Nigeria Sends IMF Team Home, Empty-Handed

by Uwe Friesecke

The Nigerian government at the beginning of March ended its informal consultations with the International Monetary Fund. An IMF staff mission which had been in the country since Feb. 25, to review Nigeria's recent economic development and the outlook for 2002, had to leave without achieving anything.

While the Chief Economic Adviser to President Olusegun Obasanjo, Dr. Magnus L. Kpakol, was quick to say that this did not constitute a formal break with the IMF, political observers in Nigeria regard this as an admission by the government that its present pro-IMF policy has been a failure. According to Dr. Kpakol: "There is no implication, because there is no formal break from any program. Nigeria did not withdraw from anything. We do not have a program with the IMF. We did have an informal monitoring relationship with them." And the government assured its international creditors that it did not intend to leave the IMF. As a sign of good will to the Obasanjo government, the IMF had given Nigeria a $1 billion stand-by agreement in July 2000, which ran out in June 2001. Afterwards, the IMF and Nigeria agreed to an informal monitoring relationship. But obviously, the IMF expected Nigeria to follow the Fund's well-known recipes, adhering to strict economic austerity measures in exchange for questionable promises of future debt relief.

Whether the current move will actually lead to a substantial change in economic policy, is still an open question, but the mood in the country is one of eagerness for such a change. President Obasanjo, who was supported by the West in his campaign against Nigeria's former military government, has now been in office for three years, and the population is still waiting for the "democracy dividend" to appear. For all this time, President Obasanjo has played to the tune of the IMF and often rebuked his critics sharply.

One reason for the sudden change now, is his intention to run for a second term in office in 2003. Some advisers have probably impressed upon him, that a further deterioration of the economy would become a serious obstacle to his reelection.

But there are more fundamental reasons: For a long time, opposition has been growing in the Parliament and other institutions in Nigeria, against the pro-IMF policy of the government. More than 80 million Nigerians live in abject poverty; the economic hardship for them, as well as members of the former middle class, has become so untenable, and social unrest has intensified so much in many parts of the country, that the government fears a revolt, including from the military.

Reliable sources report that the IMF staff mission demanded new macro-economic targets for 2002, which the Obasanjo Administration regarded as "undue pressure," and rejected. Apparently, Obasanjo and his advisers came to the conclusion, "Enough is enough." Nigeria's Finance Minister, Adamu Ciroma, declared that in the interest of "political stability, democratic consolidation, credibility, and accountability," the country "does not wish to continue with arrangements where only narrowly defined macro-economic considerations come into play." Others were even more outspoken. The governor of Ogun State in Nigeria's Southwest, Chief Segun Osoba, demanded that the IMF handle the debtor nations in a "godly" way, and stated to journalists in Lagos: "We have paid and paid. What we are paying now are interest and punishment for defaulting. The amount we have borrowed—we have paid double, triple that amount since we borrowed, and they keep telling us interest, punishment, penalty; and that is never-ending."

Opposition against the IMF is especially strong in Nigeria's National Assembly. There, Sen. Abdullahi Wali, chairman of the economic committee of the Senate, commended the government for its decision and said, "We had severally advised against the idea of subjecting our economy to the dictates of the IMF, in the National Assembly, and this action will restore people's confidence in the administration."

The Country in Crisis

Since the beginning of this year, President Obasanjo has come under increasing criticism for failing to improve the economy and for being insensitive to the increasing hardship Nigerians have to endure. As part of the government's plan to liberalize and deregulate the economy further, which is what the IMF demanded, gasoline prices went up 18% on Jan. 1, and kerosene rose 41%. This hit an economy which, throughout 2001, had suffered from the steadily declining value of the currency, the naira. In most parts of the country, food prices doubled in 2001. Drivers of private buses—the transportation means for the majority of people to go to work—increased their fares by 60 to 100%. The measure met harsh criticism from trade union leaders, who accused Obasanjo of "promoting poverty." His government was reminded of the scandal that Nigeria, as an oil-rich and oil-exporting country, is still not able to supply the domestic market with refined products. For all its loud criticism of former governments, Obasanjo's administration, after three years in office, has made no progress in getting the nation's four oil refineries to break the dependency on imports of petroleum products.

In protest over the price hikes, the Nigerian Labor Congress organized a nation-wide general strike in mid-January. This action was broken by the heavy-handed tactics of the government, which used the courts to declare the strike illegal and started throwing strike leaders, including president of the union, Adams Oshiomhole, in jail. According to Nigerian press reports, Obasanjo personally threatened some of his government functionaries with losing their jobs, if they could not crush the trade unions. The general strike collapsed, but at the price of Obasanjo losing more of his credibility.

While poverty increased and social services collapsed further during the past three years, political tensions and violence, often expressed as religious or ethnic conflicts, escalated. Some press in Nigeria have calculated that since the Obasanjo Administration came into office, more than 10,000 people have been killed. The worst tragedies were the clashes between Christians and Muslims in Kaduna in February 2000, with 3,000 victims, and similar clashes leaving more than 500 dead in September 2001, in the city of Jos in central Nigeria.

At the end of last year, the nation was shocked by the killing of Minister of Justice and Attorney General Chief Bola Ige in Ibadan. A team of assassins walked freely into the Minister's residence and shot him, leading many to question the government's competence to guarantee security for its officials. Also, the rise of violent crime, including spectacular killings of policemen, was seen to be the result of government incompetence and neglect for the public welfare. In reaction, policemen in the Rivers State called a strike, protesting missed wages and impossible working conditions. Finally, the biggest disaster occurred on Jan. 27, in Nigeria's former capital, Lagos. The armory at the Ikeja military cantonment suddenly caught fire on a Sunday night, and bombs and other ammunition began to explode. The mayhem lasted for more than three hours, and the Lagos skyline was lit by huge fireballs. Bombs flew into the neighborhoods of the densely populated area, and a general panic ensued. Many ran for their lives into a deep canal, and hundreds drowned. In the end, the tragedy left up to 2,000 people dead.

President Clashes With Parliament

Even though his own party, the People's Democratic Party (PDP), controls the majority in the House of Representatives, President Obasanjo had to face a debate on the State of the Nation, during which he was harshly criticized. Some members presented a motion in which Obasanjo was accused of "profound insensitivity to the welfare of the suffering masses of our people," of ignoring "the deepening unemployment, rising indices of poverty, diseases." The government's privatization program was specifically attacked, as selling off the "commanding heights of our economy." There were even rumors circulating in Abuja, Nigeria's capital, that members of the House were preparing the impeachment of the President. Elsewhere in the regions, the tone of criticism of the President became sharper.

The position of Obasanjo's Administration became more difficult by the day, because the only source of praise for its policies came from outside Nigeria—from the IMF, the World Bank, and the British and U.S. governments. Obasanjo had, from the beginning of his Presidency, through his international travels to meet world leaders, placed tremendous importance on gaining such praise. But during the crisis surrounding the future of Zimbabwe, he was confronted again with how empty those utterances by Western heads of governments are, when it comes to the well-being of Africans.

Then, the IMF team demanded strict ceilings on the release of appropriate funds to the economy, as a condition for approving Nigeria's 2002 budget, which is stalled in Parliament. Contractors were complaining about the lack of funds to implement projects. As usual, the IMF fanatics want to dry out the economy for the sake of macro-economic statistics, and in total disregard for the development of the real economy. If the Nigerian government had accepted this, it would have amounted to political suicide for Obasanjo; and therefore, presumably, he agreed to confront the IMF with the decision to withdraw from the informal monitoring relationship.

But with this decision, as commendable as it is, the fight over the future of economic policy for this country of more than 120 million people has just begun. Those in government and the private sector who were the promoters of the IMF policy, will now try to realize a Nigerian version of what the IMF demanded, without calling it IMF-directed. When Dr. Kpakol said that the government will go ahead with its privatization program because it was the government's own decision and not that of the IMF—where everybody knows this was the crucial IMF demand all along—it points in this direction.

As for the IMF itself, it is confident that it will be invited back to Abuja. It stated in a March 6 press release: "The [IMF] staff mission supports the government's resolve to devise a homegrown program, taking into account Nigerian realities. It also welcomes its invitation for the IMF's technical expertise in developing such a program after the budget 2002 is finalized. The IMF would urge that any such program be strong and designed to help achieve Nigeria's social and economic objectives that the IMF fully shares."

The serious opponents to IMF policy, of which there are many in both Houses of the National Assembly and in the governorships of the states, recognize that behind these sweet tones, the well-known poisonous snake called "structural adjustment program" (SAP) is waiting. As in the rest of the world, this policy has been thoroughly discredited also in Nigeria. The government's decision to give it up for the time being, just proves this again. Many Nigerian politicians know the alternative, a policy of real infrastructure, agricultural, and industrial development. Over the years, they have been introduced to U.S. economist Lyndon LaRouche's proposal for a new, just world economic order. Will they now seize the moment of opportunity to exert such pressure, that the needed policy shifts occur that could steer the Nigerian people out of their current misery?