

**Socioeconomic Reforms and Cultural Transformations: Is the New
Dawn for Sub-Saharan African Renaissance?**

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Abstract

Recent democratization processes in civil governance, institutional reforms, and market liberalization including the privatization of state owned assets sweeping through sub-Saharan Africa parallel infrastructure reforms conducted in Latin America from 1990 to 1999 (Estache, Foster and Wodon).

The conceptual theory is that competition in the provision of basic infrastructure services would have the effect of reducing corruption and ineffective management inherent in state owned enterprises operating in sub-Saharan Africa. This paper builds on the work of Walden doctoral thesis submitted by Okobi (2002) in which he attempted to establish a link between low wages and corruption in Nigeria's civil service especially the police.

Although low wages is part of the problem, there is lot more to the problem of corruption in Nigeria than just low wages. There is broad agreement among scholar practitioners that corrupt practices are partly responsible for the slow growth in GDP recorded in sub-Saharan Africa over the past thirty years. The inability of sub-Saharan Africa to attract FDI is a direct consequence of corruption and high transaction cost of doing business in the region. Corrupt practices in the form of contract inflation, over-invoicing on payments permeate the highest levels of government. The resultant waste has cost

government billions of dollars, money that otherwise would be invested in rural development, education and health sectors of the economy.

Introduction

Political democratization engendered by political stability in civil governance structures is paced by institutional reforms, market liberalization including the privatization of state owned enterprises that is sweeping through sub-Saharan Africa parallel similar infrastructure reforms conducted in Latin America from 1990 to 1999. Introduction of competitive factors in the provision basic services such as water and sanitation services, energy generation and distribution, telecommunications including ICT is expected to impact corruption by reducing it. Could a reduction in the level of corruption in sub-Saharan Africa mark a turning point in the socioeconomic transformation leading to cultural transformation and social change?

The discussion here centers on whether there are adequate plans in the overall design framework and implementation capacity and flexibility to actualize a successful reform experience. Privatization of state owned enterprises that took place during the 1990s in Latin America, has been judged a key factor in reducing rampant corruption, poor services performance in key areas served by privatized entities (Estache, Foster and Wodon, 2002).

Background

Recent rankings by Transparency International, a global non-governmental organization pronounced Nigeria as the third most corrupt country on the face of the earth. Set against this background, the Federal and state governments of Nigeria are challenged by the problem translating official policy into concrete results especially in light of enormous poverty. The latest UNDP report painted a much dire picture for a country where 60 percent of the population ekes out a living on less than \$1 per day (UNDP, 2005) Poverty alleviation through improvements in primary healthcare delivery, school enrollment and the creation of new jobs cannot be achieved without a marked reduction in corruption. Notable among the corrupt practices in the public sector are: over-invoicing, contract inflation, and kickbacks for access affect transaction costs thereby raising the cost doing business. Corrupt practices in effect raise cost associated with completion of federal contracts, hamper progress by making projects prohibitive to embark on.

Literature on infrastructure reforms in Latin America shows that privatization in its various forms not only helped to engineer a socio-economic renaissance, but was directly responsible for generating total investments (private plus linked government) of \$290 billion between 1990 and 1999 (Estache,

Foster & Wodon, 2002). This is equivalent of one half of all private investments in the infrastructure sector of developing countries. Additional evidence from literature on infrastructure reform reveals that private sector participation results in significant improvement in public finances. This reflects the elimination of subsidies where they are not needed as well as the generation of privatization revenues. While private sector participation tends to increase total welfare, the gains are not always shared with the poor. Estache, Foster and Wodon (2002) believe that regulatory intervention in the form of tariffs could be used to fill gaps in access where they exist.

Market and Political Economy

The political economy of the Nigeria is defined by a series of efforts at nation building by civilian and military regimes. The immediate period following the country's political independence in 1960, saw the formation of a federal political structure consisting of four autonomous regions and a central government. A coalition of parties formed the government, while an opposition party check balanced as in a British model of parliamentary democracy. Post independence, the Nigerian economy was based on the European socialist model where the state controlled and owned all major productive assets of the country such as public utilities, power, communications, water, transportation, light and heavy manufacturing, commodity trading boards and other institutions.

The first republic was born on October 1960 lasted until January 1966, when the army seeking to arrest political instability in the Western and Middle Belt regions of the country, waded into politics. The presence of military regimes have not prevented incitement to riots particularly in the North, where a religious inspired pogrom led to the massacre of South Easterners of Igbo origin in the North and forced the unilateral secession by the Igbo of the South East from Nigeria in 1967. Nigeria has moved from three regions at independence in 1960 to four regions in 1963 when it became a sovereign republic. With military ascension to political governance in 1966 particularly after the bloody counter coup of July 1966, dominance of the military establishment by one ethnic group was seen as unjust. To address this problem and to assuage agitators, twelve states were created in 1967 as the nation went to war with itself. The civil war ended on January 12 1970. A no victor, no vanquished policy helped to re-establish normalcy in the country. However the agitation for the creation of more states continued. "The desire for ethnic self-assertion and for the power and financial wherewithal resulting from statehood have largely constituted the basis for states creation" (Metz, 1991). In 1976, nineteen states were created followed by twenty-one states in 1987 and thirty states in 1991. Today there are 36 states and one Federal Territory in the Federal Republic of

Nigeria, some which have little or no internally generated revenue and therefore must depend on monthly federal revenue allocation for existence.

The period 1966 and 1979 witnessed successive military leadership changes between the various ethnic Hausa/Fulani and Yoruba military politicians. The birth of the 2nd republic in 1979 coincided with the peak of the oil boom for Nigeria when annual revenue from oil sales reached \$20 billion in 1980 (Businessweek online, 2004). Prior to the discovery of oil in the Southeastern delta region, agricultural cash crops such as Palm Oil, Cocoa, Peanuts and Cotton and Animal Hides were the major export commodities and sources of foreign exchange. Solid minerals such as Coal was exploited in commercial quantities around Udi Hills near Enugu; Tin and Columbite were mined in the Central Plateau of Jos; the tropical rain forests of the Southwest yielded varieties timber such as Mahogany, Obeche and Iroko for milling. Nigeria produced an abundance of other agricultural products such as yam, cassava, rice and assorted vegetable, fish and animal protein (Livestock) to feed its teeming population.

The oil boom of the 2nd republic coupled with drought in the Northern parts of the country led to abandonment of farming as a means of economic sustenance. High levels of corruption in

civilian governance precipitated by the oil sales boom, the strain of recession during the bust, weak political coalition government of elected civilians and reported electoral fraud in the 1983 elections led the army to again terminate an elected civilian administration in December 1983.

The next army general to ascend to the seat of power, who was also of the Hausa/Fulani extraction sought to put an end to the widespread corruption but that effort was rebuffed by the army. In August 1985, the army struck again and removed the post 2nd republic government replacing it with a government headed by another general also of Northern Hausa/Fulani extraction. By this time life was getting difficult for Nigerians. A formerly self-sufficient net exporter of food and agricultural products would have to revert to food importation to feed its people. Food importation became the second largest consumption of foreign exchange. The economic hardship was so noticeable that the government of the day declared a National Economic Emergency in 1986. With the measure in place, Nigeria underwent a home grown rigorous structural adjustment program (SAP). As a result, the country received financial aid from the World Bank. Most of the loans were funneled into private bank accounts, yet others were invested in projects with questionable viability such as steel rolling mills in parts of the country where such plants are ill suited.

The introduction of the Structural Adjustment Program (SAP) in 1986 represented an effort to increase domestic production and to institute financial and import restrictions that would strengthen the economy. Other measures taken under SAP entailed the devaluation of the currency, the Naira, and the introduction of the second-tier foreign exchange market (SFEM) and limiting government budget deficits to only 4 percent of the GDP (Business online 2004). SAP implementation also led to decreased spending on social development programs in the late 1980s. Domestic dissatisfaction manifested itself in the form of strikes and student demonstrations. The clamp down on these activities by use of paramilitary forces led to loss of civilian life, productivity, and closure of institutions of higher learning across the country.

Nigeria's external borrowing as mentioned earlier increased remarkably during this period. To meet major economic expansion and development goals of integrating agriculture and industry more closely, the country's reliance on foreign loans and grants for capital increased remarkably. These loans and grants were needed implement large-scale industrial development programs. The Ajaokuta Integrated Steel Plant located in Kogi State was one such project. The large Aluminum smelter built at Ikot Abasi in Cross River state was another. A chronology of loans taken within this period show that in 1990 Nigeria received a

European Economic Community grant for rural development and telecommunications of \$2.6 million under the fourth Lome Convention. There was a 1991 British loan of \$58.2 million to expand the electric power system. As a result of such borrowing and rescheduling of payments as well as arrears, Nigeria's external debt is estimated at \$34 billion (The World Bank, 2004) Of the total amount owed, 44 percent or \$18 billion is owed to member countries of the Paris Club. Recent events in the second half of 2005 have brought much needed relief to the country in terms of reduction to the external debt stock. Members of the Paris Club, who hold 80 to 85 percent of the external debt stock of Nigeria, recently agreed to reduce 60 percent of the \$32 billion owed by Nigeria.

Nigeria's national interest has led it to align itself primarily with western powers such as Britain, United States, France and Germany (Mertz, 1991). Her role as a regional power in Sub-Saharan Africa has enabled mediation in crisis conditions and fulfillment of peacekeeping functions under the regional block of West African nations known as ECOWAS. Nigeria has also supplied forces for other global contingencies in support of the United Nations mandate.

The Nigerian market is a mixed bag; Open air markets exist in large cities together with a patchwork of modern service

oriented merchants buying and selling an array of goods mostly imported items out of stalls. Locally assembled and manufactured goods repackaged in local assemblies are readily available. Locally assembled goods are still bothered by low level of local content due to presence of few suppliers. The Manufacturers Association of Nigeria (MAN) is a trade group representing industrialists from the variety of industrialists attempting to establish a market presence in the vast polity of more than 130 million inhabitants.

Capital formation in the Nigerian market is hampered by low capitalization of the banking system. High lending rates for business loans are prevalent in the market. Collateralization of loans with tangible property is the norm. This has as a direct tendency, discouraged market penetration by banks. The credit system is weak and is in its formative stages. Due to these factors, most business transactions or exchanges completed in the market place are on cash basis. The prevailing conditions of the market lends credence to disintermediation of the banking system and has given rise to the so-called "informal sector" of the economy coexisting parallel to the "formal" or legal sector. The existence of the dual sector economy in sub-Saharan Africa particularly in the case of Nigeria, gives pause to economic planners and macro-economic policy formulation in a vast and diverse market place. The size of the informal sector is unknown

to economic planners. Current estimates put the informal sector of the Nigerian market to be equal or higher than the formal or legal sector in value.

The political economy of a Nigeria cannot be complete without a discussion on the structural relationship between organized labor and the public and private sectors of the Nigerian economy. Private exchange occurs in the market and is based on a legal or quasi-legal framework of possession and title: the private sector. Government exchange occurs through politics, and influences market decision through policy: the public sector. Labor is used to mean human activity, which produces change, and capital is the means by which the change from that labor is made greater (Wikipedia, 2005).

In the Nigerian context, the influence of organized labor is strong. Activities of the Nigerian Labor Congress (NLC) straddle both the private and public sectors of the market. One reason for this is the dominance of government ownership of all basic industries and manufacturing, transportation, banking and utilities. The predominance of organized labor in the private and public sectors of the economy is a major challenge to advocates of privatization. One proposed solution is a labor management relationship policy. The view of labor leadership with respect privatization of state owned assets must change.

Labor's current perspective on the issue is so negative that if allowed to persist could undo the entire program, stifle progress in attracting foreign direct investment and deny the country of economic growth and development. Organized labor must be made a major stakeholder in the privatization process through stock ownership allotments, assumption of debt and liabilities as part of the sale and full disclosure of government intentions.

The Concept of Corruption

Okobi's Definition: A Review

This paper builds on the work of Walden doctoral thesis submitted by Okobi (2002) in which he attempted to establish a link between low wages and corruption in Nigeria's civil service especially the police. Admittedly, Okobi (2002) opined that corruption is a worldwide phenomenon that manifests itself in many forms. He went on to define corruption as a vice that "results from the abuses of officials' position for private gain" (p. 27). Most of the research conducted by Okobi was directed at what might be considered low level corruption, which was aptly discussed and that ranged from "petty bribes given as kickbacks to facilitate access to large scale quid pro quos in exchange for receiving preferential treatment sometimes

involving large sums of money (Okobi, 2002). This researcher is not about to minimize the effect of the so-called low level bribery. However, the contention is that although low wages is part of the problem, there is a much bigger problem of corruption in Nigeria that retards our national development as a people preventing us from effectively competing in this global environment. This bigger piece deals with contract inflation and over invoicing mostly in public contracts.

Other Definitions

Transparency International a global non-governmental organization leading the fight against global corruption posit that corruption in public contracting leads to a distortion of fair competition. "The risk of waste of scarce resources is greater in developing countries where corrupt behavior in the public arena contributes to the neglect of basic needs and increase in poverty" (Transparency International, 2005).

Impact on Transaction Cost

Estimate by experts indicate that systematic corruption can add 20-25 percent to the costs of government procurement and could lead to inferior quality goods and services and uneconomic investments or unnecessary purchases. The impact of corruption on transaction cost is so severe that Multinational Corporations (MNCs) would choose to locate their manufacturing plants in third countries even when sub-Saharan Africa (SSA) location and

resource availability advantages including low cost of labor is favorable and are factored into decision matrices.

Impact on FDI Flows

There is broad agreement among scholar practitioners that corrupt practices are partly responsible for the slow growth in GDP recorded in sub-Saharan Africa over the past thirty years. The inability of sub-Saharan Africa to attract foreign direct investment to areas other than primary extractive areas (Oil & Gas) is a direct consequence of corruption and high transaction cost of doing business in the region. Corrupt practices in the form of contract inflation, over-invoicing on payments and kick-backs at the highest level of civilian interaction on government contracts result in waste and has cost the government billions of dollars, money that otherwise would have been invested in rural development, education and health sectors of the economy.

Infusion of Hope through Reforms

Ongoing Reforms

(Estache, Foster & Wodon (2002) opined that reforms generally result from a failure of the public operator to generate enough revenue on its own to pay not only for new investments, but often to cover operational costs (p.57). Nigeria has embarked on a set of reforms aimed at reversing subsidation of state owned enterprises that has historically failed to cover its operating and capital costs. Nigeria is also

bent on establishing a sound and effective public accountability of government budget and expenditures. Due diligence procedures have been introduced in the bidding and award of contracts. This process is being reestablished following the disengagement of military dictatorships from governance of the country in 1999. The nation's stock of debt under management have been audited by the Debt Management Office to determine the actual level of debt owed to external as well as and internal creditors. Drug law enforcement has been strengthened to reduce unnecessary loss of lives resulting from use of adulterated drugs and ingestion of expired medicines by the public. Current and ongoing reforms as drawn up are backed by legislation, are far reaching and have been extended to the banking and capital markets, civil service and general economic infrastructure sectors; energy, telecom and transportation sectors.

Economic liberalization pursued under the announced reform agenda will reduce ownership of major assets by government through divestiture to a core investor group who would own government's controlling interest in downstream oil, power generation and distribution, telecom, and steel. Major transportation assets; such as ports, rail and air lines are included. Core private investors would manage; operate for profit to assure service delivery to the general public. Under a special bid arrangement, up to 20 percent of government's equity

share would be offered to the public through an initial public offering (IPO).

To ensure continuity, reforms are backed by specific legislation passed by the Senate, the House of Representatives and accented to by the President. This is a necessary but not sufficient condition for the reform programs to succeed. Legislative backing is important in one critical aspect: enforceability of actions precipitated by it in the courts of law and continuity of the programs from one administration to the other. For example, the enabling legislation liberalizing the Telecom sector, (the Telecom Act), went through a fairly rigorous legislative process including public hearings and a comments period. Approval was given by the House of Representatives and the Senate. The bill was signed into law by the President. Regulatory arms of the Nigerian government such as National Administration of Food, Drug Administration and Control (NAFDAC); Budget Monitoring and price Intelligence Unit (BMPIU), Nigerian Communication Commission (NCC) are all backed by specific laws. In 2005 the Electric Power Sector Reform Act enacted by the Federal Government of Nigeria was signed into law. The new act makes it possible to break up the electric power monopoly; the Nigerian Electricity and Power Authority formerly known as NEPA and replacing it with a Power Holding Company of Nigeria (PHCN). Other reforms scheduled to take

place, which are crucial for effective and sustainable economic revitalization includes civil service, police and judicial reforms. Under the on-going reform program of the polity, 80 percent of the nation's civil service is to be laid off in a retrenchment exercise partly funded by the World Bank.

Affected employees would receive a severance package, which includes their gratuity, one year of pension, ten percent total emolument as voluntary emolument and a reparation allowance. Some of the criteria for downsizing the civil service are the attainment of 60 years of age or 35 years in continuous service (The World Bank, 2005). Others include those employees who have remained on one grade level for eight years, especially those that failed promotion examinations three times as well as those whose academic qualifications are deficient. The huge lump-sum payments to the affected workers are designed to enable them to reenter and engage in productive economic activity during retirement thereby providing a boost to the GDP of the country. In addition, affected workers might benefit from micro-credit programs set up to provide low interest seed loans for new business proposals.

Reform Institutions

Currently, social, economic and regulatory reforms are ongoing throughout the Nigerian federal system. These reforms are driven by among others, neglect occasioned by dictatorship

by unelected military politicians, neglect of policy mechanism, and incompetence. The approach and direction of reforms come from multiple points. Social reforms are aimed at reining in corrupt practices pervading the various institutions from the military down to universities has led to the formation of two institutions: The Independent and Corrupt Practices Commission (ICPC) and Federal Economic Crimes Commission (FECC). Both of these organs are backed by enabling legislation and have full investigative and prosecutable powers.

Political reforms are aimed at re-institutionalizing the practice of a true federal system of governance, is a priority. Agitations for regional autonomy and resource control are rife at the state and local levels particularly in the oil producing Southeastern Niger Delta region, and South Western states. Environmental degradation is rife in the oil producing areas. As a result, rural villages suffer from soil and water contamination problems brought about by activities involving extraction of oil and gas. The combined effect of neglect, official corrupt practices have rendered coastal villages and towns unfit for human habitation. Revenues from Hydrocarbons produced from these areas are shared by the 36 states of the Federation with little or no resources devoted for environmental cleanup or royalties to rural inhabitants. Over dependence on these revenues has in turn led to the neglect of other natural

resources such as cash crops in agriculture; cotton, palm oil, latex rubber and cocoa production.

Central bank of Nigeria

The Banking and Financial services sector were not left out from the reforms. The aim is to reduce the number of Banks numbering 89 to about 30 well capitalized and financially stable banks whose capacity to extend credits would be strengthened. The Central Bank of Nigeria (CBN) is the leading the charge in banking sector reform. The recapitalization of process currently underway will be discussed later is expected to infuse more capital into the sector prompting Soludo (2005) to remark that: "In Nigeria's history, no policy has induced so much resource inflows into any particular non-oil sector within a year as the banking sector revolution this ongoing" (p.1)

Under the Banking Sector Reform Act enacted in 2005, commercial banks will have a minimum capital base of \$181m, or the local currency equivalent of N25 billion. Institutions seeking to remain in banking will be expected to merge, be acquired or raise additional shareholder capital. Nigeria's banking sector reform is aimed at providing needed boost to the economy whereby banks have the requisite capital base to make loans to needy businesses without the fear of exceeding the loan to capital requirements. Also, certain sectors of the Nigerian economy whose capital intensity necessitate huge outlay of cash

such as Oil and Gas, Petroleum refining, Iron and Steel development can benefit from loan syndication, a process where a group of banks syndicate loans or credit commitments for new and existing business initiatives.

Budget Management and Price Intelligence Unit (BMPIU)

The Budget Monitoring and Price Intelligence Unit (BMPIU) have received presidential approval under the Nigeria Extractive Industries Transparency Initiative to audit the books of oil and gas operators in Nigeria for the first time. This sector is reputed to be one of the major sources of corruption, a key factor in the drought of foreign direct investment to the country. The audit coverage period is 1999 to 2004 and is expected to provide answers to pertinent questions such as how much oil does Nigeria really produce. How much of it is exported and by who? What does the country get from oil exports? How of much local content is involved in the oil production sector and by whom?

The Budget Monitoring and Price Intelligence Unit (BMPIU) are responsible for implementation of the due process in the award of government contracts. Practices used in the award of government contracts are among the most corrupt in the world. Prominent among these corrupt practices are over invoicing or contract inflation and the use of contract mobilization fees to feed graft leaving contract performance at risk. The objective

of BMPUI is to restore fiscal transparency, enforce strict compliance to rules and procedures, and promote the culture of effectiveness and efficiency in the costing, prioritization and execution of the budget. Due diligence process has so saved the country more than \$2 billion since inception.

National Political Reform Conference (NPRC)

Discussions on political, judicial and institutional reform of public services of the Federation are items on the discussion agenda at the just concluded National Political Reform Conference (NPRC) held in Abuja. Although the Nigerian federal system was envisioned to replicate the U.S system of governance, in practice it has been anything but unitary systems where all key government decision are made at the center.

The existing thirty-six state structure was supposed to have executive level governors who are tasked with ensuring the security of peace within the state and maintenance of law and order. The key question has been how to achieve these goals without the command and control responsibilities that enables such an objective. Among other solutions will be the formation of state controlled police forces, a decentralized military command based on the six zones of the nation. These and other items designed to restructure Nigeria are being discussed at the conference mentioned earlier.

**Independent Corrupt Practices Commission (ICPC) & Economic and
Financial Crimes Commission (EFCC)**

One of the characteristics of corruption is the secrecy of its operations. The seriousness of the fight against corruption in Nigeria is demonstrated by the operation of these two commissions in the same environment. Backed by the current Federal administration under the ICPC Act of 2000, the work of the Independent Corrupt Practices Commission and the Economic and Financial Crimes Commission "goes beyond criminalizing corruption and related offences and enforcement. It imposes an obligation on the commission to educate the public against bribery and corruption and to enlist and foster public support in combating corruption" (Akanbi, 2005). Everyone in Nigeria understands that corrupt practices were rampant in government yet nothing was been done about it and no one was being prosecuted in any of the superior court of record. In the words of ICPC Chairman, Justice Akanbi

"The lethargy on the part of the law enforcement agencies or the authorities in dealing with issues, cases of corruption gave the criminally-minded corruptees and their cohorts a field day and encouraged them to continue to amass ill-gotten wealth at the expense of the nation (p.1).

Changes have been made to ICPC Enabling Act. Under the old rules of engagement, a petition has to be filed by a person seeking redress for corrupt practices. This is no longer the

case. The House of Representatives have amended the ICPC law giving the commission investigative powers on cases without necessarily waiting for a petition to be filed.

The work of the Independent Corrupt Practices Commission has at last begun to yield some measure of success. A number of prominent government officials caught in corrupt practices are facing court action. If convicted will be fined and serve time in prison. Recent arrests pending prosecution by the commission include the former Federal Inspector General of Police (IG), a Federal Minister of Education, the Senate President and others who were caught in a 40 million Naira bribery scandal to influence budgetary allocation for the Ministry of Education in 2005. All involved in the bribery scandals have since resigned from public office and are awaiting their days in court.

Measures to Reduce Corruption

As stated earlier, Okobi (2002) and other scholars are in agreement that corruption manifest itself in a variety of ways. There is the petty bribery for access to bureaucracy, favors etc. Then there is corruption in public contracting. Both of these forms corruption if systemic have adverse consequences for fragile democracies with little institutional depth for correction. Among the measures to reduce corruption is the implementation of financial intermediation to poverty reduction initiatives for small businesses and farmers in the rural areas

of the country (Soludo, 2005). Measures such as those being implemented through the Agricultural Credit Guaranty Scheme Fund sponsored by the Central Bank of Nigeria will ensure credit flow to a vast majority of un-reached and under-served communities. Other measures such as privatization of state owned enterprises will instill the profit motive and provide the commercial incentive to succeed will be discussed in the next section.

Market Liberalization

Within the context of market liberalization in transition economies, the conceptual theory is that competition in the provision of basic infrastructure services would have the effect of reducing corruption and ineffective management inherent in state owned enterprises operating in sub-Saharan Africa.

Empirical evidence shows that recent successful liberalization of the Nigerian telecommunication sector, which allowed the entry of private operators through license acquisition have paved the way for transparency and will serve as a model to other forms of privatization to follow. These auctions preceded the actual sale of the state monopoly enterprise, Nigeria Telecommunications Limited (NITEL). This mode of market entry allowed the introduction of new and approved mobile technology platforms, was judged as ideal due to inability of a public monopoly enterprise (NITEL) to fulfill the telecom needs of the Nigerian market place.

Prior to liberalization of telecom sector, the waiting time for a telephone line in Lagos was 5 years at average cost of \$200 not including kickbacks and bribes passed under the table. In a country where more than 60 percent subsist on \$1 per day (UNDP, 2000) the cost of owning a land line telephone became a luxury item available only wealthy citizens. With the introduction of competition, lines are readily available and the number of telephone lines in Nigeria has exceeded 12 million in 2005 as a result of telecom market liberalization <<http://odili.net/news/source2005.html>>.

Privatization of State Owned Enterprises

The experience of countries in the Latin American region is especially important due to parallel behavior exhibited by utility service providers in the region and those operating in a sub-Saharan African country such as Nigeria. Literature on the Latin American model of privatization show that until the 1980s, state owned enterprises with local or national service monopolies provided utility services in Argentina, Bolivia, Chile and Columbia (Estache, Foster & Wodon, 2002). The history of these countries also indicate that during the 1990s fiscal constraints and growing dissatisfaction with inefficiency, poor quality and coverage of services provided by many state owned utilities generated the necessary political momentum for reform. A major source of dissatisfaction with state owned utilities in energy, telecom and water, has been supply interruptions and service

rationing. Improving the quality of service often requires significant investments to upgrade and expand the capacity of the network. Available literature on infrastructure reforms in Latin America shows that reforms were instrumental in reducing corruption while at the same time generating revenues. Total investments (private plus linked government) of \$290 billion between 1990 and 1999 were realized (Estache, Foster & Wodon, 2002). This is equivalent of one half of all private investments in the infrastructure sector of developing countries (see chart 1). Further evidence from current literature on infrastructure reform reveals that private sector participation and reform can lead to significant improvement in public finances. This reflects the elimination of subsidies where they are not needed presents opportunity for meaningful investment in education and health-two of the most prominent anti-poverty measures known to man.

Bank Recapitalization

As stated earlier, the banking and financial services sector reforms are designed to reduce the number of banks whose capacity to extend credits would be strengthened. The Central Bank of Nigeria (CBN) is the lead architect of the banking sector reforms which is aimed at a massive recapitalization of process currently underway. Under the Banking Sector Reform Act enacted in 2005, commercial banks will have a minimum capital base of \$181 million. Institutions seeking to remain in banking will be expected to merge, be acquired or raise additional

shareholder capital. Nigeria's banking sector reform is aimed at providing needed boost to the economy whereby banks have the requisite capital base to make loans to needy businesses without the fear of exceeding the loan to capital requirements. Also, certain sectors of the Nigerian economy whose capital intensity necessitate huge outlay of cash such as Oil and Gas, Petroleum refining, Iron and Steel development can benefit from loan syndication, a process where a group of banks syndicate loans or credit commitments for new and existing business initiatives.

Civil Service Reforms

Reform of the Nigerian polity aimed at reducing corruption cannot be complete without reform of the civil service of the federation. Utomi (2005) noted that reform of the civil service, which is responsible for policy implementation are crucial for effective and sustainable economic revitalization. Under the on-going reform program of the polity, 80 percent of the nation's civil service is to be laid off in a retrenchment exercise partly funded by the World Bank.

Affected employees would receive a severance package, which includes their gratuity, one year of pension, ten percent total emolument as voluntary emolument and a reparation allowance. Some of the criteria for downsizing the civil service are the attainment of 60 years of age or 35 years in continuous service. Others include those employees who have remained on one grade

level for eight years, especially those that failed promotion examinations three times as well as those whose academic qualifications are deficient. The huge lump-sum payments to the affected workers are designed to enable them to reenter and engage in productive economic activity during retirement thereby providing a boost to the GDP of the country. In addition, affected workers might benefit from micro-credit programs set up to provide low interest seed loans for new business proposals.

Summary and Conclusions

There is broad agreement among scholar practitioners that corrupt practices are partly responsible for the slow growth in GDP recorded in sub-Saharan Africa over the past thirty years. The inability of sub-Saharan Africa to attract foreign direct investment to areas other than primary extractive areas (Oil & Gas) is a direct consequence of corruption and high transaction cost of doing business in the region.

Corrupt practices in the form of contract inflation, over-invoicing on payments and kick-backs at the highest level of civilian interaction on government contracts result in waste and has cost government billions of dollars, money that otherwise would be invested in rural development, education and health sectors of the economy. Institutional as well as procedural reform of the instruments of governance such as implementation of the budget monitoring and price intelligence unit (BMPIU) to

conduct due diligence review on all government procurement contracts is receiving good reviews. It has so far have saved the Nigerian government \$1.5 b in FY 2005.

Private sector development and introduction of competition in provision of basic services: water, sanitation, energy, transportation and telecom is expected to have a positive impact on productivity and reduce corruption by eliminating bottlenecks created by inefficiencies in distribution of products where such distributions are based on nepotism, tribal affiliations and graft.

Scholars and analysts believe that full liberalization, privatization and transparency extended to oil and gas sectors of the economy may be the essential balm needed to ensure genuine growth and reduction of corruption in the country. This is true when considered from the fact that although telecommunication and power may be key infrastructures necessary for economic growth, the livelihood of Nigeria as a country revolves wholly on revenue from oil and gas. 80 percent of the incidence of corruption is reportedly in the oil and gas sector (Businessdayonline, 2005).

Other measures such as on going reform of the civil service supported and financed by the World Bank's Economic Reform and Governance Program. The International Development Association

(IDA) credit facility of \$140 million is expected to strengthen public resource management and specific anti-corruption initiatives, implement pension reform, and strengthen statistical systems capacities (The World Bank, 2005).

Can a reduction in corruption in sub-Saharan Africa mark a turning point in the socioeconomic fortunes by improving the flow of Foreign Direct Investment to the region, transform it culturally and lead to social change? Private sector merit based hiring practices; job promotion based work performance, if supported by civil service reform at the state and federal levels could permeate the psyche of the common man on the street.

Reasons for Optimism

The success recorded during licensing, which permitted the entry of private telecom providers into the Nigerian market place appears to have positioned Nigeria for increased flow of foreign direct investment. Available evidence presented in the text bear witness to this fact. Total investment to the sector (domestic and foreign) rose to \$8 billion in 2004. Government revenue from privatization proceeds also increased remarkably pointing to greater diversification away from oil, a key policy goal. Further evidence from the Latin American experience indicate that following initial entry into a new market, other companies invest in the same market either as suppliers or

distributors for finished products. The net effect of this additional investment spurs economic activity and thus employment (Estache, Foster & Wodon, 2002).

A second reason for optimism is the recent agreement between the country's economic team led by the finance minister and the Paris Club of creditors to eliminate 60 percent of its external debt or \$18 billion. The impact of this agreement is Debt service payments that would ordinarily used to pay back interest and principal can now find other priority areas if properly channeled.

Despite this positive results, Nigeria is yet to record any significant drop in poverty levels. At last count, it is estimated that 57 percent of Nigeria's population of 130 million subsist on less than \$1 per day (Bureau of Statistics Abuja, 2005). This is due to insignificant growth levels in the gross domestic product (GDP). Studies of other successful countries such as Malaysia, Singapore and others in Latin America, such Chile, Brazil and Argentina, indicate that growth in annual GDP should approach 7-10 percent annually for significant reductions in the rates of poverty. In Nigeria, the National Economic Empowerment and Development Strategy (NEEDS) document, which "lays out the foundation for sustainable poverty reduction, employment generation, wealth generation and value orientation" strategy for the country captures the essence of the important

growth target (National Planning Commission, 2004). The real impact of liberalization and successful privatization of state owned assets is increased revenues to the treasury and the opportunity benefits of savings from forgone subsidy payments. These funds if properly channeled to priority areas of health and education could further reduce rural poverty and living conditions in the country a necessary condition for growth in human development index (HDI) measurements calculated for the countries worldwide.

Despite these challenges, Nigeria is poised for economic take off and resurgence. The government of the day has had an epiphany and as such is seriously pursuing a reform agenda in all sectors Nigeria's economy. The key strategies that are being pursued appear to be sound. These strategies if sustained with political stability and continuity will see the emergence of a truly sub-Sahara African giant within 5-7 years. The successful licensing of new operators in telecom is seen by scholars as a precursor of modern business practices for Nigeria if benchmarked successfully against other privatizations in the various sectors identified in the case study. Critical success factors include the creation of enabling laws, which assures continuity; formation of regulatory bodies to check abuse of monopoly powers in a concentrated market and tariff protection

for the economically disadvantaged; banking regulation to enable commercial banks lead and finance the private sector; the adoption of science and technology as the engine of growth for the economy and value reorientation measures such as budget monitoring, price intelligence and due diligence on government contracts.

Effective duplication of the critical success factors at all levels of government, specifically, at the state and local government levels will assure a lock step match towards a bright future for the country. The agreement on debt relief with the Paris Club, which in effect, eliminates 60 percent of external debt stock should strengthen the hands of government to pursue broader goals of investment in education, health and other social welfare issues such as implementation of a social safety net for disadvantaged and poor. The recent announcement of the introduction of school meal program to be sponsored and paid for by Federal government is a step in the direction of good governance.

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