in the regional trading relations within Africa, it is important to point out that Nigerian imports from the West African region declined from ₦104851.6 million recorded in 2005 to ₦39327.0 million (about 62% decline) recorded in 2006. The bulk of imports came from Benin (21.5%), Ghana (17.7%), Mauritania (12.9%) and Togo (21.4%) (NBS, 2007). Equally, exports to the ECOWAS countries amounted to ₦474598.2 million in 2006 as against

₦104562.5 million recorded in 1999. The major buyers of Nigeria's exports in the ECOWAS were Ghana (28.52%) and Cote d' Ivoire (50.68%).

The character of external trade discussed above has hardly enabled Nigeria to develop its peasant agricultural base to a competitive scale at the international level. Prior to the discovery of crude petroleum when the country depended on these peasant agricultural products including palm produce, cocoa, cotton and groundnut, the Nigerian state expropriated rather than developed the peasant producers and through the commodity boards acted as middlemen between the European markets and the domestic producers. It has not been unexpected therefore that even though lacking in the requisite technology for further development, Nigeria has had to depend on crude petroleum for its external earnings since the 1970s. Moreover Wikipedia, notes that:

The Brookings Institution reported in June, 2009 that US consumption accounted for more than a third of the growth in global consumption between 2000 and 2007. The US economy has been spending too much and borrowing too much for years and the rest of the world depended on the US consumer as a source of global demand. With a recession in the US and the increased savings rate of US consumers, declines in growth elsewhere have been dramatic. For the first quarter of 2009, the annualized rate of decline in GDP was 14.4% in Germany, 15.2% in Japan, 7.4% in the UK, 18% in Latvia, 9.8% in the Euro area and 21.5% for Mexico

The second explanation of vulnerabilities in this context has been the manner in which Import Substitution Industries have been displaced over the years of implementation of neoliberal economic reforms in Nigeria. Indeed, neoliberal reforms are clearly about this displacement. World Bank missions to Nigeria in 1946 and 1953 had recommended quick erection of requisite infrastructures for the import substitution industries to begin to thrive. Subsequently, cement industries, car assembly plants amongst others had been built in Nigeria. The structural adjustment programme, an export-led developmental strategy which began in 1986 led to the closure of these industries and their displacement by foreign imports. This trend has been maintained in the post-SAP era.

Yet the third aspect of the vulnerabilities here can be discerned from the vagaries in the balance of payment, general declines in state revenues and the accompanying declines in state welfare services to the Nigerian population. For sure, the overall balance of payments

measure also shows the up and downs of the economy from 1960-1997. The surpluses of the 1960s were not enough to offset the deficit in the current account. In the era of structural adjustment, surpluses were recorded in the balance of payments for the years 1987 and 1989 (Ekpo and Umoh, 2010).

As has been further explained by the National bureau of statistics:

The current account recorded deficits in 1993 (₦34414.7), 1995 (₦186084.6), 1998 (₦331429.5) and 2002 (₦269196.96). The highest surplus of ₦3366999.11 in the current account was recorded in 2005 when the surplus increased by 63.13% from ₦2064056.85 recorded in 2006. The merchandise goods account was however only in deficit in 1998 (₦18449.4). The surplus in the goods account nevertheless increases by 53.90% from ₦2625569.87 in 2004 to ₦4040771.79 in 2005. The direct investment component of the capital account increased by 21.74% from ₦249157.73 million in 2004 to ₦303328.84 million in 2005. The overall balance of payment position recorded surplus values in 1997 (₦1076.3 million), 2000 (₦314148.7 million), 2001 (₦24738.74 million), 2004 (₦1128383.39 million) and 2005 (₦1364845.49). Nevertheless, a balance of payment surplus of 20.95% was recorded between 2004 and 2005

Nonetheless, ephemeral balance of payment surpluses for some of these years did not translate into improved welfare provisions nor improved conditions of living for Nigerians.

What is to be expected therefore, is that Nigeria's vulnerability to the global crisis will continue to be defined in terms of its market continuing to serve as a dumping ground for obsolete technology and industrial manufactures from the advanced countries with whom it mainly trades with. National earnings will decline and foreign direct investment will continue to lose its relevance.

#### **THE CONCOMITANT OF DECLINES IN DEMOCRATIC INSTITUTIONS AND PROCESSES IN NIGERIA AND GROWTH IN VULNERABILITY TO THE CURRENT GLOBAL CRISIS**

There has been a concomitant between the declines in democratic institutions and processes in Nigeria and the vulnerability of the country to the current global crisis. The democratic institutions to be used for analysis here include the Nigerian civil service which has been

subjected to series of reforms, since the colonial era. The other is the current National Poverty Eradication Programme, NAPEP. Also, this study utilizes for analysis of the democratic processes the elections and the political party system in Nigeria.

About the greatest problem with democratic institutions in Nigeria is that they have often been grafted from external practices. In the light of state resurgence under the current global crisis, these institutions have failed to live up to their requirements. In clear terms, lacking in societal rootinization, most public institutions in Nigeria have continued to face the threat of being cascaded by the collaborative forces of the domestic and external ruling classes whose interests have not always tallied with those of the larger Nigerian society. An illumination could be made with the failures of the Nigerian public service to properly anchor national development and reduce the vulnerabilities of the country to the current global economic crisis.

**The low performance of administrative reforms and Nigeria's vulnerability to the global crisis:** Historically, administrative reforms for national development in Nigeria have had low efficacies. As far back as 1946 when these reforms had been initiated to the present due process reform of the 4th republic, there have been as much as twelve such reforms in Nigeria. These include reforms contained in the following: The Harrigan Commission, 1946; The Gorsuch Commission, 1954; the Newns Commission, 1959; The Mbanefo Commission, 1959; the Morgan Commission, 1964; the Elwood Commission, 1966; the Adebo Commission, 1971; the Udoji Commission, 1972; the Onosode Commission, 1974; the Williams Commission, 1975; the 1988 civil service reform; the due process administrative reform which constituted the Budget Monitoring and Price Intelligence Unit (BMPIU) under the NEEDS regime. The BMPIU had been established by the Obasanjo regime in 2001, 3 years before the NEEDS was fully packaged.

The due process has still remained the arrowhead of the administrative reforms that have been in place during the current global crisis. For the avoidance of doubt, the due process in the same manner as the civil service reform of 1988 had been inaugurated under circumstances of externally-induced economic reform.

According to regime documentary, due process is a mechanism for ensuring strict compliance with the openness, competition and cost accuracy rules and procedures that should guide contract award within the federal government of Nigeria. This became the popularly adopted short form for the Budget Monitoring and Price

Intelligence Unit (BMPIU) which is the unit tasked with implementing Nigeria's public procurement reform programmes.

The mission of the BMPIU is to use the due process mechanism to re-establish and sustain an open, transparent and competitive federal procurement system that is integrity-driven, upholds spending within budget and ensures speedy implementation of projects in order to achieve value-for-money outcomes without sacrificing quality and standards. The objectives of the BMPIU are to:

- Harmonize and update all federal government policies and practices on public procurement
- Ensure that project conceptualization and packaging match the defined priorities and targets as set in annual appropriation
- Strictly enforce the due process principles of transparency, competition and efficiency and value-for-money in the procurement of public goods, works and services
- Ensure efficient and integrity-based monitoring of the implementation of all federal government projects in line with due process principles
- Prevent extra-budgetary spending by ministries, departments and agencies by ensuring that only projects with due appropriation by the National assembly are certified and thus funded for execution
- Prevent contract inflation by ensuring cost reasonableness, accuracy and comparability of all public contracts with national, regional and global cost

There is no doubt that the objectives of the BMPIU are clearly required for the Nigerian public sector to be capable of transcending the current vagaries of the global system (Amin, 1991). For indeed, the Nigerian public sector has been heavily infested by corruption and low sanity. But as Umezurike (2010) has noted, important as these mechanisms for dealing with the problems could be, it is certain that the thrust of resolutions lies largely in the convinced pursuit of democracy in the country. The linkage of official corruption with social injustice has for instance overwhelmed other known efforts at dealing with the matter in the current republic in Nigeria (Umezurike, 2010).

Indeed the limited efficacy of the due process mechanism is in itself an impetus for high vulnerability to the global crisis given the expected overwhelming role of the Nigerian public sector in dealing with the matter.



**Limitations on the National Poverty Eradication Programme (NAPEP) and Nigeria's vulnerability to the global crisis:** The reduction of poverty in Nigeria is a sine qua non for the reduction of the country's vulnerability to the current global crisis. The first reason for this assertion is that the excruciating poverty in Nigeria has been one of the most provocative factors for social crisis. Second, the inability to deal adequately with poverty by the Nigerian state has been at the core of its incapacitation in effectively mobilizing the Nigerian population along its programmes and policies. Such failures in democratic governance may well be writ large in Nigeria's high vulnerability to the global crisis on account of growing poverty in the country. Third and finally, the inability to adequately confront poverty in Nigeria has been escalating the country's status, as an underdeveloped country in the current global system. The perpetuation of underdevelopment has remained highly critical to vulnerability in the current global crisis.

Poverty is not only found amongst a large section of the Nigerian population but has indeed remained a peculiar problem of the country at large. As has been observed:

The characteristic inequalities that abound in the capitalist relations of production have been largely manifest not only in the inequalities amongst social agents of production but also in heavy inequalities amongst countries. Thus while the poor and the vulnerable are found across the globe, their occurrence has been most ramified in certain countries of the world including those of Africa (Umezurike, 2010)

The human development index presents a clear picture of poverty in Nigeria. The average HDI for sub-Saharan African countries is 0.495 which is nearly half of the average for the countries of high HDI (0.950) who are mainly countries of the OECD. Nigeria is also classified under the low sub-Saharan Africa group, even though its HDI is 0.499, a little higher than the average for the sub-Saharan Africa group. Accordingly therefore, Nigeria can generally be considered as a desperately poor country.

In the light of the failures witnessed in its extant poverty alleviation programmes including rural development, infrastructural provisions, involvement of local government and extra-ministerial institutions and private sector involvement; Nigeria has in the ongoing neoliberal reforms enacted a poverty alleviation project tagged NAPEP.

It has been noted that NAPEP had been designed to solve relative poverty as against the absolute. This is in line with the millennium development goal which had been at the heart of its formation. But, the desperate efforts of

the 4th republic regimes to realize its stated goals of NAPEP are apparent enough in the diversity of its schemes (Umezurike, 2010). The numerous schemes of NAPEP have included the following: Youth empowerment; capacity enhancement; community enlightenment and sensitization; social welfare; rural infrastructure development and natural resources development and conservation.

NAPEP has not been contributing adequately to solving poverty in Nigeria over the years of its existence. In the first place, it has erroneously conceived poverty as an individual condition rather than construing the poor as ensembles produced by social, economic and political structures and institutions that govern human lives. While these structures and institutions enrich some ensembles, they impoverish others and the 2 categories are organically and dialectically linked. Second and related to the first above is that in conformity with the neoliberal conjuncture under which it had been created, NAPEP had come in response to the Poverty Reduction and Strategy Papers (PRSP) and the Millennium Development Goals (MDGs) and by implication has responded significantly to the programme and policy choices of the notorious Bretton wood institutions. The negative roles of these institutions to African development are already clearly documented. While the MDGs had been created at the United Nations in 2001, the PRSPs came into being in 1999 under the auspices of the IMF/World bank. But, it is already clear that the stability of the global system has been the primary goal of these bodies rather than the genuine efforts at solving poverty in the underdeveloped countries such as Nigeria.

The failure of NAPEP to stem poverty coagulates with the global trend in which vulnerabilities are high. In the documentations of Onyido (2009).

The global economic crisis is expected to lead to a dramatic increase in the number of people joining the ranks of the unemployed, the working poor and those in vulnerable employment. Based on new developments in the labour market and depending on the timelines and effectiveness of recovery efforts, global unemployment in 2009 could increase over 2007 by a range of 18 million to 30 million workers and >50 million if the situation continues to deteriorate. Consequently, some 200 million workers, mostly in developing economies, for governments' control measures, such as the cutting down of expenditure which may likely affect expenditure on most public services. Consequently, the adverse effect is reduction or even amputation of statutory allocations to the public services. The public services system could also wind up if it gets to the extreme, leading to massive retrenchment of public servants and consequent

graduation of large number of the population to state of poverty. For example, it is recorded that the current global economic meltdown pushed 90 million more people into extreme poverty, thus prompting the 2009 L'Aquila G8 summit to hail the food security initiative as a major commitment to root out hunger and poverty (Onyido, 2009).

**Deregulation of the political party system and Nigeria's vulnerability to the global crisis:** About the greatest innovation of Nigeria's 4th republic is the deregulation of the political party system. To be clear, political party has historically been the highest form of political organization in a country and functions mainly to mediate between government and the people either in opposition or in support of this government. Through this mediatory role, political parties provide strong impetus for political mobilization in any given country. It also regulates governance.

Regulation of the political party system in Nigeria has been historical and has been explained by 2 factors. The first has been a way of solving the dysfunctions of ethnicity to the party system, especially in the manner in which these parties have been rooted on ethnic frameworks. The second factor has been the manner in which threats of 1-party system have been addressed. For in the history of Nigeria's political party system, these threats have been magnificent.

Since the 4th republic in 1999, there has been a partial liberalization of the political environment resulting in the registration of over 60 political parties at the moment. There is no doubt that multi-party is crucial for the sustenance of partisanship politics. It is also certain that the proper conduct of partisanship politics is crucial for reducing the vulnerability of given political economies to the vagaries of the global system including for instance the current global crisis. It has actually been noted that:

Partisanship is an aspect of politics embedded in the robustness of political parties and the party system; elections and electoral activities but in which the state attains highest significance in its relative autonomy. Partisanship is, therefore a desideratum of bourgeois rule because this rule attains its highest stability therein (Umezurike, 2010)

The heart of the matter is that despite the deregulation of the political party system and the subsequent registration of so many political parties, there has remained a strong threat of 1-party system in the country currently. The Peoples Democratic Party, PDP which has won majority in the last four succeeding

elections has maintained over 70% of electoral seats across the federation since 1999. The PDP has won the presidency in the 4 elections so far (1999; 2003; 2007 and 2011). Between 2007 and 2011 for instance, the PDP has about 30 out of the 36 state governors in Nigeria under its fold. The PDP also has 87 out of the 109 senators as its members and 261 out of 360 members of the house of representatives as its members. The PDP also has 714 parliamentarians in the various states of the federation out of a total of 990 members.

The danger of this trend can be found in the incapacitation of political parties and the party system from resolving the crisis of global accumulation through effective mobilization of Nigerians. Failures in this direction have manifested in the limited performances in the millennium development goals. There has indeed been a growing authoritarianism in public governance in Nigeria's 4th republic. There is every likelihood that these failures will continue to reproduce escalations in domestic crisis which remains the most visible aspect of the global crisis in every country.

Indeed even government officials in Nigeria are modest enough to admit that the country has performed lowly in a reasonable proportion of the MDG targets (NPC, 2008). In this document, it has been shown that there are slow progresses in the eradication of extreme poverty in the country; reduction in child mortality; improvement in maternal health care; combat of HIV/AIDS, Malaria and other diseases and environmental sustainability. For instance, the percentage of Nigerians who lived in relative poverty in 2004 and 2005 were 54% each as against the 2015 target of 21%. Even, as the target year for the MDGs is around the corner, the twin problem of unavailability of data and low progression has still characterized the trend. But, this trend is worrisome as it indicates the limited capability of the Nigerian government for nipping the various angles of vulnerabilities, as are evident in both the human development index and the set targets of the MDGs. Those are the real indicators of the living conditions of Nigerians against the backdrop of which vulnerabilities are ultimately measured.

## CONCLUSION

Neoliberal economic reforms in Nigeria which began in 1986 have largely been continued, since the current global economic crisis which itself began in 2007. In this study, it has been shown that the challenges which have confronted these reforms have rather been strengthened under the current global crisis. Also, it has equally been shown that these reforms harbour high vulnerabilities of the Nigerian political economy to the crisis.

Privatization and commercialization of public enterprises in Nigeria has been one of the most notable aspects of these neoliberal reforms in the country. Programmes of privatization and commercialization have been energetically pursued in Nigeria, since 1988. The programmes have even attained higher vigour, since the 4th republic in 1999. At this time the commanding heights of the Nigerian economy has been privatized as against the previous exercise between 1988 and 1993 when less important government enterprises had been privatized. Also, the exercises have emphasized privatization more than commercialization.

The study however noted that rather than reduce the role of the state in the economy privatization and commercialization has rather been doing the opposite. The role of the Nigerian state in the economy has been expanded through the processes of re-bureaucratization and re-institutionalization. Moreover, massive public sector expenditure on bail-out measures to ailing private sector concerns has represented another manner in which the role of the state is being enhanced. The problem, however has been the physical aggressive tendencies of the capitalist state each time it champions global capitalist accumulation process. The post-second world war experience in which global transnationalism and multilateral institutions undermined the role of the state witnessed less physical aggression including decolonization. The reverse is being resumed, since the neoliberal era of the mid-1980s and thereafter.

The second aspect of the reform considered in this study is trade and financial liberalization. As has been noted in the body of the study, this second aspect has been effectively challenged by greater reliance of Nigeria on crude petroleum exports in the light of the low competitive value of peasant agriculture in the international market. It has equally been challenged by the displacement of import substitution industries by foreign imports. Currently, the Nigerian market has been flung open to all manner of foreign imports while the inchoate industrial base created by the erstwhile import substitution industries has been closed down. Exchange rate deficits and instability in the interest rate regimes have accompanied this trends. Consequently, unemployment and brain drain have come to advance the vulnerabilities of the country to current global crises.

Administrative reforms in Nigeria have equally failed to provide rescue from the vulnerabilities in the global crisis. Since, 1946 that these reforms began to be implemented, they have been creating shortfalls to national development and equipping the country much less to cope with the vagaries of the global accumulation system. The study made a specific discussion of the

Budget Monitoring and Price Intelligence Unit (BMPIU) popularly known as the due process mechanism. It noted that the BMPIU has not coagulated effectively with the process of democratization in the country.

Similar trend has been observed in the deregulation of the political party system. The major challenge here is that despite the registration of over 60 political parties in Nigeria, the drift towards 1-party rule looms large. The Peoples Democratic Party (PDP) has for the past 4 elections cornered over 70% of electoral seats under its control. Accordingly, the role of political parties in socioeconomic and political mobilization in the country is effectively been lost. The social terrain is increasingly been left for crisis.

To cap it up has been the limitations on solving poverty in the country. While the extant programmes of poverty reduction have been waning, the current project for intervention and coordination of poverty reduction, namely; the National Poverty Eradication Programme (NAPEP) has hardly lived up to expectations. But, the growing poverty within the Nigerian population has been noted in the study to be at the core of limitations on political mobilization in the country. It has been noted to also be at the heart of the domestic crisis. Again this domestic crisis especially in the form of popular uprising has been the most visible form in which the global crisis could manifest.

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