Nigeria is the sixth largest oil producer in the world. The price of crude oil, the mainstay of the Nigerian economy, which accounts for more than 90% of its annual income, has crashed. The budget proposed for 2002 is 30% less than the 2001 budget. The external debt burden makes problems worse.

There is a dispute among officials in the Nigerian government and the major international financial institutions, including the International Monetary Fund (IMF), World Bank and Paris Club, about the actual size of the debt. President Olusegun Obasanjo maintains that Nigeria’s external debt stands at USD 22 billion. According to the account books of his Vice President and Minister of Finance, however, Nigeria owes its foreign creditors USD 28 billion. The IMF, through its Director of African Affairs, G.E. Gondwe, insists that Nigeria owes USD 32 billion. Meanwhile, Nigeria has so far repaid USD 17 billion and spent USD 1.3 billion in 2001 in debt service alone.

One terrible feature of foreign debts is the interest and penalties attached to them. Penalties accrue if interest becomes due and is not paid. When this occurs, subsequent payments are used to service the penalty while interest remains untouched. This ensures that no Third World debtor country is ever able to pay all its debts. The national economy is affected by this state of affairs and the citizens remain victims to the machinations of the World Bank, the IMF and the Paris Club. Meanwhile, funds are unavailable for development in Nigeria.

Budgets: easier said than done
The national budgets of the last ten years have retained certain common goals and policies, namely:

- Alleviate poverty by fostering opportunities for job creation;
- Achieve high economic growth through better mobilisation and prudent use of economic resources;
- Build a strong economy by encouraging private sector participation;
- Ensure good governance by transforming development administration into a service and result-oriented system.

While the goals cannot be faulted, the means for their achievement, that is, the budgetary allocations, paint quite a different picture. Good intentions could not be matched with actions because the economy of Nigeria, during the period under reference, has remained comatose. The value of the national currency, the naira, has been declining. When the civilian administration of President Olusegun Obasanjo came to power in 1999, the exchange rate was NGN 85 to USD 1. Two years later in 2001, the naira had so depreciated that USD 1 could buy NGN 114.50 in the official markets and NGN 138 in the parallel market.2

Budgetary cuts and unproductive investment
The economy is currently characterised by a modest inflation rate, high interest rates (tight money), low capacity utilisation and embarrassingly high unemployment. The economy needs expansionary policies to stimulate economic growth and generate new jobs. But the 2002 budget proposes a whopping 38% cut in capital expenditures from the 2001 level. Add this to huge allocations of NGN 49.6 billion to a peace time army, NGN 28.4 billion to the presidency, and NGN 10 billion to the National Identity Card Project, all of which are unproductive sectors, and the following questions arise: how much real investment does Nigeria have, what will be the source of economic growth, and where will new jobs come from?

Let us look at it in another way. With capital expenditures in 2001 of NGN 414 billion, the economy came nowhere near the growth target of 5%. With a contraction of 38% in the 2002 budget, to expect that rate is wishful thinking, to say the least.

Be it noted that though NGN 414 billion was budgeted in 2001 for capital spending, only the first quarter allocation was actually disbursed; in the second quarter only 50% disbursement was recorded. In 2002, capital expenditures have been cut drastically. This suggests some fear that capital spending will cause inflation. The government has apparently chosen to sacrifice expansion of the economy and jobs in order to control inflation. This is shortsighted, because a lot of unproductive spending has been moved over to personnel, defence, the presidency and the National Identity Card Project. In other words the prospects for wanton inflation are now brighter.

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2 At the time of writing this report, the official exchange rate was USD 1=NGN 114.
Lack of transparency: opportunity for embezzlement of funds

The greatest problem facing the budgetary process in Nigeria is its management. Amazingly, the Minister of Finance told members of the National Assembly that he had disbursed 80% of allocated funds, and a few minutes later told National Assembly correspondents that he had disbursed only 58% of these funds. In the same vein, the figures he released as disbursements to the ministries differed substantially from what the ministries acknowledged having received. Also, the records of the National Assembly showed that allocations to the Ministry of Works and Housing stood at NGN 94 billion, while the minister’s record spoke of NGN 74 billion. If ordinary budget allocation figures are in doubt, what about the revenues? Is it really possible in this climate of uncertainty to know exactly how much revenue the government collects? This is the crux of the problem: lack of transparency. The seeming confusion creates room for misapplication of funds; call it embezzlement if you will.

Why does the executive branch pay no attention to appropriation bills? After the National Assembly goes through all the motions of debating and passing bills, the executive branch dumps them and implements the budget as it pleases. For instance, instead of NGN 20.5 billion allocation for defence in the 2001 budget, the executive branch disbursed NGN 31.4 billion. In other cases, less than 50% of allocated funds were disbursed. It happened in 2000, it happened in 2001, and it will happen again in 2002. Why? If budgeted revenues are not realised, or if government is afraid that it might worsen the liquidity crisis, the National Assembly should be informed.

In the government’s striving to build a strong economy, it seems strange that no attention is paid to the prevailing exchange rate regulations. The budget talks about stabilising the exchange rate; but of more relevance is standardisation of exchange rate rules. The existence of two widely divergent exchange rates has given rise to massive “round-tripping” by the nation’s banks, a practice that has brought banks wealth without work!

What poverty are we alleviating?

It is idle talk to project increased capacity utilisation for our industries, creation of new jobs, encouragement for agriculture and small- and medium-scale enterprises without taking the required measures to control the wholesale dumping of foreign manufactured goods in our domestic market. These foreign-manufactured goods are heavily subsidised, and their producers are more efficient as a result of superior infrastructures and factory inputs. Our local producers, since they do not enjoy such facilities, are disadvantaged and cannot compete; they are easily crowded out by the cheap imports. To continue to keep our borders open to all manner of imports in deference to the World Trade Organisation (WTO) is to lay the Nigerian people open to economic exploitation.

The greatest betrayal of the Nigerian people in the proposed 2002 budget is in allocations to the agricultural sector. Though Nigerian agriculture has been neglected and is in dire straits, it still contributes the lion’s share to employment and the GDP (33%). Since one of the cardinal objectives of the 2002 budget is the alleviation of poverty, one would have expected the allocation to agriculture to reflect this intention. Instead, we find the allocation to agriculture to be a paltry NGN 3.8 billion, about one-third of what is allocated to that white elephant – that endless watering hole – the National Identity Card Project, which is of no use to hungry Nigerians.

To further signal to poor Nigerians that they will have no respite come 2002, the government now intends to sell crude petroleum to NNPC at the international price of USD18 per barrel. That means that, come 2002, Nigerians should be ready to swallow a pump price of about NGN 40 per litre.

In the face of all this, what poverty are we alleviating? The fear of capital spending shows an inclination towards a “monetarist” economic view. As human rights advocates, we really have no problem in choosing sides in the welfarist-monetarist divide. It is simply a matter of equity that people should have jobs; inflation can be contained.

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3 In 1971, Nigeria joined OPEC and in line with OPEC resolutions, the Nigerian National Oil Corporation (NNOC) was established, later becoming Nigerian National Petroleum Corporation (NNPC) in 1977. This giant parastatal, with all its subsidiary companies, controls and dominates all sectors of the oil industry, both upstream and downstream.