

Obasanjo Let in IMF To Destroy Nigeria

Professor Sam Aluko, Nigerian economist and prominent opponent of the murderous diktats of the International Monetary Fund (IMF), has issued an incisive critique—excerpts of which are reproduced below—of the failed direction of Nigeria’s economy by President Olusegun Obasanjo. There is speculation that the Nigerian Presidential elections, scheduled for April 14 and 21, could be destabilized either by violent demonstrations by supporters of Vice President Atiku Abubakar, who has been kept off the ballot as a Presidential candidate for the Action Congress party, or by the escalating conflict in the horridly underdeveloped Niger Delta region.

As a result, some fear that Obasanjo may try to remain in office under some type of interim rule under “crisis management” emergency conditions. More likely, Obasanjo will find a way to ensure that his hand-picked replacement, Umaru Yar’Adua, the Presidential candidate of the ruling People’s Democratic Party (Obasanjo’s party) defeats Gen. Muhammadu Buhari of the All Nigeria People’s Party.

While there is legitimate concern to have an orderly transition from Obasanjo’s two terms in office, to a new administration, Aluko identifies the central issue for the future existence of Nigeria to be the miserable failure of performance during the last eight years, which has delivered only increased poverty, and a further decline in essential services and vital categories of infrastructure. Aluko points out that what is now being heralded as the stunning accomplishment of Obasanjo’s second term—the so-called success of his “economic reforms”—were, in fact, imposed on Nigeria by the IMF and World Bank.

Yet, it is admitted, even by all the President’s economic team, that these “macro reforms,” which have made Nigeria a slave to the British-directed globalization free-trade empire, have had *no* measurable effect on improving the miserable conditions of life for over 100 million Nigerians, who somehow manage to exist on \$1 to \$2 a day. In fact, the government and its reformers tell Nigerians in a matter-of-fact tone, that they will simply have to wait for their lives to improve, since it will take five to ten years or more for these reforms to “work.” Will there be a Nigerian nation, and how many people will die over the next decades?

As difficult as it is to believe, electrical energy output, for example, has declined from the anemic level it was at during the Administration of Gen. Sani Abacha. While government officials report a mere 4,500 megawatts for the entire popula-

tion of almost 140 million Nigerians today, reports from inside Nigeria are that less than 2,000 megawatts is closer to the truth, with virtually every household in Nigeria suffering hours of energy blackouts daily. Aluko reports, along with other Nigerians, that all real-life physical indicators of the economy have worsened, including an increase in crime, since the end of the Abacha regime.

To receive the Good Housekeeping seal of approval from the IMF, and favorable credit ratings from both the Fitch and the Standard & Poor rating agencies, during the Obasanjo Presidency, Nigeria forked over \$12.4 billion in lump-sum payments to the banks as part of a write-off its debt to the Paris Club, and agreed to the privatization of 116 enterprises, and deregulation of its telecommunications, power, and downstream petroleum sectors. Nigeria also agreed to a new set of IMF conditionalities and IMF surveillance in order to receive support from the international financial community.

Aluko shows that these reforms are not only in violation of the Nigerian Constitution, but inimical to the welfare of the majority of its citizens. The most important question to be asked concerning next month's election is: Will it lead to a "fundamental change" in economic policy, and not just a new figurehead for the bankers' policies?—Larry Freeman

Below are excerpts of the Jan. 20, 2007 critique by Professor Sam A. Aluko, of the economic policies implemented by Nigerian President Olusegun Obasanjo of the People's Democratic Party (PDP), and the Nigerian National Assembly, since Obasanjo's May 1999 inauguration. The original format, numbering, spelling, and punctuation are retained.

Notes on the Nigerian Economy: 1999-2007

(1) The economic philosophy of the PDP is hinged on the market: "that government has no business in business". Therefore, all the existing government projects, plants, enterprises, refineries and shareholdings in industries, trade and agriculture must be sold and privatised so that government, particularly the Federal Government, can concentrate on governance. So, the Bureau of Public Enterprises (BPE) has been very active, since the Obasanjo Regime came on board on May 29, 1999, in selling off publicly owned enterprises, including houses and other landed properties owned by the Government. Such a philosophy violates the Nigerian Constitution.

1999 Constitution and The Privatisation Orgy

(2)(i) Chapter 1, Part 1, Article 3 of the 1999 Constitution of Nigeria provides that, if other law is inconsistent with the provisions of the Constitution, the Constitution shall prevail, and that law shall to the extent of the inconsistency be void.

(ii) Chapter 11 of the 1999 Constitution contains the *fundamental objectives and directive principles of state policy*.



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Professor Aluko, shown here at a Schiller Institute conference in Germany in 2001, points out that the development policy of the World Bank and IMF—which these institutions term the "Washington Consensus," are "not meant to provide an effective framework for combating poverty, nor for generating rapid economic growth."

(iii) Article 16(1) of Chapter II provides that "*The state shall, within the context of the ideals and objectives for which provisions are made in this Constitution*":

16 (1) (a) "*harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy;*"

(b) "*control the national economy in such a manner as to secure the maximum welfare, freedom, and happiness of every citizen on the basis of social justice and equality of status and opportunity;*"

(c) "*without prejudice to its right to operate or participate in areas of the economy, other than the major sectors of the economy, (the state) shall manage and operate the major sectors of the economy;*"

(d) "*without prejudice to the right of any person to participate in areas of the economy within the major sectors of the economy, (the state shall) protect the right of every citizen to engage in any economic activities outside the major sectors of the economy.*"

16 (2) "*The State shall direct its policy towards ensuring*":

16 (a) "*the promotion of a planned and balanced economic development.*" (There is no planned economic development today of 4-year, 5-year, 10-year, or 25-year Development Plan as was the case between 1946-1985. Planning the economy of Nigeria ceased with [former President and Commander-in-Chief of the Armed Forces Ibrahim] Babangida's introduction of the IMF-World Bank imposition of a Struc-

tural Adjustment Programme (SAP) in 1986. The planlessness has been more greatly emphasised in deregulation, privatisation, down-sizing of the public service, and reform agenda of the Obasanjo regime. Obasanjo now seeks to force planlessness on the nation henceforth through [the] succeeding surrogate regime of the PDP.

(b) “that the material resources of the nation are harnessed and distributed as best as possible to serve the common good.”

(c) “that the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of a few individuals or of a group.” The on-going privatisation of public enterprises and their sale to a few privileged Nigerians and foreigners are violations of these provisions of the 1999 Constitution.

(d) “The destruction of the houses of Nigerians in the Federal Capital Territory, Abuja, and the sale of the Federal Government houses in which many civil servants, parliamentarians, and other Nigerian citizens live is a violation of the provision of Article 16, Section 2(d) which provides that “suitable and adequate shelter . . . shall be provided for all citizens (of Nigeria).” Also, the reversal of the pension benefits of public servants and the deduction from their monthly wages for pensions, in place of the earlier non-contributory pensions; the non-payment of pensions and gratuities, as and when due; the retrenchment and retirement of public servants; the non-creation of employment opportunities and the non-payment of unemployment benefits to the unemployed, are violations of Article 16 Section 2(d) of the Constitution, which also provides that, “suitable and adequate food, reasonable national minimum living wage, old age care, and pensions and unemployment, sick benefits and welfare of the disabled are provided for all citizens (of Nigeria). The pension reform of Obasanjo is a violation of Article 173 of the Constitution which protects the existing pension rights of public servants

Dereliction of Responsibility by the PDP-Dominated National Assembly, with Respect to the Population’s Economic Welfare.

3. In order to protect the economy from being operated against the collective interest of Nigerians by a dominant minority, Section 4 of Article 16 provides that, “the major sectors of the economy shall be construed as reference to such economic activities as may, from time to time *be declared by a resolution of each House of the National Assembly to be managed and operated exclusively by the government of the federation,*” and until a resolution to the contrary is made by the National Assembly, *Economic activities being operated exclusively by the government of the federation on the date immediately preceding the day when this section comes into force, whether directly or through the agencies of a statutory or other corporation or company, shall be deemed to be major sectors of the economy, which shall be managed and planned*



State Department photo/Michael Gross

Privatization of projects and industries that had been established by the government, and the elimination of a government-directed economic planning perspective, as carried out by President Obasanjo, shown here at the 2004 UN General Assembly, violate the Nigerian Constitution, and have led to an increased impoverishment of the population, according to Professor Aluko.

by the State, that is, by the governments of Nigeria.

4. It is obvious that the on-going privatisation of the enterprises of government also violates this provision, since the National Assembly has not acted in consonance with this section, in spite of the BPE Act No. 4, enacted by the National Assembly in 2002. Nigerians should continue to shout that the on-going privatisation policy of the Federal Government is a violation of all the relevant provisions of the 1999 Constitution with respect to the management and control of the Nigerian Economy.

Neo-Colonialism and the PDP Regime

10. The majority of Nigerians supported the emergence of President Olusegun Obasanjo and the PDP into the governance of Nigeria in 1999, partly because of the assumed nationalistic stance and achievements of Obasanjo as Military Head of State during 1976-79. His 1976-79 regime championed the freedom from colonialism of many African countries, particularly of South Africa, Zimbabwe, Mozambique, Namibia, etc., with money, men and materials. Nigeria became the haven for freedom fighters in Africa. The 1976-79

regime nationalised the British Petroleum Company (BP) and renamed it, African Petroleum Company (AP). It nationalised land by passing the Land Use Decree. It passed the indigenisation Decree by which Nigerians became the managers of not only the commanding heights of the economy but also it provided them with wherewithal to manage and promote small and medium enterprises. It established the Bank of Commerce and Industries (BOI), the Nigerian Industrial Development Bank (NIDB). It promoted legislation for the establishment of more commercial and Merchant Banks that later increased the number of banks from 21 in 1979 to 89 in 1999. Through these measures and the planning processes generated by them, the Nigerian economy grew at an annual average of 7-9% during the early 1980s. The regime championed the establishment of the second Port Harcourt Refinery, the Kaduna Refinery, and the Warri Refinery to increase the number of refineries to four by 1983.

11. However, since the second coming of Obasanjo and the PDP regime in 1999, reverse nationalistic stance has become the order of the day. Rather than pursue nationalistic economic and political policies to the benefit of Nigerians, the regime has completely sold out to the western imperialistic nations, to the extent that Nigeria, today, is less independent, economically and politically, than it was in 1960 or in 1979. A few examples will suffice.

Economic Deregulation and Privatisation

12. President Obasanjo has completely imbibed the imposition of what has become known, world-wide, as the “Washington Consensus,” propagated by the World Bank, the IMF, and the Western Powers, in order that they will continue to control and direct the economic policies of countries that have no independent economic policies of their own.

(a) *The Washington Consensus*: The phrase, “Washington Consensus,” is term in development policy proposed in 1990 by the Washington-based financial institutions of the World Bank, the IMF, and their subsidiary agencies to signify neo-liberal, neo-colonial, market economic policies which are not meant to provide an effective framework for combating poverty, nor for generating rapid economic growth. Rather, they are designed to tie perpetually the economies of client economies to the apron-strings of the metropolitan “Western economies.” The main planks of the “Washington Consensus” were propounded by John Williamson, a World Bank Consultant, and is a synonym for neo-liberalism and market fundamentalism. In its broad terms, the principles enunciated in the consensus were, then, designed principally for the Latin American countries. The Washington Consensus contains ten broad propositions:

(i) Fiscal discipline via a Fiscal Responsibility Bill.

(ii) Redirection of public expenditures towards areas that offer both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructures away from public responsibility to

the private domain.

(iii) Tax reform, so as to lower marginal rates and reduce the tax burden in favour of the rich.

(iv) Interest rate liberalisation, so as to enable banks and other financial institutions to charge the ‘market’ determined rates of interest.

(v) Free and market-determined exchange rates, including recurrent currency devaluations, particularly in the dependent economies.

(vi) Trade liberalisation and the abandonment of trade regulation by the developing economies in favour of the metropolitan economies of the West.

(vii) Dependence on inflows of foreign direct investment as the main engine of growth of the developing economies.

(viii) Privatisation of publicly owned enterprises and the reduction or minimisation of government role in the economy.

(ix) Deregulation of the economy, particularly the abandonment of economic planning based on time sequences 4-year, 5-year, 10-year, or other types of perspective planning.

(x) Security of property rights in favour of the rich or endowed few, so as to prevent the imitation of the Japanese type of development.

13. The ten propositions were regarded as reforms which should be imposed on pliant countries that agree to be tied to the apron-strings of the developed economies. The original proponents of the Consensus have now admitted that the imposition of [the] majority of the propositions is harmful to developing economies, particularly currency devaluation, privatisation, trade liberalisation, deregulation, market determined economic policies, and dependence on the free flow of direct foreign investment. All the Latin American countries for which the consensus was originally designed have rejected the main pillars of the consensus. Some of the Latin American countries, like Venezuela and Bolivia are now nationalizing private foreign enterprises. The original proponents of the ten principles have admitted, in various fora and in publications at conferences, that the proposals are not immutable and should not be apishly adopted. The East Asian countries have also rejected the consensus since the 1996 Asian Economic Crisis, and have denied the role of direct foreign investment as the main pillar of their continued development programme. It has been further admitted that:

(a) Privatisation has become controversial in many parts of the world and has been rejected as a right-wing anti-people economic policy.

(b) Deregulation is equally not a policy that reverberates in the more rapidly developing economies of South East Asia (South Korea, Thailand, Singapore, Malaysia, Indonesia, Hong Kong and Taiwan—the Asian Tigers), where the economic policies pursued run much in the opposite direction.

(c) The Consensus is a conservative, right-wing capitalistic, rather than a progressive policy. It is more suited to devel-

oped, than to the developing economies.

(d) The consensus is a geographically and historically specific reform agendum for Latin America in 1989, and not meant to be adopted hook, line, and sinker by other geographic areas of the world where the economic situations are different. The proponents of the consensus have confessed that they had not considered the African or the Asian economic scenes when they propounded the consensus; and that some have interpreted the Washington Consensus (wrongly) as an economic manifesto valid for all places, and at all times. They admit that it has become foolish to advocate (as Obasanjo has been doing) rapid liberalisation and privatisation, and that it is a new economic imperialism. The proponents also admit that liberalisation does not necessarily imply a swing to market fundamentalism and a minimalist role of government. Thus, countries that adopt the Washington Consensus are more World Bank/IMF minded than the two institutions themselves, and are thus slaves to policies that had not been tested to have succeeded anywhere in the developing world.

(e) *Washington Consensus and Poverty Reduction*: It is now generally admitted that market fundamentalism, neo-liberalism, privatisation, and the minimization of the role of the government in the economy do not offer effective agenda for reducing poverty, because they do not build the human capital. On the other hand, the Washington Consensus policies are inimical to the cause of poverty reduction in developing countries and exacerbate the poverty of the poor. Also, that, pursued as Nigeria has been doing, the policies could precipitate an economic tragedy of the type that occurred during the South East Asian crisis, of the total collapse of the economy. The type of privatisation being pursued by the Obasanjo regime allows the plundering of the national assets for the benefit of an elite few. It is also agreed that no universal economic model, like the Washington Consensus, should be imposed on a country desirous of rapid economic growth. It offers very little, and warrants little or no support as a sufficient economic policy directive for a serious pro-people policy. It does not promote equitable income distribution, nor rapid economic growth, nor a decent economic

and social environment. Instead of sticking slavishly to the principles enunciated in the Washington Consensus, a new economic policy should be advocated that more adequately reflects the goals of development by enhancing the chances of local rather than foreign ownership of the means production, conducive to rapid, equitable growth. In many parts of the world today there is visceral hatred for free markets of the type being advocated by the Obasanjo regime. It is only practised by the lackeys of the IMF/World Bank and their Western sponsors. Much of the revenues derived from privatising public enterprises is not directed to the build-up of human capital to stimulate productivity in the economy. Rather, it goes *pari passu* with retrenchment of workers, instead of for the employment of more workers to propel the economy.

Concluding Comments

25. The purpose of this write-up is to show that some of the reforms being touted by the Obasanjo regime are not only unconstitutional, but are also inimical to the continued growth of Nigeria's economy and to the welfare of the majority of our citizens. They are also foreign-inspired and not home-grown as Nigerians are being made to believe. Nigeria is thus increasingly being dominated by external influences to the disadvantage of Nigeria. We have a puppet government, masquerading as a nationalist and reformist government. Even the NEEDS (National Economic Empowerment and Development Strategy), which is the economic blue print that encapsulates all the so-called reforms, was prepared on the directives and with the assistance of the World Bank/IMF. Little is heard of NEEDS of recent, and it is likely going to die with the exit of this administration. It is the anti-welfare stance of the Obasanjo regime that made fuel prices rise from Naira 18 per litre of PMS in 1999 to N65 per litre (now over N100 per litre) today, Diesel price rose from N17 per litre in 1999 to N95 per litre today, when available, and kerosene rose from N16 per litre in 1999 to more than N100 per litre today. It is kerosene that the rural population of Nigeria needs most. It has become unavailable. It is necessary that Nigerians be told the source, manner, and consequences of the on-going reforms, so that they are not deceived into believing the false propaganda that had been the bane of the reformers! Even the GSM [Global System for Mobile Communications] introduction was not introduced by the Obasanjo regime, but by the previous regime. It is a good communication network, but the regime had virtually destroyed the land-telephone system in order to privatise it. In other countries, the land telephone system is the main communications system, with the mobile phone system as a subsidiary and emergency outfit to the land telephone system. It is therefore, necessary for the opposition parties, wanting to replace the PDP, in the 2007 elections to have their own alternative blue print that will be more in tune with the economic needs and the aspirations of Nigerians.

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