

Politics and the Competitiveness of the Nigerian Economy

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ABSTRACT Through qualitative analysis of secondary data, the paper examines the current status of political legitimacy, political instability and corruption which had been implicated in failures of past efforts at economic development in Nigeria. It reveals that even if the unprecedented continuous existence of civil rule for nine years since 1999 heralds an end to military rule with its inherent problems of legitimacy and instability occasioned by unpredictable and frequent regime change, the massive electoral fraud and policy reversals associated with the country's recent democratic practice create legitimacy crises and engender an unstable policy environment with similar negative implications for the economy. It further shows that not only is the level of corruption still high in spite of efforts to curtail it, but that even the anti-corruption campaign is slowing down and that corruption's negative impact on the economy is particularly demonstrated in its effect on the provision of basic development infrastructure such as electric power. Consequently, current efforts, including the expressed desire of the Musa Yar'Adua administration to make Nigeria one of the top most 20 economies in the world by 2020 would remain a pipe dream unless these socio-political threats are surmounted.

INTRODUCTION

At the risk of over simplification, global competitiveness of an economy may be regarded as its ability to produce and distribute a set of goods and services more effectively and efficiently than other economies. In other words, it refers to the ability of an economy to produce and distribute a set of goods in sufficient quantity, quality and at competitive prices for the domestic, and or the international market. It is related to the older economic concept of comparative advantage by which nations are expected to concentrate in the production of goods and services they could produce more cheaply. Competitiveness however, is a more dynamic concept than comparative advantage and expresses the realities of globalization and the unchallenged reign of free market economy since the collapse of the former Soviet Union. Of course, the process of production and distribution of goods and services leads to generation of employment, wealth creation and poverty reduction. Thus, the competitiveness of an economy is an expression of its level of economic growth and development. Competitiveness of the Nigerian economy therefore, refers to its capacity and ability to produce high quality goods and services more efficiently for the domestic and international market from among the 33 sectors of the economy on the basis of

which the country's Gross Domestic product (GDP) is usually computed, employment generated, wealth created, and poverty reduced. (National Bureau of Statistics 2006: 1).

Since independence in 1960, successive civilian and military regimes have expressed their commitment to the development of the Nigerian economy. With abundant human and material resources especially oil, hopes that the country will sooner than later join the league of developed nations could not have been misplaced. However, sadly, Nigeria remains today a poor and underdeveloped state or what Osaghae (1998) has rightly captured as a "crippled giant". The World Bank (1996) has also reflected this paradox in its report titled, "poverty in the midst of plenty". It has also been observed that Nigeria has had a "deep and enduring" political and economic setbacks while "billions of desperately needed naira have been wasted, a few have grown rich at the expense of the poor and accountability in government has proved highly elusive (Mundt and Aborisade 2004: 737) Indeed, Nigeria's 2005 G.N.P. per capital (PPP) ranking of 117th among 130 countries and her 2007 GDP per capital of US \$470.53 (World Bank 2007) make her far from being developed.

The Musa Yar'Adua administration which came to power in May 2007 through a highly flawed electoral process has again taken up the challenge of developing the country's economy

through its expressed desire to make her one of the twenty top-most economies in the world by the year 2020. The concern of this study is not with showing how or in what sectors Nigeria's economy is or could be competitive. Rather, it is concerned with highlighting political and social threats to its competitiveness irrespective of whether or not there exists abundant economic resources and whatever economic models and strategies that may be adopted. More specifically, it addresses how governance and corruption could hinder the competitiveness of the Nigerian economy in the 21st century. The need for this focus is borne out of the understanding that social and political factors are crucial to, and in the understanding of the process of economic development. To say this is not to imply any notion of political determinism. Social scientists have largely abandoned the old economic versus political determinism controversy; instead, there is a growing appreciation of the role of economic factors in political development and of political factors in economic development. Thus, as Scully (1988) has done, non-economic factors like political institutions are now listed among economic variables as determinants of economic development. The governments of Poland and the United States in a discussion paper they co-produced for the Second Ministerial Conference of the Community of Democracies in Seoul (November 10-12, 2002), reproduced in Scott et al (2004: 35) made the point clearly that:

Improvements in physical infrastructure, public health and education are crucial to development. But they are not the most crucial factors. Indeed, no amount of spending or public investment can compensate for bad governance. Corrupt, wasteful, abusive, incompetent governance undermines basic economic development. Where governance is endemically bad, leaders do not use public resources effectively, nor is private sector growth allowed to prosper smoothly and efficiently.

In fact, Ake (1996) has convincingly shown that such economic variables as lack of entrepreneurial skills, poor planning and incompetent management, the stifling of market mechanisms, low levels of technical assistance, the limited inflow of foreign capital, falling commodity prices and unfavorable terms of trade etc that are commonly used to explain the apparent failure of the development enterprise in Africa are less important than political conditions.

Similarly, social factors like corruption have also been found to negatively affect the economy. The National Economic Empowerment and Development Strategy (NEEDS) recognized that "systematic corruption and low levels of transparency and accountability have been major sources of development failure" (National Planning Commission 2004:100). It further notes that "Nigeria cannot afford the social, political or economic costs that systematic corruption has imposed" (P. 87) which is why "a strong and effective anti-corruption policy" was going to be "a priority of the government" (P.100). This role assigned to government in the fight against corruption and the National Assembly and other political institutions by the NEEDS document are clear testimonies of the recognition of political imperatives in the process of making the Nigerian economy competitive. Thus, even though "the government has begun to withdraw from its dominant role in the economy by privatizing, liberalizing and deregulating, the free enterprise, market-driven, private sector-led growth strategy does not imply the absence of regulation" (P.91).

Finally, it is instructive to note that since the Keynesian revolution, capitalist economic theory of free market economy has continued to accommodate a role for the polity and that the issue is not whether or not political conditions are important but, as Dinneya (2006: 242) observed, it is over which political institutions were most friendly to economic freedoms? Under what type of political regime were investors, consumers, and producers likely to feel that they have the strongest safeguards?" After an excellent review of the theoretical debate and empirical studies which centered around whether authoritarian or democratic regimes were more conducive to economic growth and development, he concludes that, "more than ever before, it is now proven that investors, consumers and producers are most likely to feel they have the strongest safeguards in a democratic than they have in authoritarian societies" (P. 246).

From the foregoing, it is abundantly clear that political and social factors are relevant to the competitiveness of any economy. More importantly, poor state of political institutions and corruption have been implicated in the failure of the Nigerian economy to attain any appreciable level of development. Incidentally, only about 17 out of the 48 years of the existence of Nigeria as a politically independent nation have been spent

under democratic rule. Thus, much of the political and social impediments to economic growth and development are actually associated with military rule. A graphic picture of how specific aspects of military rule affected the economy is as painted below:

In addition to mismanaging both borrowed funds and the huge economic rent from crude oil export, the regimes adopted repressive and unpopular policies that had plummeted the level of incentive for foreign investment. In the eyes of the international community that was dominated by its creditors, Nigeria had acquired the stigma of a pariah nation. Political Instability occasioned by the military's political dominance, had generated a poor human rights record; capital flight had reached its crescendo with domestic capital formation at its lowest ebb. The goodwill of the international community, needed for strengthening its bargaining position with creditors and the domestic political legitimacy for successful implementation of needed adjustment programmes, had eluded the country. (Dinneya 2006: 246-247)

Since 1999 however, the political environment had changed a great deal. There has been uninterrupted civilian rule for the longest period in Nigeria's history. For the first time, there was intra and inter regime transitions when the Olusegun Obasanjo administration got a second term mandate in 2003 and handed over to the Musa Yar'Adua regime in 2007. Since 1999 also, a vigorous anti-corruption campaign has been mounted. It has therefore become necessary and timely to investigate the extent to which these changes have eliminated or ameliorated the political and social hindrances to the development of the Nigerian economy. Are borrowed funds and earnings from crude oil exports being better managed? Have policies become less repressive and more popular? Is political stability now guaranteed and domestic political legitimacy higher? Has corruption reduced to tolerable levels where it would no longer inhibit the economy?

The Political Environment and Competitiveness of Nigeria's Economy

In his political economy of democratization model, Dinneya (2006:247-287) posited that for a political system to be instrumental to economic growth, it must have the capacity to offer what he called an 'enabling environment' defined in

terms of political stability, respect for human and minority rights, rule of law, minimal official corruption, liberalization of the means of production, fiscal discipline and policy fidelity. An assessment of the enabling environment of the Nigerian political system by reference to some of these indicators or measures is what we undertake in what follows. Our specific focus is on political legitimacy and political stability because of their fundamentality.

Free and fair elections are at the heart of legitimacy and political stability. As Nigeria's political history has shown, massive rigging of elections has been at the root of crises that led to democratic breakdowns in the first and second republics. Between 1999 and 2007 there was a progressive worsening of the credibility of election results. According to Suberu (2007: 5), the 14 and 21 April 2007 general elections that "should have been a milestone for democracy threatens instead to be a millstone, as an electoral process riddled with corruption and malfeasance raises doubts about prospects for democratic stability and consolidation".

The Election Petition Tribunals had to overturn the election of some governors and ordered re-run elections in Kogi, Adamawa, Sokoto and Bayelsa states. The hopes raised by the judiciary for redress were however, dashed as in all the cases, the governors whose elections were challenged retained their seats in the re-runs and tactically secured tenure elongation because, their tenure had to be counted from the date of their swearing in after the re-run election which for some, came after they had spent about a year in office. Worse still are cases such as that in Edo State where the tribunal had ruled in favour of Comrade Adams Oshiomole against incumbent professor Osunbor Osariemen but the latter remains in office more than 14 months while his appeal is pending. The worst case in terms of legitimacy is that of President Umaru Yar'Adua. He admitted that the election which brought him to power was flawed, set up an electoral reform committee but continued to rule for over a year while the case that challenged his election by the opposition lasted at the Election Petition Tribunal. Even though the Tribunal ruled in his favor, it is common knowledge that he never really won the election.

Several National Assembly and state Houses of Assembly elections were also challenged at the various tribunals. Some were upheld, others

overturned and others were still pending over a year after, including that of the Senate President, Senator David Mark. The point therefore is that the legitimacy crises which the Umaru Yar'Adua administration at the national level and several state governors as well as many elected representatives created as a result of the highly flawed April 2007 Presidential, gubernatorial, National Assembly and State Houses of assembly elections, is perhaps more severe than that created by military regimes. The latter at least, at the point of emergence after a successful military coup, could always have a catalogue of the ills of the toppled civilian or military administration to hang on to as a basis for rallying support and gaining legitimacy. Thus, to the extent that political legitimacy is a vital feature of a political system that could engender a competitive economy, it could be said that politics remains a threat to the global competitiveness of the Nigerian economy at the moment.

With respect to political stability, the situation is not different. The point about political stability is that if a political system is characterized by high regime turnover, the tendency is that there would be frequent policy shifts which could affect investors' confidence in the system. The fact therefore that the Peoples Democratic Party (PDP) Obasanjo administration for eight years culminated in the handover of power to another PDP government led by Umaru Yar'Adua who is widely believed to have been installed by Obasanjo himself, could have offered the greatest chance of continuity for the economic policies of the immediate past eight years, many of which, like privatization, were in line with well known prescriptions for competitiveness in a globalized free market, private sector-led dispensation. Such hopes of continuity have been dashed by the spate of policy reversals. One example of this is the reversal of the sale of the Nigerian Telecommunication Limited (NITEL) and its subsidiary, Mobile Telecommunications (Mtel) to Transnational Corporation. Another is the reversal of the sale of the Kaduna Petrochemicals and Refining Company and the Port Harcourt Refining Company. Others were the NICON Insurance Corporation and Nigerian Reinsurance Corporation, two companies bought by a Nigerian investor, Jimoh Ibrahim that had their boards dissolved in November 2007 by the Yar'Adua government. According to Helen Eni (2008: 20-25):

Government's action is said to have sent negative signals to investors and prospective investors in many other sectors of the economy. The perceived investment risk profile for Nigeria may have worsened as a result. Nigerians are concerned that government might be giving the wrong signals, especially to the international community, and this may hinder its search for foreign direct investments.

Thus, the policy reversals of the Yar'Adua administration have engendered the same negative effects as frequent regime turnovers that characterize unstable political systems. The Nigerian policy environment is as unstable as under military rule.

Similarly, borrowed funds and earnings from crude oil have not been better managed nor policies become less repressive and more popular because soldiers have been replaced by civilian politicians in the governance of the country. This is because, the rentier status of the Nigerian state occasioned by reliance on rents, royalties, taxes and profit from oil and consequent rent seeking by public office holders represent deep structural defects of the state and behavioral malady of the ruling elites across regime types. Consequently, legislators at all levels of the Nigerian federation have been associated with financial recklessness including approval of jumbo salaries and allowances for themselves as their first legislative assignments. Several state governors and local government chairmen and councilors have been fingered in the mismanagement of resources they held in trust for the people. As a consequence of the fact that access to state power is the surest and shortest route to wealth, state policies, especially in their implementation hardly reflect popular interests and the state continues to be repressive, denying citizens of some of their most basic rights. (Tell 2009)

CORRUPTION AND NIGERIA'S ECONOMY

As noted earlier, corruption has been implicated in Nigeria's economic under-development. Efforts have been made since 1999 to tackle the problem. All that we need to show here is the present level of corruption and to use it to make a statement on whether or not it remains a threat that it had been to the economy. The first thing to note is that the anti-corruption crusade of the Obasanjo administration had recorded some successes. The Independent Corrupt

Practices and other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission even in the face of daunting challenges had made some significant progress in at least showing that corruption was unacceptable. The EFCC under Ribadu even went beyond that by actually prosecuting and sentencing an Inspector General of Police Mr. Tafa Balogun and Governor Alamiesighan of Bayelsa State.

But within a few months of coming to power, Umaru Yar 'Adua took steps which indicated that he was out to kill the anti-corruption crusade. In August 2007, his administration attempted to take away the power of prosecution from the two anti-graft agencies by putting them under the office of the Attorney General of the Federation (AGF) which would have meant that the agencies would have had to seek the consent of the AGF to prosecute any public officer. It was only a deafening public outcry against the plan that saved the agencies. Furthermore, the indefatigable chairman of the EFCC who, in public view was doing well was removed under circumstances that were widely interpreted as another attempt to decimate the anti-corruption campaign. These steps prompted the Senate President, Senator David Mark to admit in an interview with *Tell* on December 3, 2007 that the anti-corruption war had slowed down. The implication of the forgoing is that the level of corruption cannot be reducing when the war against it is at a standstill.

In fact, Transparency International (2007) in its annual report on corruption around the world placed Nigeria in the 147th position out of 179 countries. More precisely to the point is the score of 2.2 for Nigeria in the Corruption Perception Index (CPI) which reflects the opinion of experts and business leaders in which countries are placed on a scale of 0-10 where zero represents the most corrupt and 10, the least corrupt.

As table I shows, it was only in 2006 that some minimal improvement was recorded, with no difference between 2006 and 2007 even as the present score of 2.2 makes Nigeria a highly corrupt nation.

The impact of corruption on the competitiveness of the Nigerian economy is particularly demonstrated in its negative effect on the provision of basic development infrastructure, notably, electric power supply. At the current level of 3,000 megawatts of electricity generation in a country of over 140 million people as against

Table 1: Corruption Perception Index for Nigeria, 2002 – 2007.

<i>Year</i>	<i>Corruption Perception Index (CPI)</i>
2002	1.6
2003	1.4
2004	1.6
2005	1.9
2006	2.2
2007	2.2

Source: Transparency International, Corruption Perception Index 2007

South Africa's 45,000 megawatts for a population of 40 million, the inadequacy of power is already telling on the cost of doing business in Nigeria. Both small enterprises- barbing and hair dressing salons, welders, frozen fish sellers- and big manufacturing firms run on their own generators at prohibitive costs leading to laying off of millions of workers and closing shop for some (Tell 2007). Efforts to raise the level of electricity generation to about 6,000 megawatts between 1999 and 2007 involving the expenditure of some 5 billion dollars by the Obasanjo administration under a National Integrated Power Project (NIPP) resulted in no significant increase largely due to corruption even as attempts to probe this by the House of Representatives has in turn been bedeviled by allegations of corruption leveled against the House Committee on the Power Sector chaired by Ndudi Elumelu. (Tell 2008a, 2008b).

As it is with power supply, so it is with transport infrastructure. Nigerian roads are in deplorable state in spite of the huge revenues from oil largely due to corruption. With the rail system under developed, haulage has become a nightmare and it is hard to imagine a vibrant economy with the kind of transport infrastructure on offer in Nigeria.

CONCLUSION, IMPLICATIONS AND POLICY RECOMMENDATIONS

In spite of the efforts made since 1999 to improve the political and social environment within which economic activities take place in Nigeria, political factors notably those associated with democratic governance – elections, legitimacy and political instability of the policy context – and corruption remain salient in Nigeria. Policy reversals by the Yar 'Adua administration has had the same effects on investors' confidence in the Nigerian economy as frequent regime

change under military rule. Similarly, corruption, which is a product of the political process, continues to have a debilitating impact on the Nigerian economy's competitiveness, making it impossible to provide basic development infrastructure such as dependable and reliable roads, rail system and electric power.

It is therefore only logical to recommend that the fight against all forms of electoral malpractices be intensified. In the same vein, the anti-corruption campaign should be reinvigorated. Of course, it is realized that public officers who are expected to make and implement policies to address the issues raised by these threats are the ones as shown above that sabotage the struggles against them. It is therefore recommended that civil society should take up the lead. The Fourth Estate of the Realm, the media has been doing well. They should be encouraged to continue to sensitize Nigerians to the threats posed to the competitiveness of the Nigerian economy by bad governance and corruption.

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