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CONTENT

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THE GROWTH OF LEASING IN THE NIGERIAN ECONOMY

BY

A. O. AKERELE

ABSTRACT

It is indisputable that the Nigerian economy is undergoing some stress due to its inability to guarantee adequate investment fund. As a matter of fact, some businesses have little access to the limited bank loans for investment purposes and to make matters worse the foreign investment fund drips in on an inappreciable quantum mostly due to the unfavourable environmental situation. Furthermore, payments made on the huge external debt and debt service which eat deeply into our generated resources sap our efforts to invest meaningfully for sustained economic growth.

However, Leasing, an alternative source of investment finance, is a readily available option for guaranteeing adequate investment fund. The aviation, marine, oil and gas sectors of the economy which require sophisticated equipment or asset and huge foreign exchange stand to benefit immensely from the leasing industry.

This paper examines the leasing industry and its growth as it contributes to investment in Nigeria. It looks at the advantages of leasing at both microeconomics and macroeconomics levels of the economy and ex-rays the problems militating against the speedy development of the Nigerian Leasing Industry. With this in view, useful and practical recommendations are put forward for the development of the Leasing Industry in Nigeria.

INTRODUCTION

The inability of the Nigerian economy to generate enough foreign exchange and the burden of external debt make it imperative to explore other ways of promoting investment for economic development. Internally too, the industrial, commercial and agricultural firms have little or no access to bank loans to augment the internally generated resources. These problems militating against investment compel both the government and business concerns to resort to leasing which is the available alternative source of promoting investment.

In this period of ailing economy, there is the increasing tendency to resort to leasing in order to ride out of recession. Leasing, as observed by Orimolade and Adewumi (1978), can be used as an alternative vehicle for achieving economic recovery, and as a potential tool for rapid industrialization.

Leasing which is known to be in operation in Nigeria for about 30 years now has developed and diversified from its traditional hold of equipment leasing to embrace other areas such as ship, aircraft, plants, and machines leasing. Sectors such as the manufacturing, agriculture, transport, oil and gas and government have been adequately penetrated by leasing.

In this paper, we shall look at the economics of leasing and more importantly the growth of leasing as a veritable investment promoter in the Nigerian economy.In the same direction, we shall look at the problems militating against the speedy development of the leasing industry with a view of putting forward some suggestions

DEFINITION AND CONCEPT OF LEASING

Leasing as a method of promoting investment involves contractual obligations between the owner (financier) of tangible asset and the borrower (user) which assign the right of use of asset to the borrower (user) for a period in return for collection of rental at fixed interval during the lease period.Mayes D.G. and Nicholas C.S. (1988) explaining the basic concept of leasing asserted:

"In return for specified payments (rentals) the owner of an asset (the lessor) grants exclusive use of it for an agreed period to the hirer (the lessee). Leasing is thus a method of financing the use of an asset without actually purchasing it" (Mayes D. G. and Nicholas C S. 1988 p. 3).

While Oremade, B. (1991) gave the essential components of a lease arrangement as the asset in question, the lessor, the lessee and the lease contract, Mayes D.G. and Nicholas C. S. (1988:3) stated that "the fundamental characteristic of a leasing agreement is the division of the use and ownership of an asset into distinct legal and economic activities".

Isaac (1984), Jawando (1984) and Okolo (1991) in explaining the rélationship in leasing maintained that the lessor is the owner (financier) of the tangible asset leased to the borrower (user) who pays fixed rent for its use.Further, they asserted that the rentals are needed to amortize the cost of the assert by the lessor and some of it reserved as profit or reward for the services rendered.

On the other hand, Orimolade W. A. and Adewunmi W. (1978) in their work described the lessee as the long-term borrower who uses the equipment for the business from which he derives the earnings to pay the rental as they are due. The lease contract stipulates the rights, responsibilities and obligation of the various parties under the agreement in respect of ownership control, usage, payment of rentals and lease period (Ani, 1984).

Two types of leasing are recognized by scholars and these are finance and operating leasing (Mayes D.G. and Nicholas C.S. 1988, Nnadi S. 1991). Although the two types of leasing differ in operation, they both serve the same purpose of affording the lessee opportunity of acquiring asset he could not purchase or finance.

Finance Leasing can be adequately explained by shedding light on the role of the lessor which is principally limited to the provision of finance to enable the lessee to obtain the use of an asset. It is, however, important to observe that the initial investment decision to acquire an asset and the choice of supplier are made by the lessee. Oremade, B. (1991) noted that this form of lease virtually transfers all the risks and rewards incident to ownership from the lessor to the lessee. The risks according to him include uninsured damage, loss and obsolescence in residual value of the equipment while the rewards embrace profitable operation, appreciation of the value of equipment, realization of the rental value and the use of the asset as collateral. Rentals (payments) which are calculated to permit the lessor to recover the cost of the asset and to make profit are spread over the useful life period of the asset. Theoretically, the lease will be non-cancellable before the primary period is completed as many assets do not have readily resale market nor clearly determinable resale value. However, in practice early cancellation of lease agreement may be unavoidable but it involves quite heavy penalties that render early termination of leases economically unreasonable.

Operating Leasing as a distinct from financial leasing centres on the provision of a complete service to the lessee rather than simply a financial arrangement. Ani, A. (1984) states the main features of operating leasing to include;

(a) that the lessee has no option to buy the equipment at the end of the lease as in the case with finance leasing,

(b) that the lessor (specialist) selects and purchases the equipment (asset) without necessarily identifying or agreeing with a prospective lessee;

(c) that the lessee is not responsible for the maintenance, insurance etc, of the equipment,

(d) that the lease period does not cover the useful life of the equipment and the rentals are not expected to cover the whole of the lessor's capital outlay and profit during only one rental period.

It is, however, very important to note that the residual value of the asset is consequently of considerable value (importance) because the profits derived from leasing the asset over a number of relatively short periods to successive lessees may not cover the capital outlay and other incidental expenses. Furthermore, the alternative options of re-leasing and selling available to the lessor make the operating lease less difficult to cancel. In practical life, it may not be easy to distinguish finance leasing from operating leasing as leasing contracts contain elements of both categories. Very relevant to this paper is the fact that economic effects of both categories of leasing will be the same on investment. Both will, of course, have investment promotional impact.

ECONOMICS OF LEASING

Leasing as an impetus to investment has microeconomic and macroeconomic significance for the economy.Mayes D.G. and Nicholas C.S. (1988) examining the micro-economic aspect of leasing identify some of the likely advantages that may accrue to a firm as additional source of fund, lower cost, reduction in risk, longer-term finance, improved portfolio, ease and flexibility of lease agreement, off-balance sheet of leasing income, avoidance of credit control, fixed agreement, and revenue (not capital) account transaction.

1 Leasing as an additional source of finance to the lessee leads to the conservation of the existing resources for other purposes and cash flow.

2. Leasing provides the opportunity for firms to benefit fully from capital allowance under insufficient taxable profit and hence reduced rental payments which lowers the cost of finance to the firm.

3. Rentals are fully tax deductible. This affords lessee some benefits by charging the rents to its profit and loss accounts as expenses incurred. This will definitely reduce the tax payable.

4. Leasing avoids those worries incidental to ownership. Grolier, C. (1997) noted that the flexibility of leasing makes its arrangement in terms of repairs, insurance etc, possible to suite the needs of the parties involved. Leasing may also form a hedge against inflation by arranging the rentals in an up front or otherwise as the case may require.That is, the lessee may agree to make most of the payments in future or less of the payments in future possibly inflated earnings.

5. Leasing is a rich and veritable source of relatively long-term finance. In practice, long-term loans are often not easily available to finance capital projects hence leasing becomes a reliable substitute.

6. An improved finance portfolio is achieved by lessee organization as leasing, another alternative source of finance, competes with others.

7. Leasing is often easy to arrange and payment arrangements could be structured to meet the revenue pattern of the lessee.

8. The lessee companies do not show leasing, an additional source of income, in their balance sheet and profit and loss account.

9. Leasing serves a good option for business during the period of strict credit control.

10. While leasing helps capital budget analysts to assess existing and future cost accurately; it enhances planning and forecasting process because of the fixed form of agreement.

11. Leasing permits the lessee organization to exceed the capital expenditure limits as rental payments are made direct from revenue.

12. The acquisition of new assets gives rise to increased efficiency and productivity which cannot be quantified due to absence of relevant data, the effect of this non disclosure according to Brigham. E.E. (1977), tends to make a company appear to be in a better borrowing position than a company that purchases equipment outright if debt ratios are considered important in evaluating a firm!s credit worthiness.

At macroeconomic level, when investment is most difficult to finance (period of recession) because of low profit and cash flow problems in the economy, leasing provides the investment fund or assets. Leasing, on the one hand, has relatively small demand on cash flow in the short run and, on the other, enables companies which still have taxable capacity to use it for the benefit of those that do not (and of course)to increase their own profitable activity.

Leasing permits the acquisition and use of new assets under more favourable cost and cash flow conditions when tight monetary control tend to generate high interest rates and exchange rates which will discourage investment. Since foreign lessors engaged in leasing outside their countries, leasing will facilitate cross-border arrangements that may conserve foreign exchange for most user countries.

DYNAMICS OF LEASING IN NIGERIA

As at 1970, Bentworth Finance Limited (BFN Limited) - a hire purchase company and NAL Securities limited (an associate company of the Merchant bank) were offering locally a limited amount of leasing facilities in Nigeria. By 1983, when the Equipment Leasing Association of Nigeria (ELAN) was formed it has six merchant banks (Chase Merchant Bank Nigeria Plc, ICON Limited (Merchant bank), International Merchan Bank Nigeria Plc, NAL Merchant Bank Plc, Nigerian -America Merchant Bank Plc), one development bank (Nigerian Bank for Commerce and Industry) and Bentworth Finance Limited as members.

Leasing in Nigeria has also been enriched by the activities of foreign lessors in aircraft, shipping, gas and oil industries etc. The activities of these foreign lessors became indispensable and expansionary as Nigeria experiences economic crisis as a result of dwindling revenue (forex) from sales of crude petroleum at the international market and constraints imposed by the country's huge unserviceable external debt. The economic environment of deregulation and liberalization, attracted the attention of foreign lessors to the Nigerian shore.

TABLE 1: LEASING STATISTICS IN NIGERIA 1992-96: ASSET ACQUIRED DURING THE YEAR (₦ million)

	1992		1993		1994		1995		1996		1992-96	
	₦m	%	₦m	%	₦m	%	₦m	%	₦m	%	₦m	%
1. Plant and Machinery	1160.4	49.9	632.1	37.1	530.1	39.1	2287.5	48.0	2043.5	49.0	6653.6	46.5
2. Private and Comm Veh	794.3	34.2	442.1	25.9	354.3	26.1	1429.7	30.0	1252.1	30.0	4272.5	29.8
3. Computer & Office Equp	120.6	5.2	214.2	12.6	201.2	14.8	381.2	8.0	333.6	8.0	1250.8	8.7
4. Ships and Aircraft	105.0	4.5	167.2	9.8	105.1	7.8	285.9	6.0	250.2	6.0	913.5	6.4
5. Others (Unclassified)	144.6	6.2	248.5	14.6	165.4	12.2	381.3	8.0	291.0	7.0	1230.8	8.6
TOTAL	2324.9	100	1704.1	100	1356.1	100	4765.6	100	4170.4	100	14321.1	100

Source: Compiled from Sunday Vanguard, September 21, 1997. P. 27.

The growth of Leasing in Nigeria is adequate captured by the statistics in table 1. The total value of asset acquired through Leasing increased from ₦2,324.9 million is 1992 to ₦4,170.4 million in 1996 (i.e, by 79.5 per cent). While plant and machinery leasing asset recorded substantial increase in its values from ₦1604 million to ₦204.5 million (i.e. by 27.5 percent cent). Both the computer and office equipment, and ships and aircraft did not only showed the tendencies of rapid growth by the increased values between 1992 and 1996 but also indicated their increased importance by the upward rise in their shares in the overall leasing values. In particular, the share of computer and office equipment rose from 5.2 per cent in 1992 to 14.8 and 8.0 per cents in 1994 and 1996 respectively, while ships and aircraft leasing has its shares increased from 4.5 per cent in 1992 to 9.8 and 6.0 per cents in 1993 and 1996 respectively.

Table 2 depicts the picture of leasing in Nigeria with particular reference to major sectors of the economy. While the Manufacturing, and Oil and Gas sectors have shares of total leasing investment improved from 25.3 per cent in 1994 to 34.6 per cent in 1996 for manufacturing sector and from 18.4 per cent in 1992 to 30.9 per cent in 1995 for Oil and Gas sector, the Agriculture sector's share of leasing investment declined from 17.0 per cent in 1992 to 7.8 per cent in 1996. However, the Transport and Government sectors remained relatively stable as their shares did not indicate any serious departure from the average shares over the years. The average for the years 1992 to 1996 for the Transport and Government sectors are 10.8 and 5.2 per cents respectively.

TABLE 2: SECTORAL LEASING STATISTICS IN NIGERIA 1992-96: VALUE OF ASSETS TO SECTOR (₦ million)

	1992		1993		1994		1995		1996		1992-96	
	₦m	%	₦m	%	₦m	%	₦m	%	₦m	%	₦m	%
1. Manufacturing	758.3	32.6	478.5	28.1	343.3	25.3	1608.3	33.7	1443.2	34.6	4631.6	32.3
2. Transport	239.6	10.3	181.8	10.7	175.8	13.0	502.8	10.6	447.8	10.7	1547.8	10.8
3. Agriculture	394.7	17.0	272.5	16.0	126.4	9.3	365.7	7.6	325.6	7.8	1484.8	10.4
4. Oil and Gas	426.7	18.4	312.7	18.3	301.5	22.2	1471.2	30.9	1221.1	29.3	3733.2	26.1
5. Government	130.7	5.6	95.7	5.6	98.4	7.3	223.5	4.7	203.5	4.9	751.8	5.2
6. Others	374.9	16.1	362.9	21.3	310.7	22.9	594.2	12.5	529.2	12.7	2171.9	15.2
TOTAL	2324.9	100	1704.1	100	1356.1	100	4765.6	100	4170	100	14321.1	100

Source: Compiled from Sunday Vanguard, September 2, 1997 P. 27.

The most organized branch of leasing in Nigeria is the Equipment leasing. It is organized in the sense that the Equipment Leasing Association of Nigeria (ELAN) through its activities promotes the equipment leasing industry and the practice of leasing in Nigeria.

We, therefore, thought it relevant at this stage to examine the growth of Equipment Leasing in order to reflect on the dynamics of leasing in Nigeria. In table 3, the value of Merchant banks' equipment leasing increased from N2.5 million in 1975 to N1,386.9 million in 1995 (i.e. by 553.8 per cent). The percentage of value of equipment on leases to total merchant bank investment between 1975 and 1995 ranges between 5.3 per cent in 1984 to 346.6 percent cent in 1989. Apart from that of 1989, percentage of leasing investment is between 5.3 in 1984 and 32.0 in 1992, a situation considered not very encouraging.On the whole, however, the tendency is that of noticeable growth in leasing investment which the nation must build upon.

PROBLEMS OF LEASING IN NIGERIA

In spite of the substantial growth recorded in a short life of Leasing in Nigeria, the problems militating against the smooth operation of the leasing industry are many; especially when there is the need to attract foreign lessors to the industry. First and foremost, opportunity for leasing investment is limited because of the capital base of the Nigerian lessors. In particular, the very active part of the lessors in Nigeria, the Merchant banks, are faced with the problem of meeting the required minimum capital as stipulated by the central Bank of Nigeria. a more serious dimension of the problem is the recent phenomenon of distress in the banking sector of the economy.

Secondly, the foreign lessors are not showing enough interest in the Nigerian Leasing industry because of the unfavourable economic and political atmosphere. In addition and very important hindrance is the absence of legal environment capable of assuring the foreign lessors of speedy recovery and safety of their leased asset in case of default or liquidation of lessee's business.

Thirdly, Nzekwe P.C. (1992) observed the inadequate information about leasing in Nigeria. apart from pieces of information from lessor banks, the main advertising medium is the Newspaper Business are often not informed of the many advantages of leasing.

Fifth,, the industrial inspectorate Act No. 53 requiring lessors to submit their capital expenditure programme in advance to the Industrial Inspectorate Division of Federal Ministry of Industries is of the bureaucratic red-tapism that is capable of slowing down or hinder leasing business progress.

TABLE 3: MERCHANT BANKS VALUE OF EQUIPMENT ON LEASE, 1975-1995 (₦ Million)

Year	Equipment on lease (₦m)	Total investment of Merchant Bank (₦m)	Percentage of value of equipment on lease to total investment (%)
1975	2.5	20.7	12.1
1976	3.2	44.6	7.2
1777	12.5	82.4	15.2
1978	13.4	50.8	26.4
1979	15.5	87.1	17.8
1980	18.0	93.3	19.3
1981	14.6	95.6	15.3
1982	26.8	343.3	7.8
1983	48.9	599.8	8.2
1984	56.0	1065.9	5.3
1985	86.6	1344.8	6.4
1986	153.1	520.3	29.4
1987	489.2	1915.4	25.5
1988	790.1	4017.1	19.7
1989	1329.2	3837.5	346.6
1990	1416.0	5800.7	24.4
1991	1239.4	4152.9	29.8
1992	2028.9	6348.1	32.0
1993	1403.7	4414.0	31.8
1994	1130.9	5800.6	19.5
1995	1386.9	6195.1	22.4

Source: CBN Statistical Bulletin, Vol. 6 No. 2, December, 1995, p 36.
CBN: Economic and Financial Review, Vol. 28, No.4, December, 1991 p. 132

FINDINGS

Leasing industry in Nigeria recorded remarkable growth during the period under review. The increase in leasing investment incorporated more items such as Office equipment, plant and machinery, computer, agricultural machinery, construction equipment, cars and commercial vehicles, aircraft, ships etc. Activities of leasing organizations have expanded to practically all the sectors of the Nigerian economy, mostly in construction industry, manufacturing, transport, agriculture, oil and gas, and the government.

Agricultural sector, a very important sector of the Nigerian economy, seems to be begging for attention of the leasing Industry as the share of the agricultural sector declined from 17.0 per cent in 1992 to 7.8 per cent in 1996. The Nigerian Merchant Banks play a major role in leasing business in Nigeria and this explains the dominance of finance leasing in the Nigerian leasing industry. It is also observed that the participation of the foreign lessors in the Nigerian leasing industry, heavily felt in the aircraft sector, is still below expectation. Inadequate legal environment and political instability are attributed to the low activity of the foreign lessors.

The dearth of information about leasing industries and the numerous advantages of leasing to business organizations is noted as one of the factors hindering the development of leasing industry in Nigeria.

Apart from the equipment lessors, which is organized under the umbrella of the Nigerian Equipment Association of Nigeria (ELAN), the other lessors are not organized. The import of this is the uncoordinated activities of the entire leasing industry in Nigeria.

RECOMMENDATIONS

The steady and speedy growth and development of the Nigerian Leasing Industry demands the creation of favourable economic and political environment in order to attract foreign lessors who are in a position to provide large foreign exchange finance and sophisticated needed equipment and machinery for investment leasing.

Government must ensure the provision of legal environment that will promote investment leasing, most especially by guaranteeing the speedy recovery of leased asset in case of default and protection in events of bankruptcy of the lessee's business.

In order to coordinate and harmonize the activities of the lessors, the government should establish a regulatory body. Such regulatory body should be responsible for registration of lessors, registration of leases and the promotion of leasing business in general. It should also be saddled with the onerous duty of disseminating information about leasing.

The law on leasing in Nigeria should allow sufficient capital allowance on leased asset as this will serve as an incentive to lessors and promote the development of the leasing industry. There is the need to extend the income tax incentives for agricultural loan to cover leases in order to attract leasing investment to the neglected sector. A special government directive to encourage leasing in Agriculture will no be a misplaced priority.

Leasing education should be pursued through both formal and informal education. While leasing is introduced into the curricula of tertiary institution, training programmes and occasional seminars could be organized within the leasing industry to improve on the technical needs.

Advertisement of the available packages of leases and their advantages should be aggressively pursued by the lessors so that the lessee could make use of this alternative source of finance.

CONCLUSION

It is our view that the development of leasing, an alternative source of investment finance, should be pursued vigorously by the government and the participating institutions given the present state of the Nigerian economy. In a situation where the foreign exchange revenue is inadequate, external debt is posing a threat to the economy and the emphasis is on privatization due to inability of government to finance government enterprises, leasing stands out as a veritable option for investment finance.

However, in order to ensure the increase participation of the leasing institutions, the Central Bank of Nigeria's credit guideline should allow Merchant banks to commit greater percentage of their loanable funds to finance leasing. In the same direction, the foreign lessor should also be encouraged by creating socio-economic, political and legal environment conductive to investment.

For leasing industry that grossed over 24 billion naira (Sunday Vanguard Sept. 21, 1997 p. 27) in the 1996 year and one that facilitates easy operations in sophisticated sectors such as aviation, marine, oil, etc, the sky is the limit of its growth.

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IMF AND AFRICAN ECONOMIC DEVELOPEMENT: A COMPARATIVE AND PRESCRIPTIVE ANALYSIS OF THE IMPACT OF THE INTERNATIONAL MONETARY FUND ON AFRICAN ECONOMIES

BY

D. L MAI-LAFIA

ABSTRACT

African Economies have found themselves trapped and caged in the nightmare of indebtedness. These countries, tagged Third World or Developing countries, were colonies of the Western imperialists. The colonial masters used their colonies economic resources to develop their own countries. At the wake of independence, the African economies have been challenged by economic bridge building in comparison to their Developed counterparts. They have also been challenged by Socio-political problems. Taking advantage of these challenges, the western imperialists emerged as neo-colonialists by controlling economic powers of these countries. One of the attempts of 'salvaging' the African economies from economic collapse is their initiation into the International Monetary Fund (IMF), an organization that encourages members to take loans mostly for developmental purposes.

The aims and objectives of IMF are laudable. However, the extent to which African countries have benefited from these laudable objectives have been debatable. Most of these debates arise based on the fact that there are strong determinants that influence the success of IMF objectives. Most of these determinants are within the recipient countries and the conditions given by the IMF. Since economic conditions within African countries, and indeed elsewhere, are not the same, this paper attempts a comparative analysis taking a selection of African countries that have benefited from the IMF loans.

The paper, therefore, is a critique of the IMF programmes in Africa and their implications for these economies. In this line, the paper looks at the evolution of the international monetary fund, its objectives and perceived role in Africa, its power structure in juxtaposition with the influence of African countries in the IMF, the economic impact of these programmes on country by country basis and finally make suggestions as to the ways out of the IMF debacle.

INTRODUCTION

The existing crises in the African economies started in the early 1970s as part of the global capitalist depression that accompanied the collapse of the Bretton-wood system. This situation continued unabated into the 1980s with very adverse effects for the living and working conditions of the vase majority of Africans. Actually the extent and intensity of the human misery this crisis has unleashed on the African people has never been paralleled anywhere else on earth in the second half of the twentieth century. This crisis is evident in the faces of hundreds of thousand of starving Africans of all ages across the continent.

The IMF and the World Bank are the two sister organizations that evolved after the 1944 Brettonwood conference. The 1970s depression triggered off a crisis in the core capitalist economy. This crisis spread to Africa which is part and parcel of the capitalist world. In Africa, this crisis led to the elimination of markets for the continent's export commodities, dried up sources of foreign exchange earnings and so forced cuts in imports which, in turn, undermined the supply of inputs into manufacturing projects, and this reduced local production. These developments made it extremely difficult for African countries to meet their international debt obligations now put at over $200 billion. Since then the International monetary fund has been extending lines of credit to solve this deficit balance of payment problems in Africa but to no avail.

Instead of the crisis receding it is mounting. In the words of Bade Onimode,

> ".... Debt has compounded the composite African crises which started in the 1979s as a crisis of underdevelopment laced with both agrarian and refugee crises. By the end of the 1970s, 22 of the world's 31 least developed countries by the UN classification were in Africa. In the 1980s, approximately 6 African economies have actually collapsed, 15 are virtually on the verge of disintegration and almost all the rest are grinding to a halt". (Onimode, 1985)

The debt trap is an instrument evolved by the core capitalist and imperialistic western economies to ensure the perpetual enslavement and neo-colonialism of African economies. The guise under which this is perpetuated are the Brettonwood twins - the International Monetary Fund and the World Bank. The Fund is like a task master and a financial colossus bestriding the economies of African debtor states. It has been unnecessarily rigid in this and insensitive to the economic realities of these economies. Of course this is in line with its incipient aim of enhancing the continued subjugation of African states. The method being adopted by the International Monetary Fund to attain the dictates of its creation include: the use of the debt trap to ensure that; (i) the rising prices of raw materials are arrested. This unpredicted rise in commodity prices led to the 1970 second slump in Western economies (Mandel, 1980). (ii) the growing effectiveness of regional groups in Africa in dealing with regional conflicts are dressed. (iii) the growing radicalism of African countries in demanding for a new international economic order is curbed and (iv) the growing industrialization of Africa whose products are often seen as a threat to manufactured exports from the creditor countries is arrested. It should be noted that it was within the period of African demand for a new international economic order that the IMF instituted its stiff conditionalities.

THE EVOLUTION OF THE IMF

An insight into the origin of the International Monetary Fund will make for a proper appraisal of its self acclaimed posture of "The great financial crisis manager", and then be able to posit the impact of its policies on the economies of African states.

The present world powers comprising of Britain, West Germany, France, United States of America and China met in Bretton-wood in 1944 to discuss the need for stability in the foreign exchange rate system and to replace the old gold system which has collapsed as a result of the devastating destruction wrought on the British economy - The sold backer of the gold standard - during the second world war. Lord John Keynes (Leader of the British delegation) advocated for a payment mechanism that would entail surplus nations like the United States of America financing deficit nations by lending foreign exchange to them. It was on this basis that the IMF was established to help facilitate world financial exchanges. A little modification was made on the suggestion of Harry White, leader of the American delegation that, lending will be at a fixed exchange rate and only at limited obligation to deficit nations. The IMF operates on quota of fund which must compulsorily be kept in her own currency or in gold with the fund. The contribution to this pool of resources valued at over $120 billion is on the basis of direct proportion to the economic size of each individual countries. More loans for any single member country was restricted to a maximum of two times that country's quota which was named its reserve position in the IMF.

It should be noted that despite the great revolutionary changes in the world economy especially during the last decade, the IMF still continues to hold Sway in two Spheres - Exchange stability and facilitating payments or ensuring international liquidity.

THE OBJECTIVE OF THE IMF AND ITS PERCEIVED ROLE IN AFRICA

The basic objectives of the IMF as contained in its article of association include:

a) The promote international monetary cooperation through a permanent institution which provide the machinery for consultation and collaboration on international monetary problems.

b) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

c) To promote exchange stability, to maintain orderly exchange arrangements among members and to avoid competitive exchange depreciation.

d) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

e) To give confidence to members by making the general resources of the fund temporarily available to them under adequate safeguards thus providing them with an opportunity to correct maladjustments in their Balance of payments without resorting to measures destructive of national or international prosperity.

f) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balance of payments of members.

In conclusion, the article stated that, the fund shall be guided in all its policies and decisions by the purposes set forth in this article. (Gubta 1986: 865) If this is the case, how come the IMF seems to run a contrary programmes in Africa divergent from its stated objectives in this article?

IMF PERCEIVED ROLE IN AFRICA

We have seen the general memorandum of association of the International Monetary Fund, it is of utmost importance we know what role the fund has out for itself in Africa.

Until now, the basic role of the IMF in Africa has been that of balance of payment stabilization. The banks stabilization efforts have involved missions, reports and recommendations for the control inflation, devaluation, liberalization, export promotion and general demand restraints.

Over the years, the fund has argued that it has a role in economic growth but this growth function is subsidiary to its external sector role which I perceive to be the depression and suppression of African economies while the fund sees it as the maintenance of "financial discipline" and the general monitoring of the economies of these countries. Specifically, the financial discipline was meant to contain the general disorder in African economies while the monitoring function is supposed to supervise the implementation of adjustment programmes and the economic recovery of these debtor countries.

Since the crisis of the 1980s, the fund and the Bank have been themselves performing these traditional roles and have even acquired two other functions (mentioned above) that was previously latent. The fund in Africa see itself acting on the invitation of African countries and in supportive assistance to them. So, to the fund, their stabilization policies and programmes are supposed to be those of the respective countries once they have been adopted. The tough loan pre-conditions the fund views as merely an objective, self evident, neutral and technical set of economic solutions to the problems of African countries. The fund thus claims it does not impose anything but rather that countries run to it to become involved in their economies. This by implication means African countries are solely responsible for their economic predicament and as such should be grateful to the fund for its generous assistance. (Onimode 1989).

THE STRENGTH OF THE WESTERN WORLD IN THE IMF AND THE ALIENATION OF AFRICAN COUNTRIES

The International monetary fund even in its structural outline has remained an effective weapon of domination and operation of the economies of African states since its inception in 1944. This is to ensure its continual dependency syndrome. This assertion will be vividly understood with a close look at the decision making process and constitution of the political structure in the fund.

1) At the foundation of Bretton-wood conference, the USA was able to forcefully scale through its interest against rival industrial nations which then was weakened by the war. These interest swerve properly enshrouded in the new world monetary system. Most African states never was represented at this conference (bearing in mind that they became politically independent in the late 1960s) and as such, African interest was not represented. It should be noted that these formulated policies affect African economies most but ironically they never participated in their formulation.

2) Corollary to this, the USA was able to impose a world economic order based on free trade and free enterprise. New states especially third world countries were easily integrated into this system which has spelt doom for them and they perpetually seems to be bound to it.

In real terms, without an IMF membership no African country can be admitted into the world bank and without conforming to IMF rules no development aid from the bank. A quota system which ensures one-country-one-role system like what is obtained in the international monetary fund guarantees the dominant influence of the United States of America.

3) The acting of the Bretton-wood twins (IMF and the World Bank) headquarters in Washington ensures that the top management of both bodies is in constant and close contact with the political and economic establishments in the US Capital. This means that the beat of the world financial system is determined by the American government in Washington DC Moreover, the former Soviet Union which normally should have checked the domination of the United States of America refused to join an organization designed to support the capitalist monetary system. Other countries with socialist inclination like Poland and Czechoslovakia were initially members of the IMF but resigned later. As at now, developing countries with an African majority dominate both bodies but do not wield any political influence.

4) African countries wield no significant influence due to the fact that balance of power in the fund is determined by how much quota each country contributed; on which payment obligations, credit facilities and voting rights of members are based. Even after the eight and latest quota is 20 per cent, followed by the United Kingdom with 6.9 per cent.

5) Initially, when votes are taken in the IMF's management committee every country has 250 basic votes plus one extra vote for every 100,000 special drawings Rights (SDRs) of its quota. The quota divisions which takes place every five years has eroded the relative equity that hitherto pervaded the fund, this is to a great discomfort and disadvantage of the African countries. The proportion of basic votes to overall votes which in 1965 was still about 14 percent is not just 4 per cent. A huge dunk of votes is now taken up by the five leading industrial countries with the United States in the fore-front (19.3 per cent), Germany (5.8 per cent), France (4.8 per cent) and Japan (4.6 per cent).

6) The lopsided distribution of votes is particularly obvious in the constitution of the Board of Governors and Executive Board of the Fund. Both the Board of Governors and the Board of Governors of the IMF and the world bank meet once a year at the end of September to be precise, to decide on very fundamental issues such as electing new members or changing quotas. The Board of Governors charges the Executive Board with the responsibility of day to day management of fund's business.

The Executive Board consists of twenty-two directors and countries with the largest quotas (as USA, Britain, Germany, France and

Japan) provided five executive board members while Saudi Arabia makes up the remaining one. To politically facilitate its part toward membership, China was offered a directorship in 1980.

7) The chairman of the Executive board is also the managing director of the IMF, he is elected by the executive board for a five year term of office, and normally has a staff of 1,600. Right from 1944, the managing director of the fund has always been a West European, while his deputy and the World Bank President are always Americans. Is this possibly a coincidence or are there more to it than meets the eyes?

Based on the fore-going facts, the International Monetary Fund and its agencies stands out as instruments of continuing the undeclared and silent economic war for the reaplomisation of Africa and other third world economies. This structural composition and power distribution guarantees the imperialists absolute dominant influence. With Africa integrated into this kind of world financial system it virtually stands no chance of existing of its own. Rather as debtor countries they are certainly dependent on international aids as dictated by the IMF an apostle enslavement and misery.

A CASE FOR THE IMF STABILIZATION POLICIES IN AFRICA

Due to the theory of dependency and subserviency built into the economies of African states via colonization, and the integration of these economies into the world capitalist financial system immediately after independence, it has become entirely impossible for them to stand on their own. Thanks to the corrupt bourgeoisie class whom the colonialists installed to further propagate its interest.

This integrational methodology has made it extremely difficult and suicidal to underestimate the role of the international monetary fund as a catalyst for alternative source of financing. Many African governments have more often than not been forced to reluctantly sing IMF agreements because it is the only option left for restoring their country's credit worthiness in the international money markets. Whenever the balance of payments problems in any of these countries attain an alarming proportion such that creditors become averse to giving out new lines of credits or even rescheduling due debts, governments are bound to adopt stabilization policies of the International Monetary Fund. The Fund on he other hand issues a "good health" report card to such a country showing that it can repay its debt. It should be noted that this stabilization programme has conditionalities which have their theoretical roots in monetarist doctrines and show no sensitivity to the peculiar underdeveloped nature of the economies of Africa. As a result these prescriptions have had the effect of threatening their very survival and existence.

The IMF analysis of the economic crisis facing African countries stems from the belief that the level of domestic consumption relative to domestic production capacity is too high. Consequently the fund argues that there is a need for a general squeeze in domestic aggregate demand in order to "live within one's means", hence the stabilization policies.

The lack of enthusiasm on the part of governments about concluding such agreements is due to the tough conditionalities which are bitter pills with very powerful, negative impact on the socio-economic cum political situations in these countries. The most popular acronym for this stabilization programme in Africa is Structural Adjustment Programme (SAP) or Economic Recovery Programme (ERP).

The major feature of the IMF stabilization programme in Africa include - devaluation, restriction on domestic credit, cuts in subsidies for public goods, general wage cuts, trade liberalization, privatization of public parastatals and a general deregulation of the economy. In the eye of the IMF, the causes of the prevailing crisis in the economies of African States - whether internal or external - is a non-issue, its preoccupation is that the same therapy must be administered.

The crux of the IMF economic adjustment programmes in Africa has always been the fight against inflation because it views inflation as a decisive factor in balance of payment deficits. The high inflationary rate in African economies it argues stems from errors of either omission or commission on the part of governments. The Fund thus submits that the basic causes of inflation are; high costs of unproductive state enterprises, state expenditures out of the budgetary limits, subsidies on basic goods and huge expenditure on social services. The result of high inflationary rates the IMF says is over-valuation of the domestic currency due to the constantly decreasing domestic purchasing power can no longer correspond to the officially fixed exchange rate.

This explains the central role played in the demands of the IMF for devaluation of the local currency. It is intended to improve the country's balance of payment position by making imports more expensive and boosting exports by making them cheaper, this in turn makes the country's good more competitive in the world market. The IMF often attempts to tackle domestic excessive demand by restricting domestic credits, that is, embarking on contractionary monetary policies - increasing interest rates to encourage savings, setting ceilings on bank lending and reducing deficit financing by governments. To finance budget deficits, the fund expects government to take up loans in the domestic money markets but up to a certain ceiling. The demand for credits by the private sector is also restricted but generally its scope is wider than that of the public sector. The purpose of the differential treatment is to shift emphasis of economic activities from public to the private sector, for in the views of the International Monetary Fund, private enterprises have greater efficiency.

The deregulation of the economy the IMF envisages as a means of fostering efficiency and competition, while lower wages and higher profits via privatization are supposed to increase the investment potential of the economy. In the same light, trade and exchange liberalization are envisaged to facilitate the flow of scarce foreign exchange to the most efficient sectors of the economy. The criterion for measuring if resource is efficiently allocated in the eye of the IMF when translated in the reality of the African economic situation means the ability to pay. This simply means that a large trading firm with sufficiently high turnover which specializes in the importation of flimsy luxuries, will be judged more efficient in its use of scarce foreign exchange as long as it can afford to pay a higher amount of local currency for every unit of foreign exchange. This too is the bane of the devaluation policy.

Again, a major objective of liberalization is the hope that the flow of foreign investments into the country will increase due to the easing of trade and exchange restrictions. The IMF never took into consideration the fact that a huge chunk of the invested capital in Africa is in the hands of the multinational corporations. Trade and exchange liberalization makes it easy for multinational companies to export directly to these countries without the previous difficulties faced with import license and profit repatriation. Hence, from the factories abroad, they stand to increase net profits by expanding output with the implied lost advantage of large scale production. Simply put, they will always maximize the export advantage afforded them by the new policies, rather than setting up factories in the poor countries which to them is highly cost-intensive and economically hazardous.

The much expected inflow of new capital under the trade and exchange rate liberalization seems to be a mirage because there is a great element of uncertainty in the minds of international investors regarding the ability and stamina of the African countries to stem the tide of opposition to overall adjustment policies, and, by implication, how long the programmes can be continued because of the serious hardship imported on their people. In actual fact, liberalization could loosen the constraint on the outflow of capital without improving the imbalance on the trade accounts, or without achieving the objective of encouraging the inflow of capital. This policy can be hardly expected to produce a real improvement in the savings and investment position of these economies. This policy only squeezes the local economy and releases resources for meeting external debt obligations which is the intrinsic aim and objective of the International Monetary Fund inspired structural adjustment or stabilization programme in Africa. This explains why most Western creditors insist on a stamp of approval by the IMF from debtor countries.

In real terms, these economic programmes are not to heal the economies of African countries economic ailments but to confuse them the more. We shall soon see that if the IMF prescribes devaluation, a country must be ready for inflation, when it prescribes trade and exchange liberalization, a country should have to get ready for dumping and when it says structural stability will be attained, that country simply have to get ready for economic, political and socio-cultural disintegration.

IMPACTS OF IMF'S STABILIZATION PROGRAMMES ON AFRICAN ECONOMIES

In the words of Ray Ekpu in his write up "Janitor at Hell's gate"....

> "The IMF is like the last janitor at Hell's gate. It is supposed to stop you from going to Hell, although from the experiences of some African countries like Sudan, Tanzania, Zimbabwe, Ghana and Zambia, the IMF is a one way ticket to Hell. Since the IMF is supposed to come to the aid of countries that are in exceptionally bad shape, the loans are given under very, very tough terms. The strict conditions the IMF gives are devaluation and deflation and these are not easy conditions to fulfill without disastrous political reverberations in the loan beneficiary's country" (Ekpu, 1985)

In his report submitted on "why third world indebted countries must stage a general strike", Fidel Castro commented that; "... For months now, the government of Nigeria has been locked in battle with that notorious wrecker of governments and states - the International Monetary Fund - on its insensitive conditionalities. The conditionalities are prescriptions for self immolation on the alter of capitalist exploitation" (Castro, 1985)

Again, in his book "The IMF and the debt crisis, Bade Onimode reaffirmed that

> "... the IMF is not accomplishing its task as a crisis - manager for the third world. Its remedies are effective only in the short run, if at all, whenever, the interests of the debtors and creditors conflict, it unyieldingly defends the interest of the latter. The main victims of its savage treatment are the underprivileged sections of the population in the developing countries. Not infrequently IMF stabilization means political destabilization" (Onimode, 1989)

These statements and assertion gives an inkling into what the implication of third world countries dining with the IMF even with a long spoon has been. Let us now make an elaborate analysis of the various casualty economies.

Sudan:

The Sudanese relationship with the IMF between 1978 and 1983 was formalized in a series of agreements after which the IMF started administering its pills in doses. The various devaluations carried out never succeeded in closing the gap between imports and exports as expected rather the economy became more import-oriented. This was because first, the decline in exports was not due to uncompetitive prices but due to production bottlenecks which came as a result of foreign exchange scarcity induced by the Sudan devaluation of the local currency and there also was the absence of incentives for peasants to grow cotton which is the mainstay of the Sudanese agrarian economy.

Secondly, many of Sudan's imports were essentials (for instance, spare parts, and intermediate goods), therefore, they could not have been sharply reduced without affecting domestic production level. The IMF induced trade and exchange rate liberalization led to an increase in the inflow of luxury consumer goods at the expense of much needed investment goods based on the myopic argument that profits from the former were higher than those from the latter. The devaluation of the Sudanese pound also increased the inequity gap between the incomes of workers, peasants, and those on fixed salaries on the one hand, and the capitalist class and those who earned foreign exchange on the other hand.

One of the noticeable failures of the IMF in Sudan was its inability to pressurize government to reduce unproductive current expenditure on institutions like the presidency, the Sudanese socialist union, the state security organization and the local governments. These of truth were not the exact concern of the IMF rather it forced the government to cut development expenditure which would have seen to the growth of the manufacturing sector. This singular act caused wide spread recession and increased the unemployment level astronomically.

In a nutshell, both the state and the IMF (crisis manager) ignored the impediments to production such as shortages of power, spare parts, intermediate goods and labour. By focusing primarily on the dismantling of the public sector and reducing governments role in the economy, the IMF showed that it was more concerned with expanding the role of the private sector and pushing forward the philosophy of a free market economy, than with solving Sudan's problems.

Zambia:

Between 1974 and 1986, Zambia had concluded a series of agreements with the international monetary fund. At the inception of the IMF stabilization programmes in Zambia, the fund argued that the poor performance of the economy in the external trade sector was a result of an over-valued exchange rate. The solution, therefore was devaluation. Earlier on, the IMF advised for devaluation with a fixed exchange rate but subsequently asked that this be replaced with fluctuating exchange rate. The intention for adopting devaluation according to the IMF is to increase copper sales and ensure decline in imports, but the IMF was very wrong here. Sale of copper is determined by the London Metal Exchange price and not by the value of the Zambian currency - the Kwacha. Factually, in a diversified economy, the change in relative prices due to devaluation would result to a switch to local inputs but this cannot happen in a Zambian economy without domestic substitutes for imports. For an exchange rate policy to be effective, it needs to in addition be backed up by an investment programme for the production of raw materials, intermediate and capital goods.

The auctioning system for exchange rate did a lot of havoc on a large number of Zambia enterprises. This caused the Kwacha to drop from US \$1=k2 to US \$1=k21. It became extremely impossible to plan financially because the exchange rate was fluctuating by large margin each week, foreign industrial inputs became so expensive which hiked production cost and subsequently led to mass retrenchment, since the firms were producing highly below installed capacity.

At the height of the IMF agreement with Zambia, the interest rate had reached 35 per cent. Such high cost of borrowing deterred new investments in the economy, instead large numbers of companies were going out of business, thus increasing the already high level of unemployment which further dropped by about 8,000 people.

The IMF's insistence on trade liberalization, especially the removal of quantitative restrictions to trade in combination with the high credit cost made it more profitable to trade rather than to produce. Domestic industries were thus being destroyed by foreign industries - which was remotely IMF's intention.

The removal of subsidies, especially those on goods and services consumed by the poor caused a lot of havoc. A sudden withdrawal of subsidy on maize meal in December 1986, led to wide spread riots on the copper belt in which 15 lives were lost. It was only after the riots that people started questioning the rationale behind the implementation of IMF conditionalities.

One of the most important part of the IMF agreement is to ensure continued servicing of its loans. In Zambia by 1985, its debt-service ratio had risen to 83 per cent which means nothing was felt for capital investments in the economy.

These were the lost of Zambia before it announced on MAY 1, 1987 that it was abandoning any further dealings with the IMF and in its place was adopting its own "Restructuring Programme". Alas! what began as a promising marriage have ended in a frustrating divorce.

Zimbabwe:

In Zimbabwe, liberalization reforms in terms of foreign exchange allocation was termed by the IMF as the only weapon that will defuse the protection of "inefficient" local industries with more emphasis being given to enterprises that promote exports. This liberalization policy in its wake led to de-industrialization of Zimbabwe and only those industries heavily linked to foreign monopoly capital, or subsidiaries of this form of capital survived and prospered.

According to Chidzero, the IMF induced measures to stimulate the Zimbabwean flagging economy only succeeded in ensuring that no money of any significance came in terms of capital inflows.

After the IMF mission in October 1982, the government of Zimbabwe announced a 17 per cent devaluation of the national currency and the exchange rate was allowed to float until effective devaluation reached nearly 40 per cent. The government also slashed its development programme by $200 million and sharply reduced the maize subsidy thus pushing up the price of maize meal which is the stable food of the Zimbabwean people. Promotions and new recruitment to the civil service were frozen.

These, like in other African economies, brought big strains to the Zimbabwean economy and hardships were unleashed on the underprivileged which makes up 75 per cent of the entire population. At the peak of this crisis, some 60,000 people lost their jobs, $300 million were being expended annually on debt servicing for the rest of the decade which entails a staggering 25 per cent debt service ratio.

Nigeria:

At the height of the Nigerian economic crisis in 1985, the Babangida administration determined to break the stalemate on negotiations for a $2.5 billion loan between the IMF and his predecessor (Buhari) instituted a nation-wide debate on 2nd September, 1985, to determine whether Nigeria should join the league of IMF victims. The overwhelming decision by Nigerians was a capital NO! The government though upheld the decision of the populace but through the 1986 budget went on to articulate and implement an IMF manufactured structural adjustment programme (SAP). Central to this was the devaluation of the Naira through the introduction of the second tier foreign exchange market (SFEM), the liberalization of trade, privatization and commercialization of state enterprises, rationalization of the states tariff structure and elimination of price control. Through the budget too, the government reduced the subsidy on petroleum by 80 per cent. By September 1987, Nigeria was reported to have a secured "jumbo" loan of $4.28 billion from the World Bank - after turning down an IMF loan of $2.5 billion. The Bank thus came to assume the role of the fund in the domestic management of the Nigerian crisis.

The impact of the IMF and the World Bank sponsored SAPS in Africa based decisively on monetarist thrust had more devastating effect on principally the working class. The working class has borne the brunt of a crisis not of its making. Nigeria is no exception. This burden is effected in form of rising prices, falling money wages, massive retrenchment without compensation, and drastic reduction of public expenditure, more especially on social services.

During the period 1980-83, about one million workers were estimated to have been retrenched from the industrial sector. Apart from this was the inability of employers to pay workers their wages and allowances for several consecutive months. The devaluation of the naira to the tune of 300 per cent through SFEM assured a steep decline in he standard of living of Nigerian poor masses. With the inception of SFEM, the ₦125 hard won minimum wage of 1980 became in real terms worth less than

₦35. On the other hand, the immediate effect of SFEM was the unprecedented increase in the price of all commodities to the tune of a hundred per cent on average. Not withstanding the establishment of the National Directorate for employment floated with a budget of ₦200 million, the unemployment situation still remains alarmingly bad and even deteriorating.

The daily reports carried in Nigerian Newspapers contain all sorts of stories on the *tragic and harrowing experiences of the* unemployed. On 30th May 1987, the Nigerian Herald reported that a "jobless man sets self ablaze". He had been off work for two years and was no longer able to cater for his family. Another report in the Sunday New Nigerian spoke of the harsh economic conditions in the country as one of factors responsible for the increasing rate of mental illness. By and large, the IMF structural Adjustment Programme in Nigeria has only succeeded in further polarizing the Nigerian society by increasing the gap between the haves and have-nots.

Dele Balogun in his article "The dynamics of the Nigerian Economy" aptly caught the situation by writing that;

> "... IMF prescriptions contain certain seed of destruction. The syringe is always full of poison and the IMF injects it with satanic efficiency. Today inflation has gone beyond 300 per cent, the Naira is not worth more than a tissue paper, unemployment gallops and the poor man is full of sorrows, tears and blood. This structural Adjustment Programme that was initiated by the IMF has become a kiss of death". (The Nigerian Standard - June 21, 1988.)

Ghana:

The IMF has overthrown more government in Africa than the Military. In Ghana, the fund was indirectly responsible for bringing the Acheampong military regime into power. An IMF dictated devaluation led to riots and protests and the military took advantage of the situation to overthrow the tottering Busia regime. The story was brutal military regimes coming to remarkable rapid agreement with the fund on stabilization programmes, crushing all resistance from the onset.

In summary, the ignorance which the International Monetary Fund Programmes display about the social and political effects they produce flagrantly contrasts the IMF statutory mandate to promote and maintain a high level of employment and real income and to contribute to the productive potentials of all its members but above all, it conflicts with the IMF Executive's guidelines on the granting of stand by credits in force since 1979.

Until now, it has been a tale of woes for Africans, symbolized in riots and demonstration. It was in complete exasperation that President Nyerere accused the IMF of attempting an economic re-colonization of Africa. Even moderate Mobutu Sese Seko of Zaire complained of IMF members of staff taking over its Finance Military and Central Bank in the name of monitoring economic recovery. "To me, the IMF is the power house of Western Imperialism".

The stabilization/Structural Adjustment Programmes of the IMF in Africa has failed woefully. It is a strategy of ensuring that African countries pay their debts, and a means of gaining effective leverage over the industrial policy of the poor countries. Trade liberalization, tariff restructuring and related policies are designed to dump manufactured imports and wreck the industrialization efforts of these countries. The tough demand that debtor countries must first obtain clearance from the IMF in order to obtain debt relief from official and private foreign creditors, makes it an imperialist debt collector.

The integrational methodology used in adopting African economies into the World capitalist system was based on subserviency and dependency, this has made them a kick start and quench economies. Based on this, it is almost impossible for Africa to shelve itself of this leverage, for the IMF ghost if it does not haunt, the name along is a threat. To enter its temple demands removal of shoes and doffing of hats, for the land of financial negotiations is indeed a sacred one. No one enters into it and comes out the same, for the incantations of financial priests are those of confusion and havoc

HOW TO GET OUT OF THE IMF DEBACLE ON A NEW PAGE

The fact of the situation must be established. That the current crisis is a crisis of the reproduction of capitalism at its advanced monopoly stage. In this sense, the IMF conditionalities are entirely unnecessary and irrational, meant only to give life to already decaying monopoly capitalism. There can be no road to African development via the present IMF programmes.

Therefore, I maintain that an end exists for concerted efforts by Africans to evolve strategies essential for achieving real, meaningful and popular-oriented development for the continent. The way out of the IMF trap could be two fold. First is the direct dialogue approach with the International monetary fund to institute wide-ranging reforms in its operational structure and secondly, institution of domestic development-oriented stabilization programmes.

There are two major arguments for our strategy:-

The Reformation of IMF Argument;

The burden of adjustment needs to be shared between African and the industrialized world, since each of the latter's economies have directly or indirectly benefited from the expropriation of resources in sub-Saharan Africa as from the 18th century to the present day. This accepted, it should be borne in mind that any reforms based on the present international division of labour characterized by predominant primary production, foreign domination and wide-spread poverty which has been to the detriment of Africa will not and cannot work.

In terms of meeting the basic needs of majority of the African population, effectively raising domestic productive capacity, decreasing the high level of external dependence and transforming the economy structurally, the present make up of both the IMF and its stabilization policies must be critically overhauled.

Since control over decision-making both on national and international levels is important, more so, being that basically matters that affect third world economies characterize to the present day IMF deliberations, it is of utmost necessity to allow African and other third world countries greater participation in the exercise of decision-making powers. This could be done by not hinging voting rights on individual country's quota in the Fund. After all, the International Monetary Fund claims it is all out to help solve the African economic crises.

Normally, IMF loans will always attract conditions. But this time, these conditions should be one that does not sacrifice debtor country's long term developmental plans for short term adjustment strategies of certain variables in the balance of payment. The reformed stabilization/adjustment programmes rather than being contractionary should be expansionary. It's core objective should be to gear production apparatus towards mass demand, so as to satisfy domestic needs.

The fund by creating the Extended Fund Facility much later combined with a stabilization programme lasting up to three years has in principle recognized that the structural causes of deficits in many African countries cannot in any way be remedied in the short run. In a reformed IMF, the length of stabilization programmes should further be extended to ten years and above to reduce the strain of adjustment on the people whose welfare is being sought and to avoid the repayment of stabilization loans bringing on the next crisis. Repayment deadline for IMF loans should be extended and interest payments cancelled or at best be at low concessional level.

IMF stabilization programmes in Africa has so far benefited mainly the rich and strong importers-exporters, business-people, bankers, technocrats, politicians, even military leaders and their multinational allies in African countries while the burden of adjustment falls mainly on the weak and poor who are least able to bear it. This include; workers, peasants, women, pensioners, old people, students and also the fast disappearing "middle class".

A reformed IMF should be able to transfer the resource allocation power to the much marginalized rural majority in Africa through its stabilization programmes. Also it must have to include industrial promotion for domestic purposes. It must address the continuous failure of Africa to generate an agrarian revolution tied to agro-allied industries.

One may at this point ask if the imperialist world will ever pay attention to this clarion call for reformation of the major tool of its oppression, suppression and domination of the third world countries, whose exploitation is very vital for the survival and boom of their economies. This question becomes more authentic with the knowledge that the special conference held at the end of the 70s urging for a New International Economic Order by the third world countries did not yield any fruit.

Yes! Nothing came out of those conferences because African economies were not as battered as now, after all those were the period of petro-boom and prevalent high commodity prices. Even then, most African countries could, then in relative terms, comfortably service their debts without much ado. Again, Africa then did not owe enough to pose a threat. Now, the debt problem is not just threatening the third world economies alone but even the 'first' and 'second' worlds. World trade is gradually on the decline and global peace hangs on a balance. Industrialized nations can no longer sell its huge surpluses due to the mis-trust that African countries cannot pay for such goods. This invariably means lesser incomes. Our creditors know something urgent and drastic needs to be done.

I believe we have them at their knee and can boldly pull them to the round table by the strength of third world debts. All that is needed is a concerted effort of all third world countries and a third world leader with a sense of purpose and determination like the IRAQI strong-man-Saddam Hussein, who can stand up and say enough of this domination. Most African leaders are those that catch phenomena whenever the occupant of the white-house sneezes.

As for other debts owed private creditors, the earlier they understand that the issue is not that of temporary liquidity crunch but that of permanent liquidity insolvency the better. The truth is that with the present structure, Africa cannot pay its debt not because it does not want to pay but because it cannot pay. Thus, more serious thought must be given to the possibility of debt cancellation or its conversion to grants. This I know they can do without battling an eye-lid. After all, about $100 billion was expended on the IRAQI - Allied Forces war within less than one month of conflict, African debt is a little under $200 billion.

The Domestic-Oriented Stabilization Argument:

It is essential that the less developed countries mobilize the masses for the evolution of popular - democratic structures that are able to formulate development programmes which will be resolutely defended against those of imperialism.

Borrowing a leaf from Arnald Sibanda, I believe too that the neo-colonial dependency mentality that relentlessly confront the African petite-bourgeoisie, which due to class alliances with the West, has lost confidence in the potential of not only its local bourgeoisie but in the masses in general. They have came to perversely regard the effort of imperialism rather than the effort of the masses as the basis for development. Instead of depending on external resources I believe real development must be based on local resources as much as possible.

The masses of Africa needs to be awakened to intervene without any iota of fear against fraudulent elements within the domestic ruling class, who selfishly squander national resources that are for national development.

CONCLUSION

From our analysis so far, it is glaring that the IMF presently has been an ill-wild that has blown Africa no good. The nature of foreign aids has been that a large chunk of it is spent on providing the salaries and the upkeep of technical experts and acquiring equipment which never really increased the productivity of the country. This often compound the issue of repayment. In fact, there is a very low level of capital accumulation that would have catalyzed development in Africa. This makes it difficult for Africa to internalize her developmental efforts. Considering this tight-rope situation, the need exist for African countries to insist on window Irans from benevolent creditor nations. I believe Africa has enough expertise to develop herself.

Indeed, the present crisis has made it entirely difficult for Africa not to drastically adjust its production, consumption and investment pattern in order to survive.

In this regard, our hope lies in our hands. We must start now to purge ourselves of those attitudes antagonistic to development before carrying the war to the international community. The IMF for one needs a surgical operation to severe its seed of destruction.

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INFORMATION PROCESSING SYSTEMS IN ACCOUNTING . AND NIGERIAN ECONOMIC DEVELOPMENT

BY

R. B. JAT

ABSTRACT

The processing of data and communication of information to users for decision making purposes is the very essence of Accounting. Accounting provides this information for a variety of users among whom are owners of businesses, managers, lenders, customers, suppliers, employees and the government. In fact, this accounting function of information processing has an important role in economic development of any Nation.

This paper discusses the nexus between information processing systems in accounting and economic well - being of Nigeria. The nexus flows simply from the role which accounting information processing systems traditionally plays, on the one hand in securing accountability and on the other, in improving and facilitating optimal decision - making in every situation where choice amongst alternatives is involved. Effective and efficient decisions would on the macro level translate to the promotion and advancement of economic development.

INTRODUCTION

There is always an inextricable linkage between the performance of an economy and that of its information processing system. One is therefore inclined to see information processing system as occupying a prime position as a catalysts for economic development. Put another way, in a developed as well as a developing economy, accounting information processing systems are the live wire of the economic system. A sophisticated and highly developed information processing system will invariably suggest a highly developed economic system. The reverse is equally true.

Economic development may be said to "comprise the general level of efficiency attained in a nation's process as it affects output, real i income's and standard of living, production here meaning all activities undertaken (in a country) whether they relate to agriculture, conversion and manufacture or distribution, service or government" (Anao, 1985).

According to an American Accounting Association (AAA) publication, "economic development cannot be expressed in purely quantitative economic terms (for), it is a transformation and adaptation process" (AAA: 1978). This process of transformation and adaptation can however, be influenced by the available stock of capital goods a country's natural resource endowments, the prevailing state of technology and know how, but most important, in my view, by the managerial competence which affects critically the efficiency with which all the other resources are converted into individual, group, national or societal wealth, satisfaction or well being. The American Institute of Certified Public Accounts (1963:27) defines accounting as art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part at least of a financial character and interpreting the results thereof--------. To Magee (1990:1) accounting is the application of the combination of book-keeping and analysis techniques to specific types of business problems. For instance, the production of financial statements required by management.

However, accounting has become more than simply, recording, summarizing and reporting the financial aspects of business operations. It transcends these routine and practical functions by encompassing the organization, the delegation of responsibilities, the processing, methodology, the controls and the expected outputs that are termed collectively as the system. In fact, the accounting function has an important role in the successful operation of today's business. This function is to provide individuals and groups both within and outside of a company with relevant information for decision making. Hence the timely presentation of this document, "accounting as an information processing system and Nigerian Economic Development."

This paper discusses the information - providing function of accounting and also the type of information that the system can provide. The relationship of the system with the Nigerian Economic Development is then brought out.

CONCEPTUAL FRAMEWORK OF A SYSTEM

Moscore et al (1990:4) define a system as "an entity consisting of interacting parts (subsystems) that attempts to achieve a multiplicity of goals". Kodjo (1992:1) sees systems as "means by which the personnel of enterprises operate to accomplish the enterprise objectives".

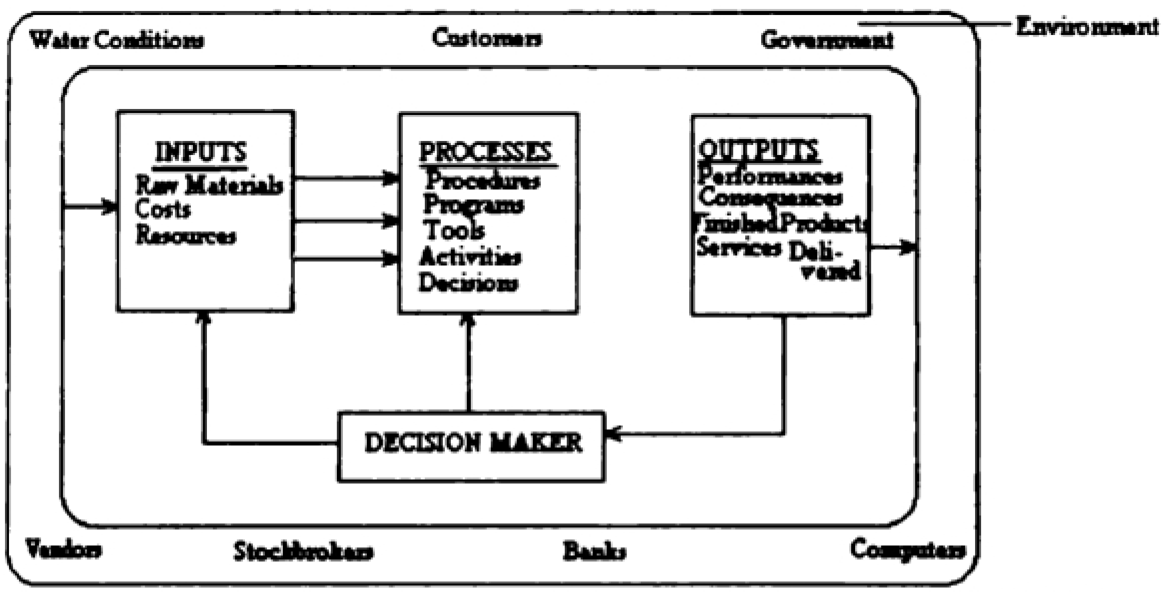

FIGURE 1: The System and its Environment

Source: Turban (1990:41)

Systems provide the means of translating managerial policies into action. In other words, they are networks of released procedures developed according to an integrated scheme for performing a major activity or function of a business. For a system to function efficiently and effectively, its subsystems must interact. This interaction is achieved principally through the communication of relevant information between the subsystems. And in fact, an effectively functioning system exist when each subsystem achieves its operational goals, which in turn contribute to the company's broad goals. To accomplish this, the subsystems must continually interact so that every subsystem is aware of its internal and external environments. The external environment represents a large element that affects the internal operations of a system.

Systems are divided into three distinct parts: inputs, processes and outputs. They are surrounded by an environment (figure 1) and frequently include a freed back mechanism. In addition, a human, the decision maker, is considered a part of the system.

INFORMATION

The concept of information in an organizational sense is more complex and difficult than the frequent use of this common word would suggest. "Information is data that have been interpreted and understood by the recipient of the message (Lucey 1987:13).

It will be noted that the user not just the sender is involved in the transformation of data into information. There is a process of thought and understanding involved and it follows that a given message can have different meanings to different people. It also follows that data which have been analysed, summarised or processed in some other fashion to produce a message or report which is conventionally deemed to be "Management Information" only becomes information if it is understood by the recipient. It is the user who determines whether a report contains information or just processed data.

In summary, information is knowledge and understanding that is usable by the recipient. It reduces uncertainty and has surprise value. If a message or report does not have these attributes, as far as the recipient is concerned, it contains merely data not information.

THE INFORMATION SYSTEM

Within an organization, the development and maintenance of the information system usually proceeds in several steps under direction of the controller. These steps include determining the output of the system, developing a data input system, and developing a processing system to convert the input data to the output information.

The output of the system is determined by working with the operating managers. These managers, with the controller, determine what kinds of decisions must be made in planning, organizing, coordinating and controlling the activities of the organization. Then the information needed in making these decisions can be determined. Reports must then be designed to transmit this information to managers. Thus, determining the output of the system involves deciding on:

1. the kinds of information to be presented,
2. the frequency with which the information is to be reported, and
3. the form which the reports will take.

Once the information requirements have been determined and graphed into reports, an efficient system will capture all the required data and require its entry into the system only once, even though the same data may be needed for a number of different reports. The processing system which accumulates the data and performs the required manipulations on it is the subject matter of the discussion that follow.

THE ACCOUNTING INFORMATION PROCESSING CYCLE

The accounting system provides a systematic approach for processing information from the capture of raw economic data that affect the entity to the end result-the periodic financial statements. Therefore, an accounting system incorporates an information processing cycle, often called the accounting period. This cycle is common to all double-entry accounting systems. However, the larger the enterprise, the more complex its application. The accounting information processing cycle, figure 2, reflects the primary phases in the sequential order in which they are usually accomplished. Each of these phases is discussed briefly.

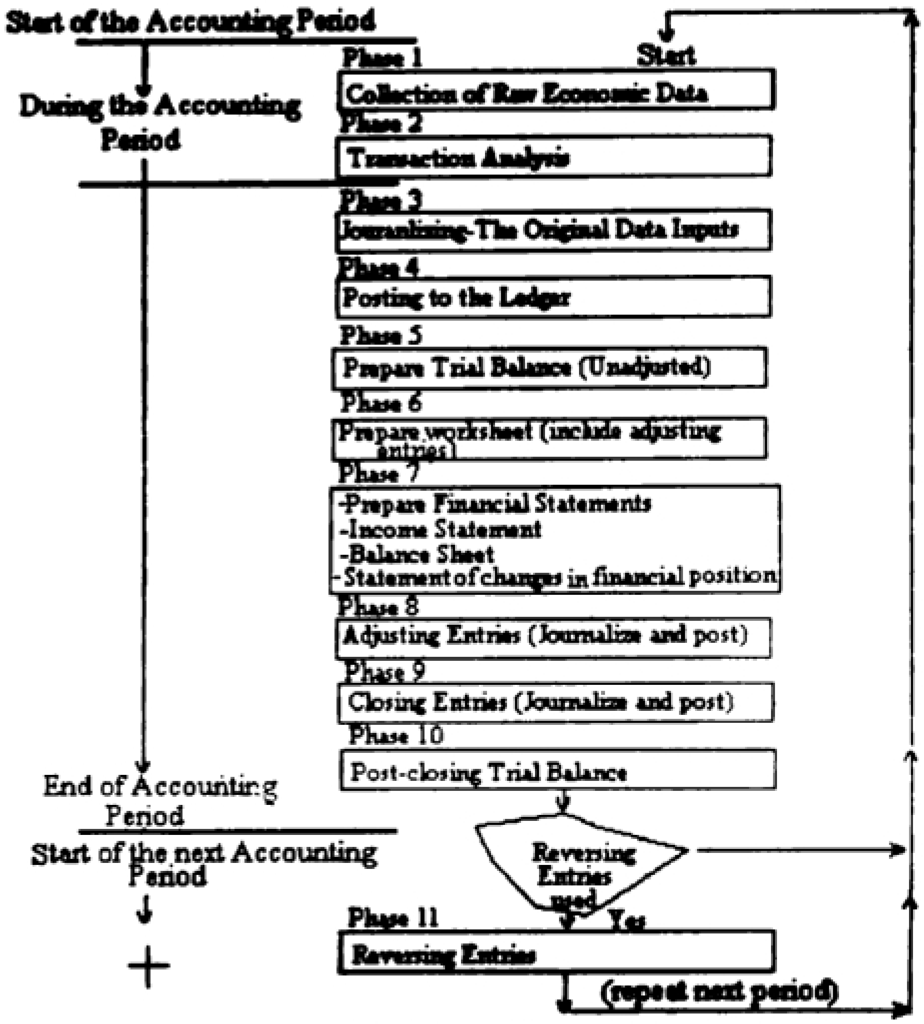

FIGURE 2: Accounting Information Processing Cycle.
Source: Graham (?? : 51) Year not included.

The first step in information processing is to gather inputs to the accounting system. The inputs are supported by source documents as a basis for;

a) transaction analysis
b) subsequent verifiability.

The second phase is to identify, assess and measure the economic impact on the enterprise of each transaction recognized. To provide the basis for developing the accounting entry to be made in the journal. Journalizing which is the next step provides a chronological record of the entries in the accounting system which reflects the increases and decreases in each account. Posting is done to transfer the economic efforts from the journal to the ledger and to reclassify and accumulate the economic effects for each asset, liability, owners equity, revenue, and expense.

The next stage is to prepare an adjusted trial balance to provide, in a diagram of the accounting information processing cycle at the start of the accounting period. A convenient form is a listing of the accounts and their balances in the general ledger after all current entries have been posted. It serves to;

a) check the debit-credit equality, and
b) provide data for use in developing the worksheet and the adjusting entries.

Preparation of worksheets is the next step in the process. The worksheets provide an organized and systematic approach at the end of the accounting period for developing;

a) the adjusting entries
b) the financial statements and
c) the closing entries.

Financial statements are then prepared to provide a vehicle for communicating summarized financial information to external decision - makers. The next phase of the process is to journalise and post adjusting entries, so that the general ledger is updated by separating the "mixed" accounts into their real and nominal components so that they will be ready for the closing process. The nominal accounts are closed to retained earnings by journalizing and post closing entries. This will make them ready for re-use during the next period for accumulating and classifying revenues and expenses. The post-closing trial balance is prepared to verify the debit-credit accuracy of the general ledger after the closing entries are posted. The last phase of the process is the Reversing of entries to facilitate subsequent entries by reversing certain adjusting entries. They are journalised and posted on the first day of the new period.

THE RELEVANCE OF ACCOUNTING INFORMATION PROCESSING SYSTEMS IN ACCOUNTING TO ECONOMIC DEVELOPMENT

There is a nexus between accounting information processing systems and economic well-being ordinary, which at a macro level should certainly translate to the promotion and advancement of economic development. The nexus flows simply from the role which accounting information processing systems traditionally plays, on the one hand, in securing accountability, and, on the other hand, in improving and facilitating optimal decision-making in every situation where choice amongst alternatives is involved.

Accounting information processing systems in accounting provides a whole gamut of information consisting of economic or financial facts and figures for clarifying decision options in the first place, and then for monitoring the ensuing activities and operations afterwards, with the aim of enhancing efficiency and performance and thus, promote well-being. The latter - day role of accounting information processing systems in accounting has brought it even closer to the needs of economic development, for it, at once, expands the horizon of its application beyond the erstwhile narrow confines of business and other micro-organizational units, to the wider and probably more socio-economically relevant Domains of government (for government fiscal and development planning) and the macro (for economic and social policy actions and evaluations).

The relevance of accounting information processing system to economic development should be seen in terms of the use to which processing systems lend themselves, in a nation's continuous endeavour to improve its productivity efficiency. The utilitarian and adaptive nature of information processing systems particularly, lends it to such applications in generating at both micro and macro levels, relevant information on which vital and rational choices can be exercised, on which short, medium and long term plans can be drawn up; and also for the all - important post-implementation evaluations which help immensely to align outcomes to plan. The immense growth experience by the information processing in accounting particularly during the last three decades has indeed brought it much closer to the requirements of national economic development.

Furthermore, the processing system can be of great assistance in furnishing useful statistics on sales, purchases, profits, investments to mention just a few which helps the government in its policies, plan future developments, take precautionary measures where necessary and make wise decisions for the profitable operations of the economy.

Taxation plays an important role in economic development of all countries in the world and Nigeria cannot be an exception. Naturally to be able to calculate and pay the correct amount of tax by companies, individuals, partnerships whether situated in Nigeria or not, information must be collected from the accounting processing systems.

Accounting processing systems are also relevant in debt management which is a vital factor in economic development. Both governments, individuals and businesses extend and accept credits whether internally or externally. Necessary arrangement to ensure prompt recovery at this money through adequate information is important. The system can help in both keeping the government informed of amounts due from debtors and due to creditors. It is also a useful tool of control. Proper processing systems would mean proper records be maintained and this eliminates any possibility of theft and misappropriations.

Finally, the system ensures that timely, accurate, relevant, reliable, concise and up-to-date information is available for effective economic decisions.

CONCLUSION

In conclusion, the issue of the role of accounting information processing systems in national economic development can really not be contended. It is an issue which has always been regarded as implicit. The important roles played by the processing systems in accounting in the general scheme of things, in business firms actively involved in wealth creation; in financial institutions of every description which lubricates the wealth creation process; in government and other national institutions which provide the needed basic infrastructure and macro socio-economic environment; and in every form of activity of benefit to society, is the best evidence of such relevance. The predominant issue today is really not whether the processing systems are relevant to national economic development aspirations but how best to maximise the value to society of the unique, blend of knowledge and skills of which the system is a repository.

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AN EVALUATION OF THE KEYNESIAN AND NEO-CLASSICAL ECONOMIC FOUNDATIONS OF SAP IN NIGERIA

BY

G. S. AGALDO

ABSTRACT

The paper set out to evaluate the ancestry of the Structural Adjustment Programme (SAP) that was introduced into the Nigerian economy by 1986 in an attempt to redress the fundamental problems the economy was said to be facing.

Although the Nigerian public had earlier rejected the IMF loan and its conditions, when SAP was being introduced hoewever, President Babangida and its apostles had maintained that it was "Nigeria's solution to Nigeria's economic problems." A careful look at the package however revealed glaring semblance to the IMF/WB pill usually recommended for developing countries with balance of payment problem having been carefully put together by the two schools of economic thought - Keynesianism and Neoclassicalism, for economies experiencing depressions and the 'supply-side' economics aimed at raising real profits of private enterpreneures to stimulate investment, cut down costs of production through tax reductions and an advocacy that government divests from investing. In other words, that government should privatise in addition to having to deregulate interest rate, freeze wages and retrench workers, while on the international scene they advovate removal of trade restriction or liberalization and devaluation of currency through market determined exchange rates.

The Keynesian-Neoclassical synthesis, however, is known to have failed woefully in solving the repeated crisis of business cycles, market instability and balance of payments deficit, neither has it been able to eradicate depressions.

The paper then submits that the SAP which has already failed in other economies, can not do any better for the Nigerian economy except that it will only serve as an arena for foreign investors to further swindle the economy along with the collaboration of domestic partners, given that the former controls the technology and finance while the later ensures the supply of cheap labour, infrastructures and political stability that guarantees profit repatriation.

A careful evaluation of its impact on a few areas of the Nigerian economy after about a decade of its implimentation revealed that SAP indeed was neer intended to solve her economic problems, nor to build the so-called self-reliant economy inspite of her natural and human resources but rather to force government to extract from the masses through levies, taxes, fees, inflation, devaluation and retrenchment in order to service foreign debts, given that the emphasis was rather more on promoting exports as a means of ensuring the repayment of foreign debts instead of encouraging the setting up of domestic industries to process such products domestically and subsequently reap the multiplier effects and thereby create income, employment, output and also check inflation.

On the sphere of privitization and commercialization of public enterprises, the SAP apostles had maintained that retrenchment was inevitable due to 'ineffeciency', 'non profitability' and 'losses' But it was also evident that the profits of multinational companies, kept rising steadily and even doubling in some cases as they resorted to hoarding and creating

ar.ificial scarcity of essential commodities until their prices rose all such practices were meant not at revamping the ailing economy but at continuous milking of the Nigerian masses. Furthermore, it brought out the fact that private sector profits are never as a result of any effecient business acumen since the same public officers that mismanage the Nigerian Airways, Ports Authority, NEPA etc. retire to wards of UAC, CFAO, John Hold and other multinational companies and their subsidiaries and generate huge profits for them and are said to be efficient'.

On the exchange rate of the naira, the SFEM was said to have been introduced with SAP, in order to ensure efficient allocation of foreign exchange and also to check the massive fraud that had characterised the import licensing system. Sooner that it started however, it turned into a gold mine especially for banks and other financial institutions who obtained the foreign exchange at Government rate and ended up selling it at the black market and this received tacit encouragement by the CBN as it kept bridging the official and the black market rates which kept devaluing rather than strengthening the naira exchange rate.

Furthermore, the promise by SAP to check capital flight and encourage capital inflow was not realised as it did not provide the favourable environment for the capital inflow as envisaged, neither did it guarantee political stability and low inflation particularly that the productive sectors of the economy kept depending more and more on imported inputs and technology.

The paper then concluded that the Nigerian SAP had failed woefully. It only helped in revealing the hitherto hidden class alliances between the comprador bourgeoisie and their foreign collaborators in draining the country's resources. As such, the continuous emphasis that Nigeria catches up with the developed world in terms of modern artifacts must be checked. The option of going through the slow and torturous path to development that arises out of the dynamics of the domestic economy rather than adopting models known to have been long discarded by even the developed world, must be emphasised. Total reliance on market forces for fundamental planning is no longer feasible. Government participation in the socio-economic spheres is inevitable so long as such is well articulated and service oriented.

INTRODUCTION

On June 27th 1986, President Babangida of Nigeria, announced SAP, to cover the period July 1st 1986 - June 30th 1988 (2 years). He highlighted that the economic problems which SAP was to attack, included:

- The excessive dependence of the economy on one commodity - oil.
- The chronic lack of reliant growth and development.
- The serious Balance of payments disequilibrium.
- Growing budget deficits
- Low productivity.
- Stagflation.

These problems had earlier been identified during the Shagari administration particularly in 1982 when Shagari announced "an Economic Stabilisation Programme" and before the official commencement of SAP, Babangida too had earlier in 1985 obtained discretionary powers to pass a "National Economic Emergency Decree". Soon after which the 1986 budget speech in which he announced further measure taken to improve the economy which included; wage and salary reductions; Removal of subsidies on petroleum, Ban on importation of some commodities (especially food), suspension of non essential projects; among others.

OBJECTIVES OF SAP IN NIGERIA

When it finally commenced in 1986, the main objectives of the Structural Adjustment

Programme (SAP), were thus spelt out as:
- To restructure and diversify the productive base of the economy, in order to reduce dependence on the oil sector and on imports;
- To achieve final and balance of payments viability over the period.
- To lay the basic for a sustained non-inflationary or minimal inflationary growth;
- To lessen the dominance of unproductive investment in the public sector, improve the sector's efficiency and intensify the growth potential of the private sector.

Furthermore, the exchange rate of the naira, was said to be over-valued, and to address that, the establishment of and operation of a foreign exchange bidding scheme under the Second-Tier Foreign Exchange Market (SFEM) was set in motion. In addition, there were other policy measuresthat accompanied the SFEM. They included:

Trade and payments liberalization, Tariff reform and rationalization to promote industrial diversification. Deregulation, reduction of administrative controls and greater reliance on market forces; Adoption of appropriate pricing policies for petroleum products and public enterprises output (in other words removal of subsidies on petroleum and other social services); Rationalization and privatisation of public enterprises; Strengthening Demand Management Policies; Adoption of measures to stimulate production, and broaden the supply base of the economy. (Philips & Ndekwu, 1987 p. 5)

THEORETICAL BASIS AND FOUNDATIONS OF SAP IN NIGERIA

It is interesting to note that the Babangida administration and the economic policies of other administrations before it had maintained that such policies and indeed SAP, was 'Nigeria's solution to to her economic problems'. A careful scrutiny of this however reveals glaring semblance to the IMF recommendations for developing countries with balance of payments problems, and the Structural Adjustment Programme by the World Bank. They indeed tally with the recommendations of the two world bodies at Bretton Woods when they were established after the Second World War. Recommendations that take roots in the two leading but contending schools of economic thought - Keynesianism and Neoclassicalism.

A second look at the areas the SAP intended to address, can be traced to economic theories earlier propounded by J. M. Keynes who surveyed and diagnosed for the advanced capitalist economies of Western Europe during the great depressions of the late 1920s and early 1930s. For instance Keynes had diagnosed that such economies were characterised by cyclical unemployment, which occurs as a result of inadequate effective demand in an economy supposed to be at full employment equilibrium, though undergoing continuous cycles of booms and depressions. Keynes had then recommended increase in the level of effective demand through government conscious fiscal expansions, to arrest the situation. It is however imperative to note that Keynes' analysis was based only on the short-run; while conceiving as given, the level of technology, habits and tastes, the skills and availability of labour, to mention a few.

Keynes' analysis was also based on the assumption of a closed economy with little or no foreign trade and also an excess of skilled labour. Thus Keynes and also the later Keynesians, generally favoured government intervention in the economy to raise the level of aggregate demand having found that this does not always rest at full employment equilibrium. Keynesianism therefore, believed that leaving such important macroeconomic adjustments to market forces may not always attain the desired equilibrium and even where it may, the adjustment process could take too long. Giving that output and employment play vital roles in he adjustment process, Keynes felt that the private sector and the price mechanism, were inherently unstable and could not be relied upon for such a responsibility as was the view maintained earlier by classical economists (Levacic and Rebman, 1983, p.6).

One or the other of the two conditions have been applied to the developed capitalist economies depending on whether it is a boom or depression that the economy is undergoing. When the economy is on its way to a boom for instance, the Classical/Neo-classical conditions of laissez-faire and economic liberalism which maintained that consumer expectations are rationally formed and that economic agents operate with the sole aim of optimisation and in addition, aggregate supply depends on relative prices, which put together imply that market forces can clear devoid of government intervention thus ensuring that the economy could always operate at near if not full employment equilibrium.

To further give credence to their recommendations, the neo-classical economists, launched the "supply-side" economics. This comprises mainly of a set of policies meant to raise real profits of the private entrepreneur and stimulate investment, cut down costs of production through advocating tax reductions, reduced budget deficits and an advocacy that governments divest from viable investments (i.e. privatise).

In the sphere of international transactions, the Neo-classicals favour removal of restrictions on trade, through recommending market determined exchange rates. We can indeed broadly categorise the adjustment process as recommended, to include currency devaluation, privatisation, trade liberalisation and deflationary policies by the government in specific areas of reduced government expenditures, wage cuts, employment restrictions and retrenchment where possible and also, deregulation of interest rates. Through the deflationary measures, the Neo-classicals believed that business costs could be depressed (to avoid crowding out for instance), but give profits a boost. They further argued that higher interest rates could however check capital flight, but attract foreign investment, encourage domestic savings and subsequently investment.

Both policy recommendations, however, failed woefully to solve the repeated crises of business cycles, market instability and balance of payments deficits and eradicate depressions. This led to the Keynesian-Neoclassical synthesis where the consensus was that Keynesianism was only applicable for an economy in a depression while Neo-classical analysis was most appropriate for inflationary and boom conditions. It then calls to question, how naive the Nigerian government was, in swallowing wholesale, these outdated recommendations and parading them as Nigeria's solution to Nigeria's economic problems'.

It is on the basis of this, that the above outlined objectives of SAP should be thoroughly examined in an attempt to unravel the consequences on the socio-economic and political life of Nigeria and the myth it seeks to conceal. To do this, we will briefly reflect on how the western capitalist countries have used these economic theories, to dictate how the Nigerian economy is ran to the best of their interest and those of their local collaborators.

In the early 1970s at the peak of the oil boom for instance, the foreign multinational corporations had through their experiences in Latin America, Asia and other African countries like Kenya and Zaire, known that the best way to safeguard their interest in other third world countries and Nigeria in particular, was to encourage the local ruling classes to increase their shares in such corporations. They then went into "joint ventures". By the arrangement, the foreign exploiters controlled the technology and the finance while the local gents supplied cheap labour, infrastructures, perating capital, political stability to guarantee the repatriation of profits. Thus we ind that the economic slogans in that era were 'open door policy" on foreign investments, 'free trade" though under unequal exchange, and an externally oriented consumption pattern towards foreign imported foods. Whereas that was supposed to have been the golden opportunity for Nigeria to have used the petro-dollars in the area of building the essential infrastructures and other key industries required to transform and expand her agricultural sector to feed and industrialise her and other African Nations (as was identified in the Second National Development Plan). Such opportunity was however squandered in collaboration with foreign capitalists. But instead the oil earnings are continually being blamed for the economic woes the nation later ran into. For instance, allocations to the agricultural sector kept increasing from ₦127.2m in the Second Development Plan of 1970 - 1974 to a total of ₦2.36b in he 3rd plan (1975-80) and up it went to ₦8.8b under the 4th plan (1980-85) (Rufai, I. 1987, p. 15.).

In spite of the fact that no results were coming out of it. Importation of food rather kept increasing in the corresponding period. So the country was swindled from both ways. The money sank to develop the sector was siphoned by foreign agri-businesses in collaboration with the local exploiters and big banks who had a grip on the economy while on the other hand, the food importation bills, were also inflated through over invoicing by the same collaborations.

Thus the agricultural sector kept stagnating instead of complimenting the oil sector in earning foreign exchange. In the corresponding period therefore, we find that the import bills kept rising by an average of over 300% from ₦1.72b in 1974, to ₦6.9b in 1979 and then doubling, to ₦12.96 in 1981, while still blaming the oil boom as being responsible for promoting the import-dependence and making the country vulnerably to"external shocks". But no one explains why the petro-dollars were never used to construct capital goods, basic materials, intermediate goods and consumer - goods industries and modern agriculture.

Indeed it was in the midst of this, that SAP entrenched its call to further open up the economy much more to foreign capital and the need to devalue the naira, in order to promote the much acclaimed "export-led growth" strategy.

Having lost some measure of control on the Nigerian economy under the indigenisation policy, the foreign interests saw the crises the economy was undergoing when the prices of oil started dwindling in the international market, as an opportunity to stage a come back. This time not only as partners, but for a complete take over of the economy. Thus the recommendations to government to divest her holdings in selected corporations and companies, pursuing more vigorously the policy of cost recovery for services provided by government, while cuts in salaries, wages and benefits, retrenchment of public sector workers, cuts in essential public services in education, health, imposition of fees on essential public services, privatisation, and general deregulation of the economy to such private interests continued. And in addition to that, the country's budgets and key economic policies were to be approved by the World Bank and the IMF. Since the inception of SAP they did not only stop at that, but posted their officials to the Central Bank, the Federal Ministry of Finance, and the Cabinet Office and the Ministry of National Planning. While the London and Paris Clubs were also consulted for their blessing before such policies are implemented.

EVALUATION OF SAP IN NIGERIA 1986 TO 1993

We will now attempt an evaluation of some of the specific areas earmarked for restructuring in the economy and see how much success has been achieved, given that the programme was initially billed to last for two years but is now seven years in operation.

Government Foreign and Domestic Debts

One of the cardinal areas the SAP programme was to address, was Nigeria's increasing domestic and foreign debts. Diagnosed both by IMF and the World Bank, Nigerians have been made to believe that they had consumed more than they produce. As such their consumption and living standards must be adjusted to enable them save, invest and produce in order to pay back the heavy debts they owe. The domestic capitalists and the foreign creditors in order to maintain a continued flow of resources on just the interest required to service such loans, refused to extend any credit lines for the importation of essential goods and services. Through the SAP, the government has to satisfy such creditors that Nigerians will now consume less, but produce more exports to pay back such debts. Knowing fully well that the demand for our exports is elastic and our demand for their manufactured goods is inelastic. Their extension of credit lines, will then imply more imports through which they will make maximum profits in the shortest time possible and this will further increase our debts coupled with the interest on them, this will have the resultant effect of giving them the leverage to completely control and dictate terms on both our domestic and foreign economic and political spheres.

It then becomes clear that SAP was never intended to make Nigeria really pay back the claimed debts against her, nor even to allow her build the so called self-reliant economy, based on her natural and human resources and subsequently live within her means, but to force the government to extract from the masses through levies, taxes, fees, inflation, devaluation, retrenchment etc, to service such debts.

On the other side of the coin, the emphasis is rather on promoting exports in order to repay such debts instead of encouraging the setting up of domestic industries to process such products domestically so as to reap the multiplier effect of such investment in the domestic economy and thus expand income, employment, output and check inflation.

Furthermore, the zeal with which the various regimes starting from the Shagari administration when the IMF and World Bank started calling for the restructuring, in the area of hurriedly starting to pay even before they were verified, reveals the connivance between the domestic bourgeoisie and their foreign counterparts to swindle the nation.

For instance, in its 1984/85 publication of International Financial Statistics Year Books, the IMF reported a marked discrepancy between Nigeria's claims and those of all the other countries that exported goods and services to her (Nigeria) in the years 1981-83. While in the same publication Nigeria was claiming to have paid a total of ₦32.1 billion for all her imports for the 3 years, the sum of all the goods and services exported by other countries to Nigeria, was just ₦24.0b. Giving a marked difference of ₦7.2 billion.

Other credible sources of information such as Society General de Surveillance (SGS) a company that was entrusted with pre-importation inspection into Nigeria, had reported that of 1.2 million "Form M" issued for importation of goods into the country, for the years 1979-84, only 0.43 million representing 34% were actually inspected by it. The value of the ones not inspected was put at ₦15.2 billion (Rufai, I, 1986, p.9). One other revelation was published in an IBWA monthly publication by Mr. Olashore that in 1981 Nigeria only imported goods to the tune of

₦2.97 billion but was fraudulently made to pay ₦11.9 billion for them. Another publication by the Analyst (August/September 1986) had revealed following a Solano Committee Report set up to verify domestic debts which had been put at ₦7.2 billion, that only ₦300 million worth, were genuine, while the rest representing 96% of such claims, were fraudulent and false.

Sometimes in 1985 too, when the Johnson Matthew Bank collapsed in the city of London, a startling revelation through a British Member of Parliament had revealed that the BCCI (which later collapsed too) along with Standard and Chartered Bank (the foreign owners of First Bank Nigeria) had siphoned over ₦6.0 billion from Nigeria through fictitious imports. Such revelations are countless that were never denied up till today but the Nigerian government hastily agreed to honour the debt claims. In fact, even while the figures she had compared to those of the IMF, World Bank and other sources did not tally in any respect. Yet over 30% and in some cases up to 40% of our foreign earnings have been devoted to servicing such fictitious debts. In this regard, SAP can be said to have only succeeded in multiplying the debt it set out to repay from ₦12 billion at inception in 1986 to over ₦33 billion in 1992.

Privatization and Commercialization

At the commencement of the SAP, most parastatals had earmarked a substantial part of their work force for retrenchment with the justification that there was inefficiency, leading to non profitability and losses. However, along side, multinational subsidiaries in the country kept making huge profits, as indicated in table I.

TABLE I: SELECTED MULTINATIONALS' RATE OF PROFIT AS AT 1982

Name of Company	Number of Employees	Turn over (₦ m)
A. C. Christlieb	1,200	32,3
A. J. Seward	1,100	50.0
Nigerian Breweries	4,000	241.0
Cadbury	2,150	112.7
NTC	2,326	60.0
Food Specialities	1,454	243.2
Tate and Lyle	666	76.9
Lever Brothers	3,949	189.2
Guiness	4,000	180.0

Source: Compiled from The Analyst Vol. 1 No. 4, Nov. 1986, p. 18.

TABLE II: UAC'S WAGE BILLS AND PROFITS 1982 - 1985

Year	Wage Bill (₦ m)	Profits (₦m)
1982	108.7	26.6
1983	101.0	N.A.
1984	81.1	31.6
1985	74.5	38.6

Source: Compiled from The Analyst, Vol. 1, No. 4 Nov. 1986 p. 18.

Two years after this, that is by 1984, the turnover of these companies had more than doubled that of 1982. This according to those who have studied productivity of workers in Nigeria and other countries, have concluded that "Nigerian workers are some of the most productive in the world.... very rarely do you find this level of productivity anywhere in the world." (Rufai, I. 1986).

Capacity utilization in most of these industries was put at only 25-30% yet such profits were made. But they kept labelling the workers as unproductive in order to exploit them further and retrench more of them. For some of the companies, their turn over actually declined between 1983 and 1985 but never their profits. The profits rather rose. The example is given of UAC which kept reducing its wage bill by retrenching more of the work force while its profit kept increasing.

Along with this retrenchment, was a continual spiral of inflation which the government did not in any way attempt to control. Rather, it only stated in conformity with the IMF package of removing all price restrictions, that it (Government) had no intention of controlling such prices at all. Hoarding became the order of the day while the blame was always on availability of import licenses for raw materials and machinery as the cause. This they merely used as cover to arbitrarily increase such prices whenever the commodities reappeared in the market, thus ensuring continual profits for their owners, the multinational corporations and their domestic counterparts. Where as these corporations face stiff competition which continually force them to lower their prices in their home countries, in Nigeria, they have a field day because they are monopolies and in addition, they dictate the exchange rate of the naira. It then becomes very clear that private sector profits are not as a result of any efficient business management, as the same public officers who mismanage Nigerian Airways, Ports Authority, NEPA etc, retire to the boards of UAC, John Holt, etc and suddenly become efficient and earn such huge profits for these companies.

It only follows logically that the call to privatise such parastatals was not really due to inefficiency, but because the people who mismanaged them siphoned the funds meant to run them effectively through contract awards and other dubious means, turn around and call them inefficient after retiring to multinational company boards and are now ready to completely take them over through privatisation, to the detriment of the masses of Nigeria who have lost the social services hitherto provided by such parastatals.

The Naira Exchange Rate

Cardinal to the SAP at inception, was the Second-Tier Foreign Exchange Market SFEM. At its commencement in September 1986, the government had maintained that it was to check the massive fraud that had characterised the import licensing system and that it was going to ensure efficiency in the allocation of foreign exchange, eliminate the black market, determine a realistic exchange rate of the naira, boost exports through improving domestic production and consequently boost our ability to reschedule our debts. (Attah, et al, 1987, p. 3.).

After over six years of its operation, it rather, achieved the opposite of what it set out to address, this is because it merely created an avenue for fraud, as the banks and other financial houses turned it into their profit making venture. The SFEM rather than eliminate the black market for foreign currency helped it to thrive. More than half of the foreign exchange allocations such financial institutions get end up in the black market. The Central Bank sanctioned the conspiracy against the naira, by deregulating it in March 1992 when it bridged the official and the black market rates. This is contrary to the practice anywhere in the world. While on the one hand, the government claimed that it could not fix the exchange rate, it went ahead to fix that of the black market.

TABLE III: SOME MAJOR ECONOMIC INDICES, 1985 - 92

	Economic Indices	1985	1992
1.	Interest rates	9%	40%
2.	Foreign Exchange Rate	₦1=$1.004 ₦1=£0.6945	₦18.60 = $1 ₦32.52 =£1
3.	Unemp-loyment rate	2.2%	4.1%
4.	Foreign Debt	$12b	$33b

Source: Nigerian Economist Vol.5, No. 15 April 27th 1992 p. 31.

At the introduction of SFEM, the exchange rate of the naira was ₦1.20 to $1 but by that act of the CBN, the naira exchange rate fell abysmally to ₦18.50 at the official rate and ₦20.15 at the black market. As at early March 1993, the rate was ₦25 to $1 while unofficial sources were exchanging it for over ₦30 to $1. SFEM has therefore meant nothing but a continued devaluation of the naira. While the objective of boosting local production and subsequently promoting exports has remained an illusion, as domestic factories have kept on producing at merely below capacity utilisation. Whereas many keep shutting down and further aggravating the unemployment, inflation and demand is dampened due to low real incomes. Table III of some economic indicators speaks for itself.

Inflow of Foreign Investments

The finance Minister at the inception of SAP in 1986, was quoted to have said that the programme was intended to relieve the debt burden and attract a net inflow of foreign capital while keeping a lid on foreign loans. (Fagbemi, K, 1992). For the purpose of evaluation, the inflow of such foreign investment in pre-SAP era compared with that of the SAP era and the conclusion is that the rate of flow has only witnessed very negligible difference. For example, a six (6) year period pre SAP (1980-85) foreign direct investment amounted to $772.4m but for four (4) SAP years (1987-90), the figure was $884.9m indicating a mere increase of $112.5m only.

Similarly, for gross capital inflow in the pre-SAP era (1980-85), averaged $5.33b while during the SAP era (1987-90), the figure averaged $6,13b implying a difference of merely $0.80b. But of even more interest, is the net figure of such flows (that is the gross capital inflow less the gross capital outflow) which shows a deficit implying a net capital outflow compared with a surplus before the SAP. While prior to SAP (1980-85) it average $2.1b, during SAP (1987-90) net capital only averaged $0.55b representing capital flight rather than inflow. The implication of this is that SAP did not provide the favourable environment as promised.

Political stability, law and order, efficient and adequate infrastructural facilities, exchange rate and price stability could not be guaranteed under SAP. Neither did it solve inflation. For instance, the inflation rate during SAP years 1989, averaging 25.3% per annum, whereas prior to SAP, it only averaged 16.4% (1980-86) with a peak of 39.6% in 1984. In the corresponding period, interest rates fluctuated between 10% in 1986 and 26% 1990.

The implication is that when inflation rates are higher than nominal interest rates, the real rate of interest becomes zero or negative. This then makes investments and assets that earn fixed returns or whose values do not appreciate as rapidly as inflation rate, to become unattractive to investors. Domestically the supply of funds will then fall given zero or negative real interest rates and thus promote capital flight. Neither has the rapid depreciation of the naira and foreign exchange rate instability during SAP helped in attracting any foreign capital inflow. Moreso that the productive sectors of the economy depend solely upon imported inputs and technology. The continuous rapid depreciation of the naira implies rapidly increasing production costs, which discourages effective demand, reduce profits and viability of industrial investments.

TABLE IV: FOREIGN CAPITAL INFLOW/OUTFLOW 1980/1990

Year Exchange Rate to 1 US $	Foreign Direct Investment Capital Inflow ₦m ($ m)	Gross Capital Inflow ₦b ($ b)	Gross Capital Outflow ₦b ($ b)	Net Capital Inflow ₦b ($ b)	Inflation Rate %
1990 8.04	4805.2 (579.7)	29.62 (3.68)	52.31 (6.51)	-22.69 (-2.82)	7.5
1989 7.37	14092.4 (1912.1	47.68 (6.47)	46.18 (6.27)	1.50 (0.20)	50.5
1988 6.2	1863.1 (414.0)	24.96 (5.55)	24.90 (5.53)	0.05 (0.01)	38.3
1987 4.00	2462.4 (615.6	35.33 (8.83	33.65 (8.41)	1.68 (0.42)	10.2
1986 2.00	878.3 (439.2)	10.60 (5.30)	7.62 (3.81)	2.98 (0.49)	5.4
1985 1.00	580.8 (580.5)	4.98 (4.95)	5.59 (5.59)	-0.64 (-0.64)	5.5
1984 1.00	564.9 (564.9	3.51 (3.51)	3.33 (3.33)	0.17 (0.17)	39.6
1983 0.71	469.4 (661.1)	5.35 (7.54)	2.19 (3.08)	3.16 (4.45)	23.2
1982 0.65	549.1 (844.8)	5.80 (8.92)	2.04 (3.14)	3.76 (5.78)	7.7
1981 0.65	784.4 (1207.5)	3.11 (4.78)	2.18 (3.35)	0.93 (1.43)	20.8
1980 0.56	434.2 775.4	1.26 (2.25)	0.49 (0.88)	0.77 (1.38)	9.9
Average 1987-90 during SAP	884.90	(6.13)	-0.55	25.3	
Average 1980-85 Pre-SAP	772.4	(5.33)	(2.10)	16.4	

NB: Figures in brackets represent US dollar equivalent of Naira.
Source: Adopted from The Nigerian Economist, Vol. 5, No. 5. 1992 p. 37.

POLICY RECOMMENDATIONS

It is no longer a secret that SAP in Nigeria has failed woefully and should therefore be dismantled completely. If anything, it has only helped in revealing the hitherto hidden class alliance of the comprador bourgeoisie and their foreign collaborators to drain resources out of Nigeria. This therefore calls for a radical leadership, that will be able to block all the drain pipes on the economy and point the way forward through exemplary lifestyles.

Much as foreign economic and political associations should not be completely severed, neither should one recommend total rejection of foreign assistance, such should however be carefully studied and only aspects that will ensure genuine and viable local adaptations should be taken. The continued emphasis that Nigeria catches up with the developed world in terms of mere modern artifacts, should be de-emphasised. We must retrace our footsteps back, and pick up from the rudiments and patiently go through the slow and torturous path to development which arises only out of the dynamics of our society rather than swallowing development models that have since been discarded even in the developed societies.

Market forces should never be totally relied upon as efficient resource allocators. Government participation is necessary in this regard, provided it is well articulated and service oriented. The welfare of the citizenry should be a paramount concern of government. As a contented citizenry, is a most valuable asset in development. The Nigerian masses though have suffered for long under SAP, are still determined to make more sacrifices only if such would yield positive results. The country still possesses all that is required - abundant natural and human resources. Only a courageous, foresighted and selfless crop of leadership is required to cap this and Nigeria would be on its way to greatness.

SUMMARY AND CONCLUSION

SAP, an imposition of the IMF/World Bank as spokesmen of Western Financial interests, has brought all manner of social, economic and political hardships on Nigerians. Initially supposed to last for only two years, has lasted over 7 years yet with nothing but misery and discontent of the populace to show for.

That at the close of the 20th century Nigeria is still resorting to long discarded economic doctrines of the mid 18th century, is uncalled for. No country, not even of the most advanced world, leaves its economy to the total vagaries of market forces and uncontrolled exchange rate and foreign trade. The 18th century doctrine of economic liberalism which informed Nigeria's adoption of privatization which maintained that the only duty of government was the maintenance of law and order and defending the territorial boundaries of the nation state while abandoning the fate of the economy to private entrepreneurs who in the course of pursuing their selfish profits would inevitably develop the society and the entire economy without a conscious thought towards that, has long been disproven and found to be dangerous and counter productive. Yet under SAP, the Nigerian economy has been submitted out not only to domestic entrepreneurs but worse of all to foreign capitalist who do not have the interest of the economy at heart.

It is surprising that even in the advanced capitalist countries, it is state capitalism that is openly practised a situation where the government is a leading owner of economic ventures. But their spokesmen in he World Bank and IMF have kept recommending government divestment via privatisation to third world countries in the name of restructuring.

The Babangida administration , to say the least, opened up Nigeria for recolonisation, as foreign companies are virtually being begged to come and buy up majority shares in companies and parastatals that had been partially recaptured during the indigenisation era. While on the other hand, the continued call for export promotion, merely implies that Nigerians continue to produce primary products and hand them over to foreign countries (due to the abysmal exchange value of the naira) who process them and return to sell them at exorbitant prices.

SAP has had enormous social costs on the populace. These have been in the area of decline in real incomes and consumption of the people, large scale retrenchment of labour, which further aggravates the unemployment rate in the country in the name of efficiency. These have had the resultant effects of dampening the enthusiasm of the low income groups who have kept bearing the brunt of the SAP.

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ECONOMIC POLICIES AND AVAILABILITY OF FOOD: A SURVEY OF THE GENESIS AND IMPACT OF THE CURRENT FOOD CRISIS IN PLATEAU STATE

BY

Z. D. GOSHIT

ABSTRACT

Food is very important for the survival of any society. Therefore, it plays very crucial role in the socio-economic and political development of every nation. Every government therefore, places high premium on the production and distribution of food in order to feed its citizens. In recent times however, governments of Nigeria and Plateau State in particular have increasingly find it very difficult to produce enough to meet the needs of their people. Hence, shortage of food and hunger, which manifest themselves in malnutrition and kwashiorkor, have continued to threaten the existence of the citizens of Plateau State.

The purpose of this paper is to examine the origin and effects of food crisis on the people of Plateau State. To do this, the paper is divided into four parts (1) Introduction, (ii) The development of food crisis during the colonial and post - colonial periods (iii) The effects of food crisis and suggestions on the solutions and (iv) Summary and conclusion.

INTRODUCTION

Plateau State, like most states in Nigeria, is currently experiencing probably the worst food crisis in its history. This crisis manifests itself clearly in terms of the quantity and quality of food available for the people of the area (Goshit, 1996). Accordingly, this has resulted in the growing cases of under nutrition and malnutrition among its citizens because their food requirements fall short of the international standard. Each individual, in order to function at a generally accepted level, needs a food requirement of about 3000 calories daily (Iyela, 1987:8). Nigeria, including Plateau State, was reported in 1991 to have only a daily average per capital calorie intake of (LG 2600 Keal), which are much below the minimum recommended for healthy living (Igene, et al, 1991). There is nothing to suggest an improvement in these statistics given the declining fortune of the agricultural sector.

This food crisis is different from occasional food shortages caused by drought, locust invasions, wars, floods, pests, to mention but a few. Food crisis in our present context refers to acute food shortage which threatens the existence of a society. It is caused by several years of structural changes, which can only be corrected by a major internal restructuring or "external" intervention or both (Goshit, p. 4).

The primary purpose of this paper is to trace and analyse the causes and impacts of this food crisis on the citizens of Plateau State. This research has become necessary because of the importance of food to any society. Thus the continuous crisis in the sector constitutes a serious set back to the socio-economic and political development of the country. For citizens who are not properly fed can not participate in any meaningful development. Secondly, though, there are many researches on the topic, most of them have been at the national level. There is a need for more micro research, if we are to avoid unnecessary generalizations. Thirdly, different scholars and bodies have offered different interpretations and solutions to the current food crisis in our country today. But most of them have fallen short of expectation. This research has, therefore, chosen the historical approach because it enables us to trace graphically and chronologically how the situation has developed and changed over the years. It is the contention of this paper that unless we know the genesis of the crisis, it will be impossible to proffer solution to it.

THE HISTORICAL ORIGIN OF THE FOOD CRISIS IN PLATEAU STATE

The origin of the current food crisis in Plateau State and Nigeria generally, can be traced to the British Colonial administration, which was imposed on the area as from 1902 onwards. This does not mean that before colonialism, there was no food shortage in the area. Rather as Watts (1986) has said these were simply "pre-capitalist crisis," caused by natural hazards like drought, locust invasions, floods, wars, etc. In the 19th century, a combination of drought and locust invasions devastated food crops in most parts of the Plateau Area and caused severe famine. In Ngas Land, this forced the people to sell their children into slavery to the Hausa traders in order to obtain food (Isichei, 1981). These occurred because of the low level of the development of the productive forces rather than the weakness of the social and economic system.

Moreover, the local people were able to devise protective mechanisms, which enabled them to contain the adverse effects of food shortages (Goshit, 1996). Such defence mechanisms included a wide range of devices namely a social system, which provided aid to its members in times of needs; the cultivation of early and late refining food and root crops; consumption of certain wild fruits and leaves; etc. These methods provided the pre-colonial people not only with additional sources of food but also ensured a balanced diet at all times.

THE COLONIAL ECONOMIC POLICIES: 1902 - 1960

The traditional food security system was however, destroyed when the British colonial forces conquered and imposed their rule on the area as from 1902 onwards. Indeed, not only were the colonial wars of conquest bloody and brutal but accompanied by looting of foodstuffs and live stock by the colonial troops. After the conquest, the colonial administration adopted certain administrative and economic measures to exploit the resources of the area. These included the imposition of taxes, levies, forced labour for various projects particularly railway construction and tin mining (Freund, 1982; Isichei, 1981).

In Plateau area, tin mining was the most important of all these colonial economic activities. It was the single most important factor which affected land and labour, thereby causing great distortion in the food production system. Colonial tin-mining started in 1903, after the local miners had been ejected to pave way for the British tin mining/companies. This was followed by the land proclamation Acts of 1902, 1904, 1910 and the Mineral Acts of 1902, which gave Britain the sole authority over all lands in Nigeria. As a result of this, the British tin mining companies rushed for land on the Jos Plateau. Between 1903 and 1912, a total land area of 1020 square miles of Berom land had been acquired by the tin mining companies (Gonyok, 1986).

The activities of these mining companies greatly affected arable farmlands in the area. Apart from the fact that huge tracts of farmlands were alienated, considerable damage was done to the environment. Coupled with over grazing by Fulani cattle and soil erosion, caused by felling of trees by miners, there was serious land degradation and shortage in the area (Davies 1949). Hence the farming system was changed from shifting cultivation to intensive cultivation, which led to low agricultural yield.

Apart from land destruction, colonial tin mining led to forced labour, which diverted labour and time from food production. The number of people recruited for forced labour increased from 41,000 in 1911 to about 100,000 during the second world ward (NAK. Jos Prof. 3/1/20/8/s2(B) 1942-1943; Goshit, 1996: 240). See table 1 below. The table gives figures of labour recruits during this period.

Forced labour hieghtened during the Second World War because Britain urgently needed tin ore to execute the war. Tin ore was essential for the making of weapons and parts of aeroplanes. Following the conquest of Malaysia by the Japanese forces, Britain had to turn to Nigeria, particularly the Jos Plateau area. To achieve this objective, forced labour was imposed on all the twelve provinces of Northern Nigeria.

TABLE I: COMPARATIVE FIGURES OF THE TOTAL LABOUR FORCE

	1941	1942	1943
January	50,733	53,054	79,539
February	53,403	56,186	80,358
March	52,453	57,408	77,709
April	44,690	53,015	71,302
May	38,471	44,835	61,528
June	39,295	45,778	59,453
July	41,357	46,095	59,453
August	43,403	55,430	65,015
September	44,406	55,430	67,617
October	49,054	62,609	72,685
November			
December	48,206	N.A.	79,038
Total	554,571	594,792	843,038

(Source: NAK. Jos Prof. 3/1/2018/s2 (B) Minesfield Labour reports 1942 - 1943). N.A. Means not available.

TABLE II: MILLET AND SORGHUM REQUISITION 1942 - 1943 (TONS)

	Commodity	Bauchi	Benue	Borno	Katsina	Sokoto	Zaria
1.	Millet:						
	Amount due	1000	250	2500	4000	3000	-
	Amount Received	1038	25	255	3315	2622	-
2.	Sorghum:						
	Amount due	3000	650	7000	8000	2500	3000
	Amount Received	2464	445	6848	5873	2415	2882

(Source: Watts, 1986: 330)

Many of these forced labourers however, died on the tin camps because of shortage of food hunger and famine. The death rate was estimated at 20 per 1000, the highest at that time. The situation was compounded by poor health and housing facilities in the area. Although, food was imported from outside the Plateau area, this was not sufficient. (see table II above for details of food requisitioned for the labourers from other provinces). Moreover, during the Second World War, food importation from Europe was restricted because of lack of shipping space. Hence, it has been estimated that there was "76 percent rise in cost of living between 1939 and 1945 which meant that real wages actually declined during the war (Freund, 1982). Food shortages led to strike by the African Civil Technical

Unions in 1945 and also a clash between the Igbo and Hausa in Jos, which led to death of some people (Jos Prof. 1/1/6454,1945).

By the end of the war, the food crisis and land degradation had reached their peak in the Plateau area. Consequently after the Second World War, the colonial government was forced to adopt a Rehabilitation policy for the area. This policy involved reforestation, reduction of live stock population, application of soil conservation measures and the introduction of new crops such as Irish potatoes and other export crops. (Goshit, 1996). Rehabilitation policy however, did not succeed as expected because of inherent contradictions in the colonial system which emphasized maximum exploitation of the natural and human resources of the area. As a result of this, food crisis persisted in the area up to the independence period in 1960.

THE POST-COLONIAL GOVERNMENT AGRICULTURAL AND FOOD POLICIES

Since independence in 1960, the successive governments in the State, like at the Federal level, have been pursuing policies that have contributed considerably to the current food crisis. Among these are the continuation of the colonial policies such as export crops productions, food importation, reliance on oil revenue and the neglect of food production, reliance on importation of technology and ideas rather than on local resources and ideas, marginalisation of peasant farmers and reliance on large scale farmers, among others. (Goshit, 1996).

In Plateau State, export crops production was introduced only in the 1930s and was cultivated mainly in the lowland areas of Shendam, Wase, Langtang, Dengi plain Ngas and Jengre in Jos North district. For example cotton production figures rose from 43 tons in 1943 to 5,982 tons in 1960/61. The same was true of groundnuts production. Export crops production, however, like in other parts of Nigeria, diverted labour and land from food production, thereby causing food crisis in the area. This was because food crops were intercroped with export crops and they competed for space, light and nutrient. In addition, export crops production seriously affected the ecology because the roots of cotton not only destroy the soil nutrients, but its removal tend to cause soil erosion. Export crops production also did not benefit the peasant farmers but rather the colonial state and its agencies-the Marketing Boards and chain of middle men who paid the peasant farmer prices below the world price (Helleiner, 1966). The mechanism for the exploitation of the peasants included the multiple taxes such as produce, income, community among others. This "unequal exchange" between the peasant producers and the world market prices constitute the rate of exploitation. Apart from the Marketing Boards, the Middlemen or licensed Buying Agents (LBAs) and produce Officers *(Mallaman Auduga)* manipulated prices at the gazetted markets and paid the farmers lower prices. (Goshit 1989; Bashir, 1984).

Exploitation by the middlemen contributed to the decline of export crops production in the area. Thus, the half-annual report of 1st April, 1966 to 30th September, 1966 recorded that:

> "In Pankshin division, less cotton has been planted mainly due to previous year's disappointment with the crop, which diverted attention to the production of food crops and bad treatment of some farmers from middlemen in some areas." (NAK> Jos Prof. 2/70/19/ Vol.III 1966).

Consequently, by the early 1970s, export crops production had started to decline in the area. See table III below, for the trend in the decline of export crops production in the area.

TABLE III. EXPORT CROPS PRODUCTION IN THE POST-COLONIAL PLATEAU AREA

CROP	1969/70	1970/71
Beniseed	15,504 tons	5,914 tons
Soya beans	10,106 tons	3,627 tons
Ground nuts	4,811 tons	597 tons
Seed cotton	7,109 tons	3,988 tons
Shea nuts	321 tons	2,377 tons
Palm Kernels	2,703 tons	3,450 tons
Kenaf	236 tons	15 tons
Total	39,790 tons	20,968 tons

Source (Biennial report of the Agricultural and Natural Resources Benue - Plateau State, April 1968 - March 1970)

TABLE IV: PERCENTAGE INCREASE IN TOTAL CROP PRODUCTION, 1971/72 - 1975/76

Variables	%Increases in 5 years	Average Increase Per Year
Maize	6.94	1.38
S/Rice	7.18	1.44
G/Corn	7.12	1.42
U/Rice	7.10	1.42
Millet	6.6	1.32
Acha	7.20	1.44
Yam	4.69	0.49
Cassava	22.41	4.48
I. Potatoes	7.18	1.44
Cow Peas	7.13	1.43
Groundnuts	7.19	1.44
Soya Beans	-	-
Beni Seed	-	-
Cotton	7.16	1.43

(Source: Plateau State of Nigeria: Administrative Committee Report, 1976: 68).

The table above, shows that apart from Palm Kernels, output figures for all crops declined by more than from the previous year. The decline was not only for export crops but even the major food crops declined considerably during this period. See table IV below. This resulted in gross food deficiency in the country. In 1972 a food balanced sheet for Nigeria shows that the average Nigerian consumed 2,083 calories and 53.53 grams compared to 2191 calories and 53.8 grams of proteins recommended by the FAO (Agricultural Extension and Research liaison service, ABU,Zaria, 1976).

Apart from export crops, other factors which caused food crisis in the area during this period were natural hazards such as drought of 1969 - 1974, floods, pests and animal diseases, high inflation (14.1% rise in price of foodstuffs, making the lower class to spend about 40% of their income on food), etc. Above all, it was government policy which emphasised importation of foreign technology and high capital intensive projects rather then policy based on the local farmers and resources that exacerbated the food crisis in the area. The emphasis on foreign technology and ideas rather than local resources and ideas is further discussed in the next section.

THE OIL BOOM ERA AND FOOD PRODUCTION

As several scholars have shown, the 1970s witnessed the oil boom era in Nigeria. Statistics show that oil revenue increased considerably during this period while food output figures declined. According to Watts, oil production increased from 5 barrels (F 4.408 million) in 1976 (Watts, 1986:). By 1975, oil export accounted for 86 percent of Federal Government revenue. Between 1979 and 1983, Nigeria made about $256 billion mainly from oils sales (Ibid). Correspondingly, agricultural exports which had contributed 80 percent of total exports in 1960 (F330 million) had declined to only 2 percent (272 million) in 1980. By the 1970s, food crisis was obvious in the country as food production almost stagnated and inflation rose sharply. Total food production was increased by roughly 1.5 percent, while the population was growing at the rapid rate of 2.3 to 3 percent per annum. See table IV . Thus food import grew from ₦3,804.000 in 1963 to more than ₦3 billion in 1983. To arrest the situation, government decided to adopt new food and agricultural policy in the country.

This new agricultural policy was in sharp in contrast to the peasant based strategies of the colonial period. It involved mainly the establishment of large scale agricultural projects by the Federal and State Governments (Watts, 1980). The international capital through the World Bank also assisted with the establishment of some projects - Agricultural Development Projects (ADPs). Apart from this, other projects included National Accelerated Food Production Project (NAFPP), Operation Feed the Nation (OFN), River Basin Development Authorities (RBDAs), Green Revolution among others. (Forest, 1985).

From the above, the main thrust of the new agricultural policy was that the Nigerian Agricultural system could be transformed by a heavy dose of capital investment, massive importation of foreign technology and complex modern administrative institutions (Ibid). This misconception was based on the belief that the peasant farmer was lazy, illiterate and have failed the nation. (Occuli, 1986). In this regard, the government relied more on the new capitalist farmers.

Lets illustrate this by examining some of the projects. First, the NAFPP. This was launched by the Federal Government in 1972. At the Federal level it was coordinated by the National Steering Committee while at the State, the operation was coordinated by State Steering Committee.

The objectives were (1) to increase national food production primarily through increasing yields per hectares of the small farmers; (2) to use imported technology that can triple or quadrupled traditional yields of cooperating farmers; (3) to organise research and extension efforts of on a community basis etc.

In other words, NAFPP aimed at systematic and careful transmitting of modern ideas of farming to the local farmers. It was hoped that this would go a long way in improving the skills of the farmers, raise their productivity level and thereby solve the food problem in the country. This was to be achieved largely through selected farmers, from where there ideas would spread to the rest. The major crops imported were maize, rice Irish potatoes and sorghum. These crops were experimented on pilot scheme called minikets.

NAFPP activities were pursued vigorously but unfortunately, could not achieve their target. Among the problems faced were late arrival of farm inputs, lack of spare parts, conflict between the farmers and the agricultural officers over thinning and spacing of crops. Moreover, the projects depended on Federal Support and in-flow of oil revenue. By 1982, NAFPP's projects in the State had started to experience problems because of down turn in the economy. This forced the Federal Government to withdraw "all its financial support and leave the State to shoulder all the responsibility." (Goshit, 1996: 450).

Another project worth mentioning was the Bokkos Farm project, established in 1974 as a joint venture between the Benue - Plateau State Government and Raux Imex IRD of Germany (NISER, 1982). It was capital-intensive highly mechanised and based on modern form of farm management. Under the terms of the agreement, the German Company Supplied the technical assistance, the machinery for the farm of a loan which was worth ₦1,406,000. Between April, 1974 and June 1976, the government had spent a colossal sum of ₦3,315,602 on the project. To achieve their goal, modern administrative structure was set up to run the farm. By 1980 there were 127 permanent staff made up of 5 management staff headed by the farm manager, 7 motor drivers, 7 tractor drivers, etc. The farm was divided into five units - the central farm, mechanical work-shop, agricultural department and tractor hiring units. The central farm covered an area of 1600 hectares of arable land.

The kinds of food crops planted on the farm were not meant for the peasants. These were maize, rice soya beans, and short variety of guinea corn. There were also livestock and fruits production such as apples. The project started well but by 1978 it started to experience difficulties which made government to set up a panel to investigate it. Among its findings were that (1) there was an over assessment of compensation rates which were considered to be too high for Bokkos area; (2) that the project resulted in colossal sum of ₦3,315,602.70k extravagantly spent on the farm from April, 1974 to June 1976. That the net result realization of revenue at the project for 1975/76 and 1976/77 was ₦18,000 as compared to net expenditure of ₦3,235,212.27k. (Government Printer, 1976).

The conclusion which can be drawn from the above, is that policies were pursued not because of the need for genuine economic development but rather for the material benefits of the ruling class and their commercial bourgeoisie.

Operation Feed the Nation (OFN) was another project established by the Federal Government in 1976. Its objectives were (1) total mobilization of the nation towards self-sufficiency and self-reliance; (2) to encourage the sector of the population which relied on buying of food to grow their own food e.g. schools, universities, military, police to mention but few. During the launching of the programme in Plateau State in 1976, the Military Governor, Group Captain Dan Suleiman said:

> "Greater number of our population are farmers and other are in some other occupations. The OFN is to get everyone involved in agricultural production so as to double our production for self sufficiency." (Dan Suleiman, 1976).

To achieve these objectives, the sum of ₦3.8 million was allocated to the State secretariat. This was for the purchase of farm inputs such as fertilizer tractors, seedlings, herbicides, poultry production, hoes, cutlasses etc. For example, in the State budget of 1976, provision was made for 20,000 tons of fertilizer at the cost of ₦2,4000,000;50 tons of improved seeds and 40 tons of improved maize seeds at the cost of ₦150,000, which were to be distributed to the farmers at a subsidized rate.

Similarly, in 1977/78 about 400 students were employed to work on OFN farms nation-wide. These students were paid ₦96.00 allowance per month. Thus, huge amount of money was spent on OFN activities just like other projects. By 1980, however, OFN had ran into serious difficulties. Among these were poor distribution of inputs, shortage of funds, lack of spare parts, and reckless squandermania by the officials. Analysts have described it in many ways such as "Obasanjo Fool the

Nation", a populist propaganda, etc. Above all, it failed because it was not based on inward-looking development strategy but rather depended on foreign technology.

Despite this huge capital investment on these agricultural projects in the area, food shortage continued to deepen. In 1978, the Military Governor of Plateau State, Group Captain Dan Suleiman observed that:

> "Haphazard planning and mushroom projects in agriculture has hindered a co-ordinated agricultural development.— It is a big shame the present trend of massive importation of food in an agricultural country like ours." (Dan Suleiman, 1978).

To find out the causes of continuous food shortage, the government set up a committee to investigate the situation. Among some of the findings of the committee were activities of middlemen and smugglers, marginalization of peasant farmers in the provision of farm inputs, shortage of labour on the farms, etc. The major problem however, was shortage of funds due to the oil glut, which had affected the in-flow of money from the Federal Government. Thus the budgetary allocation to the Ministry of Agriculture was reduced from ₦18.3 million in 1977/78 to ₦6,714,604 million in 1978/79.

Faced with this financial constraint the civilian government which took over in 1979 started to look for foreign loan to execute its projects. Among these was the £18.3 million received from the Midland Bank of London for purchase of tractors and other farm inputs. Through these loans Plateau State became one of the major debtor states in the Federation.

STRUCTURAL ADJUSTMENT PROGRAMME (SAP)

Despite all the above efforts, food crisis continued leading to change of government from civilian to military in 1983. The Buhari Military regime of 1983 to 1985 introduced War Against Indiscipline (WAI) to improve the situation but he did not last long. He was toppled by the Military coup led by General Ibrahim B. Babangida, who decided to adop SAP in 1986 as a solution to the economic crisis in the country. The major components of SAP which is a world Bank initiative include the devaluation of naira, removal of subsidie on farm inputs and petroleum products and retrenchment of workers.

The performance of SAP with regard to food production and accessibility is a painful and sorrowful experience. It may have increased production but the prices of foodstuffs have skyrocketed, a situation whic has been compounded by the devaluation of naira and removal of subsidies on farm input The most recent controversy over the removi of subsidy on fertilizer, which sell at ₦1,50 per bag, instead of ₦150 per bag as before is good example. No doubt, this will add to th food problem rather than solve it.

THE IMPACTS OF FOOD CRISIS

These are several but we shall discuss onl three major ones (i) high prices of food stuf (ii) health problem (iii) political implications.

The major impact of the food crisis is th high prices of foodstuffs, which have gon beyond the reach of common man. Fo example, a bag of maize which cost ₦25 p bag in 1983 is today (1997) ₦4,000 per bag August. Also a bag of rice cost ₦250 in 198 but by August this year was ₦8,000.0 (Market survey). The same is true of all maj stable food crops such as beans, guinea cor millet, vegetable oil, etc. While prices foodstuffs have increased by a high percenta as seen above, the income of the workers ha remained relatively low It is no longer a secr that a worker who earns ₦4,000 per mon cannot afford three square meals, not to talk millions who earn less than this. As Idacha has said "with most households spending least 60% of earnings on food, people merely existing on survival of food budgets (Idachaba, 1991:2). That was in 1991 but the reality today is that people spend all their earnings on food alone, and yet they can not afford decent meal. Thus high cost of foodstuffs have increased the poverty of Nigerians.

Related to the above is that deficiency in food has seriously affecting the health of the people. A research conducted by The Analyst in 1986 revealed that kwashiorkor was on the increase in Plateau State (P.10). For example in Jos University Teaching Hospital cases of malnutrition increased from 92 in 1984 to 305 and 19 deaths in 1985. At the Jos University Staff Clinic cases of malnutrition increased from 4 in 1983 to 58 in 1986. A similar trend was observed in other hospitals in the State. No doubt, this has increased considerably today realizing that the situation is getting worse. Thus, it has been said that "About 25% of Nigerians are seriously afflicted with severe forms of malnutrition while a further 25% suffer from mild to moderate forms (Igene, P.54).

Another impact of the food crisis, is that it has led to continuous importation of foreign foods at the detriment of local production. For example, in 1981, Plateau State Government imported 10,000 metric tons of long grains rice at the cost of ₦5,661,992 from the USA. Again in 1984, the Ministry of Commerce and Industry received commodities worth N8 million for sale and distribution to the public at a subsidized rates. Food importation led to large scale fraud and in 1983 the State Government had to order for a probe of long grains of rice imported from the USA. The committee found out that the contract was inflated, companies were paid in full despite shortages etc. (Government Printer, 1983). Today our markets are doted with varieties of imported foodstuffs, which are competing with the local ones. No doubt, this is discouraging local production.

Above all, our continuous importation of food is deepening our dependency on foreign countries, which is undermining the sovereignty of the nation (Appeldoom, 1982:82). It is now known that food aid is being used as a weapon of international diplomacy by powerful nations today. The example of the USA and USSR in the 1970s is still fresh in our minds. Thus, Nigeria which is claiming to be a regional power in Africa can not afford to depend on other nations for its food supply. We have got rich available land and huge human resources, which if we are determined can utilize and achieve self-sufficiency in food production. The philosophy of self-reliance should be pursued vigorously than ever.

SUMMARY AND CONCLUSION

This paper has attempted to trace and analyse the causes and impacts of the current food crisis in Plateau State. The paper has argued that the current crisis has been caused by the economic policies pursued by both the colonial and post colonial governments in the area. Colonialism exploited local labour and land to meet its demand for raw materials particularly tin ore. This did not only divert labour from food production but also tin mining companies alienated and destroyed farms, which seriously caused food shortage and land crisis. The post-colonial government continued with most of the colonial government policies particularly export-oriented production.

Oil boom enabled government to embark on large scale agricultural projects but were based essentially on foreign technology and ideas rather than on local farmers and resources. Consequently, the peasant farmers were marginalised in favour of large scale farmers, who could not produce enough food for the country. Also reliance on foreign technology and ideas have perpetuated Nigerian dependency on foreign countries for our farm inputs. Hence, food crisis has persisted with negative consequences on the health of the citizens and the sovereignty of the nation. To arrest this situation, there is need for radical restructuring of the economy by looking-inward and pursuing vigorously self-reliance measures.

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THE POLITICAL ECONOMY OF OIL

BY

I. OGBORU

ABSTRACT

The role of petroleum as an important source of energy in the world today, to the development process of the economies within which they are found is indispensable. Modern industrial society today requires an increasing use of non-human energy. Consequently, in the contemporary world, most energy is supplied from coal, crude oil, natural gas, hydro-sources and nuclear fuels. Petroleum however, which is an hydro-carbon has assumed world wide importance as a source of energy. It is in the light of its enviable position that it has become an important political issue in the last two decades. In the world today, oil is more than just a resource. It has a significance that transcends mere economic concepts. It is an undeniable political force that has placed oil producing countries in a position of extraordinary importance in the international scene.

It is against this back drop that this paper seeks to examine the importance of petroleum to world economy and consequently, looking at the contribution petroleum as a source energy has made in the Nigerian economy. The paper also took brief excursion into the politics of petroleum given the political power it has bestowed on oil producing countries both at the regional as well as international level.

This paper finally proffered suggestions which when pursued vigorously by the government can bring Nigeria out of the woods of numerous problems the petroleum sector is faced with, and place the Nigerian economy on the path of sustained growth and development given the fact that the Nigerian oil resource accounts for 90% and 80% of our export and national revenue respectively.

INTRODUCTION

Modern industrial society today requires an increasing use of non-human energy. Consequently, in the contemporary world, most energy is supplied from coal, crude oil, natural gas, hydro-sources and nuclear fuels. However, petroleum, which is an hydro-carbon, has assumed world-wide importance as a source of energy. It has become an important political issue in the last two decades and in the world of today oil is more than just a resource. It has a significance that transcends mere economic concepts. It is as undeniable political force that has placed oil producing countries, including Nigeria, in a position of extraordinary importance in the international sphere. Table 1 which depicts energy consumption lends further credence to this assertion.

PETROLEUM AS AN IMPORTANT SOURCE OF ENERGY

The most important sources of energy presently found and widely used in the world are petroleum and natural gas. The significant importance and usage of these energy resources have resulted into the diminished utilization of other sources of energy - e.g. coal.

The exploitation of petroleum has a lot of impact on the world economy and politics. Various quantities and types of oil are found in different parts of the world. It should be noted, however, that petroleum and natural gas occur commonly together and are largely associated with sedimentary rocks.

Petroleum which means "oil from rock" refers to naturally occurring liquids and gaseous hydro-carbons which accumulate in stored porous spaces in rocks. It is formed after 100-200 million years of microscopic action on marine plants and animals that become incorporated in the sediments and rocks formed at the bottom of the sea. In most regions of the world where oil is found, it is usually found within marine and deltaic environments.

TABLE 1: ENERGY CONSUMPTION, 1986 - 1995 [Tones of coal equivalent, (TCE)]

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Average
coal (Thousands)	80.31	84.93	79.31	63.47	55.62	106.17	71.84	2.83	12.97	14.92	
% Share	0.4	0.4	0.4	0.3	0.2	0.4	0.2	0.1	0.4	0.1	0.2
Hydro-Power (millions)	1.78	1.486	1.50	4.28	6.65	7.08	7.42	7.25	7.24	3.94	
% Share	8.4	7.8	8.0	17.1	23.3	25.0	23.3	23.1	24.1	15.5	17.5
Nat. gas (million)	4.30	4.61	4.76	8.49	8.51	8.93	7.32	9.76	10.67	9.34	
% Share	20.2	24.4	25.3	34.0	29.8	31.6	23.0	31.1	35.5	36.8	29.1
Petroleum products (millions)	15.06	12.76	12.51	12.12	13.35	12.16	16.99	14.33	12.17	12.08	
% Share	71.0	67.4	66.3	48.6	46.7	43.0	43.5	45.7	42.5	47.6	53.2
TOTAL	21.21	18.93	18.86	24.95	28.56	28.28	31.80	31.35	30.09	25.37	100
Index of Energy Consumption (1985=100)	495	419.7	412.1	409.4	96.9	88.7	123.2	104.0	91.2	89.8	

Source: Central Bank of Nigeria

As a result of the advantages petroleum hand its associated products have over some other sources of energy, e.g., coal as evident in table 1, we see that while in 1986 petroleum products had energy consumption of 15.06 million (71% share), 13.35 (46.7% share) in 1990, 12.08 (47.6% share) in 1995 equivalent coal consumption for the same periods was far less: 80.31 (0.4% share) in 1986, 55.64 (0.2% Share) in 1990 and 14.92 (0.1% share) in 1995 respectively. These figures indicate a rapid decline in coal consumption as a source of energy when compared to that of petroleum and its associated products.

Some of the major oil fields of the world are located in the United States of America, the Middle East, and the Persian Gulf, (Kuwait, Iran, Iraq, Saudi Arabia and the United Arab Emirate), the North Sea, South America, especially in Ecuador, Venezuela and also in Mexico. In Africa, the most important oil fields are located in Nigeria, Libya, Gabon and Algeria. In Nigeria, the richest oil locations are found in the Southern parts of Nigeria - Rivers, Akwa-Ibom. Cross Rivers, Edo, Delta States etc.

IMPORTANCE OF PETROLEUM TO WORLD ECONOMY

i. Source of Energy: Petroleum and its associated products have taken over from some of the other sources of energy (especially coal) as the most important source of energy in the world today. This is because the products are cheap and are easily transported from one part of the world to another. Apart from this, petroleum products are clean and produce little waste. For instance, the Nigerian crude oil characterized as gravity 20-40 API (American Petroleum Institute) - a quality regulating body, is sweet and non-waxy; and the sulphur creates no problem in the refinery process.

ii. Source of Raw Materials: Technological advancement has extended the importance of petroleum to be a source of raw materials to industries: Petro-chemicals are widely used in almost all the industrial sectors of any economy - chemicals are widely used in almost all the industrial sectors of any economy - construction, agriculture, manufacturing, pharmaceutical, etc. It has also helped to developed new products as well as solve to a great extent the problem of raw material shortage in the world.

iii. Foreign Exchange Earnings: Countries that are blessed with abundant crude oil deposits enjoy its contribution as a major source of foreign exchange when it is exported either in its crude form or when it is refined. This role is important especially in the Third-world countries that have abundant reserves of crude-oil as they depend on it as a source of foreign exchange.

In Nigeria, for instance, over 90% of foreign exchange generated in the country come from the export of the nation's petroleum. As a result, government's finances and economic development plans of the nation depend wholly on the petroleum sector.

TABLE 2: REVENUE FROM THE PETROLEUM INDUSTRY (₦million)

YEAR	OIL REVE-NUE	TOTAL FED.GOVT. REVENUE	PERCEN-TAGE	YEAR	OIL REVE-NUE	TOTAL FED.GOVT. REVENUE	PERCEN-TAGE
1958	0.2	85.8	0.2	1977	6080.6	8042.4	75.6
1959	3.4	90.2	3.8	1978	4555.8	7371.0	61.8
1960	2.4	124.6	1.9	1979	8880.8	10912.4	81.4
1961	17.0	1,212.9	1.4	1980	12353.8	15234.0	81.1
1962	17.0	216.0	7.9	1981	8564.4	12180.2	70.3
1963	10.0	222.9	4.5	1982	7814.9	11764.4	66.4
1964	16.0	281.0	5.7	1983	7253.0	10508.7	69.0
1965	29.2	317.4	9.2	1984	8269.2	11191.2	73.9
1966	45.0	317.9	14.1	1985	10923.7	14689.1	74.4
1967	41.8	289.3	14.1	1986	8107.3	12302.1	65.9
1968	29.8	291.1	10.2	1987	19027.0	25099.8	75.9
1969	75.4	435.9	17.3	1988	19831.7	27595.0	71.9
1970	166.6	634.0	26.3	1989	39130.5	47798.3	81.9
1971	510.1	1168.8	43.6	1990	71887.1	85249.3	84.3
1972	764.3	1405.1	54.4	1991	82666.4	100991.6	81.8
1973	1016.0	1695.3	59.9	1992	164078.1	190453.2	86.1
1974	3724.0	4537.4	82.1	1993	162102.4	192769.4	84.1
1975	4271.5	5514.6	77.4	1994	160192.4	201910.8	79.3
1976	5362.2	6765.8	79.2	1995	279902.3	459987.3	60.8

Source: CBN Annual Reports, Various Issues.

iv. Source of Internal Revenue Generation: Petroleum products apart from being a source of foreign exchange is also a source of internal revenue to the governments of all producing countries. This revenue comes in the form of royalties and rents from exploration activities of oil companies, petroleum profit tax and other taxes and levies from oil marketers. Table 2 substantiates revenue derived from the oil (petroleum) industry from 1958 to 1995.

The petroleum industry no doubt has been the major sector from which the government derives her revenue. This is due to the growth in the level of activities in the industry. It is therefore, understandable why several annual budgets of the country have been predicated on the price of crude oil (the petroleum sector) at the international market.

As early as 1960, ₦124.6 million was the total federal government revenue accrued from the petroleum industry. As at 1976 amount of revenue derived from the industry was ₦5,362.2 million, and in 1990 it was ₦71,887.1 million. In 1995, amount of revenue derived from petroleum industry went far up to ₦279,902.3 million.

v. Technological Development and Transfer of Technology: The emergence of petroleum has significantly shifted emphasis of technology from iron and steel to petro-chemicals. Agricultural implements/inputs as well as computer accessories, electrical and electronic gadgets, household products, synthetic petroleum has enabled the development of technology, the less developed nations have also enjoyed the transfer of technology from the developed nations, although cases abound where the multinational companies have been reluctant to allow the host oil-producing countries access to their technology. In spite of this, however, some considerable level of success have been achieved. For example, citizens of the host oil-producing countries, especially in the Third World, have been involved in all the phases of the engineering to procurement and installation of facilities which offer excellent raining ground for the acquisition of technology.

vi. Nigeria's Oil Sector: Oil prospecting in Nigeria dates back to as far as 1908 when a German company, the Nigerian Bitumen Corporation started exploitation in the Araromi area of the present Ekiti State. This pioneering efforts, however, ended with the outbreak of the First World War in 1914.

By the end of the war, oil prospecting resumed in the country again in 1937, with the Shell D' Arcy (the forerunner of the present Shell Petroleum Development Company of Nigeria) being awarded the Sole Concessionary Rights covering the whole territory of Nigeria. This bid was also interrupted by the Second World War. However, prospecting resumed in 1947. It was not until 1956 that oil was discovered in commercial quantities at Oloibiri in the Niger Delta area after several years of search and a huge amount of investment of over ₦30 million. Shell, therefore, started oil production and export from its Oloibiri field in 1958 (see the Nigerian oil Industry: The IBB era page 17)

By 1961, the exploration rights which had formerly been granted to Shell alone was now extended to other companies in line with the government's policy of increasing the pace of exploration in the country. One by one, companies such as Mobil, Gulf, Agip, Sefrap (now Elf), Tenneco and Amoseas (now Texaco/Chevron)) began exploration activities for oil in the on-shore and off-shore areas of Nigeria. It should be noted however that some other companies notably Deminise Japan Petroleum and Occidental were unsuccessful. (Raji, et 'al, 1980 page 302).

Oil production and export from the Oloibiri field started by Shell in 1958 at a production rate of 5,100 barrels per day increased to 17,000 barrels per day by independence in 1960. It rose to 2.4 million barrels per day during the second quarter of 1979.

However, production has fallen to about 1.6 million barrels per day both on technical takes place after the element of risk [illegible]nated;

c. Exploration activities must be extended methodically to all parts of Nigeria such as the Chad Basin, Upper Benue, Anambra Basin, and a host of other areas where there are indications of the existence of hydro-carbon.

The recent discovery of oil in Lagos State is quite a positive move towards our development. Nigeria should take a queue from Mexico who used her oil as a lever to secure the technology she required by exporting her oil only to those countries prepared to sell their technology (Raji et'al, 1980, p. 340).

While pursuing this laudable focus, the intermittent scarcities must be effectively brought under control and lending credence. In some more definite terms, the way in which our oil can be made a more effective political weapon, on the domestic level, we should be able to design, install and maintain refineries and make sure that we eliminate sporadic scarcities which occur occasionally with fuel supply for running our vehicles or airplane. Such scarcities not only dent the image of our country in the valuation of the citizens but tend to alienate those who suffer because of them. (Awa, 1986 p. 43).

2. It is expedient at this level of our development to establish a Geo-Science institute, which will consist of centers for petroleum and energy, mining and nuclear science. This institute will cater for the high manpower needs of the oil industry as well as carry out research in conjunction with the tertiary institutions and users of the industry. This institution would also be responsible for;

a. the development of alternative sources of energy;
b. the development of new techniques, processes and products;
c. the improvement in oil field production, operation, refining and process planning;
d. the maintenance of specification and standards and
e. to follow global developments in the oil industry and advise on policies of long and short term.

3. As a nation, we should begin to address ourselves more seriously to the question of a diversified economic base which hitherto has not been our development pattern. Therefore a judicious investment in the development of other export sources is paramount. The petroleum resource, experts say, is a fraction of our national mineral wealth especially in the area of gas. Therefore the nation should;

a. take a comprehensive view of total energy sources in Nigeria. Energy policies must take due cognizance of these developments in alternative sources of energy.
b. determine our total oil reserves so that our production capacity can be made to match the financial requirements for our socio-economic development.

4. The oil/mining sector should receive more investment so that the short-term and medium-term benefits accruable may be utilized for uncertain long-term period when the fortunes of or from oil can only be a speculative or conjectural matter.

5. It should be appreciated that the realization of our national economic and socio-political goals within the context of effective management of our oil industry depends to a large extent on the availability of relevant technical and professional expertise within the oil sector. Therefore we must seek to satisfy the increasing technological needs of the oil industry through the mobilization of substantial human resource.

The Nigerian oil resource which accounts for 95% and 75% of our export and national revenue respectively is undoubtedly the backbone of our national wealth, enabling us to finance new projects in agriculture, housing, education, petroleum development and other various facets of our development process (Raji, 299). Therefore, the future prosperity of Nigeria depends to a large extent on the performance of our oil industry and our ability to manage it effectively.

CONCLUSION

From the foregoing, it is an indisputable fact that Nigeria is blessed with various types and indeed, quantities of mineral resources chief amongst which is petroleum (oil).

The Nigerian petroleum if properly harnessed and managed, has the capability of raising the living standard of Nigerians and by implication, their sophistication and thus, improve the country's bargaining power with other nations of the world. All over the world petroleum has assumed a colossal status as an important source of energy whose significance actually transcends not only a mere economic concept, but a political force and voice that has placed oil producing countries in a position of extra ordinary importance in the international sphere.

Finally, if our oil must necessarily enjoy the pride of place and importance accorded petroleum producing countries as a virile political weapon, then the "epileptic fit" that characterizes the supplies of fuel on the domestic front where scarcity of fuel has become the order of the day must be effectively put to a stop as such scarcities not only dent the image of our country but tend to erode our ability to exert authority like Mexico did, who used her oil as a lever to secure the technology she required by exporting her oil only to those countries prepared to sell their technology.

With the proper combination of both capital (technology) and Manpower base (expertise), Nigeria's limit will transcend the skies if and only if adequate measures are taken to address the problems that have plagued the country's oil resource on the domestic front.

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NIGERIAN EXTERNAL DEBT CRISIS: THE WAY FORWARD

By

D. I. MAI-LAFIA

ABSTRACT

This paper examines the growth, structure and features of Nigeria's external debt and the policy options for resolving the debt crisis. After examining the debt crisis of the developing world and the factors responsible for the crisis, the paper focuses on Nigeria's debt crisis as part of the global crisis. Nigeria's debt grew phenomenally after 1978 when she resorted to the international capital market for external financing. The bunching of amortisation of these debts and the rapid increase in short-term trade arrears after 1982 brought the crisis to an head in 1983. In order to restore credit worthiness, the federal government introduced a structural adjustment programme (SAP) in July, 1986. Although SAP brought a temporary *relief* to the debt burden, it appears that it has only postponed the "evil day". Nigeria's debt crisis may linger on years after SAP. The paper thus recommends the formation of a "Debtors' Club" to negotiate with the London and Paris Clubs of creditors for multi-year debt rescheduling, reduction in interest rates and more favourable concessions. If this fails a debt repudiation option can be considered.

INTRODUCTION

Since the early 1980s, Nigeria, like many other developing countries, has been caught in a debt crisis in the sense that she has been unable to service her huge external debts according to the forms originally agreed upon with her creditors. Since the early 1980s, Nigeria has not only become a "market borrower" but has been a member of the "15 heavily indebted countries". In an attempt to relieve the debt crisis, the Nigerian government launched a World Bank and IMF supported structural adjustment programme (SAP) in July, 1986. Although SAP has supposedly come to an end, the debt crisis is still looming and there appears to be no long-term solution to the problem.

The objective of this paper is to critically examine Nigeria's external debt crisis. The paper is divided into four sections. Section 1 is the introduction of the papaer. Section 2 examines the debt problem of developing countries in general in order to put Nigeria's debt crisis in an international perspective. Section 3 describes the growth, structure and features of Nigeria's external debt. Section 4 examines some of the policy options for dealing with the debt crisis.

THE DEBT CRISIS OF DEVELOPING COUNTRIES

External debt has become an issue of major importance in international relations since the late 1970s and early 1980s. Between 1974 and 1983, developing countries' outstanding external debt increased five fold to about $810 billion. Between 1978 and 1987, the debt increased from $400 billion to about $1000 billion. The debt crisis came to an head in the 1980s when the time came for the debtor countries to repay these loans. For example, the ratio of total external debt to total exports of all debtor developing countries increase from about 132% in 1978 to 180% in 1986 while the debt service ratio increased from 18.7% to 25.5% during the same period (IMF, 1986:108). In many cases, the total external debt exceed the total value of future stream of national income of the debtor country.

TABLE 1: THE GROWTH OF EXTERNAL DEBT OF DEVELOPING COUNTRIES 1980-1987 (US$ Million)

	1980	1981	1982	1983	1984	1985	1986	1987
IAS Reporting Countries	573	666	739	797	833	892	932	972
Long-Term Debt	430	494	551	630	673	731	775	812
From Official Sources	162	179	197	221	236	268	290	310
From Private Sources	268	315	354	409	438	463	485	502
Short-Term Debt	134	158	167	137	126	124	118	)
Use of IMF Credit	9	15	20	30	33	37	39	)160
Other Developing Countries	77	83	86	93	96	100	103	108
Long-Term Debt	59	58	60	67	68	74	77	83
From Official Sources	17	18	20	17	20	23	24	25
From Private Sources	42	40	40	50	48	51	53	)58
Short-Term Debt	18	24	25	25	27	25	25	)
Use of IMF Credit	0	1	1	1	1	1	1 .	25
Total External Debt	650	749	825	890	929	992	1035	1080

SOURCE: The World Bank Debt Table, 1986 - 87

TABLE 2: PUBLIC AND PRIVATE LONG - TERM DEBT AND FINANCIAL FLOWS OF DEVELOPING COUNTRIES, 1980 - 86 (US $ Million)

Long-Term Debt and Financial Flows	1980	1981	1982	1983	1984	1985	1986
All Developing Countries							
Debt Disbursed and Outstanding	429.6	493.6	551.2	630.2	673.4	730.9	775.
Disbursements	102.8	122.8	115.8	96.5	88.3	81.7	72.
(From Private Creditors)	74.6	91.3	83.9	63.9	56.1	52.1	41.
Debt Service	74.2	87.6	97.4	90.8	99.0	108.0	101.
Principal Repayments	42.0	46.5	48.8	44.0	46.3	53.5	51.
Interest	32.2	41.1	48.6	46.8	52.7	54.5	50.
Net Transfers	28.8	35.2	18.4	5.7	-10.7	-26.3	-29.
Highly Indebted Countries*							
Debt Disbursed and Outstanding	204.1	244.4	276.5	329.2	354.0	367.6	382.
Disbursements	53.2	69.5	60.1	39.7	32.3	22.4	21.
(From Private Creditors)	46.0	60.9	50.9	29.7	22.5	13.6	12.
Debt Service	44.4	51.5	56.6	48.2	51.6	50.1	47.
Principal Repayments	24.6	26.1	25.8	19.1	18.4	17.1	16.
Interest	19.8	25.4	30.8	29.1	33.3	33.0	31.
Net Transfers	8.8	18.0	3.5	-8.5	-19.4	-27.7	-26.
Low-Income Africa:							
Debt Disbursed and Outstanding	26.3	28.7	30.7	33.3	34.0	37.3	40.
Disbursements	5.4	4.8	4.1	3.9	3.1	3.0	2.
(From Private Creditors)	2.1	1.5	1.2	0.7	0.4	0.4	0.
Debt Service	2.2	2.0	1.8	1.7	2.1	2.2	2.
Principal Repayments	1.3	1.2	1.1	1.0	1.2	1.3	1.
Interest	0.9	0.8	0.7	0.8	0.9	0.9	0.
Net transfers	3.3	2.7	2.3	2.1	1.0	0.8	0.

NOTE: *Highly indebted countries is made up of a group of 17 middle-income developing countries with high debt and debt-service ratio that include: Nigeria, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cote d'Ivoire, Ecuador, Jamaica, Mexico, Morocco, Peru, Philippines, Uruguay, Venezuela, and Yugoslavia.

SOURCE: World Bank Debt Table, 1986-87

As a result of the inability of these countries to service their debts, they had to embark on debt reschedulings. For example, between 1975 - 1983 there were more than 80 debt reschedulings. The debt repayment difficulties also compelled some of these countries to introduce severe austerity measures which, in most cases, have high political and social costs, as well s economic costs.

Table 1 shows the total external debt of developing countries between 1980 - 1987. Table 2 shows the public and private long-term debts of the developing countries, the highly indebted countries and low-income African countries. Both tables clearly show the phenomenal growth in the level of external debt and debt service during the period.

The debt of developing countries appear to be concentrated on few countries. For example, in 1986 the group of "15 heavily indebted countries" accounted for almost half of the total external debt of the 124 capital importing developing countries. The 33 Latin American countries accounted for about 40.6% of the total debt, 48 African countries accounted for 16.6% of the debts while 27 Asian countries accounted for 23.5% of the total debt of developing countries. The Middle Eastern Countries are largely capital exporting countries (IMF, 1986:100).

TABLE 3: OUTSTANDING DEBT OF TOP 15 SUB-SAHARAN AFRICAN COUNTRIES (END. 1985)

	Debt Outstanding							
			Distribution of medium and long-term publicly guaranteed debt (percentage share)					
Country	Total (billion dollars)	Use of Fund credit ($m)	Multi-lateral credi-tors	Bilateral creditors	Finance-cial institu-tions and others	Sche-duled	Debt-export ratio	GDP ratio
Nigeria	16.6	(0.0)	8.3	17.8	73.8	13.0	134.6	121.5
	8.3	(664.9)	15.6	67.6	16.9	68.8	1232.4	100.1
Ivory Coast	8.0	(621.7)	26.0	28.2	45.9	16.6	238.1	116.9
	5.3	(721.0)	15.1	65.2	19.7	17.3	258.3	203.5
Gambia	4.2	(761.6)	21.0	58.0	21.0	39.7	464.0	455.3
Kenya	3.5	(485.7)	54.2	27.1	18.7	8.7	224.8	57.3
Tanzania	3.4	(21.1)	39.7	56.0	4.2	23.3	743.3	62.5
	2.6	(0.0)	8.9	35.7	35.4	68.6	1518.6	129.2
Zimbabwe	2.4	(264.1)	11.1	17.6	71.3	12.5	164.3	20.0
	2.3	(161.4)	22.1	59.7	18.1	21.9	634.1	101.8
Senegal	2.3	(241.1)	28.4	54.8	16.8	18.5	285.1	93.4
Ghana	2.2	(656.0)	36.0	43.9	20.1	21.6	324.9	21.2
Ethiopia	1.9	(49.5)	46.8	41.4	11.8	9.0	339.4	36.5
Cameroon	1.8	(0.0)	34.8	41.8	23.4	4.2	74.0	21.7
Somalia	1.5	(142.2)	30.2	65.5	4.4	7.5	909.1	205.1

Note: (a) Excludes arrears,includes medium-, long-, and sort-term, publicly guaranteed and unguaranteed debt, plus outstanding use of Fund credit

(b) Scheduled interest payments and charges for use of Fund credit over exports of goods & services.

(c) Total debt outstanding plus outstanding use of Fund credit oer exports of goods and services.

(d) Total debt outstanding plus outstanding use of Fund credit over nominal GDP

SOURCE: IMF and World Bank (Institute for International Economics, Special Reports, 5, May 1985)

In Africa, Nigeria tops the list of debtor countries as shown in table 3. However, the debt crisis is more severe in countries like Sudan, Somalia, Zambia, Tanzania etc which have higher debt service ratios than Nigeria. The table also shows that Nigeria is among the very few "market borrowers" - i.e. counties that have obtained at least two thirds of the borrowings from commercial (private) creditors since 1980 - in Africa. This implies higher interest rates, shorter maturities. The irony is that Nigeria is an oil-exporting country and the only OPEC member that belongs to the group of 15 heavily indebted countries in the developing world.

Factors Responsible for Growth in External Debt and Debt Service in the Developing Countries

What factors are responsible for the rapid growth in external debt and debt service in the developing countries? Various factors are responsible.

First, it is often said that the debt crisis of developing countries has its root in the 1970s when as a result of the oil crisis, a lot of non-oil developing countries had to resort to external borrowing to finance their huge current accounts deficits.

Secondly, during the 1970s and early 1980s a lot of developing countries operate huge budget (fiscal) deficit which was partly financed by external borrowing.

Thirdly, during the 1970s and early 1980s, a lot of developing countries resorted to the international capital market for external borrowing. Thus, the share of loans from private creditors in the total debt of these countries increased rapidly. Because of the shorter maturities and higher interest rates on loans from the international capital market, there has been a substantial amount of bunching of amortisation and interest payments on the loans since the early 1980s. In the 1970s foreign creditors became less prudent regarding their overall level of lending as well as the thoroughness in the project evaluation procedures in the developing countries.

Fourthly, commercial banks became more "liberal" in their lending policy toward developing countries and began playing a dominant role in the transfer of capital from developed to developing countries. Some explanations have been offered for the liberal attitude of commercial banks. The existence of government guarantees encouraged these banks to increase their lending to developing countries. According to Alexander Swoboda (Smith and Cuddington, 1985:8), profit maximising commercial banks will over invest in external loans and down play the associated risks if they have government guarantee of support - either implicit or explicit - in times of trouble. Such guarantees were provided by debtor and sometimes creditors, governments during the period. Furthermore, Guttentag and Herring have observed that commercial banks suffered from "disaster myopia" in the late 1970s and early 1980s when they continued to increase their lending to developing countries believing hat the probability of generalized default was practically zero, even though some signs of trouble had began unfolding in some developing countries in the early 1980s (Smith and Cuddington, 1985:8).

Fifthly, the rapid rise in interest rates in the international financial market between 1974 - 1981 increased the interest rate that developing countries had to pay on their external debt, most of which were contracted on variable or floating interest rates. For example, the interest rate in London - the London inter-bank offer rate (LIBOR) - increased from 5.5% in 1972 to 13.75% in 1983 averaging 17% during the first half of 1985 (Obadan, 1987:15). This increased the interest payment and the debt burden.

Sixthly, the world-wide recessions in the 1970s and early 1980s, especially in the industrialized countries, weakened the demand for the exports of developing countries. The value of exports of many developing countries declined appreciably while imports remained rigid. This led to a rapid depletion in their external reserves and external borrowing to finance the current account deficits. At the same time, the terms of trade of most developing countries deteriorated significantly during the period thereby depressing export values and increasing the import bills of these countries.

Finally, Rudiger Dornbusch has stressed that the over valuation of the exchange rate of the currency of many developing countries led to excessive external borrowing (Smith and Cuddington, 1985:8). The over valuation of the domestic currencies not only discouraged exports and encouraged imports of all kinds of commodities, it equally encouraged massive capital flight from those countries with relatively open domestic capital markets (e.g. Argentina and Nigeria). Capital flight has also contributed to the debt crisis of many developing countries because it reduces government revenues and the ability to service its external public debt. In fact it has been observed that

> "While governments in many developing countries were borrowing abroad on a large scale during the 1970s and 1980s, private citizens of the same countries were acquiring foreign assets at a substantial rate" (Khan and Hague, 1987:2).

In fact part of the huge external loans were used to finance capital flight.

GROWTH, STRUCTURE AND FEATURES OF NIGERIA'S EXTERNAL DEBT

External debts did not become an issue of major economic importance in Nigeria until the early 1980s. In fact, Nigeria did not experience any debt servicing problem until 1983 (Obadan 1987, p. 1).

TABLE 4: NIGERIA'S PUBLIC AND PUBLICLY GUARANTEED LONG-TERM DEBT ((U.S. $'MILLION)

	1979	1975	1980	1981	1982	1983	1984	1985
Debt Outstanding, including undisbursed	644.0	1,528.8	8,057.9	13,674.8	15,140.4	17,981.9	15777.4	1042.0
Debt outstanding and Disbursed (DOD)	457.5	1,052.5	4,237.9	6,268.0	7,076.1	12,236.7	11640.7	13015
Commitments	64.9	190.4	1,876.7	6,358.8	2,808.2	4,823.2	668.0	1252.
Disbursements	55.5	104.3	1,157..9	2,505.9	3,603.1	4,670.2	1848.1	1560.
Principal Payments	37.1	203.6	63.5	301.4	626.6	948.2	2020.2	274
Net Flow	18.4	-99.3	1,094.4	2,204.5	2,976.6	3,722.1	-172.	-1187.
Interest payment (INT)	19.8	39.7	440.0	542.7	766.7	956.9	1134.7	1256.
Net Transfers	-1.4	-139.0	654.4	1,661.8	2,209.9	2,765.2	-1306.8	-2443.
Total Debt Service (TDS)	56.9	243.3	503..5	904.1	1,393.2	1,905.0	3154.9	400[illegible]

Source: UBA Monthly Business and Economic Digest, 1987.

The external public debt of Nigeria increased from ₦49.8 million in 1960 to ₦175.4 million in 1970, ₦365.1 million in 1977, ₦1,252.1 million in 1978, ₦17,290.6 million in 1985. In other words, Nigeria's external debt increased by an average rate of 13.4% per annum)p.a.) between 1960 - 1970, 11.0% p.a. between 1970 - 1977 and 65% p.a. between 1977 - 1985. As at September, 1987, following the massive depreciation in the exchange rate of the naira, the value of Nigeria's external debt stood at N81.6 billion (Business Times, September 21, 1987:1).

TABLE 5: NIGERIA'S EXTERNAL PUBLIC DEBT BY SOURCES, 1982 - 85 (₦ Million)

	1982	1983	1984	1985
Total Commitments 2	14,741.5	17,758.5	20.982.7	29,337.8
Total Drawings	10,187.1	12,845.0	17,703.5	23,195.0
(a) Conventional Loans 3	8,205.4	10,086.2	12,260.1	17,030.7
(b) Trade arrears	1,981.7	2,758.8	5,443.4	6,164.3
3. Total Repayments	1,367.7	2,267.3	3,166.9	5,904.4
(a) Federal Government Debt obligation	6,801.0 (77.10	4,576.8 (83.08)	12,077.2 (83.08)	13,962.0 (80.74)
(i) I.C.M. Loans	4,431.4 (50.2)	3,907.7 (36.9)	4,309.9 (29.64)	5,403.4 (31.25)
(ii) World Bank Loans	280.7 (3.18)	295.1 (2.78)	900.14 (6.1)	879.4 (5.08)
(iii) Bilateral Loans	107.2 (1.21)	91.3 (0.86)	267.9 (1.8)	241.0 (1.39)
(iv) Refinanced Trade Debt/ Promissory Notes	1,524.6 -	1,155.9 (14.41)	1,273.9 (7.9)	 (7.3)
(v) Unrefinanced Trade Arrears	1,981.7 (22.46)	2,758.8 (26.08)	5,443.4 (37.4)	6,164.3 (35.6)
b) State Government Debt Obligation	2,018.4 (22.88)	2,000.9 (18.91)	2,459.4 (16.9)	3,328.6 (19.25)
(i) I.C.M. Loans	1,043.0 (11.82)	1,119.5 (10.58)	1,692.3 (11.6)	2,323.0 (13.43)
(ii) World Bank Loans	249.1 (2.82)	271.3 (2.56)	371.1 (2.5)	404.1 (2.3)
(iii) Bilateral Loans	56.0 (0.63)	88.0 (0.83)	83.4 (0.57)	124.1 (0.71)
(iv) Unguaranteed State Government Loans	66.7 (0.75)	522.1 (4.93)	312.6 (2.15)	477.4 (2.7)

1. Provisional (Revised)
2. Includes Trade Arrears
3. Including refinanced trade debts/promissory notes
4. Includes import of capital goods financed by the World Bank
5. Figures in parentheses are percentage shares.

Source: Obadan (1987, p. 25).

TABLE 6: NIGERIA'S EXTERNAL DEBT: OUTSTANDING DEBT SERVICE, 1974-83 (US $ MILLIONS)

	1974	1978	1980	1982	1983
Debt Outstanding Undisbursed (1)	1,633.3	3,278.4	8,839.1	15,522.7	18,539.3
Debt Outstanding Disbursed (DOD) (2)	1,219.7	2,347.7	4,275.7	8,488.1	11,757.2
Official Creditors	692.3	908.9	981.9	1,152.5	1,819.3
(Percent of row 2)	(56.8)	(38.7)	(22.9)	(13.6)	(15.5)
Multilateral	335.7	490.4	570.5	739.3	881.2
Bilateral	356.7	418.5	411.4	413.2	937.4
Private Creditors	527.4	1,438.7	3,293.8	7,335.6	9,937.1
(Percent of row 2)	(43.2)	(61.3)	(77.1)	(86.4)	(84.5)
Suppliers	493.0	36.7	24.4	141.1	183.3
Financial Markets	34.4	1,402.0	3,269.3	7,194.5	9,754.2
PRINCIPAL REPAYMENTS (3)	133.5	54.6	101.8	657.5	1,066.4
Official Creditors	26.8	39.6	50.2	64.4	83.6
(Percent of row 3)	(20.1)	(72.3)	(49.3)	(9.8)	(7.85)
Table 6 (Continued)					
Private Creditors	106.7	151	51.6	593.1	983.2
(Percent of row 3)	(79.9)	(84.9)	(50.7)	(90.2)	(92.2)
INTEREST PAYMENTS (INT) (4)	35.7	49.5	445.2	770.1	974.3
(Percent of row 5)	(51.6)	(47.8)	(81.4)	(53.9)	47.2)
Official Creditors	30.6	46.4	65.9	71.0	116.32
(Percent of row 4)	(85.7)	(93.7)	(14.8)	(9.2)	(11.7)
TOTAL DEBT SERVICE (TDS) (5)	69.2	104.1	547.1	1,427.6	2,040.2
Official Creditors	57.4	85.9	116.2	135.4	199.2
(Percent of row 5)	(33.9)	(82.5)	(21.2)	(9.5)	(9.83)

Source: World Bank. World Debt Tables 1984/85 Editions.

From tables 4 and 5 it is clear that the rapid increase of Nigeria's external debt started towards the end of the 1970s, precisely in 1978 when the government resorted to the Eurodollar financial market from loan contracting. For example 1978 and 1983, the Federal government contracted about 37 loans totalling ₦1,331 million in 1978, ₦547 million in 1979, ₦232 million in 1980, ₦546 million in 1981, ₦63.7 million in 1982 and ₦134 million in 1983. Also between 1980 - 83 the Federal Government guaranteed external loans contracted by State Governments totalling about ₦3.5 billion (Obadan, 1987:6). Even after 1983, the external borrowing "spree" continued almost unabated. Worst still, short-term trade debts (i.e. trade arrears accumulated in the form of trade credits on letters of credit, bills for collection and on open account transactions) increased phenomenally after 1982. For example, the short-term trade arrears increased from an estimated ₦1,981.7

million in 1982 to ₦5,443.4 million in 1984 and about ₦33,156 million (i.e. US $8,289.15 million) as at July, 1987.

However, approximately US $2,231 million of the estimated US $8,289.15 million short term trade arrears as at July, 31, 1987 was still subject to verification and approval by the Central Bank of Nigeria (Business Concord, October 2, 1987:6). In fact, short-term trade arrears accounted for about 42% of the estimated total outstanding external debt of US $19.689.15 as at July, 1987. The actual value of these short-term trade arrears are still not known as efforts are still going on between suppliers and the CBN to verify and approve more of these debts.

In U.S. dollars, Nigeria's outstanding external debt increased from $457.5 million in 1970 to $4,237.9 million in 1980, $13,015.6 million in 1985 and $19,689.15 million in 1987. Table 4 shows Nigeria's public and publicly guaranteed long-term external debts between 1970 and 1985. The data does not include short term trade arrears which have grown uncontrollable since 1982. Table 5 shows Nigeria's total external public debt according to the sources of the loans between 1982 and 1985.

TABLE 7: NIGERIA'S EXTERNAL DEBT AVERAGE BORROWING TERMS AND PRINCIPAL DEBT RATIOS

	1974	1976	1978	1980	1981	1982	1983
AVERAGE TERMS							
ALL CREDITORS							
Interests (%)	4.3	8.5	10.1	11.5	11.8	10.5	11.0
Maturity (Years)	24.4	18.6	8.1	10.3	9.9	9.5	7.1
Grace Period (Years)	7.1	4.1	3.1	3.3	3.5	3.5	2.0
Grant Element (%)	42.4	8.2	-1.3	-6.5	-7.8	-3.3	-2.8
OFFICIAL CREDITORS							
Interest (%)	4.2	8.5	7.0	8.2	8.3	9.0	11.1
Maturity (Years)	25.3	18.6	13.5	16.8	18.7	11.1	11.0
Grace period (Years)	7.3	4.1	4.2	4.1	5.3	3.6	3.6
Grant Element (%)	43.9	8.2	15.9	9.5	10.1	2.4	-5.2
PRIVATE CREDITORS							
Interest (%)	6.5	-	10.5	12.4	12.1	10/9	11.0
Maturity (Years)	8.5	-	7.4	8.6	8.9	9.2	6.0
Grace Period (Years)	2.9	-	3.0	3.2	3.3	3.5	1.5
Grant Element (%)	13.7	-	-3.4	-10.8	-9.7	-4.7	-2.2
PRINCIPAL RATIOS							
DOD/XGS (%)	12.1	7.7	20.4	15.4	30.0	61.5	107.0
DOD/GNP (%)	4.2	2.0	4.4	5.1	7.8	12.1	17.2
TDS/XGS (%)	1.7	3.4	0.9	2.0	4.6	10.3	18.6
TDS/GNP (%)	0.6	0.9	0.2	0.7	1.2	2.0	3.0
INT/XGS (%)	0.4	0.4	0.4	1.6	2.8	5.6	8.9
INT/GNP (%)	0.1	0.1	0.1	0.5	0.7	1.1	1.4
RES/DOD (%)	468.0	627.1	86.4	248.8	70.7	22.7	10.6
res/MGS (Months)	13.6	5.7	1.6	5.8	2.0	1.1	1.0
PROPORTION OF DIS-BURSED DEBT AS:							
Concessional Loans(%)	26.8	43.8	18.2	10.0	6.3	3.9	3.2
Var. Int. Rate Loans (%)	0.7	0.7	59.8	71.8	67.2	62.7	62.0
Use of IMF Credit (US $ Million)	-	-	-	-	-	-	-

Notes: DOD - disbursed outstanding debt; XGS - export of goods and services;
GNP - Gross National Product; TDS - Total Debt Service;
INT - Interest payments; RES - External reserves;
MGS - Imports of goods and services.

Source: World Bank. World Debt Tables 1984/85 Editions.

Since most of the loans contracted since 1978 came from the international capital market (private sources), they have carried higher interest rates, shorter maturities and shorter grace. The consequence of this has been a severe bunching of among (i.e. principal) and interest payments since 1984 and a worsening of the debt crisis (Obadan, 1987:9).

Nigeria's external loans are owed to both official and private creditors shown in table 6. The official creditors include loans from international (or multilateral) organisations (principally the World Bank - IBRD-and the IDA - an affiliate of the World Bank) and loans from Governments (i.e. bilateral loans). The private creditors include loans from suppliers, loans from international financial markets or commercial banks (i.e. the international capital market or ICM loans) and other sources. The data in table 5 clearly shows that between 1974 and 1983, an increasing proportion of Nigeria's external debt was owed to private creditors. This proportion increased from 43.2% in 1974 to 61.3% in 1978, 84.5% in 1983. Since loans from private creditors carry higher interest rates, shorter maturities (5 to 8 years) and shorter grace periods than loans from official creditors, the large scale borrowing from the international0capital market since 1978 has exacerbated the debt crisis.

Furthermore, unlike loans from official creditors, the loans from private creditors are not tied to specific projects and are therefore subject to massive abuse. In fact, most of the ICM loans were misused and were used to finance massive capital flight from Nigeria between 1978 and 1985. The data in table 6 also shows that the debt service payments to private creditors increased phenomenally during the period. In other words, by choosing to become a "market borrower" since 1980, Nigeria has decided to follow the path of "costly" loans.

The shift in emphasis from official creditors to private creditors has greatly worsened Nigeria's borrowing terms as shown in table 7. The table clearly shows that the borrowing terms offered by the official creditors have been more "favourable" than those offered by private cr5editors.

Table 7 also shows the principal debt for Nigeria. All the ratios increased steadily between 1974 and 1983 indicating a worsening of the debt problem. For example, total debt outstanding which represented only 12.1% of total exports in 1974 increased to 107.0% in 1983 while the debt service ratio increased from 1.7% to 18.6% during the same period. The debt service ratio reached 42% and 81% respectively, in 1986 and 1987 but as a result of debt rescheduling it was brought down to 21.6% and 24.3% respectively, during the two years (Business Concord, October 2, 1987:6).

From the table we can also observe the rapid depletion of the country's external reserve. In 1974, the country's external reserve could pay for 13 month's import bill but by 1983 it could only pay for a month's import bill. Thus by 1983, Nigeria was neck-deep in an external debt crisis - she could no longer pay the principal and interest on her huge external debt according to the terms originally contracted. Her credit rating began declining very fast. Foreign suppliers and creditors began shunning Nigeria. In an attempt to restore some degree of credit worthiness government embarked on some rather severe austerity measures between 1982 and 1986 but these measures failed to ameliorate the debt crisis. The debt servicing difficulties continued unabated. By July, 1986, the Federal Government was compelled to launch the Structural Adjustment Programme (SAP) which, among other things, is designed to find a lasting solution to the debt crisis. Since the SAP was supported - in fact, inspired - by the World Bank (and probably the IMF), most Nigerian creditors have now agreed to reschedule some of Nigeria's debt. In addition, more new loans are now been extended to Nigeria. These rescheduling agreements have helped to bring some temporary relief to the debt crisis since 1987. It needs to be seen how long this relief will last.

Based on the above analysis, we can summarize the nature of Nigeria's debt crisis as follows:-

(a) The roots of the debt crisis can be traced to 1978 when Nigeria started borrowing from the international capital market. These ICM loans attracted higher interest rates, had shorter maturities and shorter grace periods. These loans were not tied to specific economic projects and were thus misused and used to finance capital flight from Nigeria.

(b) From 1982 onwards, short-term trade arrears increased phenomenally, due principally to the import licensing scheme.

(c) The debt crisis proper actually started about 1983 when debt service payments started imposing severe strains on Nigeria's balance of payments and she was unable to pay the interest and principals according to terms of the loan contracts.

(d) The world-wide economic recession the early 1980s and the steady decline in the price and production quota of Nigeria's crude oil contributed immensely to the debt crisis.

(e) The over-valuation of the naira since the late 1970s and the huge fiscal deficits also contributed significantly to the debt crisis.

(f) After attempts to solve the debt crisis by the introduction of various austerity measures between 1982 and 1986 proved abortive, the Federal Government was compelled to introduce a World-Bank supported SAP in July, 1987. The SAP has succeeded in providing a temporary relief to the debt crisis since 1987.

POLICY OPTIONS FOR SOLVING NIGERIA'S EXTERNAL DEBT CRISIS

The debt crisis facing many developing countries is a relatively recent economic phenomenon. Thus, economists are generally ignorant or are not agreed on the long-term solution to the problem. Most of the solutions that have been proffered mainly by the World Bank and the IMF - are usually of a short-term nature. The central problem facing both debtor and creditor nations is "how can debtor countries achieve balance of payments viability and return to a normal debt-creditor relationship in a manner that would promote sustainable economic growth, open and growing trade, and international monetary cooperation?" (IMF/World Bank, 1987:2).

Structural Adjustment Programmes:

According to the IMF/World Bank, there are three basic realities to the debt problem. First, the debtor countries must improve their economic performance in order to be in a position to repay their loans. Second, improved growth requires the implementation of Structural Adjustment Programmes (SAPs). Third, the successful implementation of SAPs requires external financing for sustained success and also requires time and sacrifice from the people. It was in this regard that the Secretary of the US Treasury Launched what is now known as the Baker Initiative in October 1985. The initiative contains three elements: the adoption by debtor countries of macroeconomic and structural policies to improve growth and reduce inflation; a continued central role of the IMF and enhanced role for the multilateral development banks, and an increased lending by commercial banks in support of debtor countries' policy efforts.

Since the early 1980s, many debtor countries have been implementing structural adjustment programmes which are IMF/World Bank - supported in an attempt to resolve their debt problems. In July, 1986 Nigeria joined the increasing number of debtor countries that have opted for SAPs. Although SAPs may vary slightly from one debtor country to another, the broad objectives and policy measures are almost the same. Although it may be too early to judge the effectiveness of SAPs in resolving the debt problems of developing countries, one can say from the little experience so far that SAPs can only provide temporary relief to the debt problems of debtor countries. Some of the policy objectives and measures of SAP are conflicting and may in fact exacerbate the debt problem in the long-run. For example, SAP not only allow debtor countries to re-schedule their debts but it equally encourages commercial banks to extend more loans to debtor countries thereby increasing the long-term debt burden of debtor countries. Given the political instability of many developing countries and the inability of most developing economies to respond adequate to traditional economic stimuli, like exchange rate depreciation, privatisation, trade liberalization etc, it is doubtful whether SAPs can actually "Fine-tune" the economies of debtor countries. Furthermore the high social and political costs as well as the economic costs of SAPs have made them to stand the risk of being aborted prematurely. And if they die prematurely, they leave the debtor country with an increased debt burden.

In Nigeria, the SAP has anchored principally on the Second-Tier Foreign Exchange Market (SFEM) (now FEM - Foreign Exchange Market) which was an indirect way of devaluing the exchange rate. The devaluation of the naira through SFEM does not appear to have had any significant improvement in the balance of payments so far. For whatever it is worth the SAP does not appear to hold much promise for resolving the Nigeria's debt crisis in the long-run. The major achievement of SAP so far has been provision of short-term (temporary) relief to the debt problem by the various rescheduling and re-financing agreements Nigeria has been able to reach with her major creditors thanks to SAP. According to the finance Minister, Dr. Chu Okungwu "An immediate achievement of the SAP is the greater cooperation of foreign creditor banks and countries to negotiate refinancing arrangement and debt reschedulings. The negotiations with the London Club of creditor banks - the private creditors - had commenced during the second quarter of 1986, while those with the official creditors (Paris Club) began in December 1986" (Business Concord, October 2, 1987:6). These arrangements can only reduced the debt burden in the short-run. They are thus temporary solutions and only help in postponing the "evil day".

Perhaps if "proper restructuring" of the economy can be achieved at the end of the "short-run", it may be possible for the Nigeria economy to be in a position to service its debt according to agreed terms. However, there are now serious doubts if this can happen in the foreseeable future.

Doubts about the long-run efficacy of SAP and the continuing difficulties in servicing the external debt (even after reschedulings and refinancing), has, among other things, compelled the Federal Government to embark on a Debt-Equity Swap Programme. The objective of this programme - which is in fact not part of the SAP as originally conceived byte has the support of World Bank/IMF - is also to reduce the debt burden by converting part of the external debt to equity (capital investment) by foreigners in Nigeria. As I have remarked elsewhere

> "Even if the DCP (Debt Conversion Programme) is able to bring some

relief to the debt burden in the short-run, it may generate another foreign exchange crisis in the long-run as foreign investors will use their enhanced economic power to repatriate profits, dividends, salaries and capital" (Ojameruéye, 1987:12-13).

This leaves us with alternative solutions to the debt crisis.

Alternative Solutions

Among the alternative solutions to the debt crisis include the following:

(a) Formation of the Cartel of Debtors

The heavily indebted countries should come together and form a strong group (or what is called the "cartel of debtors") to negotiate with the creditors with a lone voice. After all, the creditors have grouped themselves into "London Club" and "Paris Club" The "Debtors Club" can then press for concessions from the "Creditor Clubs". For example, they can demand for a drastic reduction of interest rates on loan to their pre-1974 levels, they can call for relaxation of protectionism the industrial countries and for the extension of grace periods and longer maturities of existing and new loans. As a group the debtors can do more bargaining with their creditors than is currently the case when one single debtor goes to London or Paris to face a multitude of creditors who speak with almost one voice. If the creditors refuse to negotiate with the debtors as a group, then they should be made to be aware that they run the risk of generalized default which can result in the collapse of the world financial system. In fact both debtors and creditors must recognise that debtor - creditor bargaining is a game in which both debtors and creditors may be better of if default can be avoided or at least postponed. The debtors club can also conduct a multi-year rescheduling arrangement with the clubs of creditors as opposed to the year-to-year and case-by-case approach which leaves the international financial system in a precarious state.

(b) Debt Repudiation

If debtor countries are unable to get favourable concessions from the creditor nations, either individually or as a group, then they should consider the option of debt repudiation, preferably in a collective manner. As Gersourtz 16 has argued, it is a country's willingness to pay not its ability to pay that is the key consideration when sovereign risks (loans) are involved. The willingness to pay is particularly important in the content of international loans to sovereign government because there is no supranational legal system governing international loans. There may be situations in which a debtor country can improve the welfare of its citizens by electing not to service its debts according to the terms specified in the contracts. Because of the repudiation risk an individual debtor country will be exposed to if she decides to repudiate her debts, it is recommended that repudiation be pursued cautiously, collectively and as a weapon of last resort.

(c) Long-Term Debt Liquidation with a lower Debt Service ratio

Finally, if the above options fail to materialize, Nigeria must work out a programme for liquidating her external debt over a period of some years using a debt service ratio that does not exceed 25%. During this period of debt liquidation, all further external borrowing of any kind should cease, imports should be controlled administratively and restricted only to "indispensable goods and services" and there should be a vigorous export drive.

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THE IMPACT OF THE CENTRAL SECURITY CLEARING SYSTEM ON THE NIGERIAN CAPITAL MARKET

BY

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ABSTRACT

The need for a viable capital market in any economy cannot be over-emphasised, this is because the economic strength of any nation is measured by the value of its accumulated wealth and by the rate at which it grows through savings and investment. It is the capital market that finance gross investment; and the rate at which such investment is financed and accumulated is dependent on the capital market resiliency. Thus it is as a result of the need for an active capital market in the economy that the central securities clearing system (CSCS) was established.

The idea of the establishment of a computerized Central Securities Clearing, Settlement and Custom system to modernize the operation and shorten the delays in delivery of share transfer certificates was conceived in 1993 during the deregulation process of the capital market, but it was not until 1997, that the clearing system commenced full operation on the 18th of April.

The Central Securities Clearing System was designed among other things to act as (i) Central depository/clearing house for all securities of quoted companies (ii) sub-registry for all quoted securities in conjunction with the registrars of quoted companies (iii) the maintenance of records of share holders of registered securities and (iv) the issuance of Central securities identification number to sock holders.

Just like any new policy in an economy, the Central Securities Clearing System was not given a wide applause by all capital market operators, but with time, the operators and even the general public will fully appreciate the role of the clearing system in the operation of the capital market.

INTRODUCTION

The Nigerian capital market, by certain measures, compares favourably with other emerging markets outside the region, thus the market prides herself with some of the most reputable and profitable companies in the country.

The history of what is today called Nigerian capital market could be traced to the colonial period, precisely by 1946, when the first government security was floated. The opening of the Lagos Exchange in 1961, which was later transformed to the Nigerian Stock Exchange which is still being metamorphosed back into the Lagos Stock Exchange, gave further impetus to the capital market.

From a position of just one trading floor in 1961, the Stock Exchange has presently 7 trading floors, located at Lagos (1961), Kaduna (1978), Port-Harcourt (1980), Kano (1989), Onitsha (1990), Ibadan (990) and Abuja (which is slated for official take off in 1998). By July 1997, there were 267 securities listed on the market worth ₦400 billion ($4.7 billion) with a market capitalization being 17% of Gross Domestic Product (GDP). (Nwachukwu (1997).

The Nigerian Stock Exchange (now Lagos Stock Exchange) in its bid to improve the efficiency and effectiveness of the delivery systems of shares in the capital market, which are essential to the sustained growth and development in the market, has incorporated a company known as the Central Security Clearing System, (CSCS) which aims at sanitizing the stock exchange in its trading activities.

Just like any new policy, the Central Security Clearing System developed some teething problems at the wake of its operations, but it is now apparent that a lot of people, especially stock brokers, are beginning to appreciate the role of the policy in promoting the activities of the stock exchange. It is in the light of this therefore, that this write up is set out to discuss, first, the performance of the Nigerian Capital Markets in section II, the operations of the Central Security Clearing System (CSCS) in section III. Section IV looks at the benefit of CSCS to the capital market; In section V an analysis of the impact of the CSCS is carried out, while the final section concludes the paper.

PERFORMANCE OF THE NIGERIAN CAPITAL MARKET

Scholars have debated and are still writing on the performance of the Nigerian capital market and the rationale for the intervention of the CSCS. Alile (1984) indicated that the contribution of Nigeria's Stock Exchange to gross fixed capital formation has been minimal. Nyong (1997) empirically showed that there is a weak relationship between capital market development and long-run economic growth in Nigeria. He explains that the weak relationship suggests that the capital market has done very little job in influencing economic growth . Ayida (1994) points that there are various sources of uncertainty in the Nigerian capital market including political instability and government interference.

> "More importantly, Government 'pursues an active policy of preventing speculation in the market by diminishing the liquidity of the assets' being traded. The Government also tries to use the capital market as a medium for wealth redistribution" (Nyong, 1997:31).

Also, Samuel and Yacout (1981); Ayida (1984, 1994); Akpan (1995); Izedonmi (1995); Akennifesi 1987); Osaze (1991); noted that the Nigerian stock market may not be reliable indicator of economic activity because a large portion of the nation's wealth in not in the market (Nyong, 1997:31). Tables 1 and 2 gives us the picture of the performance of the Nigerian capital market.

It shows that although the share of industrial securities dominate the number of transactions on the capital market, the market is characterized by the overwhelming share of government stock in total value of transactions.

Despite what is perceived as governmental negative impact, the Nigerian capital market has recorded a significant growth. Tables 1 and 2 gives us the idea of the growth of the market in Nigeria. From these tables, the number of stock exchange floors, the number of listed companies, the number and value of stocks traded have increased substantially. From 334 in 1961 and ₦1.52 million the number and value of stocks traded rose to 3063 and ₦49.67 million respectively in 1974. Thereafter, the number and value rose to 23571 and ₦318.6 million respectively in 1985. By 1994, the number and value have risen to 44104 and ₦1084.6 million respectively. Compared to the number of stocks traded in 1961, the 1994 figure is about 132 times that recorded in 1961 and about 2 times the figure in 1985. The number of listed companies have also risen significantly. With only 3 in 1961, it rose to 33 in 1974, 100 in 1987 and 177 in 1994. The increase in 1974 was as a result of indigenization Decree, and the increase in 1987 was as a result of the privatization exercise and other complementary policies of the structural adjustment programme (SAP) adopted in 1986. (Nyong, 1997:17).

However, the growth of the Nigerian capital market, as described above, cannot be said to be modest compared to other developing countries in Africa and some other ones outside Africa. Those of Botswana, Cote d'Ivoire, Egypt, Ghana, Mauritius, Morocco, Namibia, Swaziland, Tunisia and Zimbabwa have better ratings.

TABLE 1: NUMBER OF TRANSACTIONS ON NIGERIAN STOCK EXCHANGE, 1961-1994

Year	Government Securities	Industrial Securities	Percentage of Industrial Securities	Total
1961	92	242	72.50	334
1962	175	520	74.80	695
1963	296	415	58.40	711
1964	404	581	59.00	985
1965	391	627	61.60	1019
1966	501	595	54.30	1096
1967	336	427	56.00	768
1968	286	360	55.70	646
1969	307	246	44.50	553
1970	303	331	52.20	634
1971	204	748	78.60	952
1972	258	640	71.30	898
1973	232	537	65.60	819
1974	256	2807	91.70	3063
1975	193	501	72.20	694
1976	321	696	68.40	1017
1977	337	1314	79.60	1651
1978	243	2230	90.20	2473
1979	124	3099	96.20	3223
1980	220	6918	96.90	7138
1981	118	10081	98.80	10199
1982	184	9830	98.20	10014
1983	292	11633	97.60	11925
1984	194	17250	98.90	.17444
1985	340	23231	98.60	23571
1986	270	27448	99.00	27718
1987	238	20401	98.80	20639
1988	96	21465	99.60	21561
1989	174	33273	99.50	33447
1990	102	25828	99.60	25930
1991	45	44235	99.90	44280
1992	71	48958	99.90	49029
1993	39	21712	99.80	21751
1994	13	44091	99.97	44104

Source: Nwankwo (1990), Table 18.1, CBN Statistical Bulletin (1994), Table A. 4.6, in Nyong (1997), Table 1.

On the global scene, as shown on Table 3, Nigerian market capitalization for emerging markets, as at end of third quarter of 1991, amounted to US $1,813 million which was second to last compared with 20 Latin American, East Asian, South Asian, and

Europe/Middle East/African countries. Taiwan, Chaina had the highest with US $123,658 million. Number of listed companies at the end of that quarter was 140 for Nigeria, 2,540 for India, 60 for Zimbabwe, and while Venezuela had 66. On the value traded for the quarter, Nigeria had the least with a record of only US $0.04 at the end of that quarter was 140 for Nigeria, 2,540 for India, 60 for Zimbabwe, and while Venezuela had 66. On the value traded for the quarter, Nigeria had the least with a record of only US $0.04 million compared with $0.39 million for Zimbabwe, $3.13 million for Pakistan, $7.48 for Venezuela.

TABLE 2: VALUE OF TRANSACTIONS AT NIGERIAN STOCK EXCHANGE, 1961-1994

Year	Government (₦ million)	Industrial (₦ million)	Percentage of Govt. Securities	Total (₦ million)
1961	1.4	0.099	93.40	1.520
1962	4.2	0.331	92.80	4.563
1963	9.7	0.646	93.80	10.383
1964	11.8	2.173	84.50	13.992
1965	14.4	1.470	90.70	15.860
1966	15.2	1.169	92.90	16.396
1967	12.1	0.300	96.90	12.493
1968	12.6	0.211	98.40	12.794
1969	16.2	0.180	98.90	16.570
1970	16.4	0.238	98.60	16.634
1971	16.3	1.754	90.30	18.096
1972	26.2	0.983	96.40	27.173
1973	91.9	0.528	99.40	93.385
1974	48.4	1.299	97.40	49.673
1975	62.8	0.903	98.60	63.733
1976	111.3	0.560	99.50	111.842
1977	178.8	1.223	99.30	180.006
1978	187.2	2.500	98.70	189.700
1979	249.7	4.700	98.20	254.400
1980	380.8	7.900	97.97	388.700
1981	298.7	6.100	98.00	304.800
1982	207.0	8.000	96.30	215.000
1983	384.8	13.100	96.70	397.900
1984	240.9	15.600	93.90	256.500
1985	295.3	213.300	92.70	318.600
1986	477.6	20.300	95.90	497.900
1987	340.0	42.400	88.90	382.400
1988	99.4	33.000	75.30	132.000
1989	507.0	63.000	88.90	570.000
1990	155.0	83.000	65.30	238.000
1991	92.6	141.800	39.50	234.000
1992	85.0	406.600	17.30	491.600
1993	84.2	719.700	10.50	803.900
1994	14.1	1070.500	1.29	1084.600

Source: Nwankwo (1990), Table 18.1, CBN Statistical Bulletin (1994), Table A. 4.6, in Nyong (1997), Table 2.

TABLE 3: OVERVIEW OF EMERGING MARKETS, (THIRD QUARTER, 1991)

Country	Market Capitalization (US million)	Number of of listed Companies	Value Traded for Quarter (US million)	Price/ Earnings Ratio
Latin America:				
Argentina	12,002	174	26.52	21.88
Brazil	33,857	568	68.08	8.43
Chile	32,320	219	10.13	18.85
Colombia	1,645	80	0.84	11.17
Mexico	76,287	200	161.91	13.02
Venezuela	8,734	66	7.48	25.22
East Asia:				
Korea	113,094	687	472.09	23.51
Philippines	9,276	159	5.42	20.96
Taiwan, Chaina	123,658	212	783.86	23.28
South Asia:				
India	37,558	2,540	93.59	27.38
Indonesia	6,251	140	10.59	14.35
Malaysia	54,791	303	33.20	24.21
Pakistan	4,371	519	3.13	12.81
Thailand	29,157	263	112.78	17.09
Europe/Middle East/Africa:				
Greece	12,720	128	6.35	11.27
Jordan	2,333	100	1.15	10.04
Nigeria	1,813	140	0.04	9.68
Portugal	10,139	175	12.43	15.96
Turkey	11,641	131	29.41	14.14
Zimbabwe	1,843	60	0.39	12.41

Source: IFC: Capital Markets, in Bullion, October/December, 1992, p.8

OPERATIONS OF THE CSCS

The Central Security Clearing System (CSCS) is a subsidiary but an independent organ of the Nigerian Stock Exchange, that acts as a depository for all shares traded of the floor of the Stock Exchange. The CSCS among other things acts as:

i) Central depository/clearing house for all securities of quoted companies including new issues. Securities not quoted on the Stock Exchange can also be cleared by the CSCS limited. It also offers custodian services for both local and foreign investors using Citibank as their custodian bank,

ii) Sub-registry for all quoted security in conjunction with the Registrars of quoted companies. Share holders can always ascertain their holdings in a particular security by requesting for a statement from CSCS Ltd. through their stock broking forms. It will also perform the act of matching, calculating, and netting off the obligations, arising from securities transaction (clearing). In addition it will also maintain a book entry transfer of securities on the accounts of securities holders and participants on the basis of payment (settlement)

iii) The maintenance of records of share holders of registered securities and the issuance of central securities identification number to stock brokers and clearing custodian agency for local and foreign instruments.

To operate in the CSCS which has commenced full operation on the 8th day of April 1997, an eligible participant is determined, and in the meanwhile is to be limited to the following:-

i) Stock broking firms
ii) Relevant department of the Central Bank of Nigeria to be determined
iii) Surveillance department of security and exchange commission,
iv) Registrars
v) Other parties as may be determined by the CSCS.

For a participants to be eligible the following standards must be met.

i) Possess sufficient financial ability to meet its obligations in respect of its daily activities transactions and

ii) Possess appropriate personal organizational, technical and accounting pre-conditions for the use of CSCS services.

A participant shall be represented by the stock broking firms Chief Executive Officer or duly designated representative authorized in the name of the participant to sign all instruments and transact all business requisite in connection with the operation of the CSCS. Securities firms are also expected to deposit the stock of shares certificates in their possession to the depository maintained by CSCS wholly or in part, since physical certificates will be phased out and replaced by statements receipts generated by the CSCS.

Registered securities firms are to b allotted unique clearing house numbers fo which they will be identified in all the transactions in the CSCS. In the same manne clients or individual stock brokers will be give numbers identifiable with the securities and the houses they are dealing with Quoted securitie on the Stock Exchange are also to be codified for easy identification. In this regard sever forms which are to be completed and used fo easy trading have been designed by the CSCS these include:-

i) Form CSCS R005;- requires the particulars of the share holders. A uniqu feature of this form is the inclusion of the shar holders mother maiden name, (in the case of a individual), or the RC No. (in the case of corporate body), as a distinguishing factor fo the identification number to be given.

ii) Form R006;- is the certificate deposit form, which requires the share holders name, the security code, and the total number of shares, while form D001 summarizes the information on R006. Both forms are to be submitted together.

iii) Forms D002 and D003 represents Allotment Request for offer and Allotment Request form for buying respectively.

iv) The stockbroker's contract note shall include among other items the name and address of the client, clearing house number, name of the security, quantity and price of shares bought or sold and balance of shares fo a part selling share holder.

A participant shall cease to operate in the CSCS based on the following, if,
i) the participant gives written notification to CSCS that it no longer wishes to be a participant,

ii) the participant cease to exist as a legal entity,

iii) bankruptcy or liquidation proceeding begins against the participant,

iv) the participant is expelled according to Article 21 of the CSCS codified rules.

The Article (21) empowers CSCS at anytime to expel, suspend, limit the activities, functions or operations of participants or cease to provide any of its services or any of the foregoing either with respect to a particular transaction or transactions generally, and not withstanding the imposition of a surcharge pursuant to the rules. This shall become applicable among other things in the event that:-

i) the participant has failed to make timely payment or any amount payable to CSCS:

ii) the participant has failed to fulfill any obligations arising from the securities transaction when due;

iii) the participant has proven financial difficulty and on the verge of insolvency;

IV) the participant has materially violated any rule or procedure of, or agreement with CSCS and if it has been suspended by any supervisory regulatory organization.

The CSCS has reasonable grounds to believe that such withdrawal of its service is necessary for the perfection of Investors or other participants or to facilitate the orderly and continuous performance of CSCS's services.

Any aggrieved party shall have the right to appeal to the Board of Directors from any decision of CSCS in respect of denying an application to become a participant, or lease to act for a participant with respect to transactions, or pursuant to any service or all or any combination of the foregoing; or to the imposing of any surcharges or sanctions by CSCS.

All appeals by aggrieved party shall be considered and decided upon by a committee appointed by the Board of Directors, composed of three Board members. The Committee may refuse the appeal as groundless and confirm the decision of the CSCS management, or may comply with the appeal and replace the decision of the CSCS management.

BENEFITS OF THE CSCS TO THE CAPITAL MARKET

The Nigerian capital market is to benefit from the operations of the CSCS in the following ways.

i) The market will become transparent;
ii) The CSCS will attract confidence in the capital market operations;
iii) There will be higher turn-over;
IV) Foreign Investors will be attracted into the market;
v) The market will be more liquid and vibrant.

THE IMPACT OF THE CSCS ON THE CAPITAL MARKET

Despite the aforementioned' benefits accruable to the capital market, the coming on stream of the CSCS April, 1997 has generated a lot of controversies in the nation's capital market. These controversies range from late clearing of share certificate submitted to the CSCS, problems encountered in the stockbrokers banks, to the most contentious issue in the capital market, which is the policy of inmobilization/demobilization of share certificates announced by the Stock Exchange.

At the commencement of the CSCS, the Stock Exchange had announced the elimination of the exchange of physical share certificates as a means of settlement and its replacement with a book-entry transfer mechanism.

In an immobilization scheme thereof, physical share certificates are held in a vault to back up the book-entry positions of the market participants. Accordingly all shares to be traded on the floors of the Exchange must have their certificates deposited with the CSCS depository for the account of selling/dealing member prior to being eligible to be traded. Furthermore such certificates deposited with the CSCS depository would not be returned to their owners but would be replaced by a statement on shareholding (slip) which would be issued by CSCS on request.

However, fears were being expressed by shareholders about these new changes, such fears was hugged on the possible loses of their investment occasioned by the new system, in addition the CSCS was not foolproof and could lend itself to fraud. Another issue has to do with problems that are likely to be faced by the family of a deceased investor in tracing his investments in the absence of share certificates.

As a result of these controversial issues, the confidence of the CSCS was questioned, thus the fall in price of securities last year in the stock market. But despite this development the capital market is now more transparent than what it used to be. This is because with the introduction of the CSCS no broker can either bid or offer on the trading floor without first depositing all certificates, hence there is no room for shady deals. CSCS has therefore reduced the propensity to forge and has made the market transparent.

Furthermore, the new system has given more responsibility to the stockbrokers. The contract note issuers by them made them liable to investors. In developed countries, the contract note from a stockbroker is more important than the share certificates, because such a broker is liable to his client, while the share certificate confer on such broker immediate liability.

Another impact of the CSCS on the capital market has to do with the transaction period. With the introduction of CSCS the transaction period has been reduced to 6 days; that is settlement and delivery system. This has increased investors confidence in the market as volumes of shares traded upon have been on the increase. For instance an average of daily volume of 3.5 million shares changes hands between June and December 1997 as opposed to average of 1.5 million prior to the introduction of CSCS.

With regard to the turnover rate, it is now higher than what was obtainable before. The secondary market have recorded not less than 20% growth above its turnover projection for 1997 and almost 45% growth over its total turnover for 1996. He further stated that by the 3rd week in November 1997, the Nigerian Stock Exchange had achieved a market turnover of ₦10.1 billion which is over 10% above its total turnover projection for the year 1997 and also represent 45% growth above its total turnover of ₦7 billion recorded in 1996. The Stock Exchange Market Analysis attributed the growth in activities in the stock market to the introduction of the CSCS.

From the foregoing it is clear that the shareholders seemed to have accepted the securities clearing house as the only option towards efficient securities, as volumes have continue to improve since the take off of the CSCS.

CONCLUSION

The importance of financial institutions as catalyst in Economic development is widely recognized by both Economists and non-Economists alike. Financial Institutions play strategic roles in Economic development and growth, hence the development of any economy is hugged on its financial sector (Capital Market).

The capital market which is an institution for mobilization of funds into long-term investment is of National importance in Nigeria in view of the role it plays in mobilizing funds from savers to users, that had hitherto remained untapped for investment purposes and consequently increase national output and employment. The coming on board of the CSCS has therefore not only restructured the operation in the Nigerian stock Exchange positively but have also affected the activities in the capital market generally and in the right direction.

The CSCS has brought transparency, confidence and higher turnover in the market. One thing worthy of note is that in its operation, only investors who wish to benefit from capital appreciation would deposit their shares with the CSCS, while those who wanted to buy and hold could keep their share certificates.

The market turnover of the stock exchange has been remarkable in its growth in the last 5 years, raising from ₦492 million in 1992 to ₦7 billion in 1996. There was also a turnover of ₦10.1 billion between January and November 1997 Alile (1998). This dramatic turnover was partly influenced by the entry of the foreign Portfolio Investors following the repealing of the Exchange Control Act of 1062 and the Nigerian Enterprise Promotion Decree of 1989.

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