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Nigeria's Seven-Point Agenda and the Financial Crisis: Implications for Growth and Development

Stephen Onakuse

Key Terms: Nigeria, Seven-Point Agenda, global financial crisis, growth, development

Abstract

Using empirical data, this paper argues that achieving "the Seven-Point Agenda" would be nearly impossible taking into consideration the current global economic crisis, Nigeria's looming budget deficits and the volatility of international oil prices. The paper suggests that there is always the risk of failure to Nigeria's reform programs given the country's unending political corruption – a problem that cannot be expected to improve given the high levels of uncertainty that have been brought on by the global economic crisis, budget deficits, inflation and the volatility of both the stock market and international oil prices. The paper argues that the sometimes wild inconsistency of government policies hampers the success of reform programs and that, if anything, the only consistency in Nigerian governance seems to be corruption. Accordingly, today, amidst structural corruption, poor budgetary controls, and other challenges to policy implementation, reform programs are often viewed as a 'thing of the past.' For the Seven-Point Agenda to succeed, it is therefore imperative that the corrupt political machinations and the lack of budgetary discipline be thoroughly considered and openly discussed by all stakeholders involved in the process. This is particularly true given the aforementioned economic challenges with which Nigeria is now faced.

1.0 Introduction

"The global financial crisis has led to slowing growth across the world's economies, resulting in lower demand for commodities, especially oil. While speculative investment activities had helped buoyed oil prices in recent months, the reality of the global recession is beginning to be fully appreciated across the globe and more poignantly in Nigeria by its adverse impact on the international price of oil."

President Yar'Adua, Dec. 2nd 2009

With roughly over 140 million Nigerians, 36 states, a weak political and economic system, and persistent ethnic and religious conflicts in Nigeria, it remain one of the poorest countries in the world, ranking near the bottom in many human development indices (National Bureau of Statistics, 2009; IMF, 2009; World Bank, 2008a). Corruption is endemic; unemployment is growing, illiteracy rate is near 50 percent, HIV/AIDS is on the rise. Crime and violence in the Niger Delta has handicapped oil production, while sectarian fighting between Muslims and Christians has killed thousands (National Bureau of Statistics, 2009). The Federal Office of Statistics indices over the years shows that poverty incidence in Nigeria in 1960 was about 15%. This grew to 28% in 1980 and 46% in 1985. By 1996, the poverty incidence was estimated to be about 66%. Additional data from the FOS (1999) further indicated that life expectancy at birth is 51 years; literacy rate is 56%, and 70% of the rural population lacked access to potable water, healthcare and electricity. However, the latest figures released by the (National Bureau of Statistics (2009) indicate that economic growth has turned stronger since 1999. From 1995-1999 real GDP growth averaged 2.8%, again between 2000 and 2004, it was 6.0%, peaking at 10.23% in 2003; that overall poverty incidence also fell from 65.6% in 1996 to 57.8% in 2004.

Despite the claimed economic growth indices, the dearth of infrastructure and poverty is on the increase, the serial economic programme mutations over the decades have produced rich acronyms and phrases, introduced as reform agenda developed to move the country forward. From the austerity measures and Economic Stabilisation Acts of the 1970s and early 1980s to the infamous Structural Adjustment Programme (SAP), successive governments had come up with similar programme all geared towards alleviating the suffering of the ordinary masses of Nigeria through the provision of basic needs of life. Some examples of these programmes are the "Green Revolution" of the Shagari regime (1980); “Operation Feed the

Nation" of Obasanjo (1978) "War against Indiscipline" of the Buhari/Idiaghon (1983); "Structural Adjustment Programme" MAMSER and DFFRI of Babangida (1994): Vision 2010 of Sani Abacha and the recent "NEEDS" of Obasanjo (1999-2007). These programmes are conceived with the intention that there implementation will bring about an all round development at various sphere of Nigerians national life. The threshold of history has again presented us with the Seven Point Agenda by the Yar' Adua administration 2007 -2011; with the aim to transform Nigeria by resolving the energy crisis and revamp the ailing economy.

Nigeria, over the years, modeled its economy along the path of casino capitalism, fuelled by corrupt activities without a solid productive base. This model presents sure risks and uncertainty for the Seven-Point Agenda. If the quality of the economic infrastructure determines the level of a country's development, then the quest for economic development and structural transformation within the framework of the Seven-Point Agenda, based on a single commodity economy face dire consequences in the face of the global economic crisis.

The large literature on the limitations of economic growth and development in Nigeria points to the lack of infrastructures for long-term economic development and human capital development. Whilst there have not been any acceptable explanations for the poor state of infrastructural development in Nigeria, nevertheless, a series of reform agendas continue to dominant every succeeding government's development agenda. However, corruption, fraud, mismanagement, poor follow-up mechanisms, conflicting political interests and hidden agendas have hampered policy programme attempts in Nigeria over the years. Both political and infrastructural terrains in Nigeria are complexly intertwined. The obvious intertwine brings about poorly conceived, implemented and coloured political considerations in

every aspect of the country's development. The lack of infrastructure has accounted for all the standard rationalisations of poor growth in Nigeria, with a substantial unexplained negligence attributable to the role of government ministries institutions.

This research is conceptually anchored on the position that with huge budget deficits and high levels of political corruption and dwindling oil prices; the actualisation of the Seven-Point Agenda with the current global economic crisis cannot be achieved. This paper examines and makes a qualitative discussion on the impact of the current global economic crisis on the one hand, and the sharp fall on international oil price on the budget with huge deficits—an instrument for the actualisation of the Seven-Point Agenda—on the other. This is in order to better estimate and understand the likely impacts of the current global financial crisis [11] on the actualisation of the Seven-Point Agenda.

1.1 Nigeria Development: an Overview

Nigeria's first three national development plans (1962 -1980) include transformations like the Operation Feed the Nation, the Green Revolution, the medium-term rolling plans, the poverty alleviation initiatives, the millennium goals of 2000 and the Obasanjo second era of 1999 reforms packaged under NEEDS 1, a veritable development plan strategized along lines of poverty reduction strategy

[11] Financial crises historically have three crisis 'waves'. The first 'wave' is financial in nature and visible in changes in the exchange rate and stock market, interest rates, etc. The second wave is that whereby there is transmission from the financial to real sector effecting notably construction and manufacturing sectors and visible in falls in investment and GDP contraction. The third wave is then the transmission from the real economy (and finance) to visible household level and intra-household level impacts.

programmes. The NEED 1 plan's preview indicate such targets as doubling current growth rates of all non-oil sectors, creating 10 million jobs by 2011 and growing GDP annually by over 10 per cent. "Our goals…remain(s) wealth creation, employment generation, and sustainable poverty reduction that is production-driven... What the administration needs are action plans for facilitating development of infrastructure...action plans for real sector growth and development, and action plans for providing enabling environment for local manufacturing" (Obasanjo, 2000). This development rhetoric is a common feature of every government in Nigeria.

Since the inception of the Obasanjo administration in 1999, various reforms were initiated in order to reform the institutions of governance and ensure a structural transformation of the economy. Some of the key reforms include the following:

- Establishment of the anti-corruption commission - directed at reforms in public procurement practices - substantially in line with the Country Procurement Assessment Review (CPAR) and consequently, the Budget Monitoring and Price Intelligence (BMPI) established to ensure due process[12] as well as compliance in the evaluation, contracting and monitoring of capital projects;
- Approval of the recommendations in the Country Financial Accountability Assessment in January 2001 as a basis for reforms in financial management to ensure value-for-money;
- The setting up of the Debt Management Office (DMO) with a mandate to consolidate, reconcile and manage Nigeria's

[12] Due Process implies that governmental activities and businesses can be carried out openly, economically and transparently without favouritism and corruptible tendencies.

external and domestic debt and setting up of a separate Budget Office in the Ministry of Finance, with a Permanent Secretary in charge to tackle the perennial budgetary problems of government (National Bureau of Statistics, 2009);

- Setting up of the Economic Policy Coordinating Committee under the office of the Vice-President to ensure internal consistency and coordination of government economic policies;
- Setting up of and nationally televising open-sittings of the Human Rights Violations and Reconciliation panel, akin to the South African Truth and Reconciliation Commission;
- Sale of cellular (GSM) phone licenses to three firms at $750 million to help ease the problems of communication in the country;
- Privatising the Nigerian Telecommunications Ltd (NITEL);
- Restructuring and energizing Nigerian Electric Power Authority with targets to significantly improve electricity supply by December 2001 through the generation of 4,000 MW of electricity - about double the generation capacity;
- Implement major reforms of the university system including licensing of new private universities and to review plans for granting increasing autonomy for individual higher institutions;
- Adopt a new National Water Supply and Sanitation Policy that makes privatisation or private sector participation in water supply a major aspect of government policy; and
- Streamline government poverty alleviation institutions.

The Obasanjo administration also set up a panel to take stock of performance under past poverty programmes and to suggest ways to improve design and implementation of future programmes.

Vision 2020 began to gain acclaim since May 29, 2007, with the goal to make Nigeria one of the 20 most developed economies in the world by the year 2020. (The implementation of the 7-point agenda is supposedly, to catapult Nigeria to become one of the twenty biggest economies by the year 2020). While the Vision is the target, the Seven-Point Agenda remains the substance for achieving the target. The key Goals for Vision 2020 – is to make Nigeria one of the 20 largest economies in the world and been able to consolidate its leadership role in Africa and establish itself as a significant player in the global economic and political arena by 2020. To achieve these set goal, a three stage approach has been set as follows: STAGE I: Building a solid foundation for Vision 2020 (2008–2010) - this stage includes the Seven Point Agenda, the NEEDS 2 and other relevant documents, as well as preparing a Statement of National Priorities that will form the core elements of the country's development plans and budgets during the period 2008 to 2010 and that will also constitute the foundation for Vision 2020; refine the Vision 2020 framework and develop guidelines for the Vision 2020 development process. STAGE II: This includes the achievement of the Millennium Development Goals by 2015 en-route to achieving Vision 2020 (2011 – 2015). STAGE III: Aims to establish Nigeria as a top 20 economy globally by 2020 (2015 – 2020) – this entails developing detailed key goals and targets that must be met in order to achieve convergence with the projected positions of the world's top 20 economies.

The government of President Yar'Adua in 2008 initiated a medium-term National Development Plan (2008-2011) coined as the Seven-Point Agenda aimed at fast-tracking the country's development

process. The Federal government's Seven-Point Agenda includes the followings:

1- **Power and Energy**: The Federal government is committed to infrastructure reforms in this sector that will lead to the development of sufficient and adequate power supply to ensure Nigeria's ability to develop as a modern economy and an industrial nation by the year 2015

2- **Food security and Agriculture**: On the development of modern technology, research, financial injection into research, production and development of agricultural inputs to revolutionalise the agricultural sector, leading to a 5-10 fold increase in yields and production; leading to massive domestic and commercial outputs and technological knowledge transfer to farmers.

3- **Wealth Creation and Employment**: To focus on wealth creation through diversified production especially in the agricultural and solid mineral sector.

4- **Mass transportation**: Develops the transport sector - rehabilitation and modernisation of the railway

5 - **Land Reform**: To optimise Nigeria's growth through the release of lands for commercialised farming and other large scale business by the private sector.

6- **Security**: The Federal Government is to ensure that security is not only a constitutional requirement but also a necessary infrastructure for the development of a modern Nigerian economy.

7- **Qualitative and Functional Education**: The two-fold reforms in the educational sector will ensure firstly the minimum acceptable international standards of education for all.

The Seven-Point Agenda enumerated above represents Nigerians' Common Future - development that meets the needs of the present without compromising the ability of future generations to meet their needs. The obstacles to the common future rest on infrastructural development, civic empowerment and rural entrepreneurship which translate to building a strong infrastructure for democratic self-government and sustainable economic development.

However, despite all the past and current programmes, Nigeria and its citizens still face the problems of inadequate infrastructural facilities, institutional decay, lack of access to good roads, lack of quality health care systems, poor educational development, strife, inadequate shelter, as well as other unresolved problems that are leading to an increasing cost of living as well falling living standards. This is as a result of the influence of political entrepreneurs who suppress, and/or distort the truth with simplistic generalisations. The unprecedented upsurge in crime, typified by robbery, kidnapping, cultism, rape, violence and youth restiveness are the current output that developed from the gross failures of the various policy programmes mentioned earlier. The level of unemployment has risen beyond expectation. In 2009, The National Bureau of Statistics highlighted that the national unemployment rate increased from an average of 10.9 per cent in 2005 to an estimated 54.5 per cent at the end of 2008.

The World Bank has estimated that in the year 2009, 53 million more people will be plunged into poverty as a result of the global economic meltdown (World Bank, 2008b). It is reasonable to

assume that Africa, being the poorest continent, will account for a disproportionate share of that estimate. Nigeria, due to its large population, has a lion share of the poverty estimates because of the monoculture nature of its economy. While per capita income remains very low in Nigeria, corruption, poor infrastructure and lack of political will continue to undermine economic growth and investment. The majority of the population is engaged in small-scale farming, which accounts for over one-third of formal sector (GDP) while oil and gas accounts for about one-third of yearly GDP but provides over 70 per cent of the Federal Government's revenues and 90 per cent of exports (National Bureau of Statistics, 2009; CBN, 2009). Also, the dependency on petroleum makes it a wasting asset for which the country has no control over its price and volume demanded; this depend largely on OPEC and the state of the global economy. The Infrastructure Concession Regulatory Commission (ICRC) 2009 estimated that Nigeria needs between $12 and $15 billion yearly (This translates to between N60 and N75 billion that will be needed in the next 5 to 6 years) to develop its infrastructure in the foreseeable future, taking into consideration the state of infrastructure decay in the country, which constitutes a serious obstacle to economic growth and prosperity.

Methods and Research Process

A macroeconomic analysis of the budget and its externalities was conducted to evaluate the extent to which the current global financial crisis could significantly affect the implementation of the Seven-Point Agenda by the federal government, calculating from it huge budget deficits. The main data used for the research are secondary, as well as the requisite responses to evident distress situations in the macro-economy and budgetary analysis of financial activities of the federal government of Nigeria. The research has been constrained by a severe lack of both qualitative and quantitative data on a national level. The

paper draws on a number of background papers and media analysis and publication that are specific to the subject matter; based on a secondary literature review, as well as secondary data analysis from the federal ministry of finance and the Central Bank of Nigeria and National Bureau of Statistics.

The Global Economic Crisis and Nigeria Development

The global financial crisis[13] has spread rapidly since the fall of 2008. Over time, there has been gross mispricing of risk as asset prices sky-rocketed leading to a Global downturn of uncertain severity and duration (World Bank, 2009; IMF, 2009, CBN, 2009). Nigeria is more exposed to the current global downturn as the growth and development of the economy depends on international crude prices, foreign direct investment (FDI) as well as trade and remittances (IMF, 2009; World Bank, 2008a; World Bank, 2008c). While the global financial crisis has worsened the budgetary position of Nigeria has deteriorated because of the crude price crash. The Federal government revenues are now exposed to and suffer from slow or negative economic activity - an indication that the budget, on which the Seven-Point Agenda is based, both for development, institutional quality, and provision of infrastructure and poverty reduction will suffer severe financial contraction.

The current economic crisis affects Nigeria in two major ways: firstly, the plunge in the price of crude oil at the international market has a negative revenue implication as Nigeria is a mono-export

[13] There is no precise definition of financial crisis but a common view is that disruptions in financial markets rise to the level of a crisis when the flow of credit to households and businesses is constrained and the real economy of goods and services is adversely affected (Jickling, 2008)

economy (depending on the exchange rate and local currency depreciation)[14] - from an all time high price of $147 to benchmark price hovering between $35 and $40; secondly, the withdrawal of foreign direct investment from the economy is affecting the credit receipts of banks and other financial institutions. While wealthier economy countries are experiencing a vicious circle of negative interactions between financial markets, product markets, trade, and now labour markets, the IMF (2009) estimated that World growth was expected to come to a virtual halt, estimated at only 0.5% for 2009. This type of contraction will bring about reduced trade flows in Nigeria as well as a decline in commodity prices, reduced liquidity and tightening of credit markets - affecting both the private and public sectors, reduced flows of remittances, a drop in Foreign Direct Investment (FDI), and exchange rate depreciation and uncertainty (IMF, 2009; CBN, 2009). In many countries, governments and Central Banks are seeking ways and means to encourage inter-bank lending; clean up the toxic assets of banks and strengthen their capital; reverse the widening credit crunch; restore flow of trade credit and boost domestic demand; that is, purchasing power. But the intensity and volume of toxic assets in Nigeria make such a clean up difficult if not nearly impossible.

The reduction in net capital flows, both in terms of investment and concessional resources, are part of the luggage associated with the financial crisis. While Nigeria has not been a major recipient of official development assistance (ODA), the country does benefit significantly

[14] Often it is rapid falls in exchange rates that are viewed as the key indicators of a crisis and later on GDP contractions. The Frankel and Rose (1996) definition of a (currency) crisis is often cited in the literature on crises: [A crisis is a situation whereby there is] a nominal depreciation of the currency of at least 25 percent that is also a 10 percent increase in the rate of depreciation.

from bilateral and multilateral aid resources (World Bank, 2008). In the current situation, investment flows, both in terms of FDI and portfolio, are negatively affected. In addition, remittances from the Nigerian Diaspora, which, exceed US$2 billion annually (CBN, 2009; National Bureau of Statistics, 2009; World Bank, 2008b) are drying up considerably. Further, the lowering of growth in the OECD countries translates into lower growth in Africa, this in turn is adding to the already high levels of infrastructural decay in Nigeria, undermining its strategic position in Africa. The reduction in growth worldwide has a consequent effect on the implementation of the Seven-Point Agenda. While the driving factors for growth such as commodity prices, capital inflows, and remittance flows are all in decline, the decline in remittances has direct negative effects on low income households, given that these households rely heavily on remittances to cover their basic needs such as food, education and health.

Remittance flows to developing countries were expected to be USD 304 billion in 2009, down from an estimated USD 328 billion in 2008, said the World Bank. Nigeria receives $10 billion per year in remittances (World Bank, 2008a; World Bank, 2008c). With the current economic crisis there is strong evidence of reduced dynamism of remittances across the world. In the case of Nigeria, in particular, remittances form part of family incomes to both low and medium income households, and in many cases these are used to generate and support income generating activities

For example between September 2008 and May 2009, the market capitalisation of United States (U.S.) and European banks declined by 60 per cent or $2 trillion (World Bank, 2008c, 2009). If the world trade continues to decline as seen since the end of 2008 first quarter of the year at a yearly rate of more than 40 per cent, then developing countries like Nigeria that derives its income from the global market will experience a deeper downturn.

Foreign portfolio investors have withdrawn some US$15 billion from the Nigeria capital markets (FEC, 2009), an indication of palpable crisis of confidence in the economy, which affects both the implementation and actualisation of the seven–point agenda of the current administration. The contagion of economic crisis has taken hold of many countries across the globe. An estimated US$1.7 trillion in bailout funds have been committed by OECD countries (IMF, 2009), but these bail outs have signalled the beginning of the end to many small and medium sized companies that do not have access to such fund. Further, ordinary citizens are continually being burdened with higher taxes and levies as well as reduced levels of services to enable the state to provide these bail outs. Recent reports shows that the world stands in need of a staggering US$4 trillion to fully resolve the global economic crisis (IMF, 2009). For example, most automobile giants were virtually on their deathbeds, a good number of other industries are struggling to survive skin of their teeth, while many others have long been buried from civilisation, largely due to the current economic crisis.

Financial booms and busts are not a new phenomenon but what is disquieting about the current meltdown is that it represents a seismic tremor of earth-shaking proportions which cuts across every facets of the society. Nigerians witnessed the fallout of a global economic recession, similar to the one which is unfolding, during the Second Republic under former President Shehu Shagari (1979-1983). In the middle of 1981, there was a fall in the prices of oil on the global market resulting to a drop in revenue. The explanation for the economic recession was based on the glut in the oil market; where producers of crude oil rushed to increase exports resulting in market was saturation. By 1982, the debt profile of the Nigerian government had soared, the prices of household goods skyrocketed and rationing of staple items became the norm in most homes while the Nigerian

markets become the trading outposts for oversees manufacturing firms (CBN, 1999)

With the general expectation that in 2009 highly developed economies would post negative growth rates, emerging market economies like Nigeria registered sharp slowdown as a consequence. This situation caused Nigeria's fiscal and external payments positions to further weaken in 2009. The existing and current economic crisis has further contributed to millions of Nigerians losing their jobs while the devaluation of the naira, inflation, the high cost of inputs, poor infrastructure, inconsistent policies and the lack of a clear-cut industrial policy continued to jeopardise any efforts articulated towards economic growth and development. With most of the Foreign Direct Investment (FDI) concentrating in the oil and extractive sectors and the recent communication industry, the economic structure remains highly undiversified, with oil accounting for 95% of exports, and manufacturing sector accounting for less than one percent of exports (National Bureau of Statistics, 2009). Lustig and Walton (2009) posit that financial crises transmit and affect society through; changes in labour demand; changes in prices; changes in public spending; changes in the value of economic, human, social, environmental and financial assets; as well as long-term impacts on capabilities

The Global Crude Oil Market Impact of Nigeria Infrastructural Development

Nigeria's current production capacity is estimated at 2.6 million barrels per day with a proven reserve of 32 billion barrels that could result in an increment from the present quota of 1.787million bpd all things being equal – for instance, resolution of the Niger Delta crisis (National Bureau of Statistics, 2009). Though logical, the current economic crisis makes it not feasible and practicable. Globalisation

has made it important that the global economy is inter-related. No country is isolated from the current global down-turn. What affects one country directly or indirectly affects the others. The international demand for crude oil has fallen resulting in a more than 50% fall in the price of crude oil and other commodity prices have declined sharply since the acknowledgment of the economic recession in developed economies; further aggravating the existing slow economic growth of developing countries economies, such as Nigeria. The International crude oil market, rather than being a means to social production, has become the conduit for economic relations between OPEC and other countries of the world. Crude oil prices, which peaked at $147 per barrel on July 11, 2008, dropped below the Federal Government's oil benchmark of $45 per barrel for 2009 in the fourth quarter of 2008. The oil prices currently hovers around $75 per barrel.

OPEC forecasts have also indicated that crude oil demand worldwide would continue to be soft for the rest of 2009/10 due to the global economic crisis (IFPRI, 2009), a clear indication that reliance on oil revenue cannot sustain the realisation of the Seven-Point Agenda. The current economic meltdown has further created visible indices such as the rising exchange and interest rates, crashing crude oil prices, downturn in the fortunes of the local capital market, loans (especially from the West) being recalled, credit lines withdrawn and investments cancelled. The consequential impact has been the continuous increases in prices of goods, especially those manufactured locally; while imported goods will come in more expensive as a result of the higher exchange rate. It should be noted that as most developing countries have over the years benefitted from developed countries wealth, so also the current austerity will be exported to the developing countries. With the dwindling fortunes in the international oil market coupled with the disruptions in the Niger Delta, will the Seven-Point Agenda be able to measure up to the set goals? If Nigeria had received approximately $300 billion from oil

exports since the mid 1970s as at 2000, with a lower per capita income of 20% when compared to the level attained in 1975, then it will be difficult to actualise the Seven-Point Agenda since the political filtering channels are still not plugged.

The drastic budget deficit in Nigeria is attributed to the fall in the price of crude in the international market occasioned by the global economic crisis, restiveness in the Niger Delta oil rich region, and drastic reduction in Organisation of the Petroleum Exporting Countries (OPEC) quotas (CBN, 2009). The British Petroleum statistical review of World Energy (2009) posits that global oil consumption fell by 420,000 barrels per day in 2008, the biggest decline since 1982 while the oil and gas sector has accessed the debt markets to the tune of $52.6 billion since the start of 2009, relatively high considering all of 2008 which was around $70 billion capital raised in the debt market. However, the Federal Government of Nigeria's 2009 budget is based on projected higher oil revenues but the declining international oil prices and production constraints such as militant activities in the Niger Delta has declined to as low as 1.6mbpd from a projection of 2.209 mbpd. The low production and the average price falls to $40/barrel from the original budget projection of $45/barrel has induced a fiscal deficit increase to N1.35 trillion or 5.24 per cent of GDP, which is well above the three per cent allowable limit under the Fiscal Responsibility Act.

The 2009 budget allocated 91% of the N796bn capital vote (an increase of 162bn when compared 2008 allocation) also in the following areas such security, critical infrastructure, (including power, roads and bridges, and transportation); human capital development, land reforms and food security. Precisely, N361Billion is allotted to critical infrastructure in addition to the N628 Billion excess crude funds targeted at the power sector. In addition, N88 Billion is allocated to the power sector to raise generation capacity to 6,000

megawatts. The 2009 budget also takes into consideration human capital development with a total estimate of N131bn including N39.6bn on health and N32bn on education, down from N49.3bn and N47.8bn respectively in 2008 (CBN, 2009).

Challenges to the Seven-Point Agenda

The actualisation of the Seven-Point Agenda is dependent on two main factors: the price of oil and the government's capacity to implement the budget effectively. Given that the oil price assumption for the 2009 budget is largely uncertain as the price of oil at the international market, which hit a peak of $147 per barrel in July 2008 currently hovers around $75 per barrel (September 2010), it therefore is evident that the Seven-Point Agenda, which is heavily focused on infrastructure development, could not be achieved in such an uncertain oil price regime. There are the further self-inflicting limitations imposed by the Nigeria state – failure to address corruption and the persistent low levels of technology.

The current global crisis challenges have resulted in a sharp drop in the Federation Account allocations from N435.40 billion in January 2008 to N285.58 billion in February 2009, due to the fall in international oil prices. The totally distributable revenue by all the tiers of government was N30.894 billion in May 1999, N196.383 billion in May 2007, N746.745 billion in May 2008, (CBN, 2009; National Bureau of Statistics, 2009). Despite the fact that the 36 states including the federal capital territory has primary responsibility to providing social welfare, education, health, and infrastructure to the teaming population, the prevailing low per capita income tends to curtail consumption capability, reduce economic absorption capacity, reduce propensity to produce even at local levels and ultimately result in sub optimisation of the available factors of production including labour.

Some schools of thought have argued that confidence has been lost in both past and current economic reforms including the Seven-Point Agenda. For example, the 2009 Appropriation Act signed by President Umaru Musa Yar'Adua with a total budget of N3.1018 trillion is not in tandem given the current realities of declining international oil prices, downturn in the capital market and production constraints. The budget has a deficit of N836.6 billion or 3.02 per cent of (Gross Domestic Product - GDP). This is also the same with the 2008 budget of N2.87 trillion deficit or 3.95 per cent of GDP (CBN, 2009; National Bureau of Statistics, 2009). The above deficits notwithstanding, the revised fiscal frame-work subsequently agreed with the National Assembly, the budget would have a projected deficit of N654 billion or 2.36 per cent of GDP. The naira has lost about 25 per cent of its value against the United States dollar since the beginning of the current economic crisis. The Nigeria stock market, once a choice investment destination, has not escaped the adverse effects of the economic downturn For example, within a two month period March – May 2009, the naira has cascaded from N116, to N165 to a dollar in the parallel market, losing N49 in the process. These developments have grave implications for macro-economic stability, economic growth, sustainable development and the actualisation of the Seven-Point Agenda in Nigeria.

The supposedly underlying philosophy of the Seven-Point Agenda constitute ensuring effective and targeted implementation of critical projects and instituting efficiency and accountability in the management of scarce public resources which might constraint the success of agenda. However, the ultimate target of the Seven-Point Agenda is the eradication of absolute poverty among the people of Nigeria (CBN, 2009). The eradication of poverty in Nigeria is therefore to ensure that all Nigerians are provided with: a steady source of real income; high purchasing power; abundant, good quality and high nutritional food; basic healthcare facilities; good quality education;

good quality drinking water; good standard of housing units; good quality roads and other means of transport; stable and affordable power supply; good urban and rural communication facilities; cheap and affordable quality consumer products; and conducive environment for production and provision of quality services.

> *"The 2009 Federal budget is to deliver on our promises to reduce poverty and attain our Millennium Development Goals... By enhancing physical infrastructure through improving the power and road transportation sectors; we can improve the capacity of our non-oil sectors such as agriculture and manufacturing to contribute to more sustainable and enduring economic growth and development." (President Yar'Adua, 2009)*

Over the years, budget speeches have been long on rhetoric but fall short on implementation. The Seven-Point Agenda, more than two years since its inception, fails to demonstrate any success on any of its stated objectives. The 2009 budget which depended on two factors: the price of oil and the government's capacity to implement the budget effectively has not departed from the usual platitudes of the previous budgets that allocate funds as deemed fit to some sectors that are considered priority. Substantially, the 2009 federal budget with an inbuilt deficit of 1.09 trillion naira, a figure that is unsustainable with the current financial crisis, shows an aggregate expenditure of N140.7 billion for Statutory Transfers, N283.6 billion for Debt Service, N1.649trillion for Recurrent (Non-Debt) expenditure and N796.7 billion for capital expenditure, based on the assumed benchmark oil price of US$45/barrel and forecast production of 2.292mbpd.

The 2009 budget was based on the following assumptions: of crude oil production of 2.292 million barrels per day; 8.9 per cent GDP growth rate; reduced inflation rate of 8.2 per cent; and the naira exchange rate of N117 per dollar. However, the inflation rate and

other set parameters put constant pressure on the naira on the inter-bank market, partly due to over optimism on the part of the state in the face of the current economic crisis. Furthermore, the N1.09tn deficit built into the budget (which doubles the N560bn 2008 projection) threatens the realisation of the GDP growth projections. The final concern concerns the implementation of the budget. For example, the 2008 budget implementation consumed less than 50% of the projected spending, with the remainder being filtered through corrupt activities.

The national inflation rate has risen steadily since the second quarter of 2008, standing at 9.7 per cent in May before soaring to 12 per cent in June and 14 per cent in July owing to the effects of the global food crisis. There was a significant increase in inflation between September and October 2008 13.0 per cent to 14.7 per cent when compared. This increase is driven by both food and non-food components. Similarly, core inflation rose to 7.9 per cent in October from 6.9 per cent in September 2008 (CBN, 2008). The rate of inflation is officially placed at 9.5%, but could, in reality, be more than five percentage points higher (National Bureau of Statistics, 2009; CBN, 2009). With a GDP of $195.289 billion, and a GDP growth rate of 6.2%, relative to many other developing countries, the Nigerian economy has not grown appreciably. Also, Nigeria's foreign reserves have dropped from US$67 billion in June 2008 to US$53 billion in December 2008. With a GNP per capita of less than US$1,286, and a GDP per capita of US$1,317, Nigeria is classified as one of the poorest countries in the world.

The dynamics of the current economic crisis are so complex that it is impossible to predict its exact impact. Another challenge to the Seven-Point Agenda is market capitalisation, making the Naira purchasing power parity (National Bureau of Statistics, 2009). However, the link between the general impact of the crisis and human

development is obvious. Nigeria is directly hit by the global crisis through:

– Declining demand for its exports (crude oil),
– Reduced investment (including FDI),
– Shrinking remittances, and
– Reduced development assistance.

This in turn will negatively affect growth, tighten national budgets, increase underemployment, and reduce household incomes (World Bank, 2008a). The decreases in the four key themes outlined above will exacerbate the crisis with respect to the achievement of the Seven-Point Agenda.

Conclusions

The Seven-Point Agenda is supposed to represent a long-term process that integrates different areas both of economic and human capital policy and attitude development. It is certain that to make Nigeria a member of the top 20 economies of the world the areas to be addressed must include infrastructures development, macroeconomics stabilisation, the rule of law, and changes in the government's and its institutions behaviour in order to enable economic growth and development. The Seven-Point Agenda requires a coordinated, development-oriented, people-centred, inclusive, and of course urgent political will to sustain the reform if the failures of past reforms, that slide into a black hole, are to be halted. The success and failure of the Seven-Point Agenda depends on the Nigerian government's public/private partnership, promotion of a liberal environment which encourages private initiatives, establishment, a positive investment climate, development of infrastructural facilities, establishment of appropriate regulatory codes, the creation of legislative and policy environments that ensure fair, equitable and

efficient budgetary and tax regimes.

Infrastructural development is one of the most dynamic aspects of macroeconomic and social life development. This means that the Seven-Point Agenda requires extra funds to from the federal government to be able to implement the Seven-Point Agenda. Achieving the Seven-Point Agenda depends on the changing fortunes of crude oil price and the current plummeting Naira value – which are requisite for an economy which is import-dependent.

The future of the Seven-Point Agenda depends in part on the role and take of the federal government on mutual support with public private partnership. It also depends on factors such as local empowerment towards an all-inclusive decision making in governance and democracy, trade and market development, strengthening local institutions for empowerment of rural poor, and combining capacity building for participatory local governance with genuine cooperative enterprise development.

It is clear that both from poverty and a vulnerability perspective, the current financial downturn crisis has great impact on the actualisation of the Seven-Point Agenda. The effect of the downturn makes it impossible for government to provide the much needed funds for the execution of the agenda. There is clearly a need, not only for better budgetary regime but also the avoidance of over-dependence on the international price of crude oil on the nations' budget. This will provide an improved way of preventing the accumulation of large and unsustainable macroeconomic imbalances on the budget.

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