CHANGES IN MACROECONOMIC POLICY FRAMEWORKS IN NIGERIA LESSONS FROM HISTORY

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Abstract

On April 5 2017, the Federal Government of Nigeria launched the National Economic Reconstruction and Growth Plan (NERGP), a strategic response to the wrenching economic challenges facing Nigeria and Nigerians. This paper reviews the rapid changes in economic frameworks in Nigeria and mines lessons therefrom, as an input into operation of the current plan. Macroeconomic frameworks reviewed include the National Plans, Structural Adjustment Programme, Vision 2010, Framework for Economic Growth and Development, National Economic Empowerment & Development Strategy Seven Point Agenda and the Transformation Agenda. The lessons include instability of roadmaps and operators, inconsistency of roadmaps, loss of compassion by government and abandonment of most development efforts to the center. Recommendations include resuscitating the Development Planning and Project Continuity bill, adopting or adapting the Indonesian model, bringing States and LGAs on board the economic development vehicle, poverty impact assessment of government policies, and adopting a change management mindset to the introduction of new economic frameworks.

Introduction

Government involvement in economic affairs has always been a contentious issue. The Classical Economists promoted the invisible hand doctrine, arguing that Government need not be involved in economic affairs since the market forces ensured that there would never be any over-production or general unemployment through its automatic self-regulatory mechanism (Stonier & Hague; 1972). During the Great Depression however, there were both over-production and unemployment and the classical school had no prescription for the situation. Keynes (1936) then provided an alternative perspective, arguing that self-regulatory mechanism would not guarantee full employment and price stability in a capitalist set up and that it was necessary for the Government to intervene through monetary and fiscal policies (Umo; 1986). In effect, government intervention in economic affairs owed its origin to Keynes.

It is now generally accepted that Governments exist to promote the welfare of the citizens, with the social contract creating the framework for the pursuit of the common good. In the past, the process of determining the common good varied sharply according to the political system but as at today, the multi-party democracy/open market system has become generally accepted as the right way of determining both who should be in charge and what the common good is. Under a democratic framework, what constitutes the common good is largely determined by the constitution, and the manifesto of the ruling party-which shows how it intends to promote the common good within the confines of the constitution To ensure inclusive economic development in an orderly manner, governments initiate economic blueprints, which guide and coordinate economic activities. (Muo, 2006) This paper reviews the various economic frameworks that have been adopted in Nigeria since 1960, draws some lessons from their operations and makes appropriate recommendations. This paper,
beyond the introduction, is divided into four, covering traditional macroeconomic objectives, review of the various economic frameworks, lessons from the operations, recommendations and conclusion.

**Traditional Macroeconomic Objectives**

The broad objective of government intervention in economic affairs is to ensure development and this is pursued through these specific macroeconomic objectives: achievement of full employment, domestic price stability, exchange rate stability and balance of payment equilibrium. It is generally agreed that these objectives involve some element of tradeoffs. (Jinghan, 2010; Onwe, 2013). Over the years, these macroeconomic objectives have been redefined to include issues like poverty reduction, economic diversification, equitable income distribution, economic efficiency, economic freedom and security, and economic nationalism (McConnel & Brue, 1980). Another development in this regard is the advent of Stabilization Policies, which many developing countries were encouraged to adopt by the Multilateral Financial institutions, with the key objective of ensuring macroeconomic stability (Todaro & Smith, 2014).

The measures of economic development have also gone beyond Gross National Income, Gross Domestic Product and Per Capita Income, which did not reckon with poverty, income distribution, unemployment and other indicators of well-being. Measures of development now include some social factors as propounded in the Capabilities concept and Human Development Index, with the core values as sustenance, self esteem and freedom from servitude, and objectives as availability of basic goods, raising the levels of living and expanding the range of economic and social goods available to individuals (Todaro and Smith, 2014). Governments have tried to achieve these various objectives through fiscal and monetary policies (Ackley, 1978) and these objectives have also been adjusted to suit different local peculiarities. In Pakistan for instance, these are divided into economic, demographic, cultural and political, and technological and miscellaneous objectives (Khan, 2011).

**The Macroeconomic Policy Frameworks in Nigeria**

**Constitutional Foundation**

The Nigerian Constitution declares that “the security and welfare of the people shall be the primary purpose of government”, through the provision of maximum welfare, freedom and happiness, adequate shelter and food, reasonable national minimum living wage, old age care and pensions, equal and adequate educational opportunities, within a social order founded on the ideals of freedom equality and justice. The constitution also defines the common good to include the sovereignty of the people, participatory democracy, humane governance, establishment of a self-reliant economy devoid of corruption and abuse of power, and rule of law. It is obvious that the economy is the cornerstone for the achievement of the common good and that the other aspects of the fundamental objectives are not achievable unless the economic aspects are adequately addressed. Resultantly, the economy remains the topmost priority, and the usual means of evaluating Governments. To ensure coordinated economic action, Nigerian government has designed various embracing frameworks for economic action over the years.

**National Development Plans**

At independence, the National Development Plans provided the economic framework, aimed for the “achievement and maintenance of the highest possible rate of increase in the standard of living”. The first plan was launched in 1962 and due to the disruptions caused by the political crises, military coup and the Biafran war of independence, was extended to 1970. It was followed successively by the 2nd (1970-1974), 3rd (1975-1980), and the 4th/last (1980-1985). The plans provided coordination, control and milestones. As the economy moved from oil boom to the oil curse (Ross, 2013), austerity measures were introduced, the problem of debts and trade imbalances emerged and the macro-economic fundamentals became distorted, and that was how the IMF and allied institutions got involved in the affairs of Nigeria. The 1980-1985 plan was the last and it is believed that the abandonment national plans is one of that factors responsible for our economic woes (Nwankwo, 2003).

**The Structural Adjustment Programmed**

The Babangida administration introduced the Structural Adjustment Programmed, (12/7/86), with devaluation, deregulation, privatization and commercialization as the key ingredients. Enthronement of market driven resource
allocation; weaning government from business; restoring a healthy balance of payment position; establishing a ‘realistic’ exchange rate for the naira and diversifying the productive base of the economy, were the specific objectives. Under SAP, the number of banks increased by more than 200% in a dwindling economy leading to intense competition; the foreign exchange and interest rate structure were deregulated and the Naira depreciated alarmingly. Policy summersaults, public sector debts, and regulatory laxity led to bank and economic distress and eventually the government tinkered with SAP, moving from deregulation to re-regulation to guided deregulation. SAP led to the abolition of the corrupt import-license system but it also led to a suffocating attention to macro-economic stability and in the process, everything was reduced to a statistical variable to be manipulated to achieve macroeconomic stability. As the UNDP (1996:42) regretted, economic reform programmed which sacrifice job creation in favor of achieving macroeconomic balances have turned out to be anti-people, anti-women, anti-nature and socially destabilizing’

**Vision 2010**

The government of General Abacha introduced Vision 2010, one of the most comprehensive and well-articulated documents on the way forward for Nigeria. The vision of Nigeria was “to be a united, industrious caring and God-fearing democratic society committed to making the basic needs of life affordable for everyone and creating Africa’s leading economy”. The document identified 13 critical success factors grouped into Value System; Human Capital, Governing System and Global Competitiveness, and recognized 17 sustainable economic sectors and issues which were categorized into macro-economy, real sectors development funding/capital mobilization. The plan of action was subdivided into immediate (October-December 1997), short term (1998-2000), medium term (2001-2005) and long term (October 1997 to 2010). It also established 22 desired milestones in areas as GDP (10% growth rate), inflation (<5%), population growth rate(<2%) education and health (20% and 10% of budget) local content in oil and gas (50%), and Human Development index(0.8) and included a detailed action plan (FGN, 1997). The questions of the extent to which Abacha would have executed Vision 2010, and how it would have impacted on Nigeria and Nigerians were overtaken by events but many believed (some still do) that its faithful implementation would have placed the country on a path of sustainable economic development.

**Framework For Economic Growth and Development (2003-2007)**

On 5/3/02 the Government of Chief Obasanjo announced the imminence of an indigenous economic programme, to “build national unity, deepen democracy, and raise the level of security and in October 2003, launched the Framework For Nigeria’s Economic Growth and Development (2003-2007) committing itself “to a prudent and transparent macroeconomic strategy that supports poverty reduction in achieving economic growth and price stability and assuring National unity, democracy, good governance and security”. The key targets included inflation rate of below 10%; real GDP growth rate of 7%; market-driven exchange and interest rates, minimum of 6 month foreign reserve levels, complimentary monetary and fiscal policies and budget deficit of less than 2%. It also promised civil service reforms, an efficient and compassionate economy and the creation of the New Initiative for Growth, Employment and Redistribution (NIGER) (FGN, 2002:50). The Framework was dead on arrival due to political dynamics of that election period and when Obasanjo was re-elected he stressed the need for further reforms and before long, we were in the era of National Economic Empowerment and Development Strategy (NEEDS). There was no evidence that the Framework was used as a working document after its formal launching and we lost the opportunity to see how President Obasanjo would have run a compassionate government.

**National Economic Empowerment and Development Strategy**

Formally launched on 15/3/04, NEEDS was a nationally coordinated framework of action for inclusive development, and the promotion of enterprise, competition, equity, efficient and effective public delivery, and disciplined leadership. It’s three core principles were an incentive structure that rewards entrepreneurial spirit and excellence; new forms of partnership among all stakeholders, and a public service that delivers prompt and quality service to the people. Ultimately, NEEDS rested on four key strategies: reforming of Government and institutions, growing the private sector, implementation of a social charter and value re-orientation. The targets included 2million jobs; GDP growth of 7%, inflation rate of 9%, external reserves of $10.6bn, adult literacy of 65%; electricity generation of 10000 watts, all by 2007. Coordination was ensured by the collaboration between the three tiers of government as all the states and local governments were expected to prepare and prosecute their own versions of NEEDS, with an inbuilt quarterly review mechanism.
The 7-Point Agenda

President Yar’adua, the self-acclaimed servant leader, introduced the Seven-Point Agenda in 2007 to enhance physical infrastructure, thereby improving the capacity of non-oil sectors to contribute to more sustainable and enduring economic development. It keyed into the MDGs and was aimed at making Nigeria one of the 20 leading economies by 2020. The seven areas of strategic interest under this programme were transportation; power and energy, food security; national security, Niger delta and energy security; education and human capital development; land tenure reforms and home ownership and wealth creation (Nigeria High Commission, London, 2007). The public appraisal of the programme was mostly negative (Guardian opinion poll, 1/6/08) though Gadzama (2013) believes it was a suitable policy option for Nigeria’s food security challenges. Dode (2010) opines that the administration lacked the political and administrative will to implement it while the African Peer Review Mechanism (2008) gave this harsh assessment: it is questionable in its realism …and does not meet the requirements for a clearly defined shared vision for two reasons: it lacks specification of the structural transformations to be undertaken and it is limited to only seven priorities. Anyway, President Yar’Adu’s tenure was brief and marred by the crises of health, death and transition and it is difficult to say what would have been the fate of the 7-point agenda if he had lived out his tenure.

The Transformation Agenda

Lessons from the past

The lessons from the initiation and implementation of these economic frameworks are varied and can be identified as follows.

Instability of the roadmaps

The frameworks have become increasingly unstable. For the first 25 years (1960 to 1985) Nigeria relied on national plans, but in the succeeding 25 years (1986-2011), we tinkered with up to four major and several minor economic roadmaps and now we have the NERGP. The goals of these frameworks were all commendable and basically similar to those of the development plans. The major problem was implementation-poor implementation, non-implementation or even outright sabotage. There is also the penchant for Nigerian leaders to always initiate their own programmes, irrespective of the performance of previous ones. The 1996 UNDP report bemoaned this unfortunate tendency when it stated that “it is no coincidence that various military and civilian governments of Nigeria have repeatedly announced new policies on virtually every aspect of the national life and there is no doubt that they will continue to do so in the future…” The African Peer Review Mechanism (2008) is also emphatic that continuously moving from one strategy to another without proper evaluation of the previous initiative, the multiplicity of strategies, plans, programmes and schemes, does not help in the building of the country’s capacity for self-reliance,”

High turnover of the operators

The frequent changes in economic frameworks have also been followed by a worrisome turnover of operators. The Economic Adviser is supposed to be the economic powerhouse to the president. Since 1999, we have had more than a dozen of them, with some of them removed before they could familiarise themselves with their office layouts and protocol requirements. Whereas these men may well have been capable, the turnover is embarrassing and with our tendency to always ‘do something new’, the economy has not been better for it. It should be noted that this executive instability has been a key feature of Nigerian governance as measured by the turnover of ministers, particularly in education and sports.

Government has lost compassion

Over the years, government economic policies have become increasingly devoid of compassion; it has lost the proverbial human face. Since the advent of SAP, government policies have become so concerned with economic efficiency, commercialization and appropriate pricing that no attention is given to the people dimension. Where such people issues are remembered, it is done just to fulfill all righteousness. All the documents contain the people dimension, with NEEDS containing a social charter pledging to give voice to the weak. However, that is where it ends. But the welfare of the people ought to be the main reason for all economic activities and indeed the existence of government.
Development has become a federal affair

Increasingly, all development efforts have become centralized with the other tiers of government reduced to mere spectators in the development arena. The states are content to pay salaries (if they do), construct a few roads and secretariats, and massively advertising the dividends of democracy. That is why Amuta(2006:8) laments that the governors have ‘mistaken masonry for development.’. The LGAs exist mostly as avenues for syphoning federal revenue. Even when efforts are being made, the level of coordination and collaboration is very poor especially, when the various tiers have different political inclinations.

Inconsistency

These various roadmaps have been characterized by policy inconsistency and contradictions. NEEDS plans to increase employment and reduce poverty but it engineered a mass-sack of civil servants (without any reorientation or providing an entrepreneurial-friendly environment); prioritized the demolition of peoples’ houses without due process and banned items of trade and raw materials without adequate notice. And while the Federal Government is privatising and commercializing, it is establishing statutory bodies with duplicated and conflicting responsibilities while state governments are establishing more state owned enterprises and agencies with questionable mandates. The absence of long-term perspective, and lack of continuity, consistency and commitment (3Cs) has unfortunately culminated in growth without a concomitant improvement in the overall welfare of Nigerian citizens. As at 2011, Nigeria had 11886 abandoned projects requiring about N8trn to complete. Most of the projects were procurement driven, rather than development driven and were skewed in favor of personal, rather than national interests (Bunu, 2011). This is because each government has a new roadmap with a new set of priorities. That was why the Jonathan government proposed the Planning and Project Continuity Bill, so as to strengthen the Plan-Budget link and reduce the high incidence of abandoned projects.

It has been motion without movement

The objectives of the 3rd National plan for instance were to increase the per capita income, ensure more even distribution of income, reduce unemployment, diversify the economy, achieve balanced economic growth and enhance the indigenization agenda. These are the same objectives we are still pursuing today, though in different languages. This is an unfortunate indication that we have not made much economic progress.

Conclusion and recommendations

We have reviewed the roadmaps to economic development used in Nigeria since 1960. It is obvious that these roadmaps have not delivered on their promises and those looking for hard core research evidence should acknowledge the simple fact that Nigeria and Nigerians were better in 1960 than in 2017, in all dimensions. There may be other significant variables but the key problems with these roadmaps have been poor implementation, instability, alienation of the people from the development process and de-emphasising human beings as the locus of development efforts. There has also not been anything fundamentally wrong with the various frameworks to warrant their replacement except the penchant for everybody to start something new. We need economic roadmaps, but the roadmaps are means to the end and not ends in themselves, and the outcome will depend on how they are applied.

The human drivers of the roadmaps should be capable, sincerely committed to the journey/destination and ply the road as mapped. If the driver left the smooth expressway for a narrow bush path, plied the expressway on gear one, failed to put the car in a good shape for the journey or attended an all-night riotous party just before the trip; if he claimed that there is low visibility or that the vehicle broke down; if area-boys attacked the vehicle or the natives blocked the road for non payment of compensation; if the chief driver disagreed with the spare drivers or conductors; if he can not read/understand the map or even drives the vehicle in opposite direction, then, the roadmap becomes useless So, whether it is Framework, Vision 2010, NEEDS, or ERGP, the target is visible improvements in peoples’ standard of living. The issue is that the roadmap should be people oriented and be properly implemented. The turnover of economic roadmaps and their pilots has not done the country any good. And whatever the roadmap we are operating, the following recommendations are imperative. Efforts should be made to retrieve, fine tune pass into law and operationalize the Development Planning and Project Continuity Bill which was muted during the Jonathan era. This will ensure policy and operational continuity. Nigeria may adapt the Indonesian model, with a standing National Long Term Development Plan (the current is 2005-2015) and 5-year
National Medium Term Development Plans. The medium term plan draws from the former, and enables any new government to set its own priorities, with the proviso that it MUST be in tandem with the long term plan, which serves as a template for the whole Indonesian nation (government, businesses, society and NGOs). This ensures that we know where we are going and that continuity is assured while allowing politicians to do their own things, but within a known framework.

The states and especially, LGAs must become partners in the development process, with clearly articulated plans and policies. Our states only announce budgets with fanfare while nothing is ever heard of the LGAs. The state budgets must be underpinned by a developmental philosophy while the LGAs should have their own budgets within their limited resources. Development is all about the people and we cannot be developing when the people do not feel the impact or their conditions are regressing. It is imperative that the government undertakes a compulsory poverty impact assessment for all its programmes and policies. The Structural Adjustment Programme pauperized both Nigeria and Nigerians and while we were told the expected upsides, nobody mentioned anything about the downsides. A Poverty Impact Assessment (just like the Environmental Impact Assessment), is thus necessary to assess in advance, the potential poverty implications of any government programme, determine whether it is worthwhile in view of its poverty index and design sustainable and scientifically-based safety-nets or in our local parlance, palliative measures.

It is also important that going forward, before any macroeconomic framework is discarded, a comprehensive study should be conducted to exactly ascertain what is wrong with the previous one, why it is no longer appropriate at the time, and or changes that should be made in it so as to add more value to the economic wellbeing of the people. This will make the process scientific and prepare all the stakeholders adequately for the envisaged changes. Two of the reasons why our economic frameworks do not yield the desired results are the high rate of corruption and our import dependency. On corruption, there is need to design a comprehensive framework and strategy, broaden the concept beyond the narrow focus on financial corruption, strengthen appropriate institutions and concentrate on efforts to plug the loopholes that facilitate all forms of corruption. The import dependency syndrome also requires attention so that a great percentage of our resources are retained within while our people learn by doing. The recent engagement of consultants from Malaysia at $1500000 to facilitate the NERPG implementation (Udoma, 2017) by a government that has the local content programme and declares support for made in Nigeria goods, is far from ideal.

A change management mindset should be adopted in future changes in our macroeconomic frameworks because each new framework involves changes in attitudes and behaviours and as with all change programmes, issues of resistance will ordinarily arise. Change management and transition strategies are thus inevitable for the success of any new macroeconomic framework, including the current NERG. As we settle down to the realities of NERG, deliberate efforts should be made to ensure the stability of our economic roadmaps or frameworks. There is nothing wrong with all the roadmaps we have abandoned because they all contained contain very lofty and desirable aspirations. The sincere implementation and continuity of these roadmaps is what matters today and tomorrow.

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