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MANAGEMENT OF GLOBAL ECONOMIC CRISIS IN NIGERIA: LESSONS FROM SOUTH AFRICA

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ABSTRACT
The effect of the global economic crisis on the African continent is multidimensional. It is enveloped in both external and internal factors, which has further complicated the escape routes for the continent. In a highly integrated and global world though an imbalanced one, the developed societies wield preponderance of the economic-political power which gives them an interdependent states, while developing polities who are not favoured by the present international economic order gets a dependent status. With the present global economic meltdown, the economic configuration of the world system has once again been exposed, questioned and attempts are make to restructure. The African continent especially Nigeria and South Africa are responding to this crisis from different perspectives. This paper explores Nigeria's responses to the crisis and the lesson to be drowned from South Africa. This paper posits that present economic meltdown poses a major challenge for Africa leaders to contest and change their dependent status in the international economic order. This paper concludes by posting that Nigeria needs focused, determined and sincere leadership that would transform the continent from a dependent polity to a truly self reliant and productive polity like South Africa.
Keywords: Economic meltdown, Dependency, Recession, Financial crisis, Inter-dependent.

INTRODUCTION
The term global economic meltdown is the globalize economy as we have today. Global economic meltdown is a topical issue because it seems to have affected may polities across the globe. It has various implications for both developed and developing economies. The United States if America, the European Union Zone, Asia and Africa countries are experiencing serve closures of companies, job losses, crash in share prices, squeeze in consumes credit facilities, crumbling mortgage facilities among others. In the case of developing societies of which Nigeria is one, the implications are noticeable in the areas of crash in share prices, dwindling revenues, and few direct investments from developed polities, dwindling remittances and aid from Nigerians abroad and donor agencies and erosion of foreign reserves among others. The United Nations Special Adviser on Africa, Check Sidi Diarra, has noted in this regard: *"As evidence points that international economic crisis is provoking a deep and prolonged downturn in the world economy, Africa is feeling more and more of its negative effects" (Diarra, 2009:1).*

Put differently, in a fast interdependent wired, what happens in one county will ultimately affect other countries of the world. Going by the above premise, Africa cannot be insulated from the global economies crisis happening in the United States of America, which has speed to other parts of the world. With Africans chequered in story of slavery, colonialism, neo-colonialism and her subsequent integration into the global capitalist economy, she finds herself in a marginalized position concerning the current global crisis. No economy –whether developed, emerging or developing is, so far insulated from what

Greenspan refers to as "once –in – a – century credit tsunami". The global economic crisis continues to demand urgent policy responses as growth rates plunge in all of the major advanced and emerging economies' to stem the tide of economic woes and restore economic growth numerous countries have unplemated fiscal stimulus plans. The United States of Africa, G – 20 – nations, European Union, China, France Great Britain, South Africa and Nigeria among others have pledged since 2008 to aggressively use fiscal measures to reinvigorate their economies. How have they been doing on that promise and what do the stimulus plans they have announced so far look like? This paper will address these questions using the South African example so that Nigeria can draw lessons from her experiences. To achieve this objective, the first section of the paper addresses definitional and theoretical framework of analysis issues. The second section discusses the origin of the crisis and the responses Nigeria and South Africa took to arrest the situation. The third session analyzes the implications of the crisis and concludes the paper.

THEORETICAL PERSPECTIVES

Economic Meltdown

In a generic sense, a common man's perception of global economic crisis, meltdown or down turn refers to a financial and investment distortion that started at one point (Wall Street, USA) which gradually but steadily affected all financial and investment institutions and economies in the world negatively. Tenuche and Agba (2009) conceived the concept as a recession. A recession is a downturn in a nation's economy. The consequences typically include increased unemployment, decreased consumer and business spending and declining stock prices. Ogunyele (2009) adds that recessions are typically shorter than the periods of economic expansion that they follow, but can be quite severe even if brief. Recovery is slower for some recessions than from others.

Adamu (2007) applied the concept more broadly by positing that it is variety of situations in which some financial institutions or assets suddenly lose a large part of theirs value. Kindleberger and Aliber (2005), Laeven and Valencia (2008) add that in the 19th and early 20th centuries, many financial crises where associated with banking panics, many recessions concided with these panics. Other situations that are after called financial crisis include stock market crashes and bursting of other financial bubbles, currency crises and sovereign defaults.

The International Monetary Fund (IMF) (2009:1) has noted that the crisis reflects the confluence of several factors:

- As in previous times (of economic recession) the pre- crisis period which was characterized by (I) surging assets prices that proved unsustainable, (ii) a prolonged credit expansion leading to accumulation of debt, (iii) the emergence of new types of financial instruments, and (iv) the inability of regulators to keep up (compare this with Nigeria's current banking crisis).
- There was a new rapid expansion of securitization (not itself a new phenomenon), which changed incentives for lenders and lowered credit standards. Systems became fragile because balance sheets became increasingly complex (further complicated by increased use of off – balance sheet instruments) financial market players were highly leveraged and they relied on wholesale funding and external risk assessments. Cross – border spillovers intensified after the crisis broke out because financial institutions

and market across borders were closely linked and the risks they bear are highly correlated (IMF, 2009).

The global financial crisis/meltdown also manifested in the following forms:

- Advanced economies are now suffering their worst downturn since the world war (II) occasioning dramatic decline in aggregate demand, leading to extensive destruction of jobs and livelihoods. Credit freeze which has led to virtual halt in lending for investment and consumption; the sharp drop in spending by businesses and households that led to massive layoffs which have further exacerbated the crisis and a myriad of other socio-economic ripple effects too numerous to list here.
- Productivity and economic growth rate has also fallen in china, brazil, India and other emerging market economies which have been dragged down from 6 percent in 2008 to about 3 ¼ percent in 2009. This has been mainly due to falling export demands, subdued capital inflows, and lower commodity prices. Correspondingly, growth in all emerging market and developing economies, including sub- Saharan Africa slowed down to 3 $^{1}/3$ percent in 2008 (IMF, 2009:2).

The current global economic meltdown is characteristically contagious in view of the inextricable interlacing character of international economic relations. This is basically why the fiscal and monetary escapades of the world are leading financial and capital and market exhibit roughly similar patterns. A critical study and tracking of the crisis throws up the futility of untamed predatory capitalism which modus operandi rests on making a tiny minority of the population overly rich while the teeming majority are deprived of the basic necessities of life. Onigbogi (2009:2) predicted that the whole world will be affected by the global economic meltdown "and all individual will be called upon to carry part of the cost of this debacle". Indeed it has been predicted that this crisis carries with it the seeds that will lead to the total collapse of the international financial system. For our purpose global economic crisis refers to the complex interaction of macro economic mismanagement, in complete financial regulation, and defective corporate governance that is affecting different economies across the globe since 2007.

THEORETICAL FRAMEWORK OF ANALYSIS

The dependency theory will serve as our theoretical framework of analysis. Baran, and others frequently spoke of the international division of labour – skilled Dependency theory or dependencia theory is essentially a body of social science theories predicted on the notion that resources from the "periphery" of poor and underdeveloped states to the "core" of wealthy states, enriching the latter at the expense of the former. It is a central contention of dependency theory that poor states are improvised and rich ones enriched by the way poor states are integrated into the "world system". Dependency theory developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America, Raul Prebisch. Prebisch and his colleagues were troubled by the fact that economic growth in advanced industrialized countries did not necessarily lead to growth in poorer countries. Indeed, their studies suggested that economic activity in the richer countries often led to serious economic problems in the

poorer countries. Such a possibility was not predicted by neoclassical theory, which had assumed that economic growth was beneficial to all (Pareto Optimal) even if the benefits were not always share. In order words, the theory arose as a reaction to some earlier theories of development which held that all societies progress through similar stages of development, that today's developed areas at some time in the past, and that therefore the task in helping the underdeveloped areas out of poverty is to accelerate them along this supposed common path development, by various means such as in investment, technology transfer and closer integration into the world market.

Prebisch's initial explanation for the phenomenon was very straight forward: Poor countries exported primary commodities to the rich countries that then manufactured products out of those commodities and sold them back to the poorer countries. The "value Added" by manufacturing usable products always cost more than the primary products used to create those products. Therefore, poorer countries would never be earning enough from their export earnings to pay for their import. Dependency theory rejected this theory, positing that underdeveloped countries are not merely primitive versions of developed countries, but have unique features and structures of their own; and significantly, are in the situation of being the weaker members in the world market economy, whereas the developed nations were never in an analogous position, they never had to exist in relation to a bloc more powerful countries than themselves. Dependency theorists posited, in opposition to free market economists, that underdeveloped countries needed to reduce their connectedness with the world market so that they could pursue a path more in keeping with their own needs, less dictated by external pressures.

Prebisch's solution was similarly straightforward: poorer countries should embark upon programmes of import substitution so that they need not purchase the manufactured products from the richer countries. The poorer countries would still sell their primary products on the world market, but their foreign exchange reserves would not be used to purchase their manufactures from abroad. This idea is known as the Singer-Prebisch thesis. Prebisch, an Argentinean economist at the UNCLA went on to conclude that the underdeveloped nations must employ some degree of protectionism in trade if they were to enter a self-sustaining development path. He posited that import-substitution industrialization (ISI), not a trade- and-export orientation, was the best strategy for underdeveloped countries. Three issues made this policy difficult to follow. The first is that the internal markets of the poorer countries were not large enough to support economies of scales used by the richer countries to keep their prices low. The second issue concerned the political will of the poorer countries as to whether a transformation from being primary products producers was possible or desirable. The final issue revolved around the extent to which the poorer countries actually had control of their primary products, particularly in the area of setting those products abroad. These obstacles to the import substitution policy led others to think a little more creatively and historically at the relationship between the rich and poor countries.

Paul A. Baran developed the theory from a Marxian perspective in 1957 with the publication of his *The Political Economy of Growth* (Vernoego, 2004). Dependency theory shares many points with earlier, Marxist theories of imperialism by Rose Luxemburg and V.I. Lenin, and has attracted continued interests from Marxists. Mattias Vernengo

identifies two main streams in dependency theory: the Latin American structuralists typified by the works of Prebisch, Celso Furtado, and Anibal Pinto at the United Nations Economic Commission for Latin American (ECLAL); and the American Marxists, developed by Paul A. Baran, Paul Sweezy and Andre Gunder Frank. At this point, dependency theory was viewed as a possible way of explaining the persistent poverty of the poorer countries. The traditional neo-classical approach said virtually nothing on this question except to assist that the poorer countries were late in coming to solid economic practices and that as soon as they learned the techniques of modern economics, then poverty would begin to subside. Marxist theorists viewed the persistent poverty as a consequence of capitalist exploitation. And a new body of thought, called the World system approach, posited that the poverty was a direct consequence of the evolution of the international political economy into a fairly rigid division of labour, which favoured the rich and penalized the poor.

Dependency can be defined as an explanation of the economic development of a state in terms of the external influences – political, economic, and cultural – on national development policies (Sunkel, 1969:23). Theotonio Dos Santos emphasized the historical dimension of the dependency relations in his definition:

> Dependency is ... an historical condition which shapes a certain structure of the world economy such that it favours some countries to the detriment of others and limits the development possibilities of the subordinate economies... a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected (Dos Santos, 1971:226).

Most dependency theorists regard international capitalism as the motive force behind dependency relationship. Andre Gunder Frank, one of the earliest dependency theorists, is quite clear on this point:

> ...Historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellites underdeveloped and now developed metropolitan countries. Furthermore, these relations are an essential part of the capitalist system on a world scale as a whole (Frank, 1972:3).

According to this thesis, capitalist system has enforced a rigid international division of labour, which is responsible for the underdevelopment of many areas of the world. The dependent states supply cheap minerals, agricultural commodities, and cheap labour, and also serve as the repositories of surplus capital; obsolescent technologies, and manufactured goods. These functions orient the outside: money, goods and service do flow into dependent states, but the allocations of these resources are determined by the economic interests of the dominant states, and not by the economic interests of the dependent state. This division of labour is ultimately the explanation for poverty and there is little question but that capitalism regards division of labour as a necessary condition for

the efficient allocation of resources. The most explicit manifestation of this characteristic is in the doctrine of comparative cost advantage. Moreover, to a large extent the dependency theorists rest upon an assumption that economic and political power are heavily concentrated and centralized in the industrialized countries, an assumption shared with Marxists theories of imperialism. If this assumption is valid, then any distinction between economic and political power is spurious: governments will take whatever steps are necessary to protect private economic interest, such as those held by multinational corporations (Ferraro, 1996:3). The theory adequately explains why Africa in general aid Nigeria in particular cannot escape the present global economic crises; why the continent may be the last to recover from the crises. The these is predicated upon the notion that reverses flow from a " periphery" poor and under developed states to a "core" of wealthy states, enriching the latter at the expend of the former as a result of her integration with the "world system".

Sub-Saharan Africa has great diversities, but the 53 political entities of the region share many common features. They range significant in terms of population, size and economic scale. The region's total population was about 650.6million in mid 2000, according to UN estimates. Climate and topography vary greatly and include Mediterranean, tropical, and semi-tropical, desert, rainforest, savannah, mountain and plains. Some countries are more intensively urbanized than others. Educational levels, life expectancy and endowment of natural resources also vary greatly. The economies of Sub-Saharan Africa are, for the most part, small, and fragile, and the region is rapidly being left behind in the global economy. The congruent threat of war and civil conflict poses grave questions about the economic performance of the continent. Given these threats and diversities, it is, accordingly, difficult to draw general conclusions about the continent's socio-economic and political performance as a whole during any given year. As a result, The Economist of May 2000 tagged Africa: "the hopeless continent."

World Bank (2000:1) adds: Despite gains in the second half of the 1990s, Sub-Saharan Africa enters the twenty-four century with many of the world's poorest countries. Average per capita income is lower than at the end of the 1960s … Moreover, many development problems have become confined to Africa. They include lagging primary school enrollments, high child mortality and endemic diseases – including malaria and HIV/AIDS. One part in five lives in countries severely disrupted by conflict. Put differently, one of the stark realities in the 21st century Africa is that people need government. Often times, the abilities of people to articulate their demands are not matched by the capacities of governments to provide security and public services. Increasingly, as the populace demands a stake in their future, the initial task of the state is to simultaneously provide services and conduct nation building. Yet in country after country, efforts in both service provision and nation building is hard fought and the results seem less spectacular.

GLOBAL ECONOMIC CRISIS: AFRICA IN PERSPECTIVE

Africa has come of age, but ironically has little to how for it, economically we are stagnant if not retrogressive and politically we are confused. Although, Africa has recorded some progress in the area of economic growth, development in the real sense of the word has continued to elude us. An x-ray on Africa's economy would reveal that Africa has witnessed economic growth without economic development, and this scenario brings to

bear the question of leadership. The economy of Africa consists of the trade, industry, and resources of the people of Africa. As of 2006, approximately 922 million people were living in 53 different countries. Africa is the world's poorest inhabited continent. However, parts of the continent have made gains over the last few years, of the 175 countries reviewed in the United Nations Human Development Report 2003, 25 Africa's nations ranked lowest amongst the nations of the world. This is partly due to its turbulent history and holistically due to failed leadership. The decolonization of Africa was fraught with instability aggravated by cold war conflict. Since mid- 20th century, the cold war and increased corruption and despotism have also contributed t Africa's poor economy.

The biggest contrast in term of development has been between Africa and the economy of East Asia. The economies of china and India have grown rapidly, while Latin America has also experience moderate growth, lofting millions above subsistence living. By contrast, much of Africa has stagnated and even regressed in terms of foreign trade, investment, per capita income, and other economic growth measures. Poverty has had widespread effects, including low life expectancy, violence and instability, which in turn have perpetuated the continents grew at problems. The world band reports that the economy of sub-Saharan African countries grew at rates that match global rates; while the economies of the fastest growing Africa nations experienced growth significantly above the global average rates. The top nations in 2007 include Mauritania with growth of 19.8%, Angola at 17.6%, Sudan at 9.6%, Mozambique at 7.9%, and Malawi at 7.8%. No fewer that 14 countries made the list of the largest 60 world economies. Only three African countries, South Africa, Nigeria and Egypt made the list in 2006, according to the world development indicator. By the close of the 21st century, South Africa might be the only African country among the 60 strongest economies in the world if Africa continues to tread the present path of its economic development. The development indicator shows that Africa has retrogressed economically since 1980 in relation to other developed and developing world economies.

STATE OF THE NIGERIAN ECONOMY PRIOR TO THE CRISIS

Nigeria, as a country, is blessed with abundant human and materials resources. These natural resources include petroleum, gas and solid mineral resources. Nigeria is the 13th largest petroleum oil producer and the 6th largest OPEC oil exporter. As at January 2007, according to Aham et al (2009), Nigeria's proven oil reserves were estimated at 36.2 billion barrels, with an expected increase in her reserve to about 40 billion barrels. As the largest oil producer in Africa, it is estimated that its total oil production in 2006, including condensates, natural gas and crude oil average 2.45 million barrels Per day (bpd), with oil accounting for 2.28 million bpd. With a GDP of about $45 billion in 2001, and per capital income of about $300, Nigeria, as at 2000, had earned approximately $300 billion from oil exports since the mid 1970s. Generally, statistics show that between 1956 and 2007, estimated revenue from crude oil is about ₦29.8 trillion. (Aham, et al 2009). Recently, the Federal Government recorded a budget deficit of ₦249.10 billion in the first quarter. This is in spite of the fact that a total of ₦7.66 trillion was generated at the end of 2008 translating to ₦9.82 billion increase over the ₦6.65 trillion budgeted revenue target fro the year. Again, 979.25 billion was generated between January and March 2009 as against the budgeted amount of ₦1.228 trillion for the period (Taiwo and Aderinokun, 2009). Presently, the economic structure and revenue sources remain largely

undiversified, as crude oil has continued to account for over 70% of government revenue. This has exposed the Nigerian economy to the vagaries of oil process in the international market. Again, the mining of solid minerals in Nigeria account for only 0.3 of its Gross Domestic product (GDP). Thus, the domestic mining industry, according to the Minister of Mines and Power, Mrs. Deziani Allison-Madueke, is underdeveloped, leading to Nigeria having to import minerals that could have been produced domestically (The Nation, Editorial, 2009:19)

The crucial dependence of the economy on oil and the attendant revenue has not been translated into the development of the non-oil sector, like manufacturing. Consequently, the performance of the manufacturing sector has been very poor. This situation has persisted, even with the recent price of crude oil, which sold at almost $150 per barrel. In short, what the country has been experiencing is the process of gradual closure of companies who can no longer operate in the country due to the high cost of transaction (Agboola, 2009). This is more with the textile industry. Again, agriculture, according to a recent statistics, contributes about 27.2% to Nigeria's GDP, after oil. It is also to believe that the sector also employs a substantial fraction of the population-up to 35%. Yet, this sector is characterized by low level of productivity, because of lack of attention from the government and financial institutions (World Bank, 2006; Oronsaye, 2009). Thus, there is the problem of food insecurity and high poverty incidence, especially among the rural dwellers (NBS, 2007). It is against this background that the study attempts a brief analysis of the impact of the meltdown on the Nigerian economy in the next session and lesson to be drawn from South Africa.

IMPACT OF THE FINANCIAL CRISIS ON NIGERIAN ECONOMY AND MITIGATE MEASURES ADOPTED

As shown earlier, a direct result of the meltdown has been the emergence of recession in the global economy. In Nigeria, as it is in other primary commodity producers and mono-cultural economies, the effect, to put it mildly, has been harrowing. Implicit in the above is that the agonizing reality of the global economic recession is here. Unfortunately, when the real import of the global crisis came, the regulatory institutions were found ill prepared to contain the effects. Evidence of this could be seen in the reactions of the Central Bank of Nigeria (CBN) and the Federal Ministry of Finance, who kept assuring Nigerians falsely, as regards the health and true state of the domestic economy (Abadullahi, 2009). Most perplexing perhaps, is the fact that crisis has uncanny capability to render useless extant systems and/or make a mockery of known economic solutions. It is therefore pertinent to note that an economy is said to in recession when it experiences negative GDP for two consecutive quarters; and crisis in the context here, is a sharp change in asset prices that leads to distress among financial market participants. (Eichengreen and Portes 1987).

Specifically, Nigeria began to take its share of the financial crisis on March 6, 2008, when the capital market, which its capitalization peaked at ₦12.6 trillion, started to record unprecedented losses in value of shares of companies listed in the capital market. At the height of its performance, Nigeria's capital market was rated as one of the best on the scale of markets with highest returns in the world. But since the second quarter of last year, the market has plunged 62% as the capitalization fell from a peak of ₦12.6 trillion in

March 3, 2008 to ₦4.9 trillion in March 3, 2009. The All-share index also declined by 66.4% from 66,377.20 to 21, 170.21 (Omeife, 2009). Earlier, the campaign by the Director-General of the Nigeria stock Exchange, Dr. Ndi Okereke-Onyiuke to most European countries and America attracted investors to the tune of about ₦500 billion. In 2008, this fund was pulled out by foreign nationals, who because of the economic meltdown, in their home countries, had to shore up their native economies (Aluko, 2008). This led to lack of confidence in the market on the part of Nigerians. The global financial crisis is equally hilting hard in the banking sector. In Nigeria, the negative impact on the banking sector has been colossal with about 5 billion in bank equities reportedly lost so jar on the stock market. As aptly observed by the immediate past Governor of Central Bank of Nigeria, Prof. C. Soludo, the global capital flows have frozen, credit crunch persists despite massive global liquity injections, global aggregate demand has fallen sharply with about $50 trillion value lost through capital markets, housing etc. This observation was very apt in the case of the Nigerian Banks. (Akerele, 2009).

In reaction to this gloomy scenario banks have embarked on a number of survival strategies. Firstly, they raised the lending rates so high to the extent that customers are already bearing the brunt. Secondly, allowances and estacodes of banking staff have been drastically slashed (Alabi, 2009). On the part of the Central Bank of Nigeria, some measures were put in place to manage the situation. For example, the CBN made some policy moves in the following areas:

Briefly, its impacts on Nigeria are as follows:

- Reduction in capital inflows and divestment, leading to crash of Nigerian market;
- Exacerbated demand pressure at the foreign exchange market arising from repatriation of capital dividends by foreign investors leading to high exchange rate;
- Funding growing demand for foreign exchange which led to draw down on external reserves;
- Depreciating exchange rate due to demand pressure at the foreign exchange market as demands far exceeds supply;
- Loss of jobs in stock broking firms and capital markets;
- Gradual de-industrialization of manufacturing firms, and;
- Incessant labour conflicts in both public and private sectors.

Specifically for the banks, the system felt it in the following ways:

- The tightening of liquidity as banks experienced difficulty in sourcing new credit lines from multilateral agencies abroad;
- Existing line of credits to banks sourced from abroad were not renewed and in fact most of the credits were called in;
- Depression of the capital market and drop in the quality of part of the credits extended by banks for trading in the capital market.
- Potential exchange rate risks on foreign lines/credits obtained by banks from multilateral financial institutions;
- Rise in domestic interest rate due to liquidity pressures; and
- Banks had to stop lending and had to recall some of their loans.

Another sector that the economic crisis is adversely affecting is the insurance industry. The consolidation, which was embarked on 2001 in the sector, saw about 51 insurance companies scaling through the hurdle on February 28, 2007. The industry, with annual gross premium income of ₦76.32 billion in 2005 (and ranked 65th in the world and 6th in Africa), record a premium income of ₦117 billion from ₦82 billion it posted in 2006 – a 42% rise. Furthermore, its capitalization increased almost ten-fold, from ₦25.9 billion in 2006 to ₦206 billion in 2007 (Onyenweaku, 2009). Regrettably, with the market crash as a result the economic meltdown; the industry is adversely affected as they lack patronage. Moreover, the money market and real estate instruments where the sub-sector operators are good players also face grave challenges. Thus, their investment windows are not insulated from the current market crisis.

In research of solutions to the ravaging crisis, in the global financial system, the Nigerian Insurers Association organized an international conference on the crisis with the theme. "The challenges of Ethics, market Adjustments and Reforms in the Face of Current Global Economic Meltdown", held at Abuja, between 7th – 11th May 2009. The conference was aimed at making the participants carryout a critical analysis of the challenges of current global financial meltdowns; assess its impacts on the Nigerian insurance market and develop strategies for the promotion of international best practices that will enable the Nigerian insurance industry overcome the threats from the crisis (Financial Standard, 2009). On another note, the oil and gas sector in Nigerian insurance industry, has, for decades, been a major source of capital flight from the country. These is because the risk in the sector is enormous and involve huge capital outlays and sound technical capacity to accurately alive oil and gas industry. The policy target is that by 2010, 100% of businesses in the sector should be domiciled locally. Thus, the National Insurance Commission has directed that all oil and gas businesses be placed 100% with Nigerian registered and domiciled insurance companies (Popoola, 2009).

Generally, there is has been a drastic reduction in the revenue of the government. Nigeria, as noted earlier, being a monocultural economy, and with the see-sawing price of crude oil and prospects for economic recession in the developed world, with its attendant reduced energy needs, coupled with violent militant activities in the Niger Delta, as well as interest in innovative energy resources (e.g bio-fuels) in developed countries, is bound to have problems with its economy. It is no longer news that the Federal Government has lost billions of dollars in oil revenue, as a result of the crash in crude oil prices in the international market due to declining demand. Moreover, with decline in oil revenue external reserves, which the country boosted to about $70 billion in 2007, has dropped to about $50 billion in 2008 (Omoh, 2008). In addition, there is abrupt reduction in revenue generation through the Nigeria custom service collection. The numbers of containerized good (both consumer and luxury goods) that come into the country through the ports have drastically reduced by about 80% since January 2009 (Alozie-Erendu, 2009). This has resulted to customs collection of only ₦89 billion in the first quarter of 2009; a shortfall from ₦166 billion targets set for the period. Empirical evidence indicates that the situation has persisted in the ports could be been from the fact that while 602 containers were positioned daily for examination in January 2009 at the premier port, it reduced to 438 in March and reduced further to 262 and 181 in April and May respectively. The fundamental reasons for this are, firstly, banks no longer give importers credit facilities

because they want to consolidate their liqudity. Secondly, importers are no longer ready to import because of the fluctuating rate of the Dollar against the Naira (Alozie-Erondu, 2009).

Apart from the above impacts, other areas, which the current global economic crisis is, affecting Nigeria includes: Foreign portfolio investment withdrawal and withholding in other to service financial problems at home, as well as reduced foreign direct investment (FDI) are affecting investors' confidence in and the economic health of Nigeria. Nigeria has lost over $4 billion to panic divestments by foreign investors in the course of the ongoing global economic crisis (Kujenya and Ugwuanyi 2009). This is particularly now in Nigeria, where Public-Private Partnership (PPP) in the provision of infrastructural facilities and practical steps to confront the economic situation that is as adequate as the cases of the above-mentioned countries. It is unbelievable that in the face of the above realities that our response to the crisis, has been largely timid and unimaginative, if not, infact, a non-response.

The first response of the government was the inauguration of, what we may call, a blue-ribbon national economic management committee, with the mandates to deal holistically with the impact of the global economic recession on Nigeria by President Umaru Musa Yar'Adua. Members of this Presidential Steering Committee include Governors Babatunde Fashola of Lagos State, Isa Yuguda of Bauchi State, and Adams Oshiomhole of Edo State. Others include the Ministers of Finance, National Planning, and Petroleum, as well as the Chief Economic Adviser to the President and the Governor of the Central Bank of Nigeria (CBN). The committee has made the following recommendations, which have been approved by the government. These are:

- Reduction by 5% of excise duty on all locally produced goods except cigarette and alcohol;
- Full deregulation of the downstream sector of the oil industry;
- Cancellation of the funding of refineries;
- Government release of the sum of ₦70 billion into the textile industry, with disbursement to be done through the Bank of the Industry (BOI),
- President Umaru Yar'Adua, through the Central Bank of Nigeria (CBN), established a ₦200 billion Commercial Agricultural Credit Scheme to promote Commercial agricultural enterprises in the country. The fund, to be disturbed by the apex bank, will be administered by the United Bank for Africa Plc and First Bank of Nigeria Plc. 40% of the first release will be to small and medium scale farmers; while the large-scale farmers will share 60%.
- All agreements on major projects in the oil sector which the Nigerian National Petroleum Corporation, (NNPC) entered into with its key partners are to be reviewed. This action is informed by difficulties in funding the prime projects as a result of the present global economic crunch. In order to keep the projects on course, it has adopted austerity measures in capital expenditure and reviewed the cost of the affected projects. It also proposes to further review the Memorandum of Understanding (MOU) it signed with some companies on new oil and gas projects in the country.
- Government, recently, proposed to release the sum of ₦500 billion to revive the nations' industries. It proposes to release additional ₦100 billion to the textile

industries. The industries revival funds find justification to target specific challenges of industries in the areas of upgrading of ageing plants, fund for manufacturers to bring in raw materials and needed parts and to reposition industries to play pivotal role of wealth creation and employment generation.

- The Revenue Mobilization Allocation and Fiscal Commission (RMAFC), which increased the salaries and allowances of political office holders (POHS) in April 2008, have been directed to reverse the policy. Specifically, the President and Vice President are to forgo their severance allowances, which under the remuneration package that terminated at the end of June 2009 were 300% of the basic salary of each of the affected functionaries. The Hardship Allowance of the two was also slashed from 50 to 30%. Members of the legislature are to forgo benefits such as Wardrobe Allowance and Entertainment, while Accommodation and Housing Allowances have been halved. Before June, each member of the National Assembly had received ₦500, 000 and ₦600, 000 yearly as wardrobe and entertainment Allowances respectively.

The Federal Government has gone into agreement with private sector towards providing one million housing units for low and medium income Nigerians before the end of 2011. Total number of housing units for low and medium earners targeted is 400,000 housing units per annum. Now, from the above policies enunciated to confront the economic situation, one can appreciate that we do not lack the intellect to articulate a well-rounded response to the present situation. Regrettably, as former president of the country, Chief Olusegun Obasanjo, once rightly noted:

> It is well acknowledge that one of the failings of public policy in Nigeria has not been the dearth of policies but actually the non-implementation of such policies (cited in Nnebe, 2006: ix).

MANAGEMENT OF GLOBAL ECONOMIC CRISIS: LESSONS FROM SOUTH AFRICA

South Africa has one of the most comprehensive, well-thought out and imaginative blue prints for containing the crisis. For example, their stimulus package envisages a public investment Programme of R 787 billion over a 3-year period designed to expand and improve South Africa's infrastructure. The policy Programme was premised on the collective responsibility to work together to withstand the crisis and ensure that the vulnerable are protected as far as possible from its impacts. Specifically, the massive investment in public infrastructure entails expansion and improvement of road, and rail networks, public transport, housing construction, including low-income housing, energy generation capacity as well as education and health infrastructure. The programme is designed to create additional work opportunities because of its emphasis on labour intensive activities. The macro-economic measures adopted include the following: fiscal and monetary measures put in place to ensure that the crisis does not cause job losses in the real economy, the South African Reserve Bank is to discuss the interest rate regime with stakeholders as well as ways of lowering the cost of capital and significantly reducing the real interest gap between South Africa and key trading partners. In addition, labour and the business community and government are discussing towards tax relief for low-income workers and companies in distress. The blue print also encompasses industrial policy measures aimed at rebuilding industrial capacity, avoiding de-industrialization and

competitive performance of key local industries, especially vulnerable sectors and small businesses.

Now, what can one deduce from the above comparative analysis of strategies adopted by the respective countries. Briefly stated, it is clear that practically that the review shows the necessity for concerted action in the form of a financial stimulus package to contain the fall-out from the crisis. The respective responses are meant to help jumpstart and resuscitate the economies of the countries concerned in the face of the dwindling revenues, lessening commodity prices, mass loss of jobs and threatened economic collapse. Moreover, further interrogation of strategies by the above countries could lead to the above conclusions:

i. All the countries, in their packages, recognized the need to provide some form of safety net for the most vulnerable and marginalized believing that both the upper and middle classes can easily work out exit strategies from the economic vicissitudes that their countries are experiencing;
ii. The responses to the crisis reveal the poverty of relying on big players like the Wall Street or other capital or money markets to do the right thing in the interest of their economies and public interest.
iii. The policy options show the need for foreign exchange controls in order not to deplete foreign currency reserves and stem the tide of capital flight by both local and foreign investors.
iv. Broadly speaking, all the countries reviewed showed sensitivity to the enormity of the problems and took decisive and timely steps in the face of ravaging impending global financial disaster (Asogwa & Eme, 2009:18).

CONCLUSION

The effect of the global financial crisis on Africa is multi-dimensional. It is enveloped in both external and internal factors, which has further complicated the escape route for Africa. However, positioning the internal factors on the pathway of efficiency, effectiveness and development, the external factor can be conditioned to favour the continent of Africa. Though the question remains how the present crop of African leaders would stand up to these challenges, develop the productive forces, and transform Africa into an industrialized continent? That Nigeria is deep into the economic crisis, from the above analysis, is not in doubt. The immediate challenge to the government is how to stop the slide and re-invigorate the economy. One sure key socio-political challenge in Nigeria, which must be addressed squarely for the country to achieve recovery and long-term stability, is the problem of Niger Delta crisis, where the production takes place. The crisis has seriously affected production because of the activities of militants.

The rationale for stimulus package is to reduce economic recession on the citizens of a particular country. In spite of fiscal pressures brought about by the current economic crisis, resulting in lower than expected revenue, government should maintain social transfers to other key social expenditures, including increasing access to free basic services such as water and electricity, as is the case in South Africa. Presently, government's approval of ₦500 billion is just palliative as no comprehensive plan is available on how majority of the citizens will benefit from the bailout. The outline of the stimulus package should not only be comprehensive and holistic but should identify time

horizons of expenditure and expected benefits to the economy and citizens. For instance, expenditure for job creation should estimate the number of such jobs expected to be created within a specified time period.

The government is advised to devise appropriates strategies to kick-start the economic recovery and ensure sustained growth in the country. The time is ripe for strengthening our regulatory agencies so that all manner of malfeasance in institutions are effectively checked. We have to do everything to block all the leakages in the financial system so that such our financial resources will be re-directed to critical areas of need in the economy instead of private hands. The crisis has reinforced the need for Nigerian government to undertake the fundamental structural reforms that are needed to improve efficiency in expenditure management and increased domestic resource mobilization. We should demand, in uncertain terms, and to question, unethical, sharp practices such as insider trading, rigging the stock market, tax and custom duty evasion, etc all of which result in undoing the economy, job losses and impoverishment of the people. The people should insist on good corporate governance, transparency and accountability in the different facets of the economy in line with tested standards and international best practices.

While pursuing these, the authorities must not lose sight of the imperative for human capital development, which was a constant in the miraculous socio-economic transformations recorded in China, India and newly industrialized nations. Nigeria is not ready for this experience, considering what she is presently doing with her educational system, especially the tertiary sector. Nigeria is at a crossroads. One leads to recovery and re-invention of our self-confidence and innate ability to tackle the existential problems confronting the nation’s economy. The other leads to inaction, perdition and ultimate collapses of the economy. We hope she takes the right route, but definitely not with the current state of governance in Nigeria.

RECOMMENDATIONS

The financial regulatory framework committed to by the leaders we need to following challenges: First, macroeconomic management must be able to identify asset bubbles and to muster the political will to respond. Second, we must be careful to recognize that regulatory reforms often have pro-cyclical motivations: accentuating dangerous phenomena. As we engage in regulatory reform, we must be careful to ask the Warren Buffett question: Will we be seen to be naked when the tide goes out? Third, financial regulation must be understood as a special financial regulation must be understood as a special response to the particular incentive incompatibilities of financial institutions. We must recognize that corporate governance alone can be inadequate to restrain short-sighted management. We also must recognize that shareholders of financial institutions may themselves have inadequate incentives to ensure that financial institutions avoid excess risk: The rest of us may, through deposit insurance and government bailouts absorb significant components of the risk. This moral hazard often requires a regulatory response. To address this Warren Buffett question there is a need to identify any warning signs of excessive credit creation. Furthermore, the changing global economic crisis needs global financial supervision and regulation to avoid excess leverage, capital inadequacy,

and weak management and finally financial innovations are equally necessary. Achieving these goals stated above will take time and require difficult compromises.

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