

AN EVALUATION OF THE PERFORMANCE OF THE NIGERIAN ECONOMY UNDER THE DEMOCRATIC RULE (2000 – 2009)

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ABSTRACT

With the installation of democratic governance in Nigeria since 1999, there were expectations that the Nigerian economy would change for the better. However, after 10 to 12 years of democratic experience, the Nigerian economy has not fared any better. This has been due to, among other factors, the contradictions inherent in the economic management approach and the system of governance being operated, narrow productive base of the economy, corruption, and inefficiency in public spending. For the economy to perform, it may have to adopt the following measures: maintenance of spending efficiency, improvement in the rule of law and transparency, entrenchment in government reforms, and improvement in governance capacity, promotion of human capital development, and creation of an environment for high levels of investment and growth, adoption of economic policies consistent with democratic governance. This paper has thus attempted to evaluate the performance of the Nigerian economy under the democratic rule by reviewing the performance of the economy for the period 2000 to 2009. It established that the Nigerian economy did not fare well under the democratic rule. The paper concluded that some measures must be taken to address the constraints to the performance of democratic rule in Nigeria. These include maintenance of spending efficiency, improvement in the rule of law and transparency, entrenchment of governance reform and improvement in governance capacity, creation of an environment for high levels of investment and growth, adoption of economic policies consistent with the process of democratic governance.

Keywords: Evaluation, Performance, Economy, Military regimes, Mismanagement, Democratic rule.

INTRODUCTION

The present democratic journey commenced on May 29, 1999. This was the outcome of the stiff opposition to the continuous military rule in Nigeria. The struggle for the exit of the military rule that paid off and the subsequent installation of democratic governance was undertaken by individuals and organizations in all sections of Nigeria and Nigerians in Diaspora. The agitation for the exit of the military was embarked upon in the first place, because of the popular belief among the stakeholders in the economy that military regimes were out-dated and that democracy is the vogue as it promotes growth and development, and that it also locates power in the people who choose their leaders. This implies a government which is elected, responsive and accountable to the people at the same time (Egwu, 2000). Secondly, the opposition was mounted against the military rule because of its mismanagement of the economy and plunder of the national wealth by the various military regimes in Nigeria. This was believed to have led to the poor performance of the economy. The consequences include high rate of inflation, collapse in infrastructures, deteriorating exchange rate of the national currency (Naira), high level of unemployment, unfavourable balance of payments, and high level of poverty among Nigerians.

The notion that democratic governance promotes growth and development in an economy in which it is practised essentially derives from the fact that it characterizes some elements. These include mass participation in decision-making through the choices people make at the polls; leadership responsibility to the citizenry through party pressures, party manifestoes, opposition pressures arising from non-partisan civil organizations, and respect for international conventions, etc.; support for civil society and promotion of its participation in the development process, predictability of tenure and policy which is an important consideration in external patronage; less hostile international environment; freedom of opinion and expression in particular and human rights protection in general; supremacy of the constitution and the rule of law; a greater tendency towards good governance; dialogue and consultation in the conduct of state affairs and conflict resolution. These elements are essential prerequisites for growth and development.

Supporters of democracy also argue that the motivations of citizens to work and invest, the effective allocation of resources in the marketplace, and profit maximizing private activity can all be maintained in a climate of liberty, free-flowing information and secured control of property (North, 1990). Democracies can limit state intervention in the economy, are responsive to public's demands on areas such as education, justice and health, and encourage stable and long run growth (Rodrik 1999, Lake and Baum 2001, Baum and Lake, 2003).

Also, arguments in favour of democracy all focus in one form or another on allocative efficiency: democracies allocate better the available resources to productive uses. One view is that since authoritarian rulers are not accountable to electorates, they have no incentives to maximize the total output but only their own rents. As a result, democracies better protect property rights, thus allowing a longer-term perspective to investors. There is also a vague sense that by permitting a free flow of information, democracies improve the quality of economic decisions. This is however, subject to the level of maturity of democratic institutions, and proper and effective practice of democratic norms by the political actors.

Opponents of democracy, on the other hand, argue that democracies lend themselves to popular demands for immediate consumption at the expense of profitable investments, cannot be insulated from the interests of rent-seekers, and cannot mobilize resources swiftly. Democracies are said also to be prone to conflicts due to social, ethnic and class struggles. While some authors favour authoritarian regimes to suppress conflicts, resist sectional interests and take coercive measures necessary for rapid growth, others remain overall sceptical on whether regimes, rather than markets and institutions, matter for growth (Bhagwati 1995).

The extent to which democratic rule embodies these ideals indicated by the proponents of democracy determines the magnitude of the dividends to be realized from it. In other words, these ideals should translate into and facilitate the realization of the macroeconomic goals of price stability, full employment of resources, balance of payment equilibrium, economic growth, equitable distribution of income, and exchange rate stability, all of which constitute the real or concrete dividends of democracy.

THE CONCEPT OF DEMOCRACY

Democracy involves majority rule, political equity, the rule of law, due process, popular sovereignty, respect for human rights and popular participation (Zabadi, 2006). A democratic system exists when policies are made on a majority basis by representatives subject to effective popular control at periodic elections, which are conducted on the principles of political equality, and conditions of political freedom (Nwolise, 2002). Therefore, democracy involves putting in place good governance that could actualize the interests and aspirations of the electorates. It does this through representatives, institutions and organizations that guarantee effective and efficient management of the public resources for the benefit of all the citizenry, and it does so accountably and transparently using the provisions of the constitution and as well abiding by the rule of law. Democracy therefore works to realise the ideal of equal freedom for everyone in society or the state; brings about political autonomy by means of democratically reached majority decisions; needs a robustly constituted society in order to provide everyone with opportunities for participation.

For democracy to deliver the kind of dividends identified above, it must be supported by an economic system that has the capacity to propel various kinds of legitimate economic activities that would culminate in economic growth and development. An economic system is a set of methods and standards by which a society decides and organizes the ownership and allocation of economic resources. Thus, it is how an economy decides and organizes the ownership and allocation of its resources and how the benefits of these resources are distributed that determine to a large extent the level of dividends of democracy (welfare) that it can deliver to its citizens.

DEMOCRACY AND THE NIGERIAN ECONOMY

It is a well-known fact that democracy has been generally adopted as a prerequisite for equitable, balanced and sustainable socio-economic development of any nation, the world over. Nigeria can be said to have succeeded in paving way for democracy, notwithstanding various difficulties that tend to undermine efforts to promote democratic consolidation. In spite of the return to democratic rule in Nigeria, there are assertions that there is a civilian rule and not democratic governance. These assertions are the results of frustrations of Nigerians owing to lack of democratic dividends since the clamour for democracy is realize the expectation and facilitate improved material condition.

The present democratic journey started on May, 29 1999 with the promise to change the material condition of the Nigerian people. However, this new regime did not change from the free market approach of the out gone military regimes in the management of the economy. Thus, the economy has been characterized by free exchange of goods in the market; the production of goods takes place in a capitalist system, that is, one that is based primarily on rights of private property; there is labour on one side and capital on the other; there is no regulatory institution, but, at most, institutions that may provide the market with a framework.

In the operating democratic governance, Nigeria adopts market economy approach. It is important to stress that even the minimal definitions of democracy and market capitalism show that a society that wishes to be organised in terms of both market capitalism and democracy is inevitably exposed to tensions, since the effects of pure market capitalism, like those of completely democratic society, necessarily contradict one another. The contradictions between market capitalism and democracy are highlighted below.

Market capitalism obstructs democracy if:

- the private right of disposal enjoyed by some over the means of production leads to an unequal distribution of wealth which is inconsistent with “equal freedom” and participation in society;
- the balance of power in society weighted so far in favour of employers, as against employees, that it denies the latter any opportunity to live their lives on the basis of self-determination;
- owing to the pursuit of profit by some, market capitalism stands in the way of the welfare for all, which can be ensured only by the democratic principle;
- the state’s sole function is to provide for peace and order.

Democracy obstructs pure market capitalism if:

- freedom of enterprise is substantially curtailed or even abolished by means of democratic decision-making;
- state interference on the basis of democratic decision-making – for example, by the expropriation of private property in favour of the public at large – jeopardises the development and freedom of the individual; the private sphere of the individual is infringed (Gombert, 2009).

Observations from the above, point to the fact that democracy and market capitalism cannot be operated simultaneously in an economy because they are contradictory to one another.

REVIEW OF SOME ECONOMIC PERFORMANCE INDICATORS (2000 – 2009)

Going by the system of government and the market economy approach being used to manage the Nigerian economy, the performance of the economy is hereby reviewed to establish whether the economy has fared well using this approach in a democratic setting vis-à-vis the aspirations and expectations of the people.

Table 1: National Unemployment Rates (2000 - 2009)

Year	Rates
2000	13.1
2001	13.6
2002	12.6
2003	14.8
2004	13.4
2005	11.9
2006	12.3
2007	12.7
2008	14.9
2009	19.7

Source: NBS 2009

Table 1 presents the national unemployment rates in Nigeria from 2000 to 2009. For the period under review, the economy has maintained double digits in the rates of unemployment. From 2006 to 2009, the situation started growing worse as the rates started increasing, from 12.3% to 19.7%. This could be due largely to combination of factors like

narrow productive base of the economy, collapse of the manufacturing sector, the hostile economic environment due to infrastructural decay, insecurity of lives and property, massive production of graduates of tertiary institutions without creation of employment opportunities, a product of lack of coordination between the Labour Ministry, National Planning Commission and the Schools system and the effects of the global financial crisis.

Table 2: Manufacturing Capacity Utilization (2000 – 2008)

Year	Percentage (%)
2000	36.1
2001	42.7
2002	54.9
2003	55.7
2005	54.88
2006	53.30
2007	53.38
2008	53.84
2009	Na

Source: Central Bank of Nigeria, 2009.

Table 2 presents the picture of the utilization capacity of the manufacturing sector for the period 2000 to 2009. It must be noted that this picture is for the few manufacturing industries that were operating as many of them collapsed due to poor policies of SAP, wholesome deregulation in the economy, the unsuitable approach being used to manage the economy. Between 2000 and 2005, the percentage capacity utilization was staggering as can be observed from the table. However, from 2006 there were slight increases but these did not reflect in employment, implying that they were not significant.

Table 3 below shows the growth of the Nigerian economy from 2000 to 2009. As it is observable, it shows an unstable feature. From 3.1% in 2000, it grew to 46.3% in 2002 then dropped to 22.8% in 2003. Since then, it has been declining until it recorded a negative of 100% decline in 2009. While these growth rates may seem reasonable except in 2009, the UNDP Human Development Report 2009 noted that the high growth rates do not seem to translate into equitable distribution of wealth. Moreover, the growth rates recorded could have been in relation to the narrow productive base of the economy. That explains why there are few very rich and very many too poor people in the economy.

Table 3: Growth Rate of the Economy (2000 – 2009)

Year	Percentage (%)
2000	3.10
2001	46.3
2002	22.8
2003	34.5
2004	27.7
2005	27.4
2006	11.3
2007	17.6
2008	1.70
2009	- 100

Source: Central Bank of Nigeria, 2009.

Table 4 below presents the inflation rates in Nigeria from 2000 to 2009. Except for 2006 and 2007, it maintained double digits and in all cases the rates are high. This is a measure of the erosion of the real value of the naira. It does not only make the consumer goods expensive, it has a negative effect on production activities as it shrinks it. It also exhibits unstable characteristics over the years under consideration.

Table 4: Inflation Rate (2000 – 2009)

Year	Percentage (%)
2000	14.5
2001	16.5
2002	12.2
2003	23.8
2004	10.0
2005	11.6
2006	8.6
2007	6.6
2008	15.1
2009	11.2

Sources: Economy Watch ([www.economywatch.com/economic – statistics/Country/Nigeria](http://www.economywatch.com/economic-statistics/Country/Nigeria)), National Bureau of Statistics, 2010.

Table 5 below shows the capital expenditure as percentage of GDP for the period 2000 to 2009. With the highest percentage of 9.3% in 2001, the rest of the years ranged between 3.0% and 5.2%. This is a measure of addition to the existing public goods in the economy. These low percentages are evidences of low investment in public goods in the country, an indication that a large chunk of government expenditure is on recurrent items.

Table 5: Federal Government Capital Expenditure as Percentage of GDP (2000 – 2009)

Year	Percentage (%)
2000	5.2
2001	9.3
2002	4.6
2003	2.8
2004	3.1
2005	3.6
2006	3.0
2007	3.7
2008	4.0
2009	4.7

Source: Central Bank of Nigeria, 2009.

Deriving from the review of the performance of the Nigerian economy from 2000 to 2009, it is obvious that the performance is below expectation. A number of important factors can be held accountable for this poor performance. Among these are:

a) The inherent contradiction in the kind of democratic system being operated

As earlier indicated, the minimal definitions of democracy and market capitalism show that a society that wishes to be organised in terms of both market capitalism and democracy is inevitably exposed to tensions, since the effects of pure market capitalism, like those of completely democratic society, necessarily contradict one another. This inherent contradiction inhibits economic performance. The Nigerian economy operates this contradictory system of democracy and therefore, it suffers the effects of this contradiction.

b) The narrow base of the Nigerian economy

Right from the colonial era to date, the Nigerian economy has remained a primary product economy and worst still; it is a mono-product economy. It was the agricultural sector that was sustaining the economy until the early seventies when the oil sector became the most prominent player in the economy. From the 1970^s to date the major revenue earner for Nigeria has been the oil sector. An economy that depends on primary product and one product for that matter would not perform beyond the capacity of that one primary product. Thus, the over dependence on the primary and one-product by the Nigerian economy inhibits the exploration and the exploitation of the potentials of the other sectors like the industrial, tourism, solid minerals, agriculture, among others.

c) Public spending inefficiency

There seems to be inefficiency in public spending in Nigeria either in the form of misallocation, mismanagement, or embezzlement. From year to year, trillions are budgeted for expenditure by Nigerian governments. In the face of these huge budgets and expenditures, there are still problems of unemployment, infrastructural decay, collapse of social infrastructure and poor services delivery by sectors/institutions like education and health, among others. The result of this is low output of the economy and poor quality service delivery.

d) Corruption

This has been the bane of the Nigerian economy. It contributes to misallocation and mismanagement of scarce resources, increases costs and deters investment, and therefore perverts growth and development and quality service delivery. As observed by Catan and Chaffin (2003), corruption is the single greatest obstacle to economic and social development. When corruption becomes systemic as it is in Nigeria currently, it decreases public revenue that could have been used for the benefits of all the citizens, increases wasteful public expenditure, poverty, and inequality. In the same vein, Odugbemi (2000) opined that corruption is a major problem in developing countries, a problem which diverts scarce resources away from development and eradication of poverty. Corruption is dangerous and inimical to the systemic existence of any polity. It is a socio-political, economic and moral malaise that may permeate and cripple, as a result of its contagiousness and malignancy, the nerves of any polity. The latest style of corruption strategies in the Nigerian public office is the return of unspent funds from their allocations by ministries and departments as evidence of transparency whereas there is no evidence of achievements of the spent portions of the allocated funds.

CONCLUSION

This paper has undertaken a review of the performance of the Nigerian economy from 1999 to 2000, a period when the country was fully under a democratic rule. The paper did an analysis of data on some economic indicators like National unemployment rates, manufacturing capacity utilization, growth rate of the economy, inflation rate, and Federal Government capital expenditure as percentage of GDP. It established that the Nigerian economy did perform well, owing to a number of factors. Among these factors are: the contradictions inherent in the type of democracy being operated, narrow productive base of the economy, public spending inefficiency, and corruption. In order for the economy to perform well, some recommendations are hereunder advanced.

RECOMMENDATIONS

Confronted by the problems identified above, it would be very difficult for any economy to perform creditably. This explains why the Nigerian economy has not been able to deliver concrete and significant dividends of democracy to its citizens. However, Human Development Report of The United Nations (2009) provided the country with certain measures that can be undertaken to put the economy on the part of performance. Among these are:

i) Maintenance of spending efficiency

It is necessary to place greater emphasis on the efficiency of public investment spending in order to realise increased output and quality services from fewer resources put into use. To this end, the following measures need to be given serious attention:

- Stronger transparency and accountability arrangements in the use of public funds to improve cost efficiency in the system built around follow-through on fiscal responsibility and public procurement reforms
- Improved quality of project planning and implementation
- Improved government capital project portfolio by focussing on fewer, well-funded and adequately executed priority projects that target the welfare of the people and address the issue of inequality
- Restructured public service delivery to focus on the basic services which meet the needs of the people especially the poor.

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i) Improvement in the rule of law and transparency

Corruption negatively influences the administration of justice and enforcement of laws. It contributes to misallocation and mismanagement of scarce resources, increases costs and deters investment, and therefore perverts growth and development and quality service delivery. It therefore becomes imperative to:

- Strengthen and actively follow through on existing anti-corruption laws, mechanisms and institutions
- Create a more favourable legal environment through appropriate legislation and amendment of existing laws
- Strengthen law enforcement
- Increase transparency in the conduct of government business i.e. transparency of government operations and sanctioning of corrupt officials.

ii) Entrenchment of governance reform and improvement in governance capacity

Though the country has undergone some governance reforms in the last decade, there is the need for the government to entrench its achievements to enhance their irreversibility. This can happen through:

- Building institutions and processes in support of the reforms
- Introducing legislation to reinforce policy changes
- Making information on government policy and performance routinely available and accessible to the public
- Facilitating the creation of new and well-informed coalition of interest groups that can assess, evaluate, and promote the of support of the reform
- Promote broad-based institutional ownership of the reforms
- Cut administrative costs and improve administrative efficiency
- Deepening the reform of the public finance system by strengthening the Budget Office of the Federation's supervision of budget preparation and implementation procedures and also to institutionalise effective monitoring and evaluation of development programmes.

iii) Promotion of human capital development

Significant improvements in investments, institutional and access to and quality of basic social services will contribute to higher growth, reduction in inequality and improved societal welfare. In this case, there is a burden on all levels of government to align resource allocation, expenditure and management with these priorities. The following measures could lead to that.

- Invest in people's education, health and nutrition as these create knowledge, broaden skills, and improve health
- Focus public spending on essential services of basic education and literacy, primary health care, reproductive health, nutrition and safe drinking water and sanitation. In this regard, budget restructuring in favour of basic social services is necessary and it is also important to ensure that budget allocations are actually used for the purposes specified in the budget.
- Increase spending on social services and enhance access to basic education and primary health care by building on existing government policy. With regards to education, government to monitor the quality of actual results like completion rates, testing results, and survey of beneficiaries on their satisfaction with the accessibility and quality of compulsory education services.

- Public policy needs to go beyond building up people's capabilities by matching these capabilities with opportunities. This would significantly link the supply of human capital with its demand.
- Provide vocational training centres to equip youths in particular for self-employment in relation to real needs in the labour market.

iv) Creation of an environment for high levels of investment and growth

Economic growth remains a critical factor in improving people's welfare. In order to deliver appreciable dividends of democracy in welfare terms, there is the need to quicken growth beyond the current level in real terms without politicking growth rates figures as it is currently the case. To do this, the following actions are needed.

- To build a solid foundation for sustained high growth, it is important to create an environment for high levels of investment. The immediate focus of the government's growth strategy should be on reforms and investments that will improve investment returns and efficiency, particularly improving power supply and enhancing access to efficient infrastructure.
- Next, policy makers need to institute reforms that will increase the ability of firms to appropriate returns to investment. Principal among the required reform is the need to ensure macroeconomic stability and improve the institutions and regulations to guide investment behaviour. In addition, enhancing access to capital is important to facilitate effective intermediation of Nigeria's enormous resources in support of the non-oil sector growth. However, Nigeria requires significant improvement in the quality of human capital to successfully change the composition of economic activities towards higher productivity areas and integrate the economy more fully into the global market.

v) Adoption of economic policies consistent with the process of democratic governance

As indicated earlier, the nature of democracy being operated in Nigeria contradicts the operations of the free market. For instance, one of the core virtues of democratic governance is the provision of welfare services through the use of public resources for all the citizens but market economy emphasizes private ownership of the means of production with the motivation to participate in the economy being profit. While it is possible for both the public and the private sectors to operate in the economy, it would be wrong for the public sector to adopt market economy policies to address the issues of citizens' welfare because the characteristics of democratic governance and market economy are contradictory. It is an established fact in literature that the market cannot address matters of welfare. This is why there is the need for a democratic government to adopt economic policies that are consistent with the system of governance being operated. Economic policies that address the welfare of the citizens are the ones consistent with democratic governance and therefore suitable for running the Nigerian economy.

In conclusion, while it may be that democracy does not necessarily translate to economic growth and development as argued in theories, there are possibilities that if it practiced properly in consonance with the realities of the domestic environment in Nigeria putting into consideration the above measures, it could be productive and improve the well-being of the people, meet their expectations and aspirations envisaged from Nigeria's democratic governance.

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Map of Nigeria: The study area.

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