ECONOMIC REFORMS AND THE CHALLENGES OF DEVELOPMENT IN NIGERIA

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ABSTRACT

Beginning from the early 1980s in Africa, the issues of economic reforms involving the adoption of the neo-liberal economic policy of competitive markets, privatization, deregulation, free trade and foreign direct investment has made monumental in-road as the economic crisis management strategies of most African states including Nigeria. However, with over two decades down the line, it is clearly puzzling to realize that most sub-Saharan nations like Nigeria is still at a loss at resolving the woes of development dilemma and the adverse consequences that economic reforms has had on the living conditions of many social actors. Despite the changes from state interventionist involvement in socio-economic policies in import-substitution and industrialization to free market enterprise, many states still find it problematic to attain the provisions contained in the millennium development goals for Africa. This paper seeks to evaluate the cost-benefit analysis of the economic reforms policy of Obasanjo’s administration in terms of its capacity or otherwise to solve the problems of poverty, inequalities, unemployment and infrastructural decay that permeates the nation.

INTRODUCTION

The principal goal of development in today’s contemporary world is to enhance human progress, and in the case of Africa to reduce the incidence of poverty through investment in people, particularly in areas of education and health (including combating HIV/AIDS pandemic and other communicable diseases) and other social services and infrastructure in order to empower its citizens, especially the poor with the capability to participate effectively in social, economic, political and community activities. However, since the late 1970s and early 1980s when the nation witnessed economic recession and depression arising from the fall in the prices of oil in the international market as well as the declining revenue in the export of primary agricultural export due to the world capitalist recession of the 1970s, the economy began to witness severe strain in meeting its capital expenditure requirement as well as the redistribution of income to meet...
the welfare demands of the people. All these happenings brought with it adverse conditions with far reaching consequences for various sectors of the economy including the industry and agriculture, which also affected greatly the living standards of most Nigerians. It was the need to find a way out of this economic problem that provided the immediate domestic context for the nation's adoption of the World Bank/IMF neo-liberal economic policies of structural adjustment which it set as a condition for all Third World countries seeking its loans to restructure its economy by engaging in market reforms, privatization, deregulation, liberalization, devaluation of its currency and a minimalist role of the state. The goal of the policy reforms was to diversify the economic base by allowing the private sector to drive the economy based on the principle that this process would generate economic growth that will reduce the observable cases of inequality, unemployment and poverty in the economy.

Regrettably, the policy like other policies before it such as the various development plans, Import Substitution Industrialization (ISI) etc rather than engage in redistributive reforms, concentrated all energies on market reforms such as privatization of state enterprises, currency devaluation which affected greatly the activities of manufacturing industries in meeting their overhead costs for raw materials and other capital inputs as well as weaken the purchasing power of the people to access basic necessities of life bringing about a deterioration in their living conditions. It is within this context that this paper seeks to examine the missing link that has characterized the nation's development strategies which has consistently been a serious hindrance to her quest for socio-economic transformation. To be able to achieve this objective, the paper will be divided into sections. Section one provides us with an understanding of what development represents in the light of contemporary world perspective. Section two discusses the central goal that underlie the nature of social policy and reform, as well the purpose it was meant to serve as a tool for social engineering and change in societies vis-à-vis its implications for national development. Section three examines the underlying factors that inform the various development strategies adopted by the nation and their consequences. Section four looks at the theoretical framework which provides us with depth of sociological insight in looking at the subject-matter under investigation. Section five addresses the challenges associated with development strategies in Nigeria and Section six sums up the conclusions.
THE CONCEPT OF DEVELOPMENT

The study of development has remained one of the most interesting and exciting subjects of international political-economic discourse. The central theme which cut across various attempts to define development is change which deals the enhancement of the well-being of the people to live good and flourishing lives as well as providing them the freedom to make choices about what they can do. According to Obasanjo and Mabogunje (1991:119), “Development is a process concerned with people’s capacity in a defined area, over a defined period, to manage and induce change, which is to predict, plan, understand and monitor change”. The more people develop, the more they become instruments for further change. Moemeka (1994) explains further that; development is a movement (change) from existing conditions that are no longer conducive to societal or group goals and aspirations to those that can meet those goals and aspirations. Amsden (2001:2) argues that “Development in all its ramifications is a process of moving from a set of assets based on primary products, exploited by unskilled labour, to a set of assets based on knowledge, exploited by skilled labour. From these definitions it is comprehensible that development in human societies is a multi-dimensional process that involves major changes in social structures, popular attitudes, and national institutions as well as accelerations of economic growth, reduction of inequality and eradication of poverty which has become the political rhetoric of most Nigerian governments.

However, since the 1990s the measures of development has transcended the characterization of macro-economic indicators such as national income or GDP per capita income, foreign exchange reserves, foreign direct investment etc to focus on people who are the means and end of genuine development. For as Aristotle asserts, “Wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else”. That something else is the opportunity of people to realize their potentials as human beings. Human development is defined as a process of enlarging people’s choices, in order to enable them to lead a long and healthy life, to be educated, and to enjoy a decent standard of living (UNDP, 1990). It is a process of enlarging people’s choices, capabilities and contribution. Thus the element of choices and capabilities could very well suggest empowerment, productivity, security and equity; and contributions indicate cooperation, participation and sustainability. The approach places emphasis on the provision of social service. The basic characteristics of human development can be gleaned from Sen’s seminal *Development as Freedom*, in which he argued that development should be seen as a process of expanding the freedoms people
enjoy positively rather than the narrow focus of other views identifying development with economic growth or social modernization.

As Sen (1999:3) has written: “Development can be seen . . . as a process of expanding the real freedoms that people enjoy.” For him, these other factors such as GDP per capita and personal incomes are crucial means to expanding freedoms but not the only ones. Factors such as education, health, and political and civil rights give form to the substance of human freedom. Sen continues, “If freedom is what development advances, then there is a particular argument for concentrating on that overarching objective, rather than on some particular means, or some specially chosen lists of instruments (Ibid). These concerns thus underlie the fact that the goal of a wholistic development should incorporate the expansion and enhancement of human capabilities. For as Adedeji (1989:580) puts it, the development of a free and democratic society is a sine qua non for nation building and development. This is so because evidence suggests that countries that have made significant improvements in political participation have also been the ones that have good and more viable economic policies (World Bank, 2000a). It is on the basis of these frameworks that we can situate any kind of reforms, be economic, political and socio-cultural that will eliminate all forms of inefficiency, marginalization, irresponsible governance and politics of exclusion etc in order to provide the anchor for socio-economic transformation.

THE NATURE OF SOCIAL POLICY AND REFORMS

Based on the foregoing understanding of development and its underlying features, we can now situate the role that social policy or reforms play in the attainment of these developmental goals. It is pertinent to begin to look at what social policy and reforms is all about, their underlined basis and what purpose(s) they are meant to serve in order to generate the needed development aspirations. Social policy in whatever form they take- economic, political, socio-cultural etc is a framework targeted at bringing about change in a given social system so as to bring about improvement and effectiveness in running such system. According to Slacks (1966 cited in Nwabueze, 1992), social policy is an attempt to steer the life of a society along channels it would not follow if left to itself. It is within this context, that we need to look at reforms in the socio-economic and political system of Nigeria as underlining a social policy which requires public intervention organs in addressing societal problems.

As such, social policy can be conceived as a systematized official instrument for eliminating totally or ameliorating societal discomforts of various kinds. Thus, when reforms are embarked upon by the state institutions to
improve the welfare of the civil population, the question that therefore comes to
the fore is to ascertain if such policy is taken in the interest of the people for
which the reforms or policy are meant for without necessarily causing them more
harm than they had experienced before the advent of the reforms or policy itself.
This concern therefore raises the fundamental question about the practicality of
policy outcomes, since most of them deal with welfare issues targeted at
improving the standard of living of the people. This is because policies or
reforms in whatever guise can be intended to improve or may inadvertently
worsen or for other reasons, leave unaffected in any insignificant way, the life
chances and the quality of life of the people to whom it is applied.

From the foregoing discourse, it is clear that the main objectives of any
policy reforms may be summarized as protecting the vulnerable such as the poor,
women, children, the aged and the handicapped from dangers which they can not
withstand on their own; prevent or reduce the incidence of social ills and to
promote the good of the society as a whole. Therefore, to empirically assess any
reform policy in terms of its impact on the well-being of the people, such policy
must not only balance means and ends in terms of its effectiveness and capacity
or otherwise to address the problems which it was put in place to tackle. These
measures must combine assessment of reforms on the basis of their policy
relevance, reliability and policy validity. By policy relevance, we mean a measure
of the adequacy of the policy prescriptions to address the problem in focus and
produce the desired effect. Policy reliability measures the consistency and stability
with which the policy provisions continue over time to correct the anomaly by
producing the desired results.

EMERGENCE OF DEVELOPMENT STRATEGY IN NIGERIA

Since social reforms are instrument of social engineering aimed at
structuring social change which provides the mechanism for creating social and
economic development, it is important to know the origin of the nation's
development strategy as well as the policy or reforms put in place to achieve the
purposes. This is against the backdrop of the 1999 constitution which stipulates
that the fundamental objectives and a directive principle of state policy are that
which mandates that the security and welfare of the people shall be the primary
purpose of government. The root of Nigeria's development strategy can be traced
to the character of the colonial administration carried forward to the post-
colonial state. The foundations of this development path began in 1945 when the
colonial state sought in alliance with foreign capital to promote import
substitution industrialization using peasant (cash crop production) surpluses to
finance the importation of inputs necessary for the growth and expansion of the manufacturing activities (Olukoshi, 1993:2).

This was the state of affairs till the 1970s when the era of petrol dollars came to the fore as oil took over as the mainstay of the economy rather than complete it, thus putting agriculture in the back seat as it began to experience a declining output. It became clear that the sustainability of the economy would depend on the ability of the state to earn sufficient foreign exchange to meet its needs, namely raw materials, spare parts, machinery and social infrastructure. This complete dependence on import substitution and industrialization led to the emergence of a class of state elites and indigenous manufacturers who did not have the vision to create an autonomous economic structure targeted at the export of internally manufactured (capital and consumable) goods that will compete with imported ones, but mainly engaged in the production of primary cash crops and crude oil export in order to earn foreign exchange revenue. Thus began the process where the operations of the economy and the character of the indigenous bourgeoisie and industry were externally oriented in all ramifications which have continued till date without any fundamental restructuring and diversification.

It was this setting of immense contradiction in the post-colonial development strategy that set the stage for the imminent crisis that engulfs the nation in the 1980s when the price for oil collapsed in the international market, thus plunging the nation into serious economic crisis which created significant repercussions for the economy and the people. At the level of industry, many firms suspended production, scaled down capacity utilization or completely shut down due to their inability to meet their capital requirement for raw materials, capital inputs leading to a short fall in consumer goods. All these have had grave consequences for workers who were retrenched both in the public and private sectors (Olukoshi, 1990). Following from this ugly trend was the reality that befell the state where the national governments have had to embark on borrowing from international lending bodies such as the World Bank/IMF, the Paris club etc in order to sustain its expenditure programmes due to huge deficits in external payments. This borrowing was to lay the foundation for the country’s debt crisis which exacerbated the problem afflicting the economy as the provision of social services, including the educational sector suffered obvious neglect and infrastructure facilities began to experience monumental decay.

In an attempt to address this economic crisis, the country had to result to the adoption of the structural adjustment programme (SAP) of the World Bank/IMF, failing to locate the central contradiction that generated the crisis within
the domestic system of accumulation and the way in which these contradiction made possible the easy refraction of the crisis of global capitalism into the country. As such, the World Bank/IMF made it a condition stipulating that for the country to access its loans it needed to implement the economic policies of privatization, deregulation, liberalization and the devaluation of the nation's currency in line with the orthodox liberal principles which became the new world economic order. The goal of SAP was to create an environment for the transformation of the major sectors of the economy through the process of diversification which allows the private sector to drive the economy, with the state playing a minimalist role, as this will generate economic growth that will be used to reduce the observable inequality in the economy. Regrettably, SAP like other economic development programmes before it did not address the people's problem of deteriorating living conditions and poor welfare. Rather, the policy was overtly concentrated on market reforms to the neglect of redistributive reforms, with the principal purpose of realigning domestic expenditure and production patterns in order to bring the economies on the path of steady and balanced growth. However, experiences in the developed nations such as the United States, Britain, France, Germany etc have shown that a single-minded concentration of the economy on market reforms at the expense of its redistributive nature is a less effective approach in promoting socio-economic development and reduction of poverty, as the people are denied basic needs, education, health, political influence and active participation in the immediate environment (Fakiyesi, 1999:197).

Furthermore, Onimode (1988) has argued that this new world economic system, which is essentially capitalistic, promotes an international division of labour in which the industrialized capitalist countries produced the manufactured goods while the Third World countries were forcefully made to produce raw materials needs of the former. This unjust and unbalanced international division of labour began through the process and logic of colonialism driven by imperialism and currently propelled through the political legislation of the Bretton Woods system as represented by IMF and World Bank and other multilateral institutions such as the WTO, International Development Agency (IDA) etc. He argued further by asserting that;

Since 1979, the IMF has been offering more assistance to third world countries under its stand-by arrangements of extended fund facility, with preconditions. Similarly, the World Bank has also been shifting from its anti-poverty projected loans to the provision of structural adjustment loans. Specifically, the IMF
gives “letter of intent” (clean bill of health) to member states that are in need of World Bank loans with harsh conditionalities among which is the deregulation of the economy among others. And even a look at those conditionalities reveals their pernicious effect on the countries such as Nigeria which are caught in a “debt trap” and have to take the bitter pills (P 278).

Unequivocally, it is obvious that the adoption of the policy measures and initiative couched in economic liberalism or deregulation of the economy has furthered pauperized the third world countries and made their economic crisis assume a tragic proportion, making them to be more dependent on and subservient to the west (Momoh and Hundeyin, 1999). Unfortunately, right from the time the Nigerian economy began to be deregulated since 1986, it has only succeeded in pauperizing a larger population of the nation particularly the self-employed, peasants and the vulnerable groups. And even the continued implementation of the deregulation and privatization policy under the auspices of National Economic Empowerment Development Strategy (NEEDS) by the Obasanjo administration from 2004 till date has not improved the material condition of the citizenry. Thus, according to the Brandt Commission (1980:103-104), it stressed the fact that “economic forces left entirely to themselves tend to produce growing “inequality” especially when income distribution is highly distorted as in the case between North and South nations, the rich and poor in societies.

THEORETICAL FRAMEWORK

Within this context, understanding the challenge of development in Nigeria can be situated within the framework of Peter Evans’ institutional theory of the state. The theory provides the basis for evaluating the Nigerian state which forms the commanding heights from where the decisions about public policy are made and enforced for socio-economic and political development. The thrust of the theory as postulated by Evans (1995) is anchored on the concept of embedded autonomy which stresses that the success or failure of any development strategy/policies or economic performance for any nation is based on the nature and character of the state as well as the nature of the relationship between the state and key economic actors. In his conceptualization, states can vary, depending on the historical evolution of specific societies. They are the result of complex historical forces and relationships. Similarly, they are also actors or agents potentially capable of shaping and influencing the ongoing process of historical evolution. For Evans (Ibid):
States are the historical products of their societies, but that does not make them pawns in the social games of other actors. They must be dealt with as institutions and social actors in their own right, influencing the course of economic and social change even as they are shaped by it (P18).

The developmental state for him has as its internal character an autonomous make-up that makes it to stand alone, above the fray and beyond the controlling reach of vested interests and it approaches the Weberian ideals of meritocracy, discipline and strict immunity to corruption. Such a state must be able to draw its own vision of economic transformation without collecting handouts from any external body or institutions, and this vision has to be the result of a highly competent group of state managers who have achieved their power via proven performance and professional competence. Besides, the state bureaucracy must be characterized by the values of embeddedness wherein it must forge links with actors in civil society in order to stimulate their entrepreneurial energies.

Furthermore, he conceived of the predatory state as one wherein the appropriation of unearned income via rent-seeking has become endemic. In such a state corruption is endemic, political offices are held not for the reason of providing service to a nation, but for the purpose of individual gain in a society which may offer few alternatives to wealth accumulation. Collaborating his position, Bardhan (1990:3-7) asserts that government in a predatory state is all too often hijacked by a predatory oligarchy who siphon the national treasury and transform government bureaus into bribe-collection agencies which impede legitimate business. In this state everything is for sale from the courts, the legislatures, the taxing authority, to the military etc. Economic mismanagement, social distrust and instability are the hallmark of this state wherein it only distributes income to selected elements of society by the creation of monopolies in major sectors of the economy which make room for "rent seeking" activities where persons, firms, government and its agencies engage in "directly unproductive profit seeking" (DUP) such as smuggling, bribery, import license, fuel importation etc which generates profits but produces no goods or services directly.

In addition, we find in predatory state a vitriolic mixture of traditionalism and arbitrariness characteristic of pre-capitalist societies where the predatory private sector colludes with the state, there is a scarcity of trained bureaucrats, absence of meritocracy and operates under the whims of a leader who functions in the "patrimonial tradition" of an absolutist ruler (Kohli 1999:99). Some of the
most notorious features and results of predatory state are: “Predatory state extract at the expense of society, undercutting development even in the narrow sense of capital accumulation; lacks the ability to prevent individual incumbents from pursuing their own goals; personal ties are the only source of cohesion and individual maximization takes precedence over pursuit of collective goals and the state deliberately disorganizes the civil society” (Evans 1995:12, 248). This theoretical approach thus provides the anchor for exploring the complex historical forces and relationships concerning the nature and character of the Nigerian state and its bureaucracy in terms of its formulation and implementation of socio-economic policies. This is so because the actions and inactions of political elites who occupy positions of state control are central to understanding issues of socio-economic development and political change.

Looking at the Nigerian state from the period of its evolution, it is a clone of its colonial progenitor which still retains most of its features having been established in the course of the expansion of western capitalism in order to facilitate the British colonialists’ goal of exploiting the natives, their labour and natural resources. This has been particularly evident in the manner with which the inheritors of state power in Third World nations like Nigeria have been more interested in cornering the privileges of office and in primitive accumulation of national resources rather than engage in any transformative agenda that will advance the welfare of the masses as is the case in the developed nations of the world.

Thus, the character of the state in turn depends largely on the economic system which invariably is capitalist in form and character. The state therefore lacks autonomy in the sense that it is externally controlled, a fact reflecting Nigeria’s dependent economy, which necessarily makes the state a dependent entity. Besides, the state is not detached from the dominant class, but it is used by it directly as a tool for the pursuit of parochial interests. It is the character of this class that determines to a large extent the character of our politics, socio-economic policy formulation and the nature of our developmental aspirations (Ake, 1996:23). One salient reality about this political elite class within the Nigerian state context is that their capacity for the pursuit of enlightened self interest is quite limited. The class is too divided, its discipline is poor and its consciousness retarded.

Furthermore, the political elite who assume state power are economically weak partly because of the dependent structure of the inherited economy which makes it a producer of primary products such as oil and cash crops which are exported to the developed world and dependent on them for manufactured
consumer and capital goods that are ultimately required. The political classes simply see state power as a means for the accumulation of wealth to enhance its weak economic base which will further consolidate his relevance politically. As such, the state today is no longer a public property but a tool to serve those who control it. There is increasing differentiation and opposition of interests from the masses to those of the few who control state power and the means of production to the point in which the masses have become merely the means of the few. The political elite use the state without restraint to oppress and impoverish the people, pauperize their living conditions through ill-conceived economic policies that fail to address the enhancement and capabilities of the people, but to expropriate and deprive them of their liberty. These strained relationships have further deepened the alienation of the leadership from the rest of the people, who use the forced instrumentality of the state to repress them in order to curb the peoples’ expression of their disappointment. This is evident in the concoction and inevitable failure of development strategies biased in favour of the parasitical social group who control state power and dissociated from the interest of the people.

**CHALLENGES OF DEVELOPMENT IN NIGERIA**

From the foregoing discussion, it is obvious that one of the fundamental challenges to our quest for development is that most of our development policies and reform processes are not borne out of an autonomous state which has a purposeful leadership with the people regarding a unified development philosophy (such as the Lagos plan of action of 1980). Rather most of the development policies and reforms of the central government right from independence has been ad hoc in nature as they were externally driven and embarked upon by the leadership of the state as a matter of political expediency with a lot of secrecy, biases and cruelty attached to it. This has been the trend with policies of SAP and NEEDS etc. which do not have direct impact on the well-being of the people. Also, the past two decades in sub-Saharan Africa, the implementation of the neo-liberal market reforms tagged “Structural adjustment” has been generally agreed among development scholars and experts as the “lost decade” of missed opportunities and diminished achievements for these countries including Nigeria. This is hinged on the fact that despite the nation’s efforts at achieving a sustained growth to improve the general welfare of the people, it has been a dismal record of disappointing performance as output and income growth, capital formation and export growth have declined. For example, the national poverty level for Nigeria has increased from 27.2 percent in 1980 to 54.4 percent
in 2004, the annual growth rate has oscillated between from 6.23 in 2005 to 3.63 in 2006 and the growth rate of the non-oil sector has been less than 9 percent (National Planning Commission 2007; POS, 2004).

In the same context, most economic reform policies of government are highly political, selfish and exploitative in nature. They are social policies employed by the state to protect the interests of the ruling class through identifying needs of the poor and providing to meet those needs as a way of placating their reactions to the system. For instance, while the governments have increased the prices of petroleum products like fuel and kerosene which are the basic energy requirement of the populace, it has consistently failed to build new refineries to help reduce the effects of the high prices on the purchasing power of the people. The same fate also befalls issue of electricity supply to industries and residential houses which have consistently remained epileptic over the years. Although government tends to stress that its policies are directed to the poor as their main targets, the prime beneficiaries are members of the governing elite and their cronies who are provided the avenue to carry on with their uninterrupted appropriation of societal resources. This is evident in the sale of government housing estates in which government employees were denied the ownership of these houses.

Furthermore, most of the reforms of government are basically elitist policies that do not directly impact on the needs of the people. This is against the backdrop of the fact that policies or reforms are meant to enhance the welfare of the humans, that is, they are anthropocentric and must address itself to the adverse fallouts on community and social life and not to bring about its deterioration. A good socio-economic reform or policy is one which is able to achieve the desired goals with minimum involvement of social cost on the masses. Another developmental challenge associated with the Nigerian nation-state in its monolithic economic structure that has refused to diversify, with crude oil export accounting for more than 90 percent of their export revenue base. This contradicts the reality on ground where the real sector of the economy is still dominated by the primary production sector- agriculture, where the activities of the sector have been characterized by low and declining productivity due to obvious neglect of the sector by the state. This is further exacerbated by the introduction of the Land Use Act of 1978 which took away the ownership of land from the community to the state, a situation that has worsened farmers' access to their farmlands.
REFERENCES

Problematic problems pose the nation on all sides.

Problematic problems pose the nation on all sides. The national economy, social structure, and environment are all interlinked. The nation's economic and social development is closely linked to the problems of national security and international cooperation. This is because every good policy formulation requires the active participation of the people affected by the change. It is also because every good policy formulation requires the participation of the people affected by the change. The people's participation is necessary for the success of the policy formulation process. The people's participation is necessary for the success of the policy formulation process. The people's participation is necessary for the success of the policy formulation process. The people's participation is necessary for the success of the policy formulation process. The people's participation is necessary for the success of the policy formulation process.

CONCLUSION

If the foregoing discussion is clear, then it is possible to develop policies to improve the development of the nation.


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