# AN OVERVIEW OF NIGERIA'S MACROECONOMIC ENVIRONMENT

By

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*"Africa's once post-colonial era has proven to be a time of economic despair, with conditions in the vast majority of African countries today as bad, if not worse than ever before" (Centre for International Economic Growth, Nov. 14. 14, 1991 p. 1)*

## INTRODUCTION

It is a great honor and privilege for me to be here at this year's 4th executive seminar on "Creating an Enabling Environment for Economic Development in Nigeria" At the 3rd Executive Seminar last year, I had the opportunity to address this very important body on "The Role of the Central Bank in Economic development." It is very gratifying to note that the issue of the growth and economic development of Nigeria is the theme of this year's seminar and is being given serious attention by the Departments of Research and Personnel of the Central Bank of Nigeria.

I have been asked to present a paper on "An Overview of Nigeria's Macroeconomic Environment". As simple as the topic may appear to be at a first glance, I nevertheless have a number of problems in dealing with it. The first relates to the analytical framework within which a structural presentation can be made within the stipulated time. Specifically, what are the constellation of factors that must be present before the macroeconomy is conducive to growth and development? And what really are the issues in economic growth and development? The second relates to how far back in our history I should go in order to make the presentation and what are the key periodic benchmarks that should be utilized in the analysis. Of course, the issue of what constitutes the major macroeconomic environment may not have a generally accepted answer. Indeed, it should be realised that the macroeconomic environment of a nation is not a static affair. A review of this nature may therefore require probing into the political and economic history of Nigeria. This certainly requires a lot of work because of the quantum of materials which cannot effectively be dealt with within the time allocated to this lecture and the discussion thereafter.

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My assignment is not in anyway made easier by my association at international scholarship arena where usually in recent times, the Nigerian issues are at seminars, discussion groups treated with scorn and derision.

Indeed, my several sojourn in Washington as a consultant/researcher has almost turn me psychologically to the Washington belief that nothing ever works in Nigeria, a country full of potentials that have essentially been wasted. Nigeria in all cases represents the textbook case of general macroeconomic failure. In most cases the macroeconomic framework of Nigeria is often compared with that of Indonesia, a country whose all macroeconomic data were less favorable than Nigeria at the dawn of the petroleum era but which today has become a very successful country. Nigeria is seen as a country where corruption and lack of transparency is endemic. Of course, increased transparency and accountability in government, respect for human rights, and adherence to the rule of law are necessary macroeconomic environment for economic growth and development. On this platform alone it its very easy for me to conclude by simply saying that the macroeconomic environment of Nigeria has mainly been hostile and unconducive to growth and development. Be that as it may, it is my hope, however, that in dealing with this important topic, I will endeavour to grapple with it knowing fully well that the number of people here are not only Nigerians but do know and understand all that I shall try to analyze but would also be sympathetic because our destiny lies in the unity of purpose and definite resolve for a better tomorrow if indeed the past has not been as glamorous as it should have been. The truth is that we may have progressed in some area but whether we could have done better (more growth and development) than we have done so far is another issue.

My task therefore will be to provide a general overview and leave the other technical sessions to fill in the necessary gaps as they each deal in the micro aspects and make policy prescription of the various facets which my paper will inevitably touch upon.

## II. SOME STYLIZED FACTS

Permit me to say upfront that the existence of a stable, undistorted macroeconomic environment is the foundation of a strategy for economic growth and development. What is this environment? The macroeconomic environment consists of the various policies that are put in place to affect every aspect of economic activity. Thus, all aspects of fiscal, monetary, exchange rate, pricing policy and measures to foster the development of private sector activities etc. are all part and parcel of the macroeconomic environment of a country. There is evidence that better policies mean faster growth.

Evidences from successful economies show the need to maintain good macroeconomic policies as measured by low inflation, prudent fiscal stance, and realistic exchange rate, and absence of parallel exchange rate. Other policies that matter are those affecting finance and trade, and open trade regime. Evidence from what is usually referred as the 'East Asian Miracle' is useful: "Growth resulted from getting the policy basic right. Macroeconomic management was unusually good, providing the stable environment essential for private investment. Policies to increase the intergrity of the banking system, and to make it more accessible to nontraditional savers, increased the level of financial savings Education policies that focused on primary and secondary schooling generated rapid increase in labor force skills. Agricultural policies stressed productivity change and did not tax the rural economy excessively..." (The world Bank, 1993: The Asian Tiger Miracle.. p. 6).

In its widest sense, macroeconomic environment is made up of those created by domestic policies and the international economic environment. There is no watertight compartmentalization because domestic policies can always be utilized efficiently to mitigate the negative influences of hostile external shocks. Thus in the process of the discussion, we shall be talking of those macroeconomic policies as well as those outside policies (the international macroeconomic environment) which affect the performance of the domestic economy. What really constitutes a conducive macroeconomic environment has been stated in four simple statements by Summers (1992 p.6-9):

(i) Sound macroeconomic policies with sustainable fiscal deficit and realistic exchange rate are a prerequisite for progress.
(ii) A permissive rather than a prohibitive policy environment is essential for the private sector.
(iii) Government has no business attempting to directly manage the production of goods and services.
(iv) No country has ever developed without adequate provision of basic investment in infrastructure and in people.

Stated upfront, what are the domestic factors that are likely to affect growth and development. A summary will look as follows:

- realistic exchange rate;
- balanced budget and a small ratio of government consumption to GDP;
- open trade policy as opposed to inward-oriented, import substitution strategy and tariff regimes;

- political stability or good governance;
- development of human capital.

Of all endowments, human capital probably does most to fuel long-term economic gains. Simply put countries with skilled people grow faster.

- financial strength (countries with more financial sectors grow faster)

## III. A BIRD'S-EYE-VIEW OF NIGERIA'S MACROECONOMIC ENVIRONMENT

The review of Nigeria's macroeconomic environment can be undertaken using different approaches. One can focus on either the various political regimes or periodic analysis as reference points. Alternatively, one can focus on the period before the Structural Adjustment Program (SAP) and the period after. I have decided to review the macroeconomic environment along all these approaches. The period of analysis is broken down into four periods:

(i) The period from independence to shortly after (1960-65).
(ii) 1966-70,
(iii) 1971-85,
(iv) 1986-1996.

### (i) The period 1960-65

This period can be referred to as the period of high expectations when it was possible to dream of the better tomorrow for all Nigerians. It was a period when even though the available resources were comparatively low, Nigeria was supported by a number of friendly nations that were willing and able to give a lending hand. As a result of the friendly atmosphere and the democratic culture which Nigeria was pursuing, Nigeria benefitted from technical aids in all forms including the exchange of professional staff in its industries and universities, scholarships for a large number of its citizen etc. Agriculture was seen as the primary lever and the leading sector of the economy in terms of the total employment, source of government revenue and the extent of the gross domestic product (GDP) originating in it. A significant proportion of the GDP (up to 60 percent) originated from this sector. Foreign exchange was earned primarily through the export of commodities. Agriculture was accorded the right attention and priority. The need for planning was realised very early in Nigeria's history and the first development plan was drawn in 1962, the aim being to increase the economic welfare. Even though the resources were limited, Nigeria was able nevertheless to lay necessary foundation in the areas of infrastructure and education. The monetary and fiscal policies pursued at that time - mainly credit ease and cheap money, and tax holidays to mention a few of the policies were aimed at fostering economic growth and development through the provision of necessary fostering economic environment for the development of all sectors - private and public. Even though Nigeria had a rough ride with democracy in earlier years culminating in the declaration in the then Western Region, the unity of purpose of the nation was nevertheless quite clear: to build a nation and improve the economic welfare of the citizenry.

### (ii) The period 1966-70.

Two major events which had significant effects on the macroeconomic environment occurred during this period one of which still haunts us till today. The first was the coup of 15 January, 1966. Even though some people jubilated when the event occurred inspite of the bloodbath accompanying it, the damage that was done to both the political and economic fabric of society was not appreciated at that time. That singular act of commission or omission altered the operational platform of the macroeconomy, its environment and the philosophy of operation forever.

The second event though related to the first in a significant way was the civil war with the then Eastern region of Nigeria. This was a period when Nigeria was internally at loggerhead with itself. Nigeria was involved in a civil war with one of its components. Not only was the war harsh and created bitterness, it created disruption of all kinds, wars naturally stop development. In the process of the war, some of the infrastructural facilities which were built in the early years were destroyed. The civil war disrupted all facets of economic activity in general and disrupted in particular the full exploration of oil in the war affected areas. Third, the war brought into being the birth of the legacy of stringent controls.

### (iii) The period 1971-85.

After the civil war in 1970, Nigeria tried to pull itself together through a program of reconstruction of the war-torn area, and improvement in the standard of living of its citizens. Luckily, Nigeria was blessed with oil resources which formed the bedrock of the needed growth and development. In the 1970s, Nigeria benefitted from oil shocks the first of which brought about a quadrupling of the price level. The two significant shocks were in 1974 and 1979-80. In the period 1972-74, Federal revenue from oil increased five-fold constituting 80 percent of revenue. Consequent to the oil revenue bonanza, there was an investment boom that lasted the period from 1974-76, generated mainly by the sharp improvement in the foreign terms of trade. Following the discovery of oil and the ensuing financial resources accruing from it, the structure and the macroeconomic environment of Nigeria changed. The new wealth affected radically the scope and content of investment, production and consumption patterns, government approach to macroeconomic management, and other programs and policies implemented. Investment/GDP ratio increased from less than 12 percent in 1971 to more than 25 percent in 1977. Nigeria drew three successive development plans: 1970-74, 1975-80 and 1981-85. The main objectives of these plans were to stimulate investment, output and employment, guarantee food self-sufficiency, generate adequate foreign exchange, mobilize domestic savings, improve the standard of living of the people and maintain good economic and political relations with the rest of the world (CBN, 1993).

In alignment with the development philosophy, government not only enacted regulations to control prices and allocate foreign exchange, public enterprises were also created. Oil was seen as the catalyst element in Nigeria's growth prospects as enunciated in several government documents. According to the third Development Plan document, for example, (FGN, 1975, p. 135):

"The importance of mining and quarrying sector in Nigeria has substantially increased in recent years. Thus oil sector has become the main engine of growth of the Nigerian economy. Due to the enhanced level of activity in this sector, the Nigerian economy is experiencing unprecedented growth."

Thus the dawn of the petroleum era altered the macroeconomic environment of the economy in a number of ways. First, the illusion was created that money was no longer a constraint. Second, as a result of the great reliance on oil, it substituted for the position earlier occupied by agriculture in the economy. The general belief that industrialization was the key to rapid economic growth led credence to the need to tax agriculture which would have been the engine of growth to provide resources for building the industrial sector. Consequently, agriculture was neglected, and the agro-industrial linkages expected in the earlier plans was forgotten.

Third, the economy was transformed from a basic subsistence agriculture to a monetized economy that was fueled by oil exploration and all emphasis was placed on resources from oil. Various government documents emphasize the role attached to the oil revenue. For example, (FGN., 1980 p. 38):

"The basic strategy will therefore be that of using the resources generated by this wasting asset to ensure an all round expansion in the productive capacity of the economy so as to lay a solid foundation for self-sustaining growth and development in the shortest time possible."

Fourth, the financial resources of government gave it more prominence in the economy. Consequently, significant government intervention took place in all sectors of the economy: direct participation in production activities, development of infrastructural facilities which proved to be beneficial, ownership of schools at all levels including tertiary education including the adoption of free education at the tertiary level, and development in other social services sector. Of course the basic development paradigm adopted was the significant involvement of government in production and the regulation of economic activity. The rationale for sole reliance on the state was based primarily on the absence of capital outside the state control, lack of enterpreneurs and indeed the general belief about market imperfections. It was widely believed that the involvement of the state in economic activity would eliminate market failure, set the stage for economic growth and improved welfare of the citizenry. That result was however not to be achieved because the state was overextended, stressed relative to the exiting institutional capacities which were weak to the point of inefficiency. Of course with the financial wealth, attention was not given as previously to the financial viability of projects and efficiency of projects. The preponderance government in economic activity led to the marginalization of the private sector. Fifth, the oil boom produced significant change in the production, investment and consumption patterns of the country leading to the increased taste for foreign goods which were purchased with the seemingly abundant foreign exchange earnings to supplement domestic supplies.

The greatest test which the nation faced and was not solved was the distinction between perception and behavior with respect to a temporary and permanent windfall which the oil revenue was. Till 1977, the perception of government was that the revenue from oil was permanent. After 1977, the oil revenue was seen as a temporary inflow of resources. In each of the two perceptions, however, the macroeconomic behavior did not alter towards better behavior as expenditures continued to soar. In a large sense, macroeconomic policies were couched within the context of the existing resources. The management of the exchange rate did not follow the normal expectations of theory and was indeed over valued. As the price of oil fell the exchange rate continued to appreciated. The value of the real exchange rate increased more than 100 percent between 1973-78. As the value of the Naira appreciated with the growth in oil revenue, the competitiveness of exports was naturally at a disadvantages.

Sixth, the massive investment programs altered the structure of wages and prices.

Indeed the inflation rate in Nigeria which was only about 3.3 percent in 1973 rose to about 33.3 percent in 1975. Government deficit continued to mount and expenditures at both the federal and state levels exceeded revenue. Nigeria borrowed massively in this period to take care of the shortfall in the economy; the demand for imports far exceeded the earnings from oil. The prospect of the Nigerian economy was adjudged to be very bright by the international community. Nigeria was borrowing at a period when the interest rate was not only floating but was also very high thus sowing the seed of the external debt crisis which subsequently plagued the nation. The oil market first crashed in 1978. The rise in the price of petroleum in 1979 assured that all was not lost. It was however a short reprieve as conditions worsened yearly by the 1980s. Between 1973 and 1981, Nigeria collected sizable windfall estimated at about 20 percent of GDP from increases in the price of oil. Nigeria's GDP per capital dropped considerably after 1973 and the real GDP per capital at the end of 1980 was below what it was in 1973.

The reason for the fall in per capital income can be attributed to a number of factors. First, the large surpluses in the budget gave way to larger budget deficits. Second, government consumption almost doubled in the periods 1965-72. Third, Nigeria directed its spending to cities as opposed to the country side where the preponderance of Nigerians live. Expenditures were concentrated on projects with low returns. Often cited in this category are the new capital city and the expenditures on iron and steel industries. Fourth, as oil prices declined, Nigeria slashed investment drastically. Nigeria's exchange rate appreciated. The economy went through periods of pain. The economy showed signs of "severe stress". The distortion of the economy was obvious to a lot of people by 1981 even though the Shagari regime believed that the economy was resilient.

In the first quarter of 1982 the economic situation continued to deteriorate, and the level of foreign exchange reserves was not sufficient to pay for one month's import bill. Government therefore instituted a number of stringent macroeconomic measures culminating in the stabilization act of 1982. The measures were designed to protect the balance of payments among the correction of other defects and also revamp the economy. Critical among the measures were exchange control measures including restriction on import licenses, an increase in duties and the initiation of an import deposit program, fiscal and monetary policy measures. Despite the 1982 stabilization Act, the economic situation continued to worsen. The economy reached a crisis point by 1983-84 when oil prices declined by 45 percent from the 1980 level. In 1983 the GDP growth rate was - 6.7 percent, non-oil sector growth fell to -9.3, and petroleum sector growth to -2.5 percent. External and fiscal imbalance emerged. The external current account deficit grew to 6 percent of GDP in 1983, and Nigeria's indebtedness impeded its access to foreign capital. The budget deficit/GDP ratio reached 13 percent in 1983. Short term trade arrears accumulated to the point at which foreigners and banks held back on confirming letters of credit.

When another military regime under General Buhari took over in 1984, the macroeconomic environment was significantly altered. The existing austere measures of 1982 were augumented. Wage freeze was imposed and a large number of civil servants were rendered redundant. In 1984, the inflation rate in Nigeria was 40 percent, imports declined by about 23 percent and non-oil exports by about 44 percent. Capacity utilization declined as plant closures were widespread as there was curtailment of access to industrial sector imported inputs by import-dependent industries. By 1985, the macroeconomic environment of Nigeria was characterized by major distortions arising from excessive government control of economic activity including the control and regulation of the financial system, foreign exchange and commodity markets among others. The exchange rate was overvalued, budget deficit was rising, per capital income was falling and the external indebtedness with its burden was also rising. It was against this background that the structural adjustment program was adopted in 1986 with a view to turning around the economy.

If for no other reasons than that of trade, the Nigerian economy is integrally linked to the world economy and can therefore be affected by shocks generated outside its economy. In the period under consideration, Nigeria experienced such shocks. Thus the macroeconomic environment was also affected in addition to domestic programs and policies by external factors. It was affected by the deep world recessions, large appreciation of the US dollar against the leading currencies in 1980-85, followed by large and abrupt fall in 1985-86.

This section must not be ended without mentioning a few important events in the 1973-85 period in general. Although the civil war (1967 to January 1970) brought the era of rigid control of the economy, it was intensified with the dawn of the petroleum era. Over the period 1973-1983 for example, the stringency of the control varies inversely with the fortune of the oil prices. When for example the first oil shock (an external shock) occurred in 1973-1974, the control of foreign trade and domestic prices were relaxed. The porous nature of controls in general is well-known. A Oyejide (1991, p.44) asserts "Thus large scale smuggling make non-sense of import controls as prohibited items are prominently displayed on market stalls and a large and active parallel market renders the nominally rigid exchange control regulations largely ineffective."

The controls which were pervasive in the economy centered on at least three major areas. These were import control (use of tariffs, import substitution, quantitative restrictions QRs, import prohibition), foreign exchange control, credit control (interest rate ceiling, ceiling in aggregate credit and sectoral credit allocation). There was constant repression of the financial sector as evidenced by these controls.

**(iv) The period 1986-96**

It was very obvious that the economy could not grow anymore at the present trends giving the mounting external debt of Nigeria and other macroeconomic distortions like inflation, growth of the real GDP etc. Nigeria therefore adopted the Structural Adjustment Program (SAP) with a view to turning around the economy. The objectives of the SAP in Nigeria are too well-known to need recapitulation here. In a very large sense, the adoption of the program represented another important watershed in Nigeria's macroeconomic environment. SAP was designed to deal with the distortions in the economy and thus pave the way for the necessary growth and development within the economy. As a package of economic policy, it was originally designed for two years. It was not thought that all the economic malaise would take that length of time to solve but rather that the economic foundation for growth and development would have been laid within that time period. The adoption of the SAP altered again in significant ways Nigeria's macroeconomic environment. SAP tried to rectify the total dominance of government within the economy, the setting of market determined exchange rate (the original two-tier system), deregulation interest rate structure, regulation or the restructuring of the banking system among others. For example, the banking sector was reformed through a system of new laws culminating in the promulgation of two significant laws. The amendment to the Central Bank of Nigeria Act, and the Bank and Other Financial Institutions Decree (BOFID). These two laws along with the standardization of accounting standards altered in very significant ways the macroeconomic environment in which banks and other financial institutions are expected to operate.

In terms of total effects on the economy, there are both positive and negative effects of SAP. Some of the effects are noticeable in dilapidated taxis all over Ibadan, and the pool of retired people, level of unemployment, the deterioration in infrastructural facilities and the deterioration in the health and educational sector in general.

Perhaps it suffices to mention a few things about how SAP has altered the macroeconomic environment. First, it attempted to alter the rigid control environment to that of subjecting prices to market forces. The second is that it has brought about a major decline in the expenditure of the social sector thus defeating one of the major aims of the program. Thus over the years there has been a systematic decline in a number of sectors including the health sector in particular. Additionally, it has created new class of the poor. It is now known that more people are hungrier than they were some years ago. What about the industrial sector; the underutilization of industries, the systematic increase in the number of unemployed, thanks to the streams of unemployed being turned out by both the private and the government sectors. Many of our banks have gone distressed or technically insolvent. They were undercapitalized, dangerously illiquid and were burdened with high ratios of non-performing loans. Many of the 'distressed' banks today have imposed a lot of hardship for people who have done all that they can to save the little which they had. Many of the problems of the banks have been brought about by fraud and forgeries within the bank, and of course the macroeconomic environment of the bank which has not been favourable. It is not often realised that the financial sector and the real sector of the economy are inextricably interwoven. Activities in the real sector of the economy are necessary ingredients for growth in the financial sector.

Looking very closely at the distressed banks, there are three explanations which can be offered. First, between 1986 and 1993, foreign exchange was usually valued less in the official market a opposed to what obtained in the parallel market. Given the discrepancy, round tripping between markets was very lucrative. The number of banks multiplied, many having no other substantive business other than dealings in foreign exchange. Since 1994, these profitable opportunities began to dry up. In that year, the parallel market became illegal. Second, the bad debts that accumulated was as a result of lending being guided by favoritism or the dispensation of patronage. Third, the scarcity of trained personnel relative to the growth of the banking sector, inadequate audit procedures led to greater incidences of fraud by directors, staff and customers of financial institutions. Of course needless to say that the existence of many distressed banks has altered Nigeria's macroeconomic environment. The purging of banks is central to the need to present a cleaner and sane image of business in Nigeria.

It is appropriate to point to a number of lessons that have been learnt about structural adjustment in Africa (Ajayi, 1994). The first is that there is no "quick fix". The erroneous impression was created, for example, that the economic malaise afflicting countries adopting the SAP could be solved in a short time. It was thought for example by many Nigerians that the economic malaise afflicting the economy could be dealt with within a very short period. Distortions have existed in the economy for years. It could therefore not be wished away in a very short period. A lot of people expected that structural adjustment would banish away in a quick swoop all the economic ills affecting the nation. The second is that the dictum of "getting the price right" as the dictum of policy effectiveness has not worked in an environment where the infrastructures facilities leave much to be desired. Most important of these infrastructures are transportation network and the system of communications. The third lesson relates to the external environment faced by the country undertaking SAP. To the extent that these environments are hostile, they would be unconductive to growth and development. In the case of Nigeria, the trading environments in the 1980s and 1990s were certainly not as good as they were in the 1960s and 1970s. Fourth, the heavy external burden with the debt overhang has done a lot to retard growth and development.

The period since 1993 has been the most challenging period in our life history. The last three years before that date witnessed the greatest political and expensive political program ever. Thus upsurge of oil prices during the gulf crisis in 1991 aided the pursuit of the political program that was being pursued at that time. The transition to civil rule was awaited with greatest expectancy. The various aftermaths of the election created significant uncertainty with serious macroeconomic implications. There are not too many truthful Nigerians today who would not realise the interwovenness of politics and economics in our body polity and the effects on the macroeconomic environment. The upheaval created by the uncertainty of the departure of the Babangida regime, the installation of the interim government with various strikes, demonstrations etc. did not produce macroeconomic environment which was conductive to economic growth and development.

The relationship between governance and economic development has been succintly expressed in three simple but extremely useful statements (Conable, 1991 p.12):

"Capacities are directly linked to the question of good governance and efficient administration.

"Political uncertainty and arbitrariness evident in so many parts of sub-Saharan Africa are major constraints on the region's development."

"Investors will not take risks, entrepreneurs will not be creative, and people will not participate - if they feel they are facing a capricious, unjust, or hostile political environment."

Need I say more?

## IV RECENT MACROECONOMIC ENVIRONMENT OR PAYING FOR PAST MISTAKES OF THE 1970s AND 1980s IN THE 1990s.

What is the situation now? I suppose the right question is to ask what is the most recent macroeconomic environment? We can look at a few statistics on saving and investment, GNP per capital, external debt and the external debt burdens and indices of macroeconomic performance. The savings and investment as percentages of GDP are shown in table 1. The GDP per capital declined steadily since 1980 as can be seen in table 2. Nigeria is presently under the weight of debt overhang. Her external debt is the largest of the severely-indebted low income sub-Saharan Africa countries. The external debt of Nigeria which was \$8.9 billion in 1980 rose to \$32.5 billion in 1993. The weight of the external burden of Nigeria in recent times is shown in table 3 by the debt burden indicators. The external debt of Nigeria is several times greater than its exports of goods and services. The external debt service consumed about 30 percent of resources in 1992. The importance of the external debt on the macroeconomic environment can be seen when the scheduled external debt service relative to government revenue and government expenditures are shown. In 1994, this represented 105 percent and 75 percent, respectively. The external debt distress measure can also be measured by looking at the relationship between the amount due and the amount paid shown in table 4. In 1993, the ratio stood at 36 percent. This really shows the extent of distress.

We show in table 5 some macroeconomic indices of performance in the period between 1977-1994. As can be seen from the table, for the period 1977-86, it was 0.82 but it declined to -12.53 in the period 1987-94.

## V. THE LATE SUMMARY IN A NUTSHELL?

What is the summary of an overview of Nigeria's macroeconomic environment with respect to Nigeria's growth and development? One of the key lessons from the analyses so far is that governance and the proper machinery for development management are critical ingredients for successful outcome of development thrust. The macroeconomic environment and events in Nigeria have been heavily dependent on the oil sector and on the behavior of government which owns the oil sector. In addition to owning the oil sector, government maintained a rigid control regime which not only prevented the price mechanism to reflect relative scarcities in the various markets. Additionally government did not provide the conductive environment for the operation of the private sector in development and growth. In the periods under review, a massive investment expansion was engineered in response to the positive terms of trade shock mentioned earlier. The investment rate was however larger than the savings rate which eventually called for foreign savings and massive current account deficit. Borrowing abroad to finance investment boom did not create the necessary macroeconomic environment for sustainable income growth and economic development. Neither did the fiscal deficit, inflation, extra-budgetary expenditures etc.

The summary of a summary of the overview can be summed up using the words of Hope Sr. (1996, p.152) which I believe is much applicable Nigeria: "Elusive development in the Third World has resulted in among other things, tremendous public sector deficits, unmanageable debt, diminished living standards, an obsolete and deteriorating physical infrastructure, rapid urbanization, corrupt bureaucracies, widespread poverty, high rates of unemployment, and spiral inflation. In addition, development planning and other state interventionist policies have crowded out what were once vibrant private sectors and led to the ascendancy of inefficient pubic enterprises that are unprofitable and impose a budgetary burden upon the Third World governments."

**Table 1: Nigeria: Gross Domestic Investment and Savings (In percent of GDP)**

| 1980 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|---|---|
| 23 | 8 | 19 | 9 | 4 | 8 | 2 | 1 |
| 22* | 14* | 14* | 14* | 15* | 16* | 17* | 15* |

Notes: * refers to gross domestic investment, and the other to gross domestic savings.

Source: World Bank: World Tables, 1995.

**Table 2: Nigeria: GDP per capital**
**(In US dollars)**

| 1980 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|---|---|
| 1,160 | 460 | 390 | 350 | 350 | 350 | 330 | 300 |

Source: World Bank: World Bank Atlas, Several Years.

**Table 3: Nigeria: Debt Burden Indicators**
**(In percent)**

| | 1980 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|---|---|---|
| ED/XGS | 33 | 390.50 | 417.40 | 315.50 | 241.50 | 271.60 | 241.70 | |
| ED/GNP | 10.10 | 125.90 | 107.30 | 111.90 | 107.30 | 108.60 | 110.70 | 100.7 |
| DS/XGS | 4.30 | 14.20 | 29.60 | 22.10 | 23.60 | 26.60 | 29.40 | |
| IT/XGS | 3.40 | 8.30 | 20.40 | 15.40 | 13.10 | 17.80 | 13.20 | |
| IT/GNP | 1.00 | 2.70 | 5.20 | 5.50 | 5.80 | 7.10 | 6.10 | 4.10 |

NOTES:

ED/XGS = DEBT/EXPORT

ED/GNP = DEBT/GNP

DS/XGS = DEBT SERVICE/EXPORTS

IT/XGS = INTEREST/EXPORTS

IT/GNP = INTEREST/GNP

Source: World Bank: World Debt Tables, 1994-95.

**Table 4: Nigeria: External Debt Distress Measure, 1989-93.**
**Total debt service paid to Total debt service due**

**(In ratio percent)**

| 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|
| 0.36 | 0.58 | 0.57 | 0.60 | 0.36 |

Source: World Bank: World Bank Tables, 1995.

**Table 5: Nigeria: Some macroeconomic Indices of Economic Performance**

**(In percent)**

| Average Growth GNP per Capita | | Index of Economic Performance .................................................. | |
|---|---|---|---|
| 1977-86 | 1987-93 | 1977-86 | 1987-94 |
| 2.02 | -11.04 | 0.82 | -12.53 |

The index of Economic performance is defined as g-log b where g is the average growth in per capita income and b is the average inflation defined as the growth rate in the consumer price index.

**Source:** World Bank: The World Bank Atlas
IMF, World Economic Outlook
IMF, IFS Yearbook, 1995.

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