

AN ANALYSIS OF THE IMPACT
OF DEMOCRATIZATION ON DEBT-LED
GROWTH: THE NIGERIAN EXPERIENCE 1970-2000

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by

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DECLARATION

I, Godson Eze Dinneya, do hereby certify that this thesis which is submitted to Rhodes University for the degree of Doctor of Philosophy has not been submitted by me for a degree at any other university and that it is my original work.

Signed on day of November 2002.

Abstract

The debt-for democracy hypothesis is that undemocratic governments were largely responsible for not only the accumulation but also poor management of externally sourced capital resources. External borrowing had therefore failed to lead to growth of the economies of debtor countries under undemocratic political leadership. Despite this explanation of the debt problem conventional empirical analyses of the debt-growth relationship did not include political institutional variables.

This study investigates the relationship between democratization and debt-led growth, using Nigeria, a typical debtor country whose politics was dominated by 'undemocratic' governance, as a case study. Two broad research questions are investigated namely, whether available data support a negative or positive contribution of debt to the growth of the Nigeria economy during the period 1970-2000; and if so was there any link between the levels of democratization in Nigeria and debt-led growth. Using a census of major political events in Nigeria around four dimensions of democratization, four primary indices of democratization and one composite index were constructed for the period.

Using the Taylor (1983) marginal conditions to gauge the contribution of external debt to the growth of the Nigerian economy, the study found that external debt is capable of playing a double edged sword on the performance of the economy. Positive contributions coincided with the periods when Nigeria's oil dominated foreign exchange revenues were robust, and/ or when debt management strategies were better articulated and vice versa. The analyses of the link between democratization and debt-led growth using both correlation and regression techniques, yielded different results in two definitional contexts of debt-led growth. When defined purely in terms of the Taylor marginal conditions for a positive contribution of debt to the economy of a borrowing nation, the results support the pessimist view that democratization impeded growth. On the contrary, when debt-led growth was defined in a broader sense to incorporate variables such as domestic savings and investment, foreign direct investments, public and private consumption and debt burden, there was strong evidence that debt-led growth performed better at higher levels of democratization than other wise. The result using the narrow definition was found to be a direct consequence of the overriding influence of export performance in the Taylor conditions. With Nigeria's exports almost entirely dominated by extractive industry the result derived using the narrow definition confirmed the theoretical links between natural resource endowment and regime type on the one hand, and external capital and the nature of the host country's industry on the other. In the first resource dependence allowed the political leadership to be more detached and less accountable to the electorate since they did not need to levy taxes. Secondly foreign investors concerned with security of their sunk investments in the extractive oil industry in particular favoured continuity of powerful regimes with less democratic content.

In both findings one thing was common: democratization was associated more with those factors whose decreases affect growth positively than with those whose increases improve growth. The conclusion from this is that the impact of democratization is stronger with negative than with positive growth factors. In other words, while democratization may be supportive of growth its greater impact appears to be in limiting the factors that themselves limit growth.

To benefit from the favourable impact of democratisation on debt-led growth therefore the study suggests that improvements in the democratisation process in Nigeria is needed. It identifies political education as central to this improvement. A model is developed to show how improvements in the political institutional framework may trickle down, through an enabling environment that is capable of engendering growth-enhancing domestic and international responses to lead in the direction of debt-led growth.

Dedication/acknowledgement

This work is dedicated to those deprived of the basic needs of life, not for lack of means, but by mismanagement of available resources by the political leadership.

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CHAPTER ONE

INTRODUCTION

1.1 An overview

This study focuses on the tripod of debt, democratization and growth. Against the backdrop of the knowledge that Africa is debt-ridden, and in the face of colossal failure of a legion of debt initiatives leading to calls on debtor nations for a democratic option to the debt crisis, the study attempts to investigate the link between democratization process and debt-led growth, using Nigeria as case study. In this introductory chapter the background is provided in two stages: (a) at the global level by an outline of the debt initiatives and acknowledgement of their failures, and the major factors that had sustained and justified the call for a democratic option to the debt problem; and (b) at the case study level, Nigeria's potential and current state of indebtedness are highlighted. Subsequently the research problem is stated followed by an outline of the objectives and significance of the study. The last section deals with the organization of the remaining part of the thesis.

1.2 The failure of the global debt initiatives and the call for a democratic option to the debt crisis

That the economies of many African countries were debt-ridden was common knowledge. Of the 29 nations listed as heavily indebted poor countries (HIPC's) in 1996, 25 were in Africa. By June 1999 when the Group of Eight industrialized nations (G-8) expanded the HIPC's proposal, 30 of the 36 HIPC's were in Africa. In the most current amendment to this initiative reported by the United States Congressional Research Service (USCRS, 2000: 3) tagged 'Debt Relief for Poverty and Development' 35 of the 46 potentially eligible countries were in Africa. Accordingly, Africa's share of HIPC's total debt stock in 1997 stood at 74% (See Appendix 1A for details).

The last one and a half decades witnessed a legion of debt initiatives aimed at resolving the debt problem of the third world. In 1985, the 'Baker Plan' called on private banks, the World Bank and other multilateral development banks to increase their lending by US\$29bn to 15 HIPC's over a period of three years to relieve them of what was then thought to be a short term liquidity problem (Central Bank of Nigeria CBN, 1998a; Baker, 1988). In 1989 the 'Brady Plan' introduced two features to the original Baker Plan: the cash buy-back arrangement through which a debtor country could use its cash reserve or new loans to repurchase some of its debts at a discount, and the conversion of debts into less risky assets.

Under the 'Paris Club Plan' in 1987 creditor governments were requested to reduce interests rates on government or official guaranteed debts and to waive payment of a large proportion of past debts of low-income debtor nations by converting such debts into grants. By 1988 the Paris Club had endorsed a menu of debt relief options through which highly indebted developing countries (HIDC's) could receive forgiveness for as much as one-third of the net present value (NPV) of their public bilateral non-concessional debts that were eligible for rescheduling. These so-called 'Toronto Terms' were broadened three years later at the G-7 meeting in London where creditor countries agreed to implement an 'Enhanced Toronto Terms' that would reduce by 50% the NPV of eligible HIDC's public non-concessional debts. Between 1988 and 1995 Paris Club members rescheduled under the Toronto and Enhanced Toronto Terms over US\$14.8 billion of debts owed primarily by African countries (USCRS, 2000: 7).

The Paris Club further expanded reduction options following the 1994 G-7 summit in Naples, Italy. Under what became known as the 'Naples Terms' developing countries could receive forgiveness for up to two-thirds of their total NPV of non-concessional debts. By 1988 the African Development Bank (ADB) on its part had come up with the 'ADB Plan' under which non-concessional medium and long term loans to African countries were to be converted to long term securities of 20 years or more at fixed and below-market interest rates (CBN, 1998a).

The Briton Wood twins, as the World Bank and the International Monetary Fund (IMF) had come to be known, apart from playing a major role in determining eligibility and

performance criteria for debtor countries to benefit from the various proposals, also came up with their own initiatives. The IMF had between 1984 and 1994 put in place a number of facilities designed to assist in the resolution of the debt problems. These included the External Fund Facility (EFF), the Enlarged Access Policy (EAP), the Structural Adjustment Facility (SAF), the Enhanced Structural Adjustment Facility (ESAF), Systemic Transformation Facility (STF), and the Compensatory and Contingency Financing Facility (CCFF). The World Bank variants included the Structural Adjustment Lending (SAL), The Reduction Facility (RF), Special Program of Assistance (SPA), and the Trade and Investment Policy Loan (TIPL)¹

Despite these measures poor countries' debt problems did not abate. The World Bank evaluated the performance of 29 African countries for which it had provided more than US\$20bn in funding to sponsor Structural Adjustment Programs (SAPs) over a ten-year period 1981-1999, and found a failure rate of over 80% (Ayttey, 1999a: 4). In fact the stock of long term debts owed by the severely indebted low-income countries (SILICs) actually grew four folds from US\$61 billion in 1980 to US\$245 billion by 1995. SILIC's debt/export ratio had also risen from 102% to 421% during the same period (World Bank, 1997: 204).

Under pressure from non-governmental organizations (NGOs), and in acknowledgement of the failure of these measures that were inadequate, impracticable and/or politically unacceptable to the creditor governments (Woodward, 1993; World Bank, 1997), the World Bank and the IMF agreed to sponsor the initiation in September 1996 of the HIPC's initiative. The initiative was intended to deal comprehensively with the overall external debt burden of eligible countries, reducing it to a 'sustainable level' within a reasonable time period. A country's debt was to be considered sustainable if that country was expected to be able to meet its current and future external debt service obligations in full, and without recourse to debt relief, debt rescheduling, or accumulation of arrears, and without compromising growth of its economy (Andrews, 1999). By 1998, two years into the implementation of the HIPC's program, only seven countries (Uganda, Bolivia,

¹ For details of the eligibility conditions for these facilities, see Guitian, 1995: 826-829; for details on global debt initiatives see Appendix 1B).

Burkina Faso, Guyana, Co'te D'Ivoire, Mozambique and Mali) out of 30 had benefited from the initiative, with a total debt reduction of US\$3bn. Four years after, with some amendments in September 1999 to deepen and broaden debt relief to cover more countries, accelerate the delivery of debt relief by shortening the so-called performance period and to emphasize debt relief for poverty and development, the Expanded HIPC's initiative, like those before it, came under severe criticisms. Its non-performance critics said, was due largely to the slow speed of debt relief, too little debt relief and stringent eligibility criteria² (USCRS, 2000: 24).

In the face of the colossal failures of these initiatives, both scholars and creditor governments began to call upon debt managers and debtor nations to look inwards to the current wave of democratization for a democratic option to the debt overhang. Beside the issue of the failure of the initiatives, two major factors came into play, and sustained the impetus for the political option. First was the waning faith in the hope for a possible outright debt cancellation, itself an offshoot of a combination of three factors: Africa's relatively weak bargaining position or lack of 'debtor power' in the international financial system (Riley, 1993); the failure of a predicted 1990s world depression that was to collapse the international financial system to nullify poor countries' debt (Batra, 1986); and the sustained unwillingness on the part of creditors to cancel debts for their age-old fear of a precedence capable of threatening the stability of the international financial system (Cohen, 1982; Sachs, 1990). The second major factor was the curious reluctance of powerful creditor nations to adopt Patricia Adams' 'Odious Debt' doctrine which enabled lenders to collect on their debts – not from the peoples of the third world but from their apparently liable corrupt political leaders whose personal wealth and solvency surpassed that of their countries (Adams, 1991).

Viewed from the standpoint of Kindle Berger's (1978) theory of debt cycles, then the explanations for creditors' reluctance at adopting either outright cancellation or freezing the assets of the political leadership may not be difficult to tease out. These explanations were that in the crisis phase of debt cycles lenders did not actually want the debts repaid because they have no use for the capital. What lenders wanted were for debts to remain in the books and be serviced and /or to use existing debt for maximum leverage over the

² For details on the eligibility and other criteria for the Enhanced HIPC initiative see Appendix 1A.

debtors. What began in the mid 1980s as a subtle move to encourage debtor countries towards liberalization of their markets had by the end of the decade become an indispensable eligibility criterion for debt relief and further assistance (Riley, 1993: 126).

More than anything else the issue of political leadership or governance as a major contributory factor to the debt problem of most of the HIPC's had helped to sustain the call for a restructuring of political institutions in the indebted poor countries. In his testimony before the US House Committee on Africa in April 1999 Ayittey (1999a) raised the issue of the dilemma of how to provide debt relief without at the same time rewarding reckless and incompetent management by African governments who squandered foreign loans. He urged the US to restrict debt relief to 'newly-democratising' African countries, emphasizing that if a democratic criterion could not be used then relief should not be extended to any African country whose leaders had been in power for more than 10 years. In October 2000 congressman Frank Wolf introduced a bill titled 'Responsible Debt Relief and Democracy Act' to the US House of Representatives. In addition to making US debt relief conditional on democratization the bill sought to empower the president of the US to instruct the US executive directors of multilateral financial institutions to press for the same conditions to be applied for their debt relief packages (Diamond, 2001). Earlier in 1999 under the Enhanced HIPC's proposal there were legislative provisions requiring the US to tie debt relief to debtor countries' human rights, terrorism, drug trafficking and military expenditures records (see Appendix 1A for detail).

Parfitt and Riley (1989) had argued that the debt crisis did raise the issue of democracy in Africa. Along with such exogenous factors as the terms of trade and export commodity economy dependence, the growth of Africa's external debt was blamed on the personal or neo-patrimonial character of much of African politics (Riley, 1993; Sandbrook and Baker, 1986; and Sandbrook, 1985). Riley noted that:

For many of the new African states, political divisions tend to develop along ethnic/regional lines with political factions securing support through patronage. Given that the state represents the greatest single resource in many African countries, there is the tendency for it to become the focus of a spoils system in which factions compete for control of the national finances in order to fund their patronage networks (Riley, 1993: 116).

Another dimension of the association of the character of political leadership and accumulation of debt was identified by Woodward as the inherent imperfection (arising from, but not entirely attributable to the assumption of non-bankrupt sovereign) in the international financial market: while governments were able to secure the benefits (often private and political) of foreign borrowing they were able to pass on the costs to their successors (Woodward, 1993: 2). The implication of Woodward's observation was that where the governments were corrupt, un-elected and unrepresentative, where opposition was stifled, and where there was mass political illiteracy the incentives for over-borrowing for private benefits to the political leadership might indeed be very high. So also would the resultant debt bondage for the economies and peoples of debtor nations in the future.

In her radical analysis of third world debt, Susan George (1988: 91, 107) linked Africa's debt crisis to the nature of governance in these countries. She had a befitting description to bemoan the deplorable situations: of debt in Africa she called it the "black man's burden"; of debt performance under Mubutu's Zaire it was "absolute zero"; for Kenya the economy under Moi was "travelling towards collapse". She "pitied poor Zambia" and noted that Tanzania was "taking a poverty plunge".

Furthering the link between the character of political leadership and debt was Jain's extension of the analytics of principal-agency theory to derive the effect of corruption of political decision-makers on the level of foreign debt. She argued that corruption among the political elite broadly defined to include the leaders and their supporters was common in the indebted countries (Jain, 1993: 80). An extension of the link between corruption and accumulation of debt was the vexed issue of illegal capital flight by African political leaders. For most indebted African countries much of the funds embezzled by their sit-tight leaders were siphoned out to overseas banks. It was estimated that the personal wealth of some African leaders and their cronies in Swiss banks were several times more than their countries' total debt stock. Foreign aid was also allegedly looted back to the donors' economies (Ayittey, 1999a: 28).

The World Bank was not left out of the effort to justify and therefore sustain the call. In its report entitled "Accelerated Development in Sub-Saharan Africa" it was argued that

Africa's desperate economic situation was attributable to the growth of a large public sector that swallowed resources and used them inefficiently (World Bank, 1994). The World Bank was not alone in blaming accumulation of debt on too big a public sector. Ayittey (1999b) argued that Africa's first political mistake was to have adopted a system that allowed the State to control every conceivable facet of their economies.

If the issue of political leadership as a contributory factor to the debt crisis had helped to sustain the call for a democratic option, the involvement of, and the positions taken by, many NGOs especially the Jubilee2000 Coalition, 50 Years Is Enough, Heritage Foundation (Schaefer and Cohen, 1999a; Schaefer and Froning, 1999), and Women In Mission and Ministry on the debt debate had tended to move the debt issue to a more political and moral (than economic) phenomenon (Jubilee2000, 2000a; and Muchina, 2000). Jubilee2000 estimated that a quarter of all poor countries' debt was incurred by dictators who imposed these debts on the people without their consent and by force of arms. The campaign argued that successor governments were not liable for those debts (Hanlon, 1998). In its first meeting November 1999 in Gauteng, South Africa, Jubilee South campaigning for outright debt cancellation rejected the legitimacy of the "South's indebtedness to the North". The organization however, acknowledged the active collaboration of local elites in the imprudent accumulation of debt by the countries of the South (Jubilee South, 1999: 2).

Reacting to the crusade for the elusive outright debt cancellation, Larry Diamond (2001: 1) asserted that the renewed "campaign to convince the international community to write off the debts of poor countries though morally inspiring and politically timely, was terribly misguided". To lift the countries out of poverty, Diamond insisted that the focus must first be on the political conditions that foster sustainable development. Diamond insisted that the time had come for a "new global bargain: debt relief for democracy and development for good governance. Relief of debt and official economic assistance (other than emergency humanitarian aid) must be conditioned on freedom of the press, freedom of association, judicial independence, electoral accountability, and independent institutions to audit public accounts and monitor and punish corruption" (Diamond, 2001: 3).

Without denying a possible link between political leadership or governance and the accumulation of debt there were those who argued that the issue would not have received the prominence it got had the cold war between America and the Soviet Union not abated. Prior to the collapse of the Soviet Union it was not uncommon to find industrialized democratic nations supporting undemocratic African regimes unconditionally, to satisfy the power block game (Ekpo and Udoka, 1996: 491).

Whether the call for a democratic option to the debt crisis was justifiable on grounds of the link between political leadership and the accumulation of debts, or a bandwagon effect of a renewed wave of democracy, the coincidence of predominantly undemocratic regimes and poor debt performance in poor African countries was worth investigating. Even if one agreed with the Kindle Berger theory of using debts as a noose round the neck of debtor nations, there was still a need to investigate the alleged link between poor debt performance and political leadership.

The role of the character of political leadership or quality of governance in the accumulation of debts in the indebted countries was but only one in the whole range of political dimensions of the international debt crisis. Others included: (i) the link between debt and imperialism which was explored by scholars like Levitt (1993), Grieve (1993), and Amuwo (1993); (ii) the political implications of the dominance of official debt in the Africa's debt structure; (iii) the interrelation between access to debt relief and changing political alliances and the balance of power within indebted countries; (iv) the effects of conditionality on the political legitimacy of regimes in indebted countries (Campbell, 1989: 2-3). Each of these dimensions deserved a full-fledged analysis that could not possibly be accommodated in this single study. Further more neither the controversy over the underlying issues of the desirability of democracy in Africa that had been explored by Przeworski (1993) and Ake (1991), nor the myth of its infeasibility, which Peterson's (1994) excellent work debunked, was of less importance. In furthering the discourse on political leadership, governance, and indebtedness an attempt is made in this study to draw attention to the political and normative contexts under which lending, borrowing and debt management decisions were made and their implications for debt-led growth.

1.3 Nigeria: external finance and internal resource capacity for growth

At independence the nation's policy makers recognized the importance of external finance in filling the domestic savings and the foreign exchange gaps. Accordingly the country's First National Development Plan (1962-68) expected 50.2% of its capital expenditures to be financed from external sources (FRN, 1964: 7, 30). The political instability following the outbreak of the civil war from 1966-1970 discouraged the realization of this expectation. Although the reconstruction and rehabilitation of the post civil war period meant higher need for development resources the architects of the Second National Development Plan (1970-74) realized the low absorptive capacity of an economy emerging from a devastating three year civil war and the unattractiveness of the economy to foreign private investment, expected only 19% external financing (FRN, 1970).

Following the dramatic rise in the price of crude oil in 1974, then Nigeria's single highest foreign exchange earner, the Third National Development Plan (1975-80) in its original blueprint did not foresee any need for external resources except perhaps to cover the technology needs, the reason being that expected national savings was to exceed investment by nearly ₦15 billion (US\$25 billion). Furthermore, with a projected total gross national savings of ₦80 billion (US\$133 billion) against total investment of ₦82 billion (US\$136 billion) for the Plan period, the gap in the Fourth National Development Plan (1981-1985) was to be financed mainly from recurrent budget surpluses, with minimal reliance on foreign loans (FRN, 1981).

1.3.1 Resource availability

Admittedly, not many third world economy can generate enough capital internally for their development needs. However, development planners in Nigerian seemed to have recognized the country's enormous capacity to generate from a diversified economy, sufficient income and savings of its own to finance a steady rate of growth. The need for external sources of capital would therefore be dependent on the natural incentives of

international finance (FRN, 1970:37). This recognition stemmed from Nigeria's relative position in Africa in terms of human and natural resource availability. The largest market in Africa, with an estimated population of 133.3m in 2000, its labour force of was put at 52.84 million in 2000. With over 400,000 square kilometres of arable land, adequate rainfall, criss-crossing rivers, lakes, creeks and canals fairly distributed and virtually no natural disasters except for occasional droughts, the country's agriculture potential in crop and animal husbandry is second to none in the continent. In addition to petroleum which she was world 4th largest exporter, the country had commercial deposits of gold, sapphire, aquamarine, tamarind, tin, columbite ore, iron ore, coal, limestone, lead, zinc, natural gas etc (FRN, 1997).

However, the country's diverse resource endowment remained largely untapped. It depended almost entirely on oil export for its budgetary revenues. As can be observed from Table 1.1, Nigeria's foreign exchange earning from oil in 1970 was US\$233.2 million, representing a mere 20% of total. Between 1971 and 1975 oil revenue amounted to US\$17 billion, accounting for 72 % of total government revenues. The period 1976-1980 was particularly spectacular as world crude oil prices maintained a steady climb. Government's oil revenue soared to a record high and it raked in US\$68 billion in only 5 years. This represented 77% of total government revenues. The period between 1981-1985 was however, to witness a downward trend in world oil prices. Oil revenue correspondingly declined to US\$48 billion, but it still accounted for almost 70% of total revenues. Although the decline continued in the two subsequent 5 year periods 1986-1990 and 1991-1995 as oil revenue nose-dived to US\$19 billion before plunging to US\$11 billion. (CBN, 1998), the sector's contribution to total revenues was still on the increase. This was an indication that government was not making more money in non-oil sectors. Non-oil sectors' contribution to total revenues took a plunge from a height of over 79% in 1970, to just 28% in the 1971-1975 period. Except for 1981-1985, when it managed to reach a contribution of 30%, it remained below its contribution of 1971-1975. Thus, in the one and a half decades- 1970-1985 that preceded the escalation of the country's debt crisis in 1986, Nigeria earned over US\$135 billion from oil alone.

Table 1.1 Nigeria: Summary of Government revenue 1970-1999

YEAR	GOVERNMENT REVENUE (US\$m)				
	Oil Revenue		Non-Oil Revenue		Total Revenue
	Value 1	% of Total	Value 2	% of Total	3 = (1 + 2)
1970	233.200	20.47	906.300	79.53	1139.500
1971-1975	16700.800	71.83	6549.800	28.17	23250.600
1976-1980	68148.100	77.07	20278.200	22.93	88424.300
1981-1985	47913.400	69.59	20934.300	30.41	68847.700
1986-1990	19655.000	72.62	7410.000	27.38	27065.000
1991-1995	11028.800	77.97	3116.700	22.03	14145.500
1996-1999	14231.700	78.51	3895.200	21.49	18126.900

Source: Calculated by author from Central Bank of Nigeria Statistical Bulletin, using US dollar end of year exchange rates.

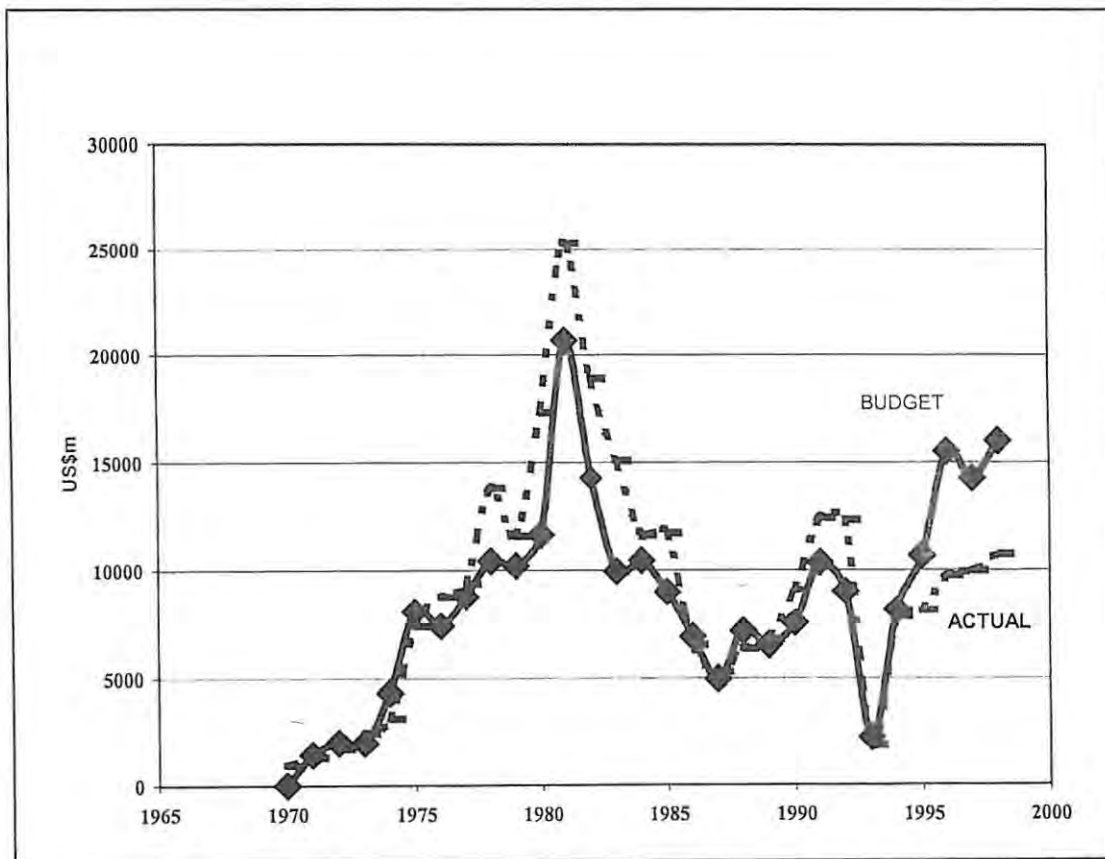
1.3.2 Nigeria: Africa's biggest debtor nation

While Nigeria's oil boom lasted two major features became prominent in the nation's economic and administrative cultures: (a) an economy that was heavily import oriented, and (b) an administration that displayed high level of financial indiscipline and policy infidelity. The economy's import dependence had resulted from three major factors. First, throughout the 1970s and up to the mid 1980s the country adopted import replication (not substitution) industrialization strategy, which relied heavily on imported raw materials and machinery. Second was the undue reliance on oil revenue and the neglect of the agricultural sector that resulted to massive food importation. In addition to the above, corrupt government officials in both civilian and military regimes had abused their positions and encouraged over-invoicing and non-shipment of goods for which letters of credit were established (Eigbe, 1999: 12).

Financial indiscipline was largely demonstrated in the governments' handling of foreign exchange budgets. As can be seen from Fig. 1.1, actual disbursement of foreign exchange earnings remained over and above budgeted figures from the mid 1970s up to the mid 1990s, including the 1986-1990 period when oil revenue was taking an unabated nose-

dive. There appeared to be a culture of lack of abstinence, the governments neither postponed consumption nor refrained from running down past savings or windfall gains from foreign exchange earnings. Budgets were merely annual rituals where painstaking efforts of technocrats in drawing up well thought out programmes were put aside after being read by the Head of State to the press. The capital flight that resulted from over-invoicing of actual imports and non-shipment of 'spurious goods and services', plus the unwillingness to save possible windfalls from rising world oil prices meant undue pressure on the nation's foreign reserve and declining capacity to pay for its imports.

Fig. 1.1 Nigeria: Actual vs. budgeted foreign exchange disbursement - 1970-1999



Source: Table 1.2

As would be expected the nation's external reserve was the direct casualty of spurious imports and financial indiscipline in a mono-product-export economy. Fig.1.2 shows movement in the country's external reserve position. From US\$5.4 billion in 1975 the nation's external reserve dropped to US\$2 billion by 1978.

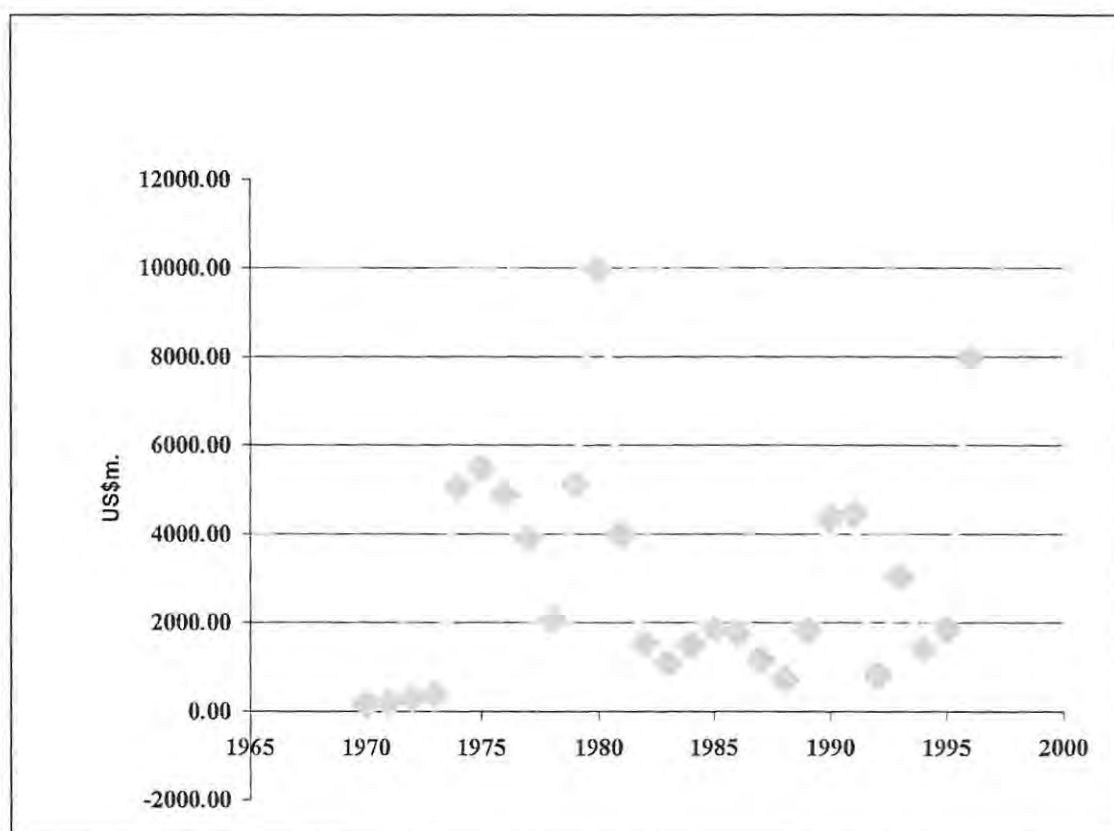
Table 1.2: Nigeria: Actual versus budgeted foreign exchange disbursement 1970-1998 (US\$ million).

<i>Year</i>	<i>Budget</i>	<i>Disbursement</i>	<i>Change</i>
	<i>A</i>	<i>B</i>	<i>C = A-B</i>
1970	0.000	934.600	-934.600
1971	1434.100	1318.200	115.900
1972	2002.400	1732.800	269.600
1973	1984.400	2415.700	-431.300
1974	4323.100	3129.100	1194.000
1975	8043.000	7336.000	707.000
1976	7347.500	8732.700	-1385.200
1977	8745.700	9392.300	-646.600
1978	10430.600	13817.400	-3386.800
1979	10203.100	11580.400	-1377.300
1980	11656.200	17325.300	-5669.100
1981	20667.500	25316.000	-4648.500
1982	14261.800	18879.200	-4617.400
1983	9951.800	15094.500	-5142.700
1984	10468.000	11656.900	-1188.900
1985	8964.800	11724.800	-2760.000
1986	6844.300	6481.900	362.400
1987	4974.000	5270.300	-296.300
1988	7104.000	6306.800	797.200
1989	6479.000	6729.500	-250.500
1990	7489.200	9076.900	-1587.700
1991	10369.200	12427.600	-2058.400
1992	8998.000	12328.600	-3330.600
1993	2232.500	1855.400	377.100
1994	8130.800	7792.800	338.000
1995	10697.200	8096.000	2601.200
1996	15500.000	9763.900	5736.100
1997	14266.000	9995.300	4270.700
1998	16000.000	10784.700	5215.300

Source: Central Bank of Nigeria Statistical Bulletin, various years

A temporary recovery in 1979/80 could not be sustained as reserves continued a free fall reaching a record low of US\$721 million in 1988. The period 1989-1995 did not fare better except for the Gulf War windfall in 1990/91 when world oil prices shot up. The economy's import capacity (measured as monthly ratio of imports to available foreign exchange) which averaged 7.8 between 1974 and 1980, had by 1981-85 fallen to 1.7. Except for the 1990/1991 period the ratio had remained below 5.3, falling to as low as 0.5 in 1995.

Fig. 1.2 Nigeria: External reserve 1970-1999



Source: Table 1.3

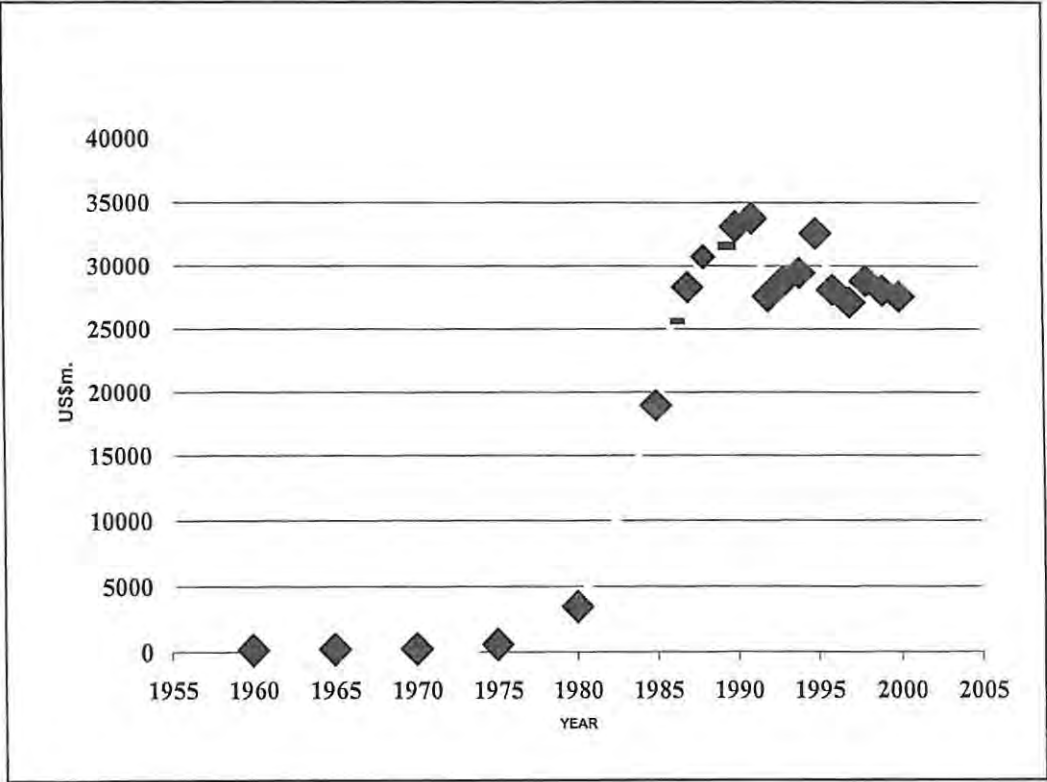
Table 1.3: Nigeria: Total debt stock, external reserve and net debt 1970-1999 (Million Naira).

Year	Total debt stock	Reserves	Net Debt
	2	3	4=2-3
1970	175.000	104.600	70.400
1971	178.500	132.300	46.200
1972	265.600	191.600	74.000
1973	276.900	241.000	35.900
1974	322.400	3112.500	-2790.100
1975	349.900	3380.100	-3030.200
1976	374.600	3057.600	-2683.000
1977	365.100	2521.000	-2155.900
1978	1252.100	1249.100	3.000
1979	1611.500	3043.200	-1431.700
1980	1866.800	5445.600	-3578.800
1981	2331.200	2424.800	-93.600
1982	8819.400	1026.500	7792.900
1983	10577.700	781.700	9796.000
1984	14808.700	1143.800	13664.900
1985	17300.600	1641.100	15659.500
1986	41452.400	3587.400	37865.000
1987	100789.100	4643.300	96145.800
1988	133956.300	3272.700	130683.600
1989	240393.700	13457.100	226936.600
1990	298614.400	34953.100	263661.300
1991	328054.300	44249.600	283804.700
1992	544264.100	13992.500	530271.600
1993	633144.400	67245.600	565898.800
1994	648813.000	30455.900	618357.100
1995	716775.600	40333.200	676442.400
1996	617320.000	174309.900	443010.100
1997	595931.900	580253.300	15678.600
1998	633017.300	587170.000	45847.300
1999	n.a	500310.000	n.a
2000	n.a	1090144.000	n.a

Sources: Central Bank of Nigeria Annual Abstract of Statistics, Annual Reports and Statement of Accounts, and Federal Ministry of Finance

Rather than address the problem of declining foreign exchange revenue both the federal and state governments of the Shagari administration breached a 1978 legal requirement contained in Decree No 30 of 1978, which pegged external loan at a ceiling of US\$5 billion and embarked on massive external borrowing particularly from the international (private) capital market to finance balance of payment deficits. The short-term nature of these loans meant quick maturity and a service liability demand on the economy. The combined effects of quick-maturing loans, declining external reserves, deficits in the balance of payments led to the accumulation of trade arrears in respect of both insured and uninsured trade credits, the bunching up of maturities and the eventual debt overhang.

Fig. 1.3 Nigeria: External debt trend 1970-1999



Source: Table 1.4

Table 1.4 Nigeria: Growth and structure of external debt 1970-1999 (US\$ million)

YEAR	MLD.	MLD%	PCD.	PCD%	LCD.	LCD%	PND.	PND%	OTHS.	OTHS%	TOTAL
1960	145.3	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	145.3
1965	182.5	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	182.5
1970	53.4	21.8	190.4	77.6	0.0	0.0	0.0	0.0	1.5	0.6	245.3
1975	204.6	36.0	325.9	57.4	0.0	0.0	0.0	0.0	37.7	6.6	568.2
1980	327.8	9.6	2889.0	84.5	0.0	0.0	0.0	0.0	203.5	5.9	3420.3
1985	1317.0	7.0	7833.0	41.4	3560.0	18.8	4255.0	22.5	1939.0	10.3	18904.0
1990	3842.0	11.6	17171.0	51.9	5861.0	17.7	4550.0	13.7	1675.0	5.1	33099.0
1991	4016.0	11.9	17793.0	52.8	5988.0	17.8	4479.0	13.3	1454.0	4.3	33730.0
1992	4518.0	16.4	16454.7	59.7	2120.0	7.7	3246.0	11.8	1226.1	4.4	27564.8
1993	3694.0	12.9	18160.5	63.2	2055.0	7.2	3159.9	11.0	1647.3	5.7	28716.7
1994	4402.3	15.0	18334.3	62.3	2057.8	7.0	3178.2	10.8	1456.3	4.9	29428.9
1995	4411.0	13.5	21669.6	66.5	2045.0	6.3	3140.0	9.6	1311.2	4.0	32576.8
1996	4665.0	16.6	19091.0	68.0	2043.0	7.3	2140.0	7.6	121.0	0.4	28060.0
1997	4372.7	16.1	18980.4	70.1	2043.0	7.5	1612.5	6.0	79.0	0.3	27087.6
1998	4237.0	14.7	20829.9	72.4	2043.0	7.1	1597.8	5.6	65.8	0.2	28773.5
1999	3933.3	14.0	20507.8	73.1	2043.2	7.3	1486.8	5.3	69.4	0.2	28040.5

Note:

MLD=Multilateral debt
 PCD=Paris Club debt
 LND=London Club debt
 PND=Promissory notes debts
 OTHS= Debts from unspecified sources

Sources: Calculated by author from the following:
 Fed. Office of Statistics, FOS, Annual Abstract of Statistics;
 Fed. Ministry of Finance, Abuja; and Central Bank of Nigeria
 Statistical Bulletin, various years.

As can be seen from Table 1.4 (graph of which is plotted in Fig.1.3), from a paltry US\$145 million at independence in 1960 through US\$245 million after prosecuting a civil war in 1970 the country's external debt stock remained modest at US\$3,416.5 million in 1980. A decade later, in 1990 the country's debt stock had grown ten fold to a record high of US\$33 billion. At \$29 billion at the end of 1999 Nigeria was Africa's biggest debtor nation. Debt ratios as shown in Table 1.5, had correspondingly worsened over the period. From a comfortable annual average of 12% for the period 1971-1979 debt/export ratio (ETD/Export) deteriorated to 227% for the period 1980-1989 and by 1993 it had reached a record high of 313%. Modest improvements in export earnings from 1996 had managed to keep this ratio at just below the critical level of 200% at the end of 1999. The ratio of debt to GDP (ETD/GDP) did not fare better. From annual average of 3% in 1971-1979 periods it averaged 106% for 1980-1989 and worsened to 294% by 1990. At over 70% in 1999 it was still 20% points above the critical level of 50%. The ratio of debt service to export (DSP/Export), which averaged 1.4% between 1971-1979, had by 1980-1989 jumped to 52%. This worsened to 71% in 1992 and remained above the critical level of 30% up to the end of 1998 (CBN, 1999a).

Over 72 per cent of Nigeria's \$29 billion external debt stock in 1997 was owed to the Paris Club of government creditors. About 60 per cent of the total debt was in arrears. With its annual debt service obligation at over \$4 billion (more than a third of its export income) Nigeria pegged its annual budget allocation for actual debt servicing at \$2 billion. Lower export earnings forced it to cut this to \$1.5 billion in the 1999 budget. While it successfully extinguished London Club debts through debt buy-back and collateralisation it lagged well behind on Paris Club debts even after three rescheduling agreements in 1986, 1989, and 1992 (Iremiren, 1997). In January 1999 the government lifted a 1994 embargo on external borrowing in the hope of gaining access to highly concessional loans and credits from both multilateral and bilateral sources to help close the financial gap in the budget.

In 1999 Nigeria's GNP per capita was put at US\$310, 40% less than sub-Saharan Africa's GNP per capita of US\$500 and 25% lower than the average for low-income countries' GNP per capita of US\$410 (World Bank, 2000).

Table 1.5 Nigeria: Selected External Debt Ratios (%)

<i>Ratio</i>	<i>1960</i>	<i>1965-1970</i>	<i>1971-1979</i>	<i>1980-1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>CRIT. LEVEL</i>
<i>TDS/Export</i>	24	55	12	227	227	275	231	313	306	278	174	178	177	178	200
<i>TDS/GDP</i>	n.a	n.a	3	106	294	101	99	90	71	74	80	70	72	73	50
<i>DSP/Export (Scheduled)</i>	1.1	3.5	1.4	52	46	47	71	43	39	36	33	33	32	32	30
<i>DSP/Export (Actual)</i>	1.1	3.5	1.4	24	26	29	20	17	15	14	12	10	12	12	30

Sources: Calculated from the following sources: Federal Ministry of Finance, World Bank Debt Tables; Central Bank of Nigeria Statistical Bulletin, various years.

Notes: TDS = Total debt stock
 DSP = Debt service payments

In 1998 the United Nation's Human Development Report (UNHDR) ranked Nigeria 142nd position out of 174 countries (UN, 1998:130). The previous year's Report had compared Nigeria with 9 other OPEC countries on the basis of survival deprivation, deprivation of education and knowledge and deprivation in economic provision. The result was a human poverty index (HPI) of 41.6% against the group average of 20.1% (UN, 1997). Despite these indicators that showed Nigeria as one of the poorest countries in the third world it was deprived of access to facilities available to distressed economies (Ogwuma, 1999). Nigeria was removed from the list of 46 countries potentially eligible for the HIPC initiative. The nation's central bank governor told his audience during a seminar on 'the debt problem and the Nigerian economy' in October 1997 that creditors did not consider Nigeria poor rather they believed that the country's case was that of mismanagement of wealth and misplacement of priorities (Ogwuma, 1999: 8).

In forty years (1960-2000) of political independence, most of which were covered in this study, Nigeria had eleven regimes, nine of which came through "selection" the remaining two by electoral process organised by the military that had ruled for a combined period of thirty years. Most of the military regimes were characterized by strife with one prosecuting a three-year civil war and another annulling what was seen by many as the most free and fair election in the nation's history of democratization. In total there had been eleven military coup d'état attempts: seven successful and four unsuccessful. Three Heads of States lost their lives through military coup d'état, thousands of highly skilled officers had been executed for coup d'état plotting and several others among them skilled manpower exiled for their political views.

Under military-civil diarchies the management of the economy was increasingly centralized, permitting pervasive interventions in direct production and with a big public sector running numerous highly subsidized state-owned enterprises in virtually all sectors of the economy (Ojo, 1994). Expectedly the international community had blamed military for the nation's dismal economic performance as well as an inadequate and uncommitted domestic response to the debt crisis.

1.3.3 Governments' response to the debt crisis

As noted earlier Nigeria's external debt did not present any serious problem before 1978. Prior to this period the country's only external debt policy was a single legislation known then as the "Promissory Notes Ordinance" enacted shortly after independence in 1960. The legislation allowed each of the then four regions to acquire external debt with or without the approval of the central government. Between 1962 and 1977 the legislation underwent three amendments all of which amounted to mere change of name (Nwankwo, 1985: 48-52).

Fearing that the incoming civil regime may continue to resort to external borrowing to finance electoral promises the outgoing military regime of General Obasanjo in 1978 issued Decree placing a ceiling of US\$5 billion on the nation's external debt stock at any point in time. Both the federal and state governments of the civil regime of president Shehu Shagari did not adhere to this limit set by the military leadership. Over borrowing by State governments forced the federal government in 1982 to place a limit of US\$200 million on State external debt stock. Yet again the former did not exert enough political will to enforce compliance by States.

With the failure of borrowing ceilings as a debt management strategy the government in 1983 initiated the rescheduling of mainly trade arrears resulting from confirmed letters of credit with trade creditors. Between 1983 and 1987 unsuccessful debt rescheduling formed the basis for the nation's debt management. It was not until 1988 that a comprehensive national debt management policy beyond setting borrowing limits was adopted. The close resemblance of Nigeria's 1988 Debt management Guidelines (especially with respect to clarity of roles among government agencies responsible for debt management) to that jointly published by the IMF and World Bank (IMF, 2000b) twelve years later was a testimony that the authors shared similar ideas on debt management.

In Appendix 1C a chronological detail of the nature of Nigeria's debt problem, the debt management strategy and their corresponding effect on debt performance are presented. As manifested in Appendix 1C, the persistent debt crisis was a clear attestation of the

failure of Nigeria's domestic response to the debt problem. Having been dominant in the political leadership the military could hardly be absolved of the failure of domestic responses to the debt crisis. Even those who were active participants in the management of the economy shared the view that military domination of political leadership in Nigeria was responsible for the accumulation and poor management of debts.

In a book titled 'Military Leadership in Nigeria 1966-1979' James Oluleye (1985: 208-209), a military officer who served as federal commissioner of finance during the military regime of General Yakubu Gowon confessed that ".....we nearly succeeded in running the country into bankruptcy, but we were so lucky that the assessment of Nigeria's misfortune at the international level was a hope in the recovery and buoyancy of the economy, hence our dabbling into the Euro-Dollar Market to raise US\$1 billion in January 1978". Olu Falae, secretary to the Babangida military-civil diarchy announced after a debt verification exercise in 1990 that about "US\$5 billion of the country's debt stock was spurious" (West Africa, 990:1614). Nigeria's two-time head of state Olusegun Obasanjo, canvassing for debt cancellation in an address to the visiting United States president, Bill Clinton, declared that:

These are debts incurred during periods of reckless leadership and mismanagement, and these are debts whose substantial portions have been stolen and remain corruptly lodged in the banks of some of the creditor countries (This Day, August.28, 2000: 7-8).

In addition to being held responsible for mismanaging the wealth of the oil-boom years the military dominance of political leadership and political instability had also undermined adjustment programmes to arrest the debt problems. It was either that adjustment initiatives were stopped short by frequent changes of government and/ or half measures, sometimes contradictory to adjustment were taken for political gains for the incumbent administrations.

Following the collapse in world crude oil prices and the accumulation of debt, the Shagari administration (1979-1983) was forced to contemplate adjustment by enacting the "Economic emergency and stabilization Act" (*the austerity measures*) of 1982. At the domestic sector the Act was aimed at reducing budget deficit spending that had become the hallmark of government spending. The Act's stringent trade and exchange rate controls were intended to curb the persistent balance of payment deficits. In addition the

Government initiated negotiations with the country's creditors, the IMF and the World Bank. In April 1993 the Government applied for an IMF Extended Fund Facility to draw between 102 to 125 per cent of the country's Special Drawing Rights Quota over a three year period (Bangura, 1987: 99). The Shagari regime was however toppled by General Buhari in a military coup d'état in January 1984 and the negotiations were suspended before Nigeria could reach agreement with her creditors. Without an agreement with the international financial institutions timely reschedules could not be achieved, debt service obligations were mounting as the economy groaned under Buhari's import restriction measure which were even more stringent than its predecessor's. By the time Buhari was toppled in another military coup d'état in 1985 by General Babangida the inevitable pains of adjustment could no longer be postponed. The government understood the imperative of an agreement with the creditors, both to access new funds and more especially to begin debt rescheduling of fast maturing private loans. Again for political benefits the administration manipulated a public debate in 1986 that eventually led to the rejection of an IMF loan and its conditionality.

By opting for a so-called home grown structural adjustment programme (SAP), Nigeria lost the relief of an additional fund that was to accompany the IMF package but still had to endure the pains of an adjustment actually authored by IMF, with the full weight of fiscal retrenchment, monetary controls, and the dedication of 30% of export revenues to debt service payments. Seven months into the programme that was initially designed to last for 15 months, Babangida admitted in a broadcast that the efficacy of his 'home-grown' SAP was indeed dependent on among other things, reopening negotiations with the multilateral institutions (Babangida, 1986: 2-3). With this open acknowledgement the government went ahead in July 1986 to promulgate a Decree establishing a 'second tier foreign exchange rate regime' (SFEM), liberalizing the foreign exchange market. By September 1986 when SFEM came into effect the nation's currency was effectively devalued by over 66%. Against the backdrop that devaluation was one of the vexatious IMF 'conditionality' that were vehemently rejected, it took government's continued misinformation and manipulation to delay the SAP riots for one and half years under the excruciating pains of adjustment. When the protests came, they forced the government's hands to frequent policy reversals that undermined the adjustment effort. Between 1988 and 1989 a set of reflationary measures to cushion the effects of SAP included among

others minimum wage increases and the lifting of ban on fresh recruitments in the public sector. In addition a number of politically motivated 'empowerment programmes' that consumed significant public resources were undertaken by government between 1987 and 1989. These included among others the funding of a National Directorate of Employment (NDE) and the Peoples Bank both of which advanced unsecured loans to the unemployed, artisans, and petty traders.

The improvement in export revenue following the Gulf war in August 1990 was also largely committed to these social spending despite Babangida's assurance to both the international financial institutions (IFIs), and Nigerians that the oil windfall would be dedicated to building up foreign reserves. Although the nation's foreign reserve position improved, foreign exchange deficit (actual disbursement minus budget) increased. From \$250.5 million in 1989 through \$1.6 billion in 1990, to \$2.1 billion at the end of 1991. This financial indiscipline or lack of abstinence reached its crescendo in 1992 when foreign exchange deficit hit an all time high of \$3.3 billion (see Table 1.2).

While there was little guarantee that government's huge social spending were alleviating poverty, its human rights record continued to worsen. A 1995 report by the Commonwealth Human Rights Initiative (CHRI) entitled 'Nigeria-Stolen By Generals' concluded that Nigerian citizens were seriously deprived of the rights and freedoms they should expect (Commonwealth, 1995: 5). The country came under various doses of sanctions from the international community.

In May 1999 under pressure from the international community Nigeria's military dictators agreed to start a fourth attempt at democratization with one of their own former military head of state Rtd. Gen. Olusegun Obasanjo emerging as president. In place of despair, hope took over for the majority of the deprived people. In the first 18 months of the administration sanctions were relaxed. Optimism albeit cautious, of the international community including creditors resulted in the approval of by the IMF to implement a 12-month Stand-by Credit from July 2000. (CBN, 2000: 14), and a Paris Club debt reschedule with a three year moratorium and amortization period ranging from 11-20 years on the payment of its US\$23 billion debt to the Club.

The good gesture was however conditional on IMF's satisfactory track record (*Guardian*, 2001: 16). Under the veil of cautious optimism lie such questions as: will this be the beginning of the end of oscillating democratization process and does the answer to the nation's economic problems lie in the complex belly of democratization?

1.4 Statement of the problem

Nigeria's political leaders contracted massive external loans with little attention to the rules of the game. Broad policy considerations, which determine the country's sustainable level of external borrowing and efficient utilization of funds, were ignored. There was a prevalence of uncoordinated borrowing by various arms of government and government-owned companies from costly international capital markets without prior approval of the central government. Policy guidelines on the acquisition of external public debt were virtually absent. A very weak statistical base and inadequate computerization of data on debt, plus the dearth of skilled debt managers had resulted in weak monitoring and control of a large volume of loans from non-concessional sources and oftentimes with 'bunching up of maturities' (Omoruyi, 1996:6).

Presiding over Nigeria's deteriorating debt problem were what could be described in Sorenson's words as "authoritarian state elite-enrichment regimes" (Sorenson 1991: 124). In addition to mismanaging both borrowed funds and the huge economic rent from crude oil exports, the regimes were accused of adopting repressive and unpopular policies that had plummeted the level of incentive for foreign investment. In the eyes of the international community that was dominated by its creditors, Nigeria had acquired the stigma of a pariah nation. Political instability, occasioned by the military's political dominance had generated poor human rights record; capital flight had reached its crescendo with domestic capital formation at its lowest ebb. The goodwill of the international community needed for strengthening its bargaining position with creditors and the domestic political legitimacy for successful implementation of adjustment programs had eluded the country.

As Nigeria begins a fourth attempt at democratization, a natural question comes to mind: was democratic behaviour feasible in the political economy of the country, if yes, how

much of the country's debt problem could be accounted for by the nature and level of democratization, and how much of the debt burden can improved democratization redress? It is against this backdrop that investigating the relationship between democratization and debt-led growth for Nigeria becomes necessary and timely.

1.5 Objectives of the study

The broad objective of the study is to investigate the impact of democratization on the debt-led growth of the Nigerian economy. The specific objectives are the following:

- (i) To assess the state of the institutional framework for democratization in Nigeria since political independence in 1960.
- (ii) To construct a measure of democratization for Nigeria, based on major historical political events in the country, in order to assess its effects on the performance of debt-led growth.
- (iii) To investigate the contribution of foreign borrowing to the growth of the Nigerian economy, with a view to determining whether external capital contributed positively or negatively to the growth of the economy
- (iv) To investigate the effects of the democratization process on those factors that influenced the performance of external capital such as domestic savings, domestic investments, foreign direct investment, exports, government/private consumption, debt burden, and capital flight, and
- (v) To identify the possible paths through which future improvements in the level of democratization may affect debt-led growth.

1.6 Significance of the study

It is envisaged that the study has the potential to make a significant contribution to the understanding of the path of democratic institutional impact on debt-led growth. Methodologically, the study is expected to contribute in bridging the analytical gap created by the exclusion of political factors in the empirical analysis of debt-led growth.

An assessment of the state of the institutional framework for democratization in Nigeria is expected to offer explanation to the prevailing level and quality of political environment. In addition it helps to locate the reasons behind international responses to the democratization process in Nigeria, especially creditors, trading partners, civil rights organizations and aid donors, and their effects on debt performance.

The construction of a measure of democratization for Nigeria based on major historical political events in the country since political independence in 1960 is novel as (to the best knowledge of the present author) there had been no such exercise by a Nigerian researcher. Being the first it is envisaged that it will elicit scholarly comments and further research.

In addition, as a country-specific study, which recognizes the diverse experiences of sub-Saharan African debtor countries, its detailed nature is expected to advance understanding of the political economy of debt-led growth in Nigeria. Furthermore, for countries that shared similarities with Nigeria in their character of political leadership, a generalization of the findings and their implications for further research will not be out of place. Finally, the mood of the global political economy since the early 1990s suggests that democratization is the panacea for misrule and by implication the solution to the poverty and misery ravaging two-thirds of the world's population. Therefore, a study that seeks to investigate whether or not democratization process in a third world debtor country affected the performance of external capital could not have been better timed.

1.7 Organization and thematic structure

The remaining part of the study is organized as follows. Chapter two undertakes a review of existing theoretical and empirical literature relevant to the study. Chapter three discusses the conceptual and measurement issues of democratization. In chapter four, an assessment of the state of the institutional frameworks for democratization in Nigeria since the country's political independence in 1960 is carried out. In chapter five a detailed explanation of the construction of measures of democratization for Nigeria is done. Chapter six outlines the statistical and econometric methodology used in analysing the impacts of democratization on debt-led growth in Nigeria.

The results (and the conclusions there from) of the analyses following the methodology in chapter six are presented and discussed in chapter seven. In chapter eight the *Trickle down effect of democratization* is presented. A theoretical model the Trickle down effect of democratization categorizes the possible paths through which future improvements in the level of democratization may affect debt-led growth. In chapter nine a recap of the study and its conclusions is followed by the recommendations. Finally the implications for further research are suggested.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

There is a good deal of exciting and rich literature on the subjects of external debt, democracy and development. The choice of the works and views reviewed in this chapter is informed by their historical relevance to the study. To achieve the desired linkage the chapter is sub-divided into ten sections. In section 2.2 a historical perspective of the role of capital in the production process is reviewed. Section 2.3 deals with the literature on external resources in the context of their impact on growth and development of the economies of resource-poor countries. The literature on endogenous growth with particular reference to the inclusion of institutional variables in the explanation of differences in growth among countries is looked at in section 2.4. To shed light on the general issue of political institutions and their relative impact on growth and development, section 2.5 is devoted to regime type and economic growth. A further section 2.6 addresses the thorny issue of the feasibility of democracy in Africa. In section 2.7 the association of the character of political leadership with accumulation of debts, which appeared as a 'key note' in the introductory chapter is formally reviewed. The theoretical and empirical literature on Nigeria's indebtedness are the subject matter of sections 2.8, and 2.9 respectively. A comment on the entire literature and its implications for further research is presented in the last section, 2.10.

2.2 The role of capital in economic growth³

Although the recognition of the vital role of capital in the production process predates the classical thrust, existing literature are agreed that formalized economic theory of capital owes its origins to the classical school where it was included as an essential argument in

³ This section draws from Degefe's (1992) historical progression of the theory of capital accumulation.

the production function. The earliest controversies centred on the degree of its importance and the form - physical or human – that capital should take in order to optimise utility. Following observed growth in income in the face of declining stock of physical capital in the 1950s, the Chicago School believed that the unexplained growth was traceable to growth in investment in human capital and thus began to put greater emphasis on human capital against physical capital as an engine of growth. They argued that “the economic capabilities of man are predominantly a produced means of production,.....and that except for some pure rent, most of the differences in earnings (and savings) were a consequence of the amounts invested in people” (Schultz, 1962:1-2). Later adherents to this School argued that an interrelationship between physical and human capital in the production process was not a controversy, rather the initial direction of causality was that knowledge begot wealth. They cited the association of the rapid economic growth in the early stages of the 19th century agricultural and industrial revolution in Western Europe and Japan, and the relatively higher rates of investment in education in these regions (Denison, 1967: 326; Cameron, 1967: 318-319). Whatever form or shape it might take, there was agreement in respect of the crucial role of capital in the production process. This was evident in the minimalist attention devoted to the ‘form of capital’ in the great capital debate which centred around the proper unit for measuring capital, sparked off by Joan Robinson’s essay ‘The production function and the theory of capital’ (Harcourt and Laing, 1971: 9).

Since capital played a pivotal role in economic growth, economic theory was concerned with the factors that influence its accumulation. Sufficient reward should induce increasing (decreasing) marginal propensity to save (marginal propensity to consume) to create supply of capital. On the demand side, these savings would be made available to potential investors, who, if again the reward (measured as the difference between the cost of borrowing and the return on investment) were sufficiently high, would convert these resources into produced means of production (capital goods). Optimisation of general allocative- efficiency prescribed the employment of capital in their most profitable and productive activities. Thus the most efficient investment was where its marginal efficiency (under macro conditions) or the internal rate of return (in the micro case) was higher than the cost of capital.

Following the above background, the slow growth and poverty of developing countries in the 1950s was associated with insufficient capital stock. According to Singer, the less developed countries suffer from “a dominant vicious circle of low production”, no surplus for economic development leads to no tools and equipment which in turn cause a low standard of production. An underdeveloped country is “poor because it is poor” (Singer, 1949: 5). Nurkse located the problem of poor countries in their “small capacity to save, resulting from low level of real income”, itself “a reflection of low productivity which is due largely to the lack of capital” (Nurkse, 1953: 5).

Thus both Nurkse and Singer saw the general problem of underdevelopment as the maximization of the marginal savings ratio. Evsey Domar (1957), W. Arthur Lewis (1955), Kaldor (1955), Galenson and Leibenstein (1955) were to join this advocacy of increased savings as the panacea for underdevelopment. So convinced of the pivotal role of savings and investment were these scholars that they made such extreme prescriptions as a quantum jump from 4% to 15% of national income as savings, (Lewis, 1954); tax induced skewed redistribution of income in favour of the capitalist class (Galenson and Leibenstein, 1955) and the government sector (Kaldor, 1955) with their higher marginal propensity to save in order to achieve rapid capital accumulation.

2.3 External capital and economic growth in resource-poor countries

The advocacy of increasing rates of savings and investment as well as its policy prescriptions of redistributing income in favour of income groups with higher marginal propensity to save depended on the assumption that a developing economy had the potential to generate sufficient income to finance its investment requirements, if only the government provided a conducive policy platform. Unfortunately this was not the case. Low income levels, underdeveloped financial institutions, and/ or inappropriate use available capital meant that new approaches must be developed to augment domestic resources. Given the need for larger capital stock and the inadequacy of domestic savings to finance investment that would make this possible, it was concluded that foreign resources should supplement domestic savings.

The above shifted the issue from whether external resources were useful to developing economies to how much was sufficient to help them realize their growth potential. This issue gained popularity from the late 1950s and early 1960s, and developed in two major directions - the supply side and the demand side. The former was concerned with the volume of foreign resources required by the developing countries. Proposals by the United Nations and its specialized⁴ agencies put the target at between 0.7% and 1% of national income of the richer countries (UN, 1962). While this approach targeted the volume of resource flows, it nevertheless raised a number of problems. Firstly the prescribed level included all resources without distinction between the different types of flows such as aid, direct and indirect private investment and credit from all other sources. Neither did they deal with the terms and conditions under which these resources were to be provided including the thorny issue of whether they were to be project-tied or not. Second, the proposals had nothing to say on the mechanism and criteria for distribution among needy countries and who should have the responsibility of doing so.

Unlike the supply side, the demand approach identified resource needs of developing countries on an individual basis, considering each country's absorptive capacity and the constraints that limit the efficient utilization of their resources. Justification for this method was that since the developing countries did not have the necessary volume of savings, foreign resource inflow could supplement domestic resources to increase investment and thus make possible a rate of growth higher than would be attainable in its absence. There were prescriptions of minimum acceptable growth rates such as the 2% by the UN, (United Nations, 1951), and various country-specific rates of growth by others, (UN, 1951; Hoffman, 1960; Rosenstein-Rodan, 1961), which with an assumed capital output ratio was used to estimate the required volume of investment. The required foreign capital was estimated to be the difference between an assumed domestic savings or projected levels of average and marginal rates of savings and the required investment.

The demand side models did not make any distinction between foreign exchange and domestic savings as separate factors constraining the growth efforts of developing countries but approached the general problem simply as a gap between investment and

⁴ UNCTAD as well as the Pearson and later the Brandt Commissions were concerned with mainly equity, arising from concern for the unsustainability of huge and growing gap between rich and poor countries.

savings. The earliest attempts to rectify this weakness came notably from Maizele (1963), and Balassa (1964). These new models confined itself to the foreign exchange problem, assuming for instance that a developing country could mobilize sufficient domestic savings but still be unable to fully utilize it because its foreign exchange earnings were insufficient to finance the necessary volume of the import component of development needs. This obviously shifted the constraint to foreign exchange, which was derivable as the difference between the volume of imports required and the value of projected exports. A later development in the attempt to quantify the foreign exchange needs of developing countries combined the above two methods. This model that later came to be known as the two-gap approach (TGA), was developed by a number of scholars namely, Chenery and Bruno (1962), McKinnon (1964), Chenery and Strout (1962, 1966) and Vanek (1967).

Chenery and McKinnon became most prominently associated with the two-gap model because of their application of the model to the accelerated transformation of economies from stagnation to sustained growth. Economic development theories in the 1950s and early 1960s (Lewis, 1954) centred on the investigation of the process by which a poor, stagnant economy could be transformed into one whose normal condition was sustained growth. Most scholars then agreed on the principal changes that characterize this transformation: an increase in human skills; a rise in the level of investment and savings (Nurkse, 1953; Domar, 1953; Galenson and Leibenstein, 1955), improved technology, and increases in output and employment (Singer, 1949; Arrow, 1962).

There were relatively few analyses beyond Rosenstein-Rodan's (1961) pioneering work, of the possibility of accelerating the process through the use of significant amounts of external resources over a limited period of time. In a series of papers Chenery and his associates (Chenery and Bruno, 1962; Adelman and Chenery, 1966; Chenery and MacEwan, 1966; Chenery and Strout, 1966) doubted the simultaneous achievements of the required increases in skills, domestic savings, and export earnings as well as an allocation of these increased resources in such a way as to satisfy the changing demands resulting from rising levels of income, under accelerated growth exclusively with internal resources. They described the presence of the first two constraints (inadequate supplies of skilled and organisational abilities, and of domestic savings) as "investment limited

growth” and where export earnings limited the supply of imported commodities and services, there was “trade limited growth”. By relieving these constraints foreign resources “can make possible fuller use of domestic resources and hence accelerate growth” (Chenery and Strout 1966: 680). The analysis reached the overall conclusion that in the short run the effectiveness of external resources depended on their use to relieve shortages of skills, savings and imported commodities, while in the long run the fate of these countries depended on the use that was made of the initial increase in output. Chenery warned “even if the short run productivity of foreign resource was high, the economy may continue to be dependent on external assistance unless the additional output is allocated so as to increase savings and reduce the trade gap” (Chenery and Strout, 1966: 724).

The *a priori* salvaging role assigned to foreign capital in the development efforts of resource-poor countries was found questionable following empirical evidence in the early 1970s, which did not support the presumed positive impact of foreign resources on the volume of savings. Cross-country and time series studies had suggested that there was a negative correlation between domestic savings and foreign resource inflow (Rahman, 1968; Chenery and Eckstein, 1970; Griffin and Enos, 1970; Weisskropf, 1972; and Viovodas, 1973). According to Griffin and Enos (1970: 325-326) “in general, foreign assistance has neither accelerated growth nor helped to foster democratic political regimes, if anything aid may have retarded development by leading to lower domestic savings, by distorting the composition of investment and thereby raising the capital output ratio, by frustrating the emergence of an indigenous entrepreneurial class, and by inhibiting institutional reforms” A very surprising conclusion, and one that increased the credence of the early 70s critiques was a study of 16 Latin American countries, for the period 1950-1965 which showed that “in twelve out of sixteen cases, the impact of additional foreign capital on savings was found to be negative” (Chenery and Eckstein, 1970:969, 975-976). This finding was astonishing not because it agreed with the critiques’ view but because it was arrived at by Hollis B Chenery, the scholar whose name was most associated with the two-gap model. Chenery’s explanation was that the surge in foreign capital inflow combined with declining exports had served to reduce the level of savings in relation to income.

Ever since these conflicting findings, there has hardly been any consensus regarding the impact of foreign capital on the development of resource-poor countries. A World Bank (1985) Report revealed that foreign capital explained only 18 per cent of the growth of investment in developing countries for the period 1965-1972 and 23 per cent for 1973-1978. The low performance of foreign capital in these periods was blamed largely on a stronger positive relationship between foreign capital and domestic consumption (Weisskoff, 1972; Papanek, 1973; and Viovodas, 1973, 1974).

While Griffin and Enos's (1970) finding of a negative relationship between foreign resource and domestic savings provided a radical departure from foreign capital-growth theory of the 1960s, it did not itself escape criticism. The debate that followed as documented by White (1992: 176-188) centred on the correct definition of savings and consumption (Coleman and Nixon, 1978), the value of the aid multiplier which in the Griffin and Enos model could not be more than one, and the conditions attached to aid i.e. whether aid was tied or not. One of those who agreed with Griffin was Grinols and Bhagwati (1976) but this was insofar as the Griffin model remained static. With a dynamic framework they argued that domestic saving was more likely to attain a required target in a shorter time with aid than it would without it. Coleman and Nixon (1978: 115, cited in White, 1992: 177) in their criticism claimed that the model on which the negative relationship was built contained "a basic algebraic flaw" in that consumption, the main drain on investment of foreign capital was made a function of income plus aid while savings depended only on income. They contended that proper specification of the model by making both savings and consumption each, a function of income plus aid rendered the conclusions invalid. In sum, White dismissed the necessity of all the heated debate and concluded that the "Griffin's result that aid displaces savings is the product of a simple accounting framework, devoid of any economic mechanism" (White, 1992: 181).

Whether Griffin and Enos were accountants or economists did not settle the debate. Further attempts were made to isolate public savings in the analysis of saving-aids relationship. The starting point of the analyses in this direction was Griffin and Enos (1970: 321) suggestion that aid had led to decline in public sector savings via lower tax revenues. In a cross-section time-series econometric model of public fiscal behaviour in 11 African countries Heller (1975) distinguished between alternative types (grants vs.

loans) and alternative sources (bilateral vs. multilateral; private vs. public) of aid. The results of his analysis suggested that aid not only increased investment but also simultaneously facilitated a reduction in the level of domestic taxes and borrowing. He stressed that the magnitude of these effects and the precise response of public consumption to aid varied according to the type of aid. Grants had a “stronger pro-consumption bias whereas loans were more pro-investment” (Heller, 1975: 429-430). He conceded however, that only a small proportion of marginal increases in tax revenues were allocated to investment, with the bulk of this going to public consumption.

Gang and Khan (1991) used a simplified version of Heller’s model with single country (India) time-series data. They derived the conditions under which aid will lead to increased public investment: “since aid reduces taxes and borrowing, for aid to lead to a net increase in public investment the proportion of increased aid going to investment must be greater than the proportion by which investment is decreased because of decreased revenues from taxes and borrowing” (Gang and Khan, 1991: 358-359).

Focusing on four endogenous public sector variables – government investment, consumption, savings and taxes, they confirmed Heller’s findings on the tax side, but contradicted it on the expenditure side. Both grants and loans were found to increase public investment with bilateral aid pulling resources out of consumption and into development projects. They conceded however, that their results were a direct reflection of India’s long experience with aid – a tradition that virtually all sources of foreign aid were channelled into public investment.

Whatever was left of the credibility of foreign capital as an engine of growth for developing countries was massively eroded following the escalation of the debt problem in the early 1980s. More empirical studies (Greene and Villanueva (1991); Borensztein, 1993; Serven and Salimano, 1993; and Pastor and Hilt, 1993) suggested that external debt, which precipitated huge debt service-payment had depressed investment in developing countries.

In view of the fact that there were still no real alternatives to foreign capital, emphasis began to shift in favour of foreign direct investment (*FDI*) where there was no direct

repayment obligation on the part of the host country. Empirical studies over this period focused largely on the impact of *FDI* on domestic output, domestic investment and domestic factor productivity. The outcome of many of these studies was a mixed bag of qualified conclusions. *FDI* was found to be positively related to the growth rate of output largely under export promotion (Balasubramanyam et al, 1996; Kawai, 1994), and when the technological gaps between the exporting and host countries were narrow (Zhao, 1995; De Mello, 1997; Borensztein et al, 1998). In some studies this positive relationship was found to apply only to firms that were direct recipients of foreign equity with a negative effect on those with 100% domestic equity even in the same industry (Blomstrom and Kokko, 1998; Aitkin and Harrison, 1999). Where there had been strong positive relationship between *FDI* and domestic labour demand and productivity, this had been associated with relative openness of the economies (Blomstrom et al, 1994; Bieslschowsky, 1994; Feenstra and Hanson, 1997), and/or a declining growth rate of the economically active population (Ramirez, 2000). Otherwise findings suggested a negative relationship (Kawai, 1994; Kholdy, 1995).

The massive failure of external debt in developing countries in the early 1980s gave rise to the extension of the two-gap analysis to what had been termed 'growth cum debt' models. Still building on Chenery's two limitations to growth, the new models progressed from the optimality criteria for external resources to the conditions for a debt-led growth. Among the extensions of the two-gap analyses were Solis and Zedillo (1985), Serven and Salimano (1993), and Taylor (1983), all of which sought to explain the factors which determine the optimal external resource inflow and hence the effect of external capital on the growth rate of the economy. Further attempts to fine-tune the gap models had led to proposals of other gaps such as the technology gap, the food gap and the environment gap. Closely related to the traditional two-gap model was concern in the 1990s over another gap – the fiscal gap – between government revenue and expenditures as illustrated by the 'three-gap' models by Bacha (1990) and Taylor (1991, 1993).

There were thus suggestions that government efforts in resource-poor countries to increase capacity utilization may have been limited by the 'fiscal gap' (Fielding, 1997; Gallagher, 1994; and Sahn, 1992). However, the dominant view was that these 'gaps' were merely sub-sets of the traditional two-gaps.

Using the model developed by Solis Leopold and Ernesto Zedillo (1985), Green and Khan (1990: 7-9) expanded the variables in two ways: first, a wider definition of the cost element of external capital, and second the inclusion of the saving behaviour of income earners and the government budget. In this model the growth rate (g) was a function of the interest rate on foreign loans (r), the stock of external debt (D), the average propensity to save (s), the size of government expenditures (G), and the average tax rate (t). The model could be summarized as:

$$g = f(r, D, s, G, t) \quad \dots\dots\dots(2.01a) \text{ and}$$

$$\delta g/g = fk \{ s(1-t) + t - G/g \} + (fk - r) \delta D/g - \delta r/g \quad \dots\dots\dots(2.01b)$$

Equation 2.01b yielded the models propositions:

- (i) a country can increase growth of national income by foreign borrowing so long as the marginal product of capital exceeded the cost of foreign borrowing. Within this framework, the optimal borrowing would be the point where (fk) is equal to (r);
- (ii) an increase in private savings through an increase in the average propensity to save would raise the growth rate;
- (iii) an increase in the fiscal deficit brought about either by a decline in the tax revenues or an increase in government expenditures would have an adverse effect on growth; and
- (iv) a rise in the foreign interest rate would lower the growth rate (by the value of the debt - to - income ratio) as would a decline in external financing (D).

The Taylor (1983) model in determining the effect of external borrowing on economic growth sought to address the central issue of whether a foreign loan, which is entirely justified in terms of its cost, will necessarily make a positive and significant contribution to growth. The final equations of the model derived the marginal conditions under which external borrowing will lead to positive growth of the economy of a debtor country⁵.

Since the 1990s, empirical growth-cum-debt analyses in a number of African countries had become a familiar feature of the African debt literature. Ajayi (1991) applied the Solis and Zedillo (1985) growth-cum-debt framework to study the impact of debt on the

Nigerian economy where he blamed among other factors, “fiscal irresponsibility” for the country’s debt burden. Kilindo (1993), Lipumba and Noni (1992) both used a single equation model to estimate the impact of external debt on the Tanzanian economy. Mjema (1996) improved upon the last two works by using a multiple equation model to capture both the “direct and feedback effect” of debt on the Tanzanian economy. Degefe (1992) used the Taylor model to gauge the impact of debt on the Ethiopian economy. The common conclusion of these studies was the negative impact of external debt on the growth of the economies especially in the 1980s.

In whatever specifications, the gap models owe their origins to the Harrod-Domar tradition of stressing physical capital formation as a central driving force for economic growth. The beauty of some of the models lie in their comprehensiveness in an attempt to deal with most of the traditional causes of poor performance of external capital in developing countries. The literature on the causes of the third world debt crisis characterised most indebted countries with dwindling export earnings resulting from worsening terms of trade, declining flows of official development aid which constituted the bulk of transfer payments, rising import bills, and high incremental capital output ratio. Though largely comprehensive, these models did not address the issue of whether the realisation of these optimality conditions for an external-resource-led growth could be affected and to what degree by institutional factors. Growth literature from the mid 1980s appeared to have captured some of the institutional variables. The foci of these analyses had however, hardly been on external capital-led growth.

2. 4 Institutional variables and the new growth theory

Some of the central assumptions of the neo-classical growth model (of which the Harrod-Domar and the gap analyses or growth-cum-debt models were part) were the exogeneity of technological change and the availability in all countries of the same technological opportunities (Romer, 1994). In this model growth among nations would tend towards convergence – a direct result of the assumption of diminishing returns to capital, which

⁵ Detailed specification of the Taylor model is done in chapter six.

given identical preferences and technology across countries, should lead to faster growth in poor countries than in rich ones.

In the growth literature one of the most recent theories that had emerged to challenge the central neo-classical assumptions was the endogenous growth theory. The canal of endogenous growth models was the proposition that investment in a broad sense, including human capital as well as physical capital and the advancement of knowledge via research, drives the growth process. Growth is based on the accumulation of reproducible factors of production that do not experience diminishing returns. By relaxing the assumption of diminishing returns to capital, investment became important for long-run growth (which was neither the case in neo-classical long-run steady state nor in Harrod-Domar's natural rate of growth)⁶. In this sense growth was endogenous. Romer (1994) traced two broad ways (both of which were linked to endogenous technological advancement) to explain the origins of the endogenous theory: first was the observed lack of convergence in growth among countries contrary to neo-classical prediction. Second, the unrealisable perfect competition, another central classical assumption. Neo-classical perfect competition did not capture the fact that technological advancement came from what people do, that individuals and firms alike retain market power and earn monopoly rent on such things as discovery (Romer, 1994: 12-13).

While endogenous growth theory owed its origins in response to the lack of convergence of per capita incomes in the world contrary to the postulation of neo-classical growth (Romer, 1994), its appeal among growth theorists was sustained by the advancement in information technology which had increased the availability of standardized data (Summers and Heston, 1991) for econometric analyses of differences in the growth of nations. Recent trends in the new growth theory had stressed the path-dependence of growth whereby initial advantages or disadvantages as well as external and internal shocks can have long-lasting and compounding effects on growth. The distinguishing feature of the models built around the new growth theory was the attention accorded to the powerful influence of socio-political institutional variables in the explanation of the differences in the growth rate among countries.

⁶ In the Harrod-Domar language, the pioneer Cambridge Keynesians, Roy F. Harrod (Harrod, 1939) and Evsey Domar (1946) aggregate demand must grow at the same rate as the economy's output capacity grows.

Empirically three levels of the determinants of growth could be identified: the initial conditions for growth, which included human capital, physical capital (including infrastructure), income and income distribution, and political stability. The second level included exogenous factors such as terms of trade, natural disasters and/or wars, political and economic spill over effects from growth and development in neighbouring regions and trading partners. Thirdly, the internal factors comprising of a range of country-specific characteristics such as trade, fiscal and monetary policies, and cultural (ethnic and religious differences) variables (Aron, 1997). In particular, Alesina and his associates (Alesina and Tebellini, 1989; Alesina and Drazen, 1991; Alesina and Roderick, 1994; Alesina and Perotti, 1994) had shown that ethnically polarized environment could be potentially damaging to growth by hampering good policy.

Cross-country regressions of endogenous growth models based on poor countries' data had shown that slow growth was associated with such factors as low education attainment (a human capital variable), political instability (Barrow and Wha-Lee, 1993; Levine and Zervos, 1993), low level of development of the financial markets, large black markets and/ or growth of the informal sector (both of which are indicative of macroeconomic distortions), large government budget deficits and inadequate infrastructure. The spill over effects from neighbouring regions had also been explored to explain the damaging effects of wars and natural disasters in many African countries (Easterly and Levine, 1995; Aron, 1997). A World Bank survey of a number of African countries found that private investment had been limited by political and economic uncertainty, lack of currency convertibility, a tradition of breach of contracts and high tax rates (World Bank, 1994).

Endogenous growth theory was criticized on the ground that contrary to the labels, there was nothing new about the 'new' growth theory or endogenous theory. First, explanatory variables in growth analyses had for a very long time emphasized the role of physical formation and highlighted the existence of externalities to investment in human capital, infrastructure and research and development. Second, lack of convergence (one of the bases for the new growth theory) was not a new phenomenon (Thirlwall and Sanna, 1996).

Also linked to the 'nothing new' critique of endogenous growth theory was its neglect of the importance of trade in growth. Having highlighted this serious omission by a good number of empirical analyses, Thirlwall and Sanna (1996) noted that where they had been included as in Levine and Renelt (1992) the effect of trade variables on growth worked through investment. They argued that this treatment was analogous to the Keynesian argument that it is not saving that drives investment, but trade and the growth of output. Noting the classical position that human capital formation also worked through investment, they concluded that the growth determining variables that could be considered robust (investment in physical and human capital, population growth and initial level of per capita income) had remained the same from classical through Keynesian to the new growth theories.

But was there really any evidence to show that the 'new theorists' made any claim to an invention? Paul Romer (1994: 13), the scholar who along with Robert Lucas (1988) partly share credit for pioneering endogenous growth theory, admitted that work on the theory actually started in the 1960s with Karl Shell's (1966) advocacy of investment in technological advancement financed by government tax revenue. Romer further highlighted that recent emphasis on the private sector's contribution to research in technological advancement drew largely from Arrow's (1962, cited in Romer, 94) work.

David's (1994) concern as cited in Aron (1997) for the institutional explanation of endogenous growth appeared to be the most critical. He noted that the institutions on which the growth path depended were themselves path-dependent. Since institutions were not static (as the assignment of dummy variables suggested) but undergo evolution, he suggested that attention should be focused on the process of institutional transition and especially the reasons for resistance to reform. He noted that where cross-institutional links were well developed (and this may well be the case in Africa) the existence of economies of scale in institutional reform suggested that reform be applied to a wide range of interconnected institutions.

The issue of who oversees institutional transformation was raised by Aron (1997) in what it described as 'the oversight structure for institutions'- something akin to watchdog bodies to monitor and appraise institutional transformation for efficient delivery of

services. Since sensitive positions in the institutions were largely political, Aron (1997) argued that reforms might pose a threat to an existing stock of experienced and skilled manpower (which in any case were necessary for a successful transformation) to work against reforms. It was not clear from this analysis whether democratic institutions need a sub-set of oversight institutions or one outside the influence of party politics. It can be argued that continuous democratization will ensure growing participation of all interest groups to balance political and economic interests of the greater majority of the citizenry.

Nicholas Stern (1991: 128-132) reviewed the developments in growth theories from the classical to the endogenous models and observed that the excessive concern with the long-run growth of total factor productivity had limited their contribution to our understanding of the determinants of growth, by the omission of variables that are crucial to growth in the medium run. In addition to the three related determinants – physical capital accumulation; human capital; and research, development and innovation – emphasized in the standard growth models, he identified management and economic organization; social infrastructure; and the allocation of output across directly productive sectors as crucial for growth in the medium run. By this, Stern (1991) moved beyond the standard determinants that aimed at augmenting the level of input, to analyse conditions that may produce higher output from given input. The stock of social infrastructure, measured by the level of honesty and reliability in business transactions, state bureaucratic support, and secure property rights would affect growth through their effects on allocative efficiency. Stern (1991) contended that the explanation for low productivity and waste of scarce resources in developing countries might be located in the weaknesses of management, economic organization, and infrastructure. The importance of Stern's (1991) contribution to the so-called new growth theory is not so much that it is a new idea. It is that it re-emphasizes the role of the state in improving the quality and hence the contribution of these medium-run factors to growth and development. The weaknesses in management and organization and in infrastructure identified by Stern are arguably in the domain of governance. This is principally an indirect reference to the type and quality of regimes and their effects on economic growth. This is the subject of the next section.

2. 5 Regime type and economic growth

A key issue in capitalist economic development was which political institutions were most friendly to economic freedoms. Under what type of political regime were investors, consumers, and producers likely to feel they have the strongest safeguards? Did democracy in the political realm foster or hinder economic growth? There were two basic approaches adopted in the explanation of regime type - development relationship. One started with the measurement of democracy and progressed by ranking regimes according to their democratic character. Among those who favoured this approach were mainly political scientists (Bollen, 1990, 1993; Hadenius, 1992; Inkeles, 1991; Arat, 1991;). A second approach, largely favoured by political economists, (Scully, 1988), included political institutions as one of the numerous variables on which economic development depended. Whichever approach was adopted, the literature was (and still is) awash with a growing controversy over the compatibility of democracy and economic growth.

Goldsmith (1995) aptly captured the age-old controversy by grouping them into two camps - the 'pessimist' and the 'optimists'⁷. The pessimist arguments are that: a) Democratic politics leads to increasing demand for welfare spending to the detriment of savings, investment and capital formation, thus impeding growth; b) There is a trade off between popular government and economic development, therefore both are incompatible; c) Since poor countries cannot simultaneously pursue democracy and growth with their low national income, authoritarianism serves them better in the early stages of development; d) Tough regimes do a superior job of bringing order to society and lay a firmer foundation than democracy can for material improvement; and e) Premature efforts to democratise boomerang, for they invite political instability that drive away investment (Goldsmith, 1995: 157-158).

On the other side of the debate are the optimists. According to this school, democracy and capitalism are identical and therefore engenders economic progress. Democratic institutions encourage private investment by "...bolstering belief in the political system's durability; they nurture a climate of open debate that is helpful for the efficient allocation

⁷ For a list of scholars in different camps see Goldsmith (1995: 157-158).

of resources; rather than clashing with a competitive economic system, therefore, a competitive polity is imperative for it. Both democracy and capitalism foster freedom of choice and tend to unleash peoples' creative energy. What never work in the long term are authoritarian campaigns to drive forward in a forced march to modernization" (Goldsmith, 1995: 159-160).

To date there appear to be no end to the theoretical debate. Neither do empirical studies provide conclusive evidence of the superiority of one camp over the other. Twenty-seven studies spanning a period of over 50 years were reported in the recent literature (Przeworski and Limongi, 1993; and Sirowy and Inkeles (1990) on the effects of regime type on economic growth. An update of the findings of these studies are presented in Tables 2.1.2-2.1.4. Out of the these five studies (Przeworski, 1966; Huntington and Dominguez, 1975; Marsh, 1979; Landau, 1986; and Sloan and Tedin, 1987) reported that authoritarian regimes grew faster than democracies; ten studies (Dick, 1974; Komendi and Meguire, 1985; Pourgerami, 1988, 1992; Scully, 1988, 1992; Barro, 1989; Remmer, 1990; Bilson, 1982; and Goldsmith, 1995) concluded democracies did better, while five studies reported no relationship existed between the democratic character of regimes and the pace of economic development.

Each of the remaining seven came out with qualified findings. For example, Adelman and Morris (1967) concluded that democracies grew faster (slower) in medium (poor) countries while authoritarian grew faster (slower) in poor (medium) countries. Weede (1983) found no difference when developing countries were examined alone but that authoritarian regimes grew faster when developing and developed countries were studied together. Berg-Slosser et al (1984) and Mbaku (1994) reported findings that suggested that democracies did better when economic development, but not growth, were the variables. Mbaku's finding reopens the contentious issue of whether development can take place without prior improvements in growth. It may well be that development-induced wider income distribution is associated with more democratic institutions than authoritarian regimes. To place Mbaku's finding within the optimist domain, the line between growth and development must be made as thin as possible. Certainly variables that qualify as development such as indices of access to education, health, housing etc are also growth enhancing.

2.1.1 Studies reporting positive relationship between authoritarian regimes and growth^a

<i>STUDY</i>	<i>N</i>	<i>PERIOD</i>	<i>FINDINGS</i>
Przeworski (1966)	57	1949-1963	AA+
Huntington and Dominguez (1975)	35	1950s	AA+
Marsh (1979)	98	1955-1970	AA+
Landau (1986)	65	1960- 1980)	AA+
Sloan and Tedin (1987)	20	1960-1979	AA+

Table 2.1.2: Studies reporting Positive relationship between democracy and growth^b

<i>STUDY</i>	<i>N</i>	<i>PERIOD</i>	<i>FINDINGS</i>
Dick (1974)	59	1959-1968	DD+
Komendi and Meguire (1985)	47	1950-1977	DD+
Pourgerami (1988)	92	1965-1984	DD+
Scully (1988, 1992)	115	1960-1980	DD+
Barro (1989)	72	1960-1985	DD+
Remmer (1990)	11	1982-1988	DD+
Pourgerami (1988, 1992)	106	1986	DD+
Bilson (1982)	184	1979)	DD+

Table 2.1.3: Studies reporting negative or no relationship between democracy and growth^c

<i>STUDY</i>	<i>N</i>	<i>PERIOD</i>	<i>FINDINGS</i>
Helliwell (1992)	90	1960-1985	DD—
Feierabend and Feierabend, (1972)	84		Do
Russet and Monsen (1975)	80		Do
Meyer et al (1979)	50		Do
Burkhart and Lewis (1994)	131	1972-1982	Do

^aAA+ = authoritarian regimes grew faster; ^bDD+ = democracies grew faster;

^cDo = democracies had no effect on growth;

DD_ = democracies had negative effect on growth.

Table 2.1.4 Studies reporting mixed relationship between regime type and growth^d

<u>STUDY</u>	<u>N</u>	<u>PERIOD</u>	<u>FINDING</u>
Marsh (1988)	47	1965-1984	OO
Adelman and Morris, (1967)	74	1950-1964	DD+(MDCs); AA+(LDCs)
Weede (1983)	124	1960-1974	OO(LDCs); AA+
Berg-Slosser Et al (1984)	38	1960-1980	DD+ (with econ. Dev.); OO
Kholi (1986)	10	1960-1982	OO(1960s); A+(1970s)
Grier and Tullock (1989)	59	1961-1980	DD+(Africa); OO (Asia)
Mbaku (1994)	117	1970-1989	DD+ (with Human Development Index)

^dOO = regime type had no effect on growth;

What could be responsible for the inconclusiveness of these findings? As would be expected, research methodology became the most frequent casualty. In establishing the need for further research, virtually every new study had criticized previous studies' methodology, raising issues of especially specification problems with the various models. Sorenson (1998: 69) reviewed the overwhelming methodological problems associated with the empirical studies and argued that even if they could be solved, it would still be "impossible to arrive at a law-like statement concerning the effects of regime type on economic development", the reason being that there were different types of democratic and authoritarian systems and "we should study outcomes in only comparable pairs of democratic and authoritarian cases". In a review of thirteen of these studies Sirowy and Inkeles (1990: 148-150) set out to investigate whether there were any definite patterns between these findings and the period covered in the analysis, the set of countries sampled or the techniques used by researchers, but found no evidence to support the idea that the findings might possess some kind of time, space or methodological bias. They concluded that "even though the theoretical and empirical literature on the subject is rich and exciting, cross national quantitative efforts to test the various hypotheses have fallen

far short in their effort to yield clear grounds for accepting or rejecting many of the claims”.

Adam Przeworski and Fernando Limongi (1993: 64) conducted a similar investigation and concluded: “We do not know whether democracy fosters or hinders economic growth” the main reason being that “...we know little about determinants of growth in general”. An illuminating finding in a more recent literature was the conclusion reached by Ersson and Lane (1996: 65-66). In their statistical exploration of the democracy - development relationship they isolated three dimensions of development namely, economic development, human development and income distribution, and investigated the relationship between democracy and each of them. They argued that the “answer to the democracy - development causation problem depends upon what is meant by development”. Their finding was that although there was no evidence to suggest a negative relationship between democracy and the other two dimensions of development, only human development had a positive and robust relationship with democracy. If human development however defined was a universal good, and was positively related to democracy, the implication could be grave for those polity where democracy was said to be infeasible.

2 . 6 The feasibility of democracy in Africa

One of the most topical and contentious issues in the literature on African political economy was the feasibility of democracy in Africa. The infeasibility thesis drew largely from two theories, namely that of incompatibility between democracy and rapid economic growth, the chief proponent of which was the Polish-British sociologist André ski, and the Lipset (1959) hypothesis. According to André ski, (1968: 266) “democracy is compatible with rapid economic growth only in countries which already have enough resources to make heavy investment in a relatively painless process,..... there is no case of a democratic government breaking through a vicious circle of misery and parasitism”. Here political freedom was viewed as a luxury good whose high income-elasticity ensured the emergence of democratization only at high levels of per capita income. The Lipset (1959) hypothesis rather than emphasizing incompatibility *per se*, proposed a uni-directional causality between the two: rapid economic growth leads to democratic

development and not vice versa. Since the postulated causality ran from economic to political development this hypothesis paid very little attention to the possible impact of political and social institutions on economic growth. In line with the above, initial pessimism regarding the feasibility of democracy in Africa had focused on the obstacles facing African democracy. Issues such as pervasive poverty (Sandbrook, 1985), lack of a democratic culture especially in the institutional sphere (Jackson and Rosberg, 1982), severe ethnic divisions and antidemocratic cultural practices (Joseph, 1987) were highlighted as standing between Africa and democracy. The practice of democracy was not thought to be feasible in a poor society since at it were poverty prevents the expression and assertion of rights.

David Lamb (1990), Diamond (1992), Kaplan (1997) and a host of other pessimists had built on the incompatibility thesis to predict a bleak future for African democracy. Like Lamb who believed “economic self-reliance is the forerunner of political stability” (Lamb, 1990: 342), Kaplan postulated that “democracy tends to work best when it is instituted last, when it is the capstone of many other forms of social and institutional development” (Kaplan, 1997: 4). At their present stage of development, Kaplan proposed that the choice for Africa was between bad dictators and slightly better ones. Doubting America’s capacity to sustain the current wave of democratization in Africa, he re-echoed earlier pessimism (Diamond, 1992; Donnelly, 1992) regarding America’s continued interest in human rights in Africa to warn that the democracy America was encouraging in many poor parts of the world was an integral part of a transformation toward new forms of authoritarianism” (Kaplan, 1997:2). If a society is not reasonably healthy, argued Kaplan, democracy can be not only risky but also disastrous. He blamed Bosnia’s democracy for legitimising one of the most serious war crimes in Europe since the Nazi era, complained that in sub-Saharan Africa democratization had weakened institutions and services in many states, specifically blaming the Rwanda’s genocide on the western promoted parliamentary system. Throughout Latin America, he continued, “there is anxiety that unless the middle class were enlarged, and institutions modernized, the wave of democratization will not be consolidated” (Kaplan, 1997: 5). He argued that the demise of the Soviet Union was no good reason for America to pressure hitherto undemocratic countries to form political parties as according to him “political parties do not form states.

For Herman Kahn (1979: 471) “in a poor country economic growth can fulfil the most basic of all rights and freedoms - the right to life and freedom from starvation and grinding poverty” Although David Lamb (1990: 57) acknowledged that a few African dictators had undertaken democratic transition as in Nigeria (1979, and 1983), and that constitutional transitions had occurred in both Tanzania and Kenya, he still believed that Africa of the 1990s, so “splintered, struggling cannot afford the luxury of multi-parties and independent process and honest debate”.

The infeasibility of African democracy was almost taken as *fate accomplice* until the early 1980s. Among the first notable opposition to the infeasibility thesis and one which, rekindled interest in African democracy was Sklar (1982, 1986: 18-20). He questioned the incompatibility thesis and denounced those who propagated the subordination of democracy to economic development in Africa. In a very optimistic tone, Richard Sklar saw enormous potential for Africa as a “workshop of democracy” and advocated for developmental democracy. Joined by Claude Ake (1991), Peterson (1994), Ijewere (1999) and Ayittey (1999a, 1999b) the optimism for the feasibility of democracy in Africa had in recent literature become phenomenon.

Ake (1991) took a historical perspective of the infeasibility thesis and revealed that contrary to the claim that democracy was alien to African culture, “traditional African systems were infused with democratic values” prior to colonization. He located the origins of the infeasibility fallacy in the immediate post colonial African politics where instead of transforming their systems in accord with popular nationalist aspirations, African leaders chose to take over the colonial system, and thus became alienated to their people. The leaders adopted development, using it largely as an ideological blind to postpone democracy. It served the interest of the west as long as the cold war lasted to encourage ‘development’ but not to force ‘democracy’ for fear of losing a chunk of the power block to the Soviet Union.

Reacting to the incompatibility between democracy and development Ake (1991: 39-40) contended “the primary issue was not *whether* it is more important to eat well than to vote, but *who* is entitled to decide which is more important, and once this is understood the argument that democracy must be sacrificed to development collapses”. In response to

the argument that African ethnic pluralism and conflicts were antithetical to democratic development (Diamond, 1988b: 7-8; Rabushka and Shepsle, 1972: 62-92), Ake (1991: 32-35) argued that the problem was not ethnicity but bad leadership stressing also that there was nothing inherently conflictual about ethnic differences, rather the absence of democracy provided bad leaders the leeway to exploit ethnicity in their quest for power. Crawford Young (1995: 24) reaffirmed this view when he noted that in the wake of the democracy wave of the 1980s, the sustainability of African patrimonial autocracies was threatened, a good number of African regimes fomented ethnic strife to forestall liberalization. Rather than addressing the challenges of pluralism in Africa, Young contended "three decades of autocracy have deepened the dilemmas".

Ayittey (1999b) re-emphasized the rich democratic heritage of pre-colonial Africa and contended that authoritarian regimes were the cause of many internal difficulties in African states. He argued that political reform based on African democratic norms was essentially feasible for the future of the continent. Ayittey was not the only one who blamed absence of democracy for poor economic performance. Anyang Nnyong'o (1988: 72) noted "at the centre of the failure of African states to chart viable paths for development is the issue of lack of accountability and democracy as well".

To further debunk the infeasibility thesis, Peterson (1994: 139-140) provided a comprehensive list of ten myths about democracy in Africa, which "though largely false, had already become objects of worship, misleading and influencing African history". He argued that democracy in Africa was real, with enormous potentials and its consolidation required that the setbacks - poor governance, corrupt leadership, absence of the rule of law and closed authoritarianism - around which the myths were built be seen as a challenge that must be survived. Ijewere (1999: 168-169) argued that those who suggest authoritarian-led growth for Africa for the reason of its apparent success in Southeast Asia expose a limited knowledge of the African environment: "unlike in Southeast Asia, authoritarian regimes in sub-Saharan Africa are hampered by ethnic, sectional or regional consideration in policy formulation and implementation"

Despite the growing controversy sustained by the inconclusive empirical evidence, a rising level of political consciousness in Africa was observed from the early 1980s.



Marion Doro (1995: 245) reviewed the current democratization process in Africa and observed a “growing popular pressure” and “demand for fundamental change emanating from a new generation of leaders weary of economic decline and corrupt officials were causing changes in the character of African political systems”. In much of recent Africa-focused literature the view was that democracy, and not autocracy will facilitate economic and human development (Amuwo, 1993). North’s (1990) emphasis on the state’s (authoritarian) readiness to prey on society seemed to have gained currency among commentators on the origins of Africa’s economic problems, with a strong belief that only democratic institutions can constrain the leadership to act in the public interest. The editors of *Africa Demos* (1992:8) captured the political mood of Africa which had gone beyond the feasibility debate since the beginning of 1990s: “democracy is no longer just an option made available to the African peoples according to the whims of their rulers, it is a right that they must increasingly be allowed and empowered to exercise.

2.7 The character of political leadership and external indebtedness

The literature on the association of the debt crisis with the character of political leadership progressed in two major dimensions. One anchored on the predominance of dictatorships in the third world debtor countries and the association of dictatorships with political instability, high defence spending, official corruption, and capital flight on the one hand and the accumulation of external debt on the other. The second dimension derived from the first and centred on political conditionality (ostensibly targeted at political institutions which appear to have been responsible for accumulation of debt) for debt relief and economic assistance by creditors and aid donors.

According to Patricia Adams (1991) during the decade of the debt build-up, dictatorships outnumbered democracies in the third world five to one, arms expenditures amounted to 40% of debt increase, and arms sale to third world more than doubled. Quoting the Stockholm International Peace Research Institute (SIPRI), the German Institute for Peace Research (GIPR) and World Bank sources she revealed that direct arms purchase accounted for between 15 - 33 per cent of total third world debt accumulation in the 1980s. She argued that while both internal and external threats inherent in dictatorships

dictated high military spending, the unrestricted access to their countries' treasuries and lack of public scrutiny made it easy for dictators to incur debts to perpetuate themselves in power. From the Philippines to Mexico, from Zaire to Argentina, from Nigeria to Venezuela, Adams revealed that the published personal fortunes of dictators and their cronies stashed away in Swiss banks increased alongside increases in their countries' debt stock and outstanding debt service payments. There were hardly any explanations for these trends other than that the dictators stole from their people (Adams 1991)⁸.

In an analysis of military related external debt of third world countries, Michael Brzoska (1983: 271-274) observed that the third world sources of financing for arms imports changed from supplier-grants in the 1960s to credit and cash payments in the 1970s with the result that more than half of third world arms imports were credit financed in the second half of the 1970s. He estimated the opportunity cost of military credits for this period to be about 30 per cent of total long-term credit transfers to the third world countries and that in 1979 alone had there been no credit-financed arms import the net transfer of debt could have been lower by about 30 per cent.

The question of whether military expenditure was a net economic burden or investment generated a considerable debate but a great deal of the canvassed benefits – technological spin-offs, backward linkages, creation of effective demand for inputs by horizontal integration of military and civilian industries and import substitution - derived largely from domestic arms production as against arms importation (Fontanel, 1990:464-465). With the exception of Benoit's (1973) finding which the author in a later work (Benoit, 1978) contradicted as not applicable to developing countries, most empirical studies undertaken after the escalation of the debt crisis (Looney and Frederiksen, 1986; Gyimah-Brempong, 1989; Fontanel, 1990; and Dunne and Mohammed, 1995) suggested that high military spending represented a net economic burden for arms-importing debtor countries. In addition to the well established argument that political instability was a limiting factor to growth in third world debtor countries through its negative effects on private investment and human capital formation (Fosu, 1991; Gyimah-Brempong, 1999; Gyimah-Brempong and Traynor, 1999; and Guillaumont, 1999), it was argued that higher

⁸ For detailed and documented evidence of how the political leadership in the third world stole from their people see Chapter 13 of Adams (1991).

instability often associated with non-democratic debtor countries could lead to higher accumulation of debts through a stronger preference for present as opposed to future government consumption. In a study of 55 developing countries Ozler and Tebellini (1991) found a strong positive relationship between domestic political instability and the demand for sovereign borrowing in the period 1972-1981. The relationship was also extended to include the possibility that political instability reduced the average maturity of debts thus increasing the cost of servicing debts.

To understand how governments in poor countries could have borrowed beyond their economies' capacity to pay back, Jain (1989: 76-77) extended the principal – agent relationship to include situations where the agents (governments) acquired the decision making power without the consent of the principal (the electorate) and showed that over borrowing could be high when the agents were corrupt and the principal lacked control over them. She argued that foreign debt decisions took place under dictatorships, which were dominant in African debtor countries. She blamed the lack of institutional controls commonly associated with authoritarianism for accumulation of debts while unchecked official corruption limited their efficient use.

The literature on political conditionality for access to credit and assistance from multilateral and bilateral creditors and donors centred around issues like the evolution of conditionality from 'economic' to 'political' conditionality, the motives behind political conditionality, their relevance and efficacy in the *recipient* countries, and the possible alternatives to political conditionality.

There appeared to be agreement that in the history of development assistance, there had never been a 'free lunch'. Conditionality in various forms and shapes had accompanied aids from rich nations to less developed countries. In the 1950s and 1960s aid was linked to the East-West conflict and was conceived as an instrument to contain communism and by implication promote democracy in the developing countries. According to Manuel Guitian "practices of conditionality have been formulated throughout the IMF's existence in response to the needs of its members and those of the world economy" (Guitian, 1995: 793). The Marshall Plan involving the transfer of huge financial resources from the US government to war-torn Europe in the immediate post World War II period had both

economic and political conditionality, and was informed by what Olav Stokke (1995: 4-5) described as “an enlightened self-interest in creating external environments that coincided with ideological aspirations, economic interests,security interests of a great power aspiring towards a hegemonic position in an emerging bipolar world system”. Apart from the bilateral donors, the multilateral institutions notably the IMF had developed continuously, a pragmatic and flexible body of policies and procedures which came to be known as ‘conditionality’ to govern the access to and use of, its resources by member countries (Guitian 1995: 5).

Although political conditionality had always existed especially with bilateral assistance, its importance increased in the 1990s when the cold war strategic geo-political interests became less important. Stokke (1995) identified two generations of conditionality since the late 1970s both of which had political contents. The basic difference between them seemed to be the developments that triggered off each and the consequent degree of openness in the mechanisms for their pursuit. While the first generation conditionality came in the wake of the late 1970s growing economic crisis in third world countries of Latin America and sub-Saharan Africa following the oil shocks and a prolonged world economic recession, the new thing about the second-generation political conditionality, Stokke (1995: 7) argued, was that it became more open and transparent from the late 1980s.

Greater openness was underpinned by major developments in the world political economy at the time. The first was the cessation of the cold war with the West becoming freer than before to pursue basic political concerns in the third world without the consideration of possible losses in the power block game, the second was the not so impressive performance of the ‘first generation’ conditionality which had focused mainly on economic policy reform of the debtor economies. Thirdly, Lancaster (1993a cited in Stokke, 1995: 10), had earlier suggested that in the absence of the cold war, western governments needed a new justification to their own electorate for the continuation of development assistance and the concepts of ‘good governance’ came handy. A fourth reason suggested by Singer was that the debt crisis of the 1980s had eroded the sovereignty of developing countries that by the 1990s there was hardly any resistance to political conditionality (Singer, 1994 cited in Dijkstra, 1999). In addition to these external

forces, there was also a growing popular domestic pressure against the political leadership of non-democratic debtor countries (Mkandawire, 1994; Doro, 1994).

While it could be said that political conditionality originated largely from the same bilateral donors (Dijkstra, 1999) who were believed to have substantial control over the IFIs, its integration into the activities of the latter had met with initial resistance. In addition to their preference for a more centralized authority to carry out economic adjustment policies, the World Bank in particular was reluctant to get involved in 'politics' (Gibbon, 1993). However, under pressure from bilateral donors, the World Bank commissioned studies on how adjustment programmes could benefit from political conditionality. The outcome of these was the Bank's variant of conditionality – good governance- the lack of which was blamed for poor economic performance of many third world countries.

Thus in this way 'governance' was defined in terms of development policy management and de-linked from politics (Gibbon, 1993: 54) and the IFIs could include political conditionality at the same time as maintaining their 'technical' image as a non-political financial institution. Integrating political conditionality into the IMF programmes was less problematic. By March 1979, the IMF Executive Board declared that "in helping members to devise adjustment programs the Fund will pay due regard to the domestic social and political objectives, the economic priorities, and the circumstances of members, including the causes of their balance of payment problems" (Guitian, 1995: 805, 823).

The main argument against political conditionality was centred on what Muuka (1998) characterized as the well-known rhetoric of political conditionality as another form of imperialist re-colonization. He identified particularly Zeleza, (1989) as a virulent attack on IMF conditionality. According to Zeleza (1989: 35, cited in Muuka, 1998: 11) "It has been a raw deal for Africa. In exchange for puny loans which are subsequently over-paid, the IMF and World Bank, on behalf of their godfathers in the developed capitalist countries, have accorded themselves the right not only to supervise individual projects, but to manage whole economies entirely". Zeleza was not however a lone voice in the anti-conditionality camp. Cahn (1993: 160-161) described aid political conditionality as

the new imperial authority and regarded the World Bank as a “governance institution, exercising power through its financial leverage to legislate entire legal regimens and even to alter the constitutional structure of borrowing nations”. Paradoxically, within the World Bank hierarchy was also found some⁹ who believed that attaching political conditions to IMF and World Bank loans undermined democracy in recipient countries (Stiglitz, 1999: 48). Stiglitz’s position was that belief in democratic processes required that the countries must make the decisions for themselves, and the responsibility of economic advisers like IMF was only to apprise them of prevailing views concerning those consequences.

Ihonvbere (1993: 148-150) assessed SAP prospects in Nigeria and concluded that the IMF and World Bank sponsored programmes were a colossal failure, not because of political conditionality but because of lip service to it. The Bank and Fund prescriptions actually protected corrupt political leadership while at the same time denied the vulnerable population the basic means of livelihood. It was probably in the latter sense that Ihonvbere (1994) suggested to his audience at the 1994 All African Students Conference in Guelph, Canada that the general conditionality package that paid less attention to real individual local political situation was facilitating the re-colonization of Africa by the West.

The questionable efficacy of political conditionality in regard to the choice between micro and macro levels as targets in the promotion of democracy also came under scrutiny. Questioning micro-level targeting such as NGOs, Doornbos (1995: 386) contended that “for all the heightened concern with the promotion of good governance in the third world, it is quite conceivable that one of the effects of the various external initiatives and involvements in this regard is paradoxically to reduce rather than strengthen third world governments’ capacity for policy making and implementation” In a recent study of eight countries Dijkstra (1999: 37-38) found that political conditionality was not very effective in redressing the majority of leadership problems. However, he concluded that political conditionality was more effective the more aid-dependent a country was, the less other

⁹ Stiglitz served the World Bank for over ten years and played leading roles in the body’s policy formulation. As an insider no one knows better how wrong these policies have now become.

commercial and strategic interests the donor had, the better donor coordination was, and the more specific the demands were.

The 're-colonization' critiques had been countered by arguments that in the post cold-war period, Africa was of a very minor interest to the West in geopolitical terms and despite Africa's continued position as a vital source of raw material for western factories and market for goods there was still no evidence to suggest any imperialist interest (Muuka, 1998). Another counter argument was the reminder that apart from the fact that the debtor countries needed adjustment (which was what conditionality required), the conditionality itself was unavoidable from the standpoint of multilateral creditors who had a legitimate duty to safeguard their funds.

Sorenson (1995: 400-401) reviewed the serious criticism of political conditionality relating to differences in the understanding of the concept of democracy, double standards by donor countries, implementation difficulties due to the seeming conflict between economic and political conditionality. He contended that double standards were manifest in both donor and *recipient* countries and that the expressed difficulties do not pose insurmountable problems to political conditionality.

Irrespective of differences in concepts, levels, and meaning of democracy, "there was increasing unanimity on a universally valid core of civil rights and political liberties and that the starting point of political conditionality was to dissuade rulers from abusing these rights".

2. 8 Theoretical literature on Nigeria's indebtedness

The literature on Nigeria's indebtedness shortly after the commencement of the debt crisis in 1986 focused largely on the causes of the country's debt problem. There were two main viewpoints on the issue. The first were those (Nwachukwu, 1986; Aikhomu, 1988; Fajana, 1988; Adedeji, 1991) who blamed the external sector, arguing that the instability of the international oil market, balance of payment difficulties, the changing sources and worsening terms of external credit were central to the nation's debt crisis. Rising oil prices in the 1972-1976 period and the attendant increasing foreign exchange revenues

had created illusions of buoyancy in two directions: in the international capital market, oil fortunes had improved the country's credit rating and made her attractive to imprudent private lenders (Adedeji, 1991; Eigbe, 1999) and in the domestic sector it afforded the economy a very high import propensity which despite deflationary policies could not immediately be reversed when oil prices began to tumble in the 1977/ 79 period. The brief recovery of the oil market with an all-time high of \$40 per barrel in the 1980/81 period, had led the government into relaxing the measures. The result was the accumulation of huge trade arrears for which the government sought the first ever billion-Dollar loan from private international capital market. The loan was a jumbo one, not tied to any particular projects, it turned out that years after its maturity, the projects were still midway into their gestation periods.

The second group located the origins of the nation's debt problems within the domestic sector. They argued that the country's indebtedness arose largely from "spurious loans" raised by the governments and their touts (Aluko, 1985). Rather than address the problem of declining foreign exchange revenue they argued, both the federal and state governments had embarked on imprudent and massive external borrowings particularly from costly international capital market. Another argument was that the government had by the Nigerian Enterprises and Promotion Decree of 1972 and 1974 discouraged foreign direct investment thereby putting more pressure on the nation's dwindling foreign reserve and that domestic policy framework was not adequate to stem the tide of reckless accumulation of trade arrears and capital flight (Aremu, 1991; Akinnifesi, 1988; Olashore, 1986). In addition to faulty macroeconomic policies, Ajayi (1991) singled out inadequate trade policy as the main reason for the accumulation of trade arrears.

By the early 1990s what looked like 'blame-trading' literature had given way in realization that the debt issue had both domestic and external dimensions one of which could not be divorced from the other. The literature that emerged had gone beyond pointing accusing fingers to focus on debt management in Nigeria as most analysts then agreed that the debt stock *per se* may not be the real issue but the analyses of those policies and instruments which seek to alter the stock, composition or structure or terms of the country's debt with a view to maintaining at any given time a sustainable level of

debt service obligations. There appeared to be some disagreements regarding the adequacy of the legal framework and the policy instruments for debt management.

The literature on the instruments of debt management in Nigeria come largely from official sources and lack essential details for obvious reasons of official secrecy. The Central Bank of Nigeria and the Ministry of Finance have joint responsibility for managing the nations debt. Between 1978 and 1982 government's major debt management instruments comprised of embargo on new loans and a ceiling on debt service payments. Between 1983 and 1988 debt management instruments were largely legal limits and embargoes on new loans. From 1988 however debt restructuring and conversion involving refinancing, rescheduling, collateralisation, debt-equity swap, debt for debt swap, and debt buy-back were introduced as instruments of debt management (CBN, 1998a: 7-9). Despite the introduction of these instruments, there was consensus that the nation's debt management strategy had achieved little. None of the three (1986, 1989 and 1992) rescheduling agreements with the nation's biggest creditor, the Paris Club ever went past the signing ceremonies as the government could not meet its obligations (Iremeren, 1997).

Nwankwo's (1985: 48-52) analysis of the historical origins of Nigeria's debt management strategy revealed that the debut legal framework for the acquisition of external finance was contained in the "Promissory Notes Ordinance" enacted shortly after independence in 1960. With subsequent amendments or renaming in 1962, 1965, 1970, 1978, 1982, and 1984, he argued that there had been adequate and timely policy guidelines, which prescribed the levels of responsibility for various levels of government, specifying the magnitude, direction and end-use of external loans. On the contrary, Iremeren (1997: 20) observed that, "37 years after independence and about a decade and a half into the nation's debt crisis there is little or no executive debt management in Nigeria".

Whether the legal framework was adequate or not there was agreement that the existing rules had however, remained largely on paper. According to Omoruyi (1996: 11) "too often external borrowings were uncoordinated as various arms of government and government-owned companies independently canvassed for and acquired loans from the international capital market without prior approval and sometimes even without the knowledge of the central government".

In addition to official policy infidelity, other factors were also identified to have limited the efficiency of debt management in Nigeria. A very weak statistical base and inadequate computerization of data on debt, plus the dearth of skilled debt managers had resulted in weak monitoring and control of a large volume of loans from non-concessional sources and oftentimes with 'bunching up of maturities' (Omoruyi, 1996: 12).

In the government official literature explaining poor debt management, one of the most lamented limitations was the improper classification of Nigeria by her major creditor - the Paris club- as a middle-income country, which disqualified her from major concessional debt relief. Adedeji (1999: 45-46) came close to agreement with this official view when he contended that despite the fact that the debt crisis was primarily a result of imprudent lending to the countries of sub-Saharan Africa including Nigeria, the international financial institutions (IFIs) had constituted themselves into a creditor-tribunal to determine how bilateral creditors should treat debtor countries. There were some who believed that the classification, right or wrong was part of the response of the international community including creditors to the political environment in the country. Iremeren (1997: 13-15) reviewed the relationship between Nigeria and her creditors and concluded that IMF's 'clean bill' was only a necessary condition, the sufficient condition "is the pragmatic fact that a country required a political god-father among the G-8 industrialized creditor nations" to benefit from or have access to major debt relief.

2.9 Empirical literature on the performance of foreign capital in Nigeria

Edozien (1975) investigated the impact of foreign direct investment (FDI) on Nigeria's economic development for two analytical periods: 1924-1938 and 1954-1964. The period 1939-1953 was omitted because the World War II placed severe limitations on the freedom of foreign firms to make investment decision in the country. The analysis identified two ways through which FDI could impact development: primary effects (contribution to income, effects on market structure and market conduct, linkage effects, and effects on terms of trade and balance of payments) and secondary effect (effects on the labour productivity and labour market, and social overhead capital). The study found that during the first period, the only major contribution of FDI was the stimulation of

exports. In the second period however, it found that FDI contributed significantly to both the primary and secondary variables. The study concluded that, “the contribution of FDI increased with the political maturity of the country” - a reference to the attainment of political independence.

Ekeoku (1986) undertook an econometric simulation analysis using macroeconomic models to determine the extent of the response of key economic indicators to a unit change in the policy variable - government external borrowing. The main assumption of the models was that government external borrowing impacted macroeconomic variables through government expenditures. Government total expenditure ($TCER_t$) itself was expressed as a function of its current revenue ($TCRR_t$); total gross domestic product ($TGDP_t$); government deficits ($GDEF_t$); external borrowing ($GEOB_t$), the exchange rate (PM) and GDP deflator (PTG).

$$TCER_t = \alpha_0 + \alpha_1 TCRR_t + \alpha_2 TGDP_t + \alpha_3 [GDEF/PTG]_t + \alpha_4 [GEOB/PM] \dots(2.02)$$

Two different analyses were carried out namely a once-and-for-all policy shock, and a sustained policy shock. The simulations revealed that the initial impact following the instantaneous shock for 1975 produced zero multipliers for all variables except real total government recurrent expenditures, and the price of government services which showed positive multipliers. Ekeoku explained the positive multipliers as an indication of “ liberal attitude on the part of the Government towards spending on the procurement of external liabilities. In the second analysis, sustained increases from 1976 to 1981 produced positive multipliers in government recurrent expenditures. Although this decreased from 0.7 in the first year to 0.34 in the last year, government recurrent spending multiplier remained the highest throughout the period. Ekeoku again attributed this to the possible over valuation of government projects which was sustained by the availability of external loans. In contrast five other variables- real GDP in agriculture, real private consumption, real gross fixed capital formation, real total merchandise import and real GNP-showed negative multipliers.

The study concluded that the findings showed “a picture of an almost immediate consumption of external loans during the period” (Ekeoku, 1986: 366). It cautioned that

government external borrowing could lead to a rise in the rate of inflation, would not be beneficial to growth in the agricultural sector and could lead to a fall in the level of capital formation and national product.

Dinneya (1989) undertook an evaluatory analysis of the structure and composition of Nigeria's external debt for the period 1960-1986. In the study the country's external debt was analysed from a disaggregated structural perspective. Four multiple regression models were built for each of the structures. Model I looked at the 'term structure' in which total debt consisted of medium/long term plus short term debt. Model II approached from the lending institutions – 'source structure' and defined total debt as consisting of loans from international capital markets (ICM), multilateral loans, bilateral loans and trade debts. The third model defined total debt from the standpoint of 'borrowing institutions' and consisted of federal and state government debts. Finally, a 'source by country structure' was built. By comparing the coefficients of multiple determination of the models the study found that the term structure offered the strongest explanation for the country's rising debt service burden.

Ajayi (1991) applied Solis and Zedillo (1985) growth-cum-debt framework to study the impact of external debt on the Nigerian economy for the period 1975-86. Output and investment equations were solved for different possible paths of external debt and interest on external loans under various assumptions regarding the reciprocal of the incremental capital output ratio and the growth rate of foreign debt and at different interest rates. The results indicated that macroeconomic policies had led to the accumulation of debt over and above sustainable levels judging by the countries export performance. The study concluded by emphasizing the productive use of borrowed funds.

In another work Ajayi (2000: 229-231) examined the two-way relationship between capital flight and the accumulation of external debt in Nigeria. On the one hand external borrowing can lead to capital flight in two ways: First, if because of attendant economic circumstances directly attributable to the external debt itself such as devaluation, residents are motivated to move their assets to foreign countries. Second, if illegal transfers of capital abroad is made possible by the availability of borrowed funds. On the other hand capital flight can "drive and/ or fuel" external borrowing. In the former capital flight

creates a resource gap in the domestic economy that requires to be filled by external borrowing and in the latter capital flight creates a resource surplus in the host country and therefore affords greater supply of loanable funds. A combination of greater demand and supply of external borrowing is thus created by capital flight. Ajayi (2000: 233) analysed the Nigerian situation and suggested that the positive effect of increases in debt accumulation on growth of GDP through investment was undermined by capital flight.

Olaniyi (1995) investigated the impact of external capital on economic development in Nigeria for the period 1970-1991. Using Chenery and Strout's two-gap model, three hypotheses were tested: H₁: direct foreign investment had played a significant role in the growth of the Nigerian economy; H₂: the export sector was the prime mover of the Nigerian economy and contributed to the attainment of self-propelling growth; and H₃: external debt had contributed to the realization of economic self-reliance in Nigeria. The last equations of the model related changes in real output (Q) to investment (I), the incremental capital output ratio (g), domestic savings (S_d) net exports (X), direct foreign investment (DFI), and foreign loan (L_f)

$$\delta Q = I/g[Q_{t-2}] + S_d + X + DFI + L_f \dots \quad (2.03a)$$

To test the hypotheses the following equation was estimated.

$$GCF = \alpha + aY + bF^* + cExtreserv + dS_d + fX + gL^f + hExtdbt + iFDI \quad (2.03b)$$

where:

GCF = gross capital formation; *Extreserv* = external reserve; *S_d* = domestic savings; *X* = net exports; *L^f* = inflow of foreign loan; *Extdbt* = stock of external debt outstanding; and *FDI* = foreign direct investment.

The study made the following findings: (1) foreign capital in general did not make any significant contribution to growth in gross capital formation nor to the development of a self-sustained growth; (2) *FDI* was positively correlated to *GCF* but this was insignificant even at 80% level of confidence; (3) current inflow of debt or external loan capital was positively correlated with *GCF* but significant only at 95% confidence level; and (4) domestic savings was positively correlated with and contributed significantly to growth in

GCF. The study therefore concluded that internal sources of income were not only the most efficient sources of investment income they were the only net contributors to growth in capital formation in the economy. Foreign capital rather than acting as an additional or complementary source of investible resources, served to substitute domestic resources.

Ekpo and Egwaikhide (1998) used a simple econometric model to examine the determinants of private investment in Nigeria. In the model the ratio of private investment to GDP (*PRI*) was made a function of public investment/ GDP ratio (*PUI*), inflation rate (*R*), private sector bank credit/ economy-wide credit (*PC*), debt service payments/ export ratio (*DSR*), export/GDP ratio (*XD*), and terms of trade (*TOT*).

$$PRI_t = a + bPUI_{t-1} + cR_t + dPC_t + eDSR_{t-1} + fXD_t + gTOT_t \dots\dots\dots 2.04$$

Using the two-stage least squares (TSLS) and estimating for the period 1973-1993, the study found that debt service, and inflation rate, used as a proxy for macroeconomic instability had strong negative effects on private investment.

Magbagbeola (1998) used tabular and graphical presentations in a trend analysis of external resource flows into Nigeria from 1970-1994. The study revealed a decline in the trend of total flows from positive and stable in the 1978-1983 period to negative and decreasing in the 1984-1995 period. Disaggregating the various components of total flows, the study traced the trend to the persistent fall in the level of FDI relative to other forms of flows. The study identified the major constraints that impinged on the flow of external resources as unnecessary stringent regulations in the approval procedures for foreign investment, absence of infrastructure, frequent changes in policies and regulations, and widespread corruption in government. The study warned that Nigeria stood to lose out in the competition with more stabilizing African countries for foreign resources.

2. 10 A comment on existing literature

Capital, human or physical is as important today as it was 50 years ago. The underdeveloped countries still do not have enough to attain their desired level of economic development and so therefore may continue to seek external capital. The issue was about the efficiency of capital (own or borrowed) in resource-poor countries. Improved economic models and analyses have still not fully explained the relative degree of contribution of the institutional versus economic factors to the poor performance of external capital in debtor countries. For example, could the conclusions by Gang and Khan (1991) be explained at least in part by Indian democratization? The literature is strong on the views that the political environment under which borrowing and spending decisions were made could have contributed to the poor performance of external capital.

Any attempt to incorporate these democratic variables into the analysis of poor debt performance in the development efforts of African countries is immediately confronted by an entrenched notion of incompatibility (or infeasibility) and therefore a trade off between democracy and development. Historical experience had however, shown that the trade off between economic growth and democracy on which the infeasibility thesis rested had not materialized. Neither growth nor democracy had taken root in Africa. Peterson's reminder when he echoed Sidney Hook that those who give up their freedom for bread were more likely to end up without either bread or freedom aptly describes what had happened to Africans in the last four decades.

The lesson from the virulent attacks on the desirability and feasibility of democracy in Africa might not be that authoritarianism was a better alternative. It could be that democracy might not come by the moral fiat of a world super power. Yet, from professor Ake's analysis of the origins and sustenance of the infeasibility thesis, it appeared that one of the major factors that stood between Africa and democracy and aided authoritarian dictatorships was America's foreign policy and the cold war, and should America decide now to right their wrongs of the past, Kaplan's pessimism regarding the sustainability of the democratic wave in Africa might cease to be valid. Further more, it was clear that the incompatibility thesis would founder when confronted with the logic that even if there was a choice between democracy and development, that

choice was a political one and only democratization might offer to the right people, who should make this decision, an opportunity to do so.

Arguably democratization in Africa was slow, uneven and by some degree uncertain, these difficulties must not be construed to mean infeasibility. If as it appeared that democracy was feasible, and that attempts were made at democratization, could the process of democratization have affected debt performance? The association of poor debt management in Nigeria with official policy infidelity raises the issue of government accountability and its corollary of whether accountability was higher with higher levels of democratization or authoritarianism? Again reading between the lines of Iremeren's lamentation of lack of executive debt management, one saw clearly that what she meant was that debt managers did not have the executive capacity to do their jobs even within the framework of the limited existing laws without government interference.

Interestingly, there were very limited cross-references among the empirical studies on the performance of external capital in Nigeria. This suggests independent analyses, yet the findings and conclusions had one common factor – the role of government in the poor management of the country's debt. Obviously the analytical tools of all the empirical studies reviewed were not designed to investigate if and how the character of the political leadership affected debt management during the period. For one thing none of these analyses attempted to quantify in any measurable way (not even qualitatively) the assumed different levels and quality of governance over the period.

The new growth theory models have brought to the fore the powerful influence of institutional variables to the explanation of differing rates of growth. Particularly, there appears to be a growing consensus that institutional reforms are central to improvement of the performance of African economies. Empirical works in this direction had focused largely on cross-country comparisons with acknowledged numerous shortcomings¹⁰, and on the impact of institutions on the general problem of growth. The specific issue of debt-led growth had received little attention. Yet the bulk of the resources that had allegedly failed to yield growth in African economies were externally sourced.

¹⁰ For warnings on the limitations of cross-country comparative studies see Easterly and Levine, 1995: 4).

Thus two gaps emerge from existing literature: First the gap created by the tacit exclusion of institutional variables in the debt-cum-growth analyses. Secondly, where institutional variables had been included as in the new growth models there was a general lack of focus on the area from which growth was expected- external resource. In response to these shortcomings this study attempts to incorporate the political institutional and administrative variables into the debt-growth analysis. Before this can be achieved however, it is imperative that the conceptual and measurement issues of democracy and democratization be addressed. This is the subject matter of the next chapter.

CHAPTER THREE

CONCEPTUALIZATION AND MEASUREMENT OF DEMOCRATIZATION

3.1 Introduction

The incorporation of political institution variables in the analysis of growth raises the issues of conceptualisation and measurement of the variables. How for instance, is democracy defined and measured? Since the Greek word *demos* from which democracy was derived meant people and peoples of the earth were as different as there were colours, cultures, histories/experiences, as well as geographic locations, would the practice of democracy exhibit these differences. The fact that each of these features that distinguish peoples was also changing over time made the concept the more complex. In this chapter a review of dominant views on the ways scholars had tried to define democracy is carried out in section 3.2 in order to reveal possible dominant features that appear common in the different peoples' view of democracy. This is followed in 3.3 by a highlight of major scholarships over the years at measuring the level of democracy in different countries. An assessment of these measures is done in section 3.4 to address the question of their universal applicability. Finally it is suggested that the varying experiences of different nations require that a country's political history should play a leading role in devising a measure of its democratization.

3.2 Defining democracy

A precise definition of democracy is by no means an easy task. As a dynamic entity, it has acquired many different meanings over the course of time largely due to the dynamics of society itself, and the different interpretations by scholars of the consequences of the changes for democracy. With varying levels and ways of societal development it was not surprising that the meaning of democracy had continued to be a subject of debate (Sorensen, 1993: 23). In this unsettled debate regarding the precise meaning of

democracy, three basic dimensions seem however, to have survived the dynamism of democracy as a concept. As can be seen below, they are *competition* (for the capture and control of power), *participation* (in the exercise of power), and civil and political *liberties* (enjoyed as political dividend)

One of the earliest formal definitions of modern democracy was provided by Seymour Martin Lipset and emphasized the guarantee of majority rule and minority rights. Democracy is:

A political system which supplies regular constitutional opportunities for changing the governing officials ... a social mechanism which permits the largest possible part of the population to influence major decision by choosing among contenders for political office (Lipset, 1960: 45, see also Lipset, 1959: 71).

Sartori (1987: 206) approached the definition of democracy from the negative as the opposite of autocracy. He described democracy as a system in which no one can neither chose or invest himself with the power to rule nor can one arrogate to himself unconditional and unilateral powers. According to Morlino (1986: 54) a democratic system is “a set of institutions and rules that allow competition and participation for all citizens considered as equals.... characterized by free, fair, and recurring elections”.

Dahl's (1971 cited in Vanhanen, 1997:14) conviction of the non-existence of a perfect democracy led him to emphasize the continuous responsiveness of the government to the demands of its citizens as the main characteristics of a democratic system. He chose the term '*polyarchy*' to denote the less than perfect real world experience and identified two broad dimensions of democracy as public contestation and the right of all adults to participate. In Pennock (1979: 3-14) a distinction was made between definitional ideals and procedural or functional definitions of democracy. Tatu Vanhanen defined democracy as a “political system in which different groups are legally entitled to compete for power and in which institutional power holders are elected by the people and are responsible to the people” (Vanhanen, 1997: 31). In his 1992 analysis of democracy in 172 countries Hadenius noted that there were three basic principles of political democracy that were universal: the principle of popular sovereignty, the principle of freedom, and the principle of equality. He emphasized that the application of these principles would ensure that public policy was governed by the freely expressed will of the people where all individuals were to be treated as equals (Hadenius, 1992: 9-12).

In a 1988 four-volume study on 'Democracy in Developing Countries', Diamond and his associates defined democracy as a system of government that meets three essential conditions:

Meaningful and extensive *competition* among individuals and organized groups (especially political parties) for all effective positions of government power, at regular intervals and excluding the use of force; a highly inclusive level of *political participation* in the selection of leaders and policies, at least through regular and fair elections, such that no major (adult) social group is excluded; and a level of *civil and political liberties* – freedom of expression, freedom of the press, freedom to form and join organizations – sufficient to ensure the integrity of political competition and participation (Diamond, *et al* 1988a: xvi).

As comprehensive as the above definition was, having incorporated the ideas from other notable scholarship (see for example Dahl, 1971: 3-20), it was still criticized as too narrow for practical application and for capturing all the real meaning of democracy. Even the authors conceded that should the definition be made the yardstick, hardly would any country qualify as democratic. Much as the critiques sound legitimate, there appeared to be a valid technical advantage in the definition. The technical emphasis in Diamond *et al* (1988a) definition was that democracy was treated as an end in itself distinct and separate from its socio-economic surrounding in order to achieve measurement convenience. Accordingly “unless the economic and social dimensions are kept conceptually distinct from the political, there is no way to analyse how variation on the political dimension is related to variation on the others” (Diamond, *et al*, 1988a: xvi).

Certainly the above definitions were cast in normative mould, they referred to 'what should' and not 'what is'. Any political system which strives to uphold these major democratic values cannot be said to be authoritarian simply because it had not reached a definitional bliss. To do so would amount to disqualifying a candidate for scoring 90 and failing to score the last 10 marks. In reality, there are only degrees of democracy and for a political system to offer the greatest good for the greatest members in society it does not need to be a perfect democracy. Richard Sklar captured the point when he noted that “all political systems have (and should have) both democratic and oligarchic components.... instances of acceptable oligarchy for the sake of effective government abound in so-called democracies” (Sklar, 1995: 26-27). What is therefore more important as a concept is not democracy per se but the dynamic processes that moved political systems towards or away from the ideals – democratization.

In this study democratization is viewed as a process of political institutional reform (or evolution) that moved in either direction, between the two utopian poles that may be termed 'absolute democracy' and 'total authoritarianism'. As noted by George Sorenson (1995: 398-399), "...a macro framework of democracy does not guarantee its reality on the local level; while its authoritarian counterpart does not completely block democratic elements on the local level". Within this definitional scope, there is bound to be some degree of democracy in the character of political leadership of even the worst authoritarian regimes. While growing agitation by pro-democracy groups against dictatorships are indicative of low levels of democratization, a promise of transition to democratic governance by a military junta can be considered as positive democratization. In the same vein the establishment of centres for democratic studies as well as all forms of dissemination of ideas that promote the ideals of democracy qualify as positive democratization. On the other hand, broken promises of transition whether in the form of annulment of elections or refusal to hold one denote a negative democratization. By incorporating popular struggles against less democratic regimes, the concept of democratization cuts across liberal and radical notions of democracy.

3.3 Measures of democracy

The Lipset (1959) hypothesis of a positive relationship between wealth and political development brought with it the imperative of measurement. To know how one varied with the other the challenge was to construct a measure of the variables. Since economic affluence was the independent variable in the Lipset model, much of the early attempts focused on a measure of political development. Lipset (1960: 47-49) himself set the tone with his tabulation of democratic systems. He used indices of national wealth to classify Latin American countries into two: democracies/ unstable dictatorships and stable dictatorships. Other attempts as summarized by Olsen (1968: 700-707) that followed did not differ essentially from Lipset's (1960) dichotomous classification.

Beyond a judgmental nominal classification, the literature on the measurement of democracy had progressed from the identification of socio-economic, cultural and political conditions that strengthen or weaken democracies, through the development of

statistical models that predicted the future of democracy, to the prescription of policies that would enhance democratization.

The earliest attempt at the assignment of numerical values to the measurement of the degree of democracy came in 1963 when Phillips Cutright (1963: 255-259) constructed an 'Index of National Political Development' for 77 countries to test the principal hypothesis that "political institutions are interdependent with educational systems, economic development, communications systems, urbanization, and labour force distribution". Banking heavily on the role played by political parties in the political life of nations, the index was based on two indicators: (a) freedom of elections and respect for their results, and (b) the existence and size of opposition representation in the legislature. In this index a country was assigned one point for every year it was ruled by an executive that emerged through free elections, one point for every year in which more than one party was represented in the legislature and one point for every year in which the minority party held more than 30% of the legislative seats.

Needler (1967) criticized Cutright's index on the ground that the opposition the latter attempted to measure was not really a variable since it was provided for by law in many of the countries he studied. Using what he called a "non-composite index" Needler constructed an 'Index of Political Development' based on the number of years during which a country had been ruled constitutionally. The basic elements he tried to capture in this index was "democratic legitimacy". A constitutional year in Needler's (1967) index was defined as "one in at least six months of which the country was ruled by a government chosen in free elections and in which that government on the whole respected constitutional procedures and individual liberties and in which no extra constitutional changes of government took place" (Needler, 1967: 891). He however warned that his index of political development was designed for the sample of Latin American countries and would not be "usable in the same form in other contexts" (Needler, 1967: 892).

In a review of Cutright's (1963) index of national democratic development, Olsen (1968: 702-703) accused the former of perpetuating a western democratic conception of political modernization by focusing only on the western parliamentary system. He attempted to circumvent this "political bias" by conceiving political growth as a multidimensional

rather than Cutright's uni-dimensional process. He identified four dimensions of political development namely the degrees of democracy / autocracy; centralization/ decentralization; stability/ instability; and effectiveness / ineffectiveness. From these emerged five indices: (a) executive functioning, (b) legislative functioning, (c) power diversification, (d) party organization, and (e) citizen influence. Each of these indices was based on three empirical variables. Executive functioning was based on: functional effectiveness of the governmental bureaucracy, interest aggregation by the executive, and degree of governmental stability.

Legislative functionality was measured by, the effectiveness of the legislature, interest aggregation of the legislature, and extent of civilian control of politics. Power diversification was based on constitutionality of the government, number of autonomous governmental branches, and non-restrictive recruitment of political leaders. Party organization was assessed on the basis of the number of political parties, interest aggregation by political parties, and stability of political parties. Finally, Citizen influence was graded on the basis of electoral representation in politics, freedom of group opposition, and freedom of the press. Using Banks and Textor's (1963) data, each of these fifteen variables was scored on a four category ordinal scale. A country's score for each period was obtained by a summation of the scores of the variables.

Banks's (1971,1972) scale of democratic performance was based on how the executive was elected, the effectiveness of the legislature and the extent of the franchise. Banks inference that the relationship between development and democratic performance ran in the opposite direction from the traditional Lipset hypothesis is more relevant for this study than his actual measures of democratic performance for the period 1868-1963.

The philosophy behind the 'World Handbook of Political and Social Indicators' (Taylor and Hudson, 1972; Taylor and Jodice, 1983; see also Taylor, 1991: 192-194;) was that for a democratic system to be responsive to the popular preferences of its citizen, it must be subject to frequent challenges and that these challenges and the responses to them must take place within the context of some previously understood and commonly accepted set of rules. In Taylor's view therefore, 'change', understood to mean the process through which power was transferred, shared or maintained was central to any meaningful

measure of democratic development. On this account three dimensions of government change (regular/irregular; major/minor; and successful /unsuccessful) were identified and six main indicators measured. These included (i) successful regular executive transfer; (ii) unsuccessful regular executive transfer; (iii) renewal of executive tenure; (iv) executive adjustment; (v) successful irregular executive transfer; and (vi) unsuccessful irregular executive transfer. The final 'Index of Government Change' was derived as the proportion of irregular changes to total change. The higher this proportion the less the degree of democratization of a country.

In addition to the above measures other indicators of political development included in the World Handbook were government sanctions, age of national political institutions, party fractionalisation, press freedom, voter turnout, electoral irregularity, political and civil rights, strength of organized labour, political and economic discrimination, and potential separatism (Taylor, 1990: 196-197). In various analyses of the impact of democratic performance on social equality, Jackman (1995) constructed an 'Index of Democratic Performance' designed to meet the criteria of democracy as defined by Dahl (1971) and Downs (1957). This index was based on three indicators: electoral participation, political competition and access to information.

In viewing democracy from a historical perspective, and with a focus on the redistributive effects of democracy, Christopher Hewitt (1977) identified three characteristics of a political system that were capable of egalitarian consequences. These were elected and responsible (to the elected assembly) executive, universal manhood suffrage, and fair (secret ballot) elections. To test a double barrel hypothesis that democracy itself leads to equality and that only the election of socialist legislatures is related to measures of inequality, Hewitt (1977: 450) constructed a 'Democratic Index' based on simultaneous fulfilment of the above three conditions. A country's score was represented by the number of years (from the time it became a democracy) that it fulfilled the requirements of an egalitarian society less the number of years it did not. A second index, 'Socialist Democratic Index' was constructed on the basis of four variables: the strength of the socialist party as the annual average proportion of national legislative seats held by the leftist party, or parties that represented the working class; the proportion of

workers unionised; percentage of socialist party votes over total votes; and the number of years in which socialist parties were in power.

Kenneth Bollen's (1990) 'Index of Political Democracy' focused on two dimensions of democratic development – political sovereignty (political rights) and political liberties. Political sovereignty was measured by three indicators namely, fairness of elections, effective executive selection, and legislative selection while political liberties was measured by freedom of the press, freedom of group opposition, and government sanctions. Bollen (1990: 8) excluded participation dimension of political development because according to him indicators like voter turnout reflected factors that had little to do with measuring political democracy.

Although Zehra Arat (1991: 23-24) saw participation as very essential to a democratic development, she however, joined Bollen (1990) to doubt the adequacy of political participation (measured as the percentage of adult voting in an election) as a measure of democratization. She noted that low voter-turnout was capable of having two opposite meanings: Some interpreted it as indicative of citizen alienation while others took it to mean citizens' satisfaction with the status quo. Contending that a measure of democracy must be sensitive to popular control, she identified four components of popular sovereignty or public control of government, which she admitted were not mutually exclusive. These included participation, inclusiveness of the process, competition, and civil liberties or its opposite - government coerciveness. In her 'Index of Democraticness' participation was based on the extent to which popular consent was sought in executive and legislative selection, and the competitiveness of the nomination procedure. Inclusiveness of the process was measured by the absence/presence of any form of restrictions on citizens aged 18 and above while competitiveness was based on party legitimacy (the number of parties legally allowed to compete) and party competition (percentage distribution of votes by party). Civil liberty was measured indirectly by a statistical estimation of the level of government coerciveness. Finally, a score of a country's 'Democraticness' (Demo.) was obtained by the following formula:

$$\text{Demo.} = [\{\text{Participation} \times (1 + \text{Inclusiveness})\} + \text{Competitiveness}] - \text{Coerciveness.}$$

The annual scores for the thirty-five years from 1948-1982 ranged from the minimum of 29 to the maximum of 109 in the group of independent countries studied.

Alex Hadenius (1992: 36-38) believed that in a democratic system all instruments of popular control must be in the form of rights that apply equally to all citizens. Measuring democracy therefore involved the definition of those rights, the determination of their existence in varying degrees and finally the decision on how they are graded and weighted. In his 'Index of Democracy' there were two major dimensions of citizens' freedom to exercise their rights: elections and political liberties. Election was measured by two indicators namely universal suffrage, and meaningful elections. The former captured franchise in two ways, the percentage of the population with rights to vote and the percentage of legislative seats filled by election. The score for franchise (which varied between zero and one) was obtained as the product of the two percentages. Meaningful elections focused on the circumstances under which elections were held and was scored on three variables – openness (how competitive), correctness (incidence of irregularities) and effectiveness (actual power of elected officials to influence design of public policy), each of which was measured on a five point scale of zero to four. The scores for openness, correctness and effectiveness were added up to arrive at a score for meaningful election while the overall score for election (which ranged between zero and twelve) was calculated as the product of universal suffrage (franchise) and meaningful election.

Political freedom, the second dimension, was based on three indicators namely, organizational freedom (right to form parties and trade unions); freedom of opinion (freedom of thought and expression and freedom of the press); and political violence and oppression (political violence engineered by units wholly or partly independent of government, and violence instigated directly by governments). Each of these indicators was measured on a nine-point scale of zero to eight and a country's score (which varied from zero to twenty four) for political freedom was obtained by summing its points on the three variables. A combination of elections and political freedoms produced a scale extending from zero to 48. This scale was finally converted to one that ranged from zero to ten on which each of the 132 countries was rated and the higher the index the more democratic the system.

One of the longest lists of the characteristics of a democratic system is contained in Africa Demos' (1993: 14-19) *Quality of Democracy Index* (QDI) for the assessment of democracy in Africa. Using thirty different indicators, they classified African political systems in five categories: (a) democratic, (b) authoritarian, (c) directed democracy, (d) contested sovereignty, and (f) regimes in transition. Regimes in transition were further sub-classified into strong, moderate, and ambiguous according to their commitment to democracy (Africa Demos, 1995: 1, 35). The feasibility of empirically applying Demos theoretical criteria had been questioned largely on grounds that it may be virtually impossible to gather data in Africa on the numerous indicators. It is not surprising that to date no empirical test of democratization based on these indicators had been carried out.

Drawing heavily from the Darwinian theory of evolution by natural selection, Tatu Vanhanen (1997: 22-23) proposed his 'evolutionary theory of democratization' with two basic hypothesis. First, "the concentration as well as the distribution of political power depends on the degree of resource distribution". The argument was that variations of political systems from "the rule of the few" (autocracy) to "the rule of the many" (democracy) followed from the distribution of resources that accord power to their holders. In societies where relevant power resources were concentrated in the hands of a few, political power was also concentrated leading to autocracy while in societies with wider distribution of resources, political power was more decentralized leading to democracy. The last argument led to a second hypothesis that: "democratization takes place under conditions in which power resources have become so widely distributed that no group is any longer able to suppress its competitors or to maintain its hegemony" (Vanhanen, 1997: 24). Vanhanen argued that his evolutionary theory of democratization underpinned most of the relationships proposed under the original and extensions of the Lipset's (1959) theory. He argued that improvements in the level of economic development would normally result to increases in the number of economic interest groups and wider distribution of resources among them. He believed that most determinants of democratization – the level of economic development, the level of education, as well as external factors- affected democratization process through their effect on resource distribution among competing groups for political power.

Thus Vanhanen (1997: 25-26) concluded that: “significant part of the variation in the level of democracy can be explained by the common factor of democratization whereas other variables can be used to explain the residual or remaining variation that is due to various local, historical and other unique factors”. Vanhanen believed that only two indicators – the level of competition and the extent of participation – were empirically relevant in the struggle for power resources and therefore for measurement of the degree of democracy. Competition was measured by two indicators: the smaller party’s share of the votes in parliamentary and/or presidential elections, while electoral participation was measured as the percentage of total population who actually voted in the elections. Where data on the distribution of votes were not available, this was replaced with the distribution of legislative seats. The final measure (the ‘Index of Democratization’ (ID), was derived by multiplying the two indicators of competition and participation and dividing the product by 100. The idea behind this was to emphasize that a high level of one indicator cannot compensate for a low level of the other. This would be the case if either the sum or the arithmetic mean of the two indicators were used.

One of the major criticisms of the Vanhanen (1997) index of democratization was the use of percentage of total population (Vanhanen acknowledged this), which ignored the adult suffrage principle of participation. More worrisome was its implication for developing countries where age distribution of the population was skewed in favour of people below voting age. The result might be that political participation would be underestimated in developing relative to developed countries due mainly to differences in the age distributions of their population, reducing the comparative power of the analysis¹¹

Raymond Gastil’s ‘Comparative Survey of Freedoms’ was first published in 1973. Based on comprehensive checklists of political rights and civil liberties, the survey was designed to capture virtually all aspects of the political process, which determine the presence or absence and in what degrees of citizens’ freedoms to exercise their rights. A sample of the Gastil checklists are presented in Tables 3.1 and 3.2.

¹¹ For a critical review of Vanhanen’s Index of Democracy see Arat, 1999: 728-729).

Table 3.1 Gastil's Checklist of political rights

Item	Indicator	Check ✓ Box:
1	Chief authority recently elected by meaningful a process	
2	Legislature recently elected by a meaningful process	
3	Fair election laws, campaigning opportunity, polling and tabulation	
4	Fair reflection of voter preference in distribution of power – parliament for example has effective power.	
5	Multiple political parties	
	only dominant party allowed effective opportunity open to rise and fall of competing parties	
6	Recent shifts in power through elections	
7	Significant opposition vote	
8	Free of military or foreign control	
9	Major group or groups denies reasonable self-determination	
10	Decentralized political power	
11	Informal consensus; de facto opposition power	

Source: (Gastil, 1991: 26-32)

Items 1 to 5 focused on elections and multiparty systems¹². Elections were crucial because they produced easily available information on the democratic character of a state, while multiparty systems provided bases for alternative groups or policy to gain sufficient votes to bring about changes. Items 6 and 7 emphasized change resulting from the political process, which was also canvassed by Taylor (1990). The extent of foreign influence on the political process was captured by item 8. Here such issues as the presence of a foreign military base and their support for incumbent regimes were assessed. The basis for item 9 was that a democratic system must offer people the feeling that the process was open for all, an aspect of belongingness to the whole political process without which there should be freedom for self determination. In 10, the extent to which political success could be achieved outside government patronage was looked into while 11 probed into the degree of dependence of political decisions on the support of the electoral majority vis-à-vis the genuine needs and fears of the electoral minority.

¹² Alternatives to 1 and 2 include: a) no choice and possibility of rejection; b) no choice but some possibility of rejection; c) government or single-party selected candidates; d) choice possible only among government-approved candidates; e) relatively open choices possible only in local elections; f) open choice possible within a restricted range; and g) relatively open choices possible in all elections

In compiling the checklist for the assessment of civil rights, the survey focused on patterns and balances (positive and negative) in activities rather than numbers of failures to observe particular civil rights standards. The checklists (Gastil, 1991: 32) are presented below.

Table 3.2 Gastil's Checklist of civil rights

Item	Indicator	Check ✓ Box:
12	Media/literature free of political censorship	a. Press independent of government b. Broadcasting independent of government
13	Open public discussion	
14	Freedom of assembly and demonstration	
15	Freedom of political or quasi-political organization	
16	Non-discriminatory rule of law in politically relevant cases	a. Independent judiciary b. Security forces respect individuals
17	Free from unjustified political terror or imprisonment	a. Free from imprisonment or exile for reasons of conscience b. Free from torture free from government organized terror c. Free from terror by groups not opposed to the system
18	Free trade unions, peasants' organizations or equivalents	
19	Free businesses or co-operatives	
20	Free professional or other private organizations	
21	Free religious institutions	
22	Personal social rights: including those to property, internal and external travel, choice of residence, marriage and family	
23	Socio-economic rights: including freedom from dependence on landlords, bosses, union leaders, or bureaucrats	
24	Freedom from gross socio-economic inequality	
25	Freedom from government indifference or corruption	

Source: (Gastil, 1991: 26-32)

In 12, the interest was to find out whether the press and broadcasting facilities in the country were independent of government (passive and direct) interference or direction and if they served the whole range (pro and anti-government) of opinions that was present

in the country. Items 13-15 emphasized that the ultimate test of democracy was the degree to which an atmosphere for discussion and agitation in public and in private existed free of fear of reprisal by either the government or opposition groups. With 16, the existence and effectiveness of a legal system that can be relied on for a fair degree of impartiality in both political (electoral process) and civil lives of citizens was assessed. What was the chance for example that a political litigation could go against the government? While 17 measured the degree of government oppressive tendencies, 18-21 assessed non-governmental organizational freedoms that provide countervailing power centres in society. The last three, 22-25 dealt with socio-economic rights and the all-important and widely emphasized level of corruption.

The rating system of the survey consisted of a separate seven-point scale for political freedoms and for civil liberties. The freest rating was one while the least free was 7. A status of freedom divided countries into 'free' 'partly free' and 'not free'. Generally, countries with scores of 1,1; 2,1; 2, 2; 3, 2; and 3, 3; were rated free while those with scores of 3, 4; 4, 5; were rated partly free. Ratings such as 6, 6; 6, 7; 7,7; earned a country a 'not free' status.

In addition to the question of subjectivity common among the measures though in varying degrees, the Gastil's index was criticized on a number of grounds. Most common was that the ratings were biased against left-wing regimes due principally to the survey's sponsorship by Freedom House – an American based organization. Hartman and Hsiao (1988: 797-798) claimed that states favourably disposed to American patronage were coded as 'partly free' regardless of the empirical evidence of poor human rights records of the regimes. Although there were accusations of liberal conservatism, McCamant (1981: 132) however maintained that the ratings were relatively unbiased.

Observable in the attempts at measuring democracy was a lack of consensus among scholars on the operational indicators of democratization. However there appeared to be a relative shift in the emphasis from institutional dimensions, which dominated attention in the immediate post World War II and up to the late 1970s. During this period existence of political parties was the paramount issue. The 1980s saw the resuscitation of emphasis of procedural significance for institutional democratic performance. Here how parties and

governments functioned to ensure democracy was the most relevant question. Since the 1990s, greater attention had been paid to the consolidation of the gains of democratization. Accordingly, the most important issues in recent measures of democratization had been the actual levels of freedoms experienced by citizens under different political regimes (Gastil, 1990: 25-26; Bollen, 1990: 10). As noted by Diamond and his associates for a political system to operate and guarantee the two conditions of participation and competition it would have to have a corpus of political and civil liberties (Diamond *et al*, 1988: xvi).

3.4 A comment on the measures of democracy and democratization

There is no doubt that liberties are the product of the complex issues involved in the democratization process. However, beyond the recent exclusive emphasis on consolidation of democracy (and hence measures that highlight freedoms) is the question of what happens to those polities where democracy has not actually taken root in terms of actual freedoms enjoyed by citizens of these countries? The limited degrees of freedoms in these societies do not reflect lack of attempts to democratise, rather they represent difficult and (as in Nigeria) protracted transitions. Casper (2000: 58-59) had shown that although difficult transitions may be risky since they might perpetuate dictatorships, if and when they succeed, they in fact “offer the highest pay off for democratization” In a similar argument Barkan (2000: 242) used the experiences of six African countries (which unfortunately did not include Nigeria) to make an even stronger proposition that the line between democratic consolidation and protracted transitions was very thin and blurred. Measuring democracy in these environments must therefore for obvious practical purposes dilute the importance of actual levels of freedoms by emphasizing the process albeit not ignoring the product of democratization.

Of great importance in this tour of the process of democratization are the presence and quality of the institutional framework for democratization in a particular country. This is because the existence and quality of these institutions are reflected in major political events that they themselves determine the level of democratization. Although their

relative roles may vary among countries, the most important institutional framework for a sustainable democratization include the following:

- Regular democratic elections
- Functional legislature
- Politically educated electorate
- Independent judiciary
- Military subordination to civil authority
- Constructive opposition
- Limited government involvement in direct economic activities and
- Politically independent (neutral) central monetary authority.

What are the contextual meaning of the above listed institutions, why are they important for democratization in Nigeria, and what were their level and quality over the period under review? These questions are addressed in chapter four. The essence is to provide the reader with a historical background that underpinned the major political events in Nigeria since political independence from Britain in 1960.

CHAPTER FOUR

INSTITUTIONAL FRAMEWORK AND THE DEMOCRATIZATION PROCESS IN NIGERIA

4.1 Introduction

In this chapter three issues are addressed. First an attempt is made to provide a contextual meaning to the variables of the institutional framework for democratization outlined in chapter three. Second, the important roles played by these institutions in the democratization process are highlighted. Finally a review of the developments leading to the current state of the institutional variables during the study period is carried out.

4.2 Regular democratic elections

In mature democracies regularity meant that elections take place as and when they are constitutionally due. As noted in chapter three however, judging electoral regularity on the basis of constitutional regularity in the so-called countries in political transition might present some difficulty. This is because the constitutional provisions for such elections are usually the first casualties of selectoral processes. A more reasonable way is therefore a combination of constitutional regularity (when the provisions exist) and the standards set by regimes themselves in their transition timetables.

Of the four characteristics of a democratic election discussed in chapter three, regularity appears to be the most important because the other three depend on it. Elections must take place before they are judged to be open, inclusive, and fair. Although government popularity may not necessarily be a function of the electoral processes, irregular elections erode regime legitimacy irrespective of the performance of the government. Long gaps between elections deny the political process the benefits of learning by doing and in extreme cases can create an electorate majority of whom for lack of experience do not

appreciate that elections are the best channel to express their dissent to or protect their interests in a democracy. In the absence of regular elections the electorate looks elsewhere for less undemocratic, perhaps violent ways to express their non-approval of the current political order. In reaction, incumbents repress dissent through the use and monopoly of state power. This process breeds authoritarianism and so undermines democratic development.

4.2.1 Regularity of democratic elections in Nigeria since independence

Between 1959 and 1999 Nigerians went to the polls several times to elect their representatives into various political positions. Some of the elections in the first republic were regional and covered only a part of the federation while others were national, taking place in all parts of the federation. Since the abolition of the regions however, all elections covered the entire country. Some general elections were staggered (i.e. elections into various political offices took place on different days), while others were simultaneous. The important elections for the purpose of this analysis are those national elections held to produce among others political leadership at the highest level of government. Due to the dominance of ethnic political parties in their regional bases regional elections did not really represent the national expression of political choice.

In Table 4.1 six general elections of national importance are analysed. In terms of constitutional regularity the record is fairly good (1957, 1964/65, 1979, 1983). In terms of regimes' self-standards the record is less appealing. Between 1970-1979 a proposed 1976 election did not hold. The Buhari regime (1984-1985) made no promises of early return to democracy while Babangida's thirteen-year regime was 'twist and turn' with many election postponements. From Table 4.1 there appears to be a link between voter-turnout and electoral irregularity as the longer gaps produced the lower voter-turnout.

Dudley (1982: 200-202) offered three explanations for the very low voter-turnout in the 1979 general elections. The first explanation suggested that the age range 15 - 29 was largely unemployed in a typical underdeveloped country as Nigeria, and abstention from voting was a way of showing their alienation with the political system.

*Table 4.1 Nigeria: Irregularity of Elections and voter turnout
1960-2000*

<i>YEAR</i>	<i>GENERAL ELECTION</i>	<i>NEXT ELECTION DUE</i>	<i>ELECT. GAP</i>	<i>REG. VOTERS</i>	<i>VOTER TURNOUT (%)</i>
1959	Election into Federal House of Representative	1964	Nil	9.04 million	7.19 million (79%)
1964/65	Election into Federal House of Representative	1969	Nil	n.a	n.a
1979	General Elections into National, State Assemblies and Presidential Elections	1976	16 years	47.7 million	16.4 million (34%)
1983	General Elections into National, State Assemblies and Presidential Elections	1983	Nil	65.3 million	25.5 million (39%)
1993	General Elections into National, State Assemblies and Presidential Elections*	1987	10 years	39.7 million	13.9 million (35%)
1999	General Elections into National, State Assemblies and Presidential Elections	1991	6 years	57.9 million	30.3 million (52.26%)

*Sources: Row 2 – Recalculated by author from Post (1963: 350-)
Row 4 – Recalculated by author from Dudley (1982: 200-210)
Row 5 – Recalculated by author from Osaghae (1998: 144-146)
Row 6 – Recalculated by author from Osaghae (1998:239-241)
Row 7 – Recalculated by author from (NUSA. 1999: 103-110)*

How plausible is this explanation? If voting was an affirmation of belief in the current political system, then the unemployed youths would be willing to vote out the military in the belief that the alternative – civil regime - will offer them more job opportunities and this would have meant a higher voter-turnout.

But again the unemployed electors in this case, were all within the age range of first-time voters and could not have formed a political opinion of what they believed in or what they did not.

The second explanation was that within the short time (9 months) allowed for electioneering campaign in the 1979 elections the parties were almost only able to reach the urban voters. Since more voters were in the rural areas the low voter-turnout reflected rural involuntary abstention. Again this does not appear strong enough to explain low voter-turnout. Between 1964 and 1979 the exercise of state creation and local government administration had more than quadrupled the number of urban cities in Nigeria. Urban population had also grown by over 500% following the oil boom. While not suggesting that urban was more than rural population, it should also be noted that voter registration had been administratively easier in urban than in rural areas. A concentration of voting in urban centres would therefore explain only a very small proportion of the observed voter turnout.

The last of the three explanations - a long gap of 16 years between the last election in 1964 and the one in 1979 - appears to be the most plausible. With the voting age at 21 in 1964 and 18 in 1979, it meant that voters within the age range 18 - 33 years in 1979 were voting for the first time in their lives. The lack of voting habit or inexperience in electoral processes had played itself out in the all time low voter-turnout.

4.2.2 Causes of irregular democratic elections in Nigeria

While irregular democratic elections had obvious negative implications for democratic development, the causes of long gaps between elections may be located in frequent military interventions, incumbent power-hunger, and lengthy transition programmes. Because military interventions were predicated on alleged non-performance of the regimes they overthrew, their first assignment was to dismantle institutional structures of the past government. They then tried to build their own. While in most cases these changes were cosmetic and different only in nomenclature, the real motivation lied in the need for a new political support base that could be trusted by the new regime in a wider political patronage structure. The dismantling of institutions and redesigning of political

transitions plus the employment of new hands naturally meant huge investment in time and cost to democracy.

One of the pathological features of African leadership structure in the last three decades was the sit-tight syndrome suffered by incumbents. Oddly both popular and unpopular political leaderships in Nigeria were prone to this ailment. The initial popularity of the Babangida regime was a direct response to its predecessor's repressive governance. Babangida exploited this popularity and built strong political structures that either stifled or absorbed opposition to keep him in power for thirteen odd years. Unpopular ones like Abacha had by brute force achieved the same goal.

Although military regimes assumed power with the promise to return the country to democracy, the regimes either reneged on these promises or instituted lengthy transition programmes that kept them in power for a long time. When General Gowon announced the postponement of his administration's planned return to civil rule in 1976, it cost the nation an additional three years before electoral process was restarted in 1979. Babangida on the other hand employed an elaborate transition programme to break Gowon's nine-year record as military Head of State. Of the thirteen years of the Babangida administration twelve or over 90% were devoted to rigorous transition activities. Unlike outright reneging on promises of return to democracy the employment of long transition programmes earned the regime some level of commitment to democratic ideals. Whether this commitment was real or illusory was however, debatable.

The ubiquitous sit-tight syndrome raises more questions than can be answered by the above explanations. In all cases of governments that refused to democratise, accusing fingers were pointed almost exclusively to the Head of State. What was the justification for blaming one man for the misrule of a complex nation as Nigeria. Was it possible that Abacha single-handedly plunged the country into the ruinous state it found itself, perhaps not. At the heart of sit-tight political leadership is the support provided by beneficiaries of the system. The real explanations for anti-democratic governance may after all lie in what may be called "the expansion of the system's beneficiary class".

4.3 Functionality of legislatures in Nigerian politics

The traditional roles of the legislature include the representation of constituency interests, and making laws governing the legitimacy of governments and the conduct of citizens in a democracy. In addition to these roles, a functional legislature has been described as an instrument of collective decision-making, and an outlet for legitimate opposition, including access to outside interest groups. It is also seen as a counterweight to executive division of labour (Ornstein, 2000).

As both national law-maker and constituency representative the legislator is expected to balance the national and constituency interests in its representative role and legislative roles. The legislature thus provides a forum for resolving political differences in divided societies. Where minority interests (or more appropriately fears) are a source of disintegration, Jewell (1977: 15, 50-51) noted that the balancing of equitable representation and functional national legislation will act to enhance national integration and strengthen democratic development. Equitable representation in the legislature according to Jewell may provide the minorities with both symbolic and tangible benefits to strengthen their support of the political regime.

In Sission's (1972) analysis it is the legitimating function that is most important for democracy. By building support for an institution, and enforcing compliance with its judgments, the legitimating process provides a regime with citizen's predisposition to obey voluntarily a regime's regulations. In other words the legislature provides the bases for citizens to accept the relative primacy and appropriateness of the goals of government decisions. Or as Eldridge (1977: 8) put it legitimation "...endows governmental decisions with moral oughtness". In all its ramifications (Representativeness, legitimation, and national integration) towards democratic development Hakes (1973: 13) emphasized the need for visibility of the legislature. Legislative visibility implies the physical existence of a body with legislative powers and responsibilities and an environment conducive for members of the legislature to freely exercise their duties. How functional (in term of Representativeness, legitimation and national integration) were the legislatures in the civil-military diarchies and in the brief periods of elective democracies in Nigeria?

4.3.1 The legislature in the first and second republics

Two brief periods of electoral democracy in Nigeria produced legislatures whose members were either elected on the ticket of their political parties and /or nominated on the basis of regional and state per capita representation.

The legislature in the first republic (1960-1966)

Nigeria's legislature at independence was a bicameral federal parliament consisting of elected 312-member House of Representatives (HR) and a 56-member Senate appointed on regional quota. Of the 317 HR seats 174 was allocated to the North, 73 to the East and 65 to the West including Lagos. Based on percapita, this arrangement was representative although the census figures were almost always in dispute (see Appendix 5A). Three major Parties contested the 1959 elections that ushered in the 1960 independent legislature. These were the Northern Peoples Congress (NPC), the National Council of Nigerian Citizens (NCNC), and the Action Group (AG). Legislative Party representations are presented in Table 4.2. Over all the NPC won 134 seats representing 43%. The NCNC and AG won 89 and 73 representing 28.5% and 23.4% respectively. The remaining 5.1% was won by a number of small minority Parties. Since no Party had a clear majority, this was healthy for democratic representation. A coalition between NPC and NCNC ensured a wider ethnic representation in Ministerial appointments. Although the alliance of these Parties provided a basis for political power sharing, they were not based on common ideological beliefs. The latter factor was blamed for the crisis that rocked the first republic (Osaghae, 1998: 33-34). As shown in Table 4.3, by 1964/65 when the next elections were held the NPC was in stronger position, having secured 52% over all control of the legislature. NPC's electoral gain meant that the other parties were in a relatively weak bargaining position. The NPC's former strange bedfellow NCNC, for instance had lost almost 2 percentage point from 28.5 % in 1959 to 226.9% in 1965.

Table 4. 2 Nigeria: Party share of elections into Federal House of Representatives 1959.

PARTY	LEADER (S)	REGION								TOTAL	
		NORTH		WEST		EAST		LAGOS			
		A	B	A	B	A	B	A	B	A	B
Northern Peoples Congress (NPC)	Tafawa BALEWA	134	77%	0	0%	0	0%	0	0%	134	43%
National Council of Nigerian Citizens (NCNC)*	Nnamdi AZIKIWE	8	4.6%	21	34%	58	79.5%	2	66.7%	89	28.5%
Action Group (AG)	Obafemi AWOLowo	25	14.4%	33	53%	14	19.2%	1	33.3%	73	23.4%
Others **		7	4.0%	8	13%	1	1.3%	0	0%	16	5.1%
Totals		174	100%	62	100%	73	100%	3	100%	312	100%

Table 4.3 Nigeria: Party share of elections into Federal House of Representatives 1964/65.

PARTY	LEADER (S)	REGION										TOTAL	
		NORTH		WEST		MID-WEST		EAST		LAGOS			
		A	B	A	B	A	B	A	B	A	B	A	B
Northern Peoples Congress (NPC)	Tafawa BALEWA	162	97%	0	0%	0	0%	0	0%	0	0%	162	52%
New Nigeria Democratic Party (NNDP)	Ladoke AKINTOLA	0	0%	36	63.2%	0	0%	0	0%	0	0%	36	11.5%
National Council of Nigerian Citizens (NCNC)	Nnamdi AZIKIWE	0	0%	5	8.8%	14	100%	64	91.4%	1	25%	84	26.9%
Action Group (AG)	Obafemi AWOLowo	0	0%	15	26.3%	0	0%	4	5.7%	2	50%	21	6.7%
Others ** (NPF), (IND)		5	3%	1	1.7%	0	0%	2	2.9%	1	25%	9	2.9%
Totals		167	100%	57	100%	14	100%	70	100%	4	100%	312	100%

Note (Table 4.2): * the alliance of NCNC/NEPU; ** include 12 minority parties and independent candidates; Note (Table 4.3): ** include 2 minority parties and independent candidates;

A = total number of seats won; B = seats won as a percentage of total.

A = total number of seats won; B = seats won as a percentage of total

Source: Recalculated by author from Post (1963: 373)
total

Source: Recalculated by author from Osaghae (1998:45).

The legislature in the second republic (1979-1983)

The legislature in the second republic was a bicameral National Assembly consisting of a 95-member Senate, and 449-member House of Representatives both of which were provided for in Section (6) of the 1979 Constitution of the Federal Republic of Nigeria. Five members from each of the then 19 States of the federation were constitutionally provided for. Both Houses were elected in July 1979 and for a term of 4 years with representation from five political parties. Party representation in the legislature is shown in Table 4.4

As can be seen from Table 4.4, no single party had an absolute majority in both Houses, a replay of the 1959/60 situation. The northern dominated NPN secured 38% of Senate seats, Awolowo's western based UPN got 30% and 17% went to NPP, led by Azikiwe from the east. Two minority parties, the GNPP and PRP both led by northerners had 8% and 7% respectively. With this undecided majority the NPN which had won the Presidential election needed a coalition. Again as in 1960 an accord with NPP produced a working majority in both Houses.

Election of officers in both houses was also representative and aimed at balancing the country's ethnic plurality. Dr Joseph Wayas who emerged Senate president was from Cross River, a minority State in the old Eastern Region. The speaker of the House of Representative Edwin Umezeoke, though Igbo speaking, was from the old Mid-West Region. By Dudley's calculation of the representative index the pre-election allocation of national assembly seats to States was fair on the basis of population (Dudley, 1982: 199).

As can be observed in Table 4.5, the 1983 general elections that ushered in President Shagari's second term was by all standards a replay of the 1964/65 elections. From its 36% over all electoral victory in 1979, the ruling party NPN secured 68% and 64% control of the House of Representatives and the Senate respectively. Although the abortion of the third republic by the January 1994 *coup d'e'tat* did not allow the 1983 legislature to function, its party representation was too skewed for inter party cooperation.

Table 4. 4 Nigeria: Party share of general elections of 1979.

PARTY	LEADER	HOUSE OF REPRESENTATIVES			SENATE		STATE ASSEMBLY			STATE GOVERNORS		PRESIDENTIAL (%)	OVER-ALL (%)
		A	B	C	A	C	A	B	C	A	C		
National Party of Nigeria (NPN)	Shehu SHAGARI	168	16	37%	36	38%	487	17	36%	7	36%	34%	36%
Unity Party of Nigeria (UPN)	Obafemi AWOLowo	111	9	25%	28	30%	333	11	25%	5	26%	29%	27%
Nigeria Peoples Party (NPP)	Dr. Nnamdi AZIKIWE	78	9	17%	16	17%	226	10	17%	3	16%	17%	16%
Peoples Redemption Party (PRP)	Alh. AMINU KANO	49	2	11%	7	7%	144	5	11%	2	11%	10%	10%
Great Nigeria Peoples Party (GNPP)	Alh. Ibrahim WAZIRI	43	7	10%	8	8%	157	13	11%	2	11%	10%	10%
TOTALS	5	449	19	100 %	95	100%	1347	na	100%	19	100%	100%	100%

Table 4. 5 Nigeria: Party share of general elections of 1983.

PARTY	LEADER	HOUSE OF REPRESENTATIVES			SENATE		STATE GOVERNORS		PRESIDENTIAL (%)	OVER-ALL (%)
		A	B	C	A	C	A	C		
National Party of Nigeria (NPN)	Shehu SHAGARI	264	16	68.4%	55	64.7%	12	63.2%	47.33%	61%
Unity Party of Nigeria (UPN)	Obafemi AWOLowo	33	5	9%	12	14.1%	4	21%	30.98%	19%
Nigeria Peoples Party (NPP)	Nnamdi AZIKIWE	48	5	12.4%	12	14.1%	2	10.5%	13.88%	12.7%
Peoples Redemption Party (PRP)	Hasan YUSUF	41	1	11.2%	5	5.6%	1	5.3%	4.08%	6.3%
Great Nigeria Peoples Party (GNPP)	Alh. Ibrahim WAZIRI	0	0		1	1.5%	0	0	2.51%	1%
TOTALS		450*	19	100%	95*	100%	19	100%	100%	100%

Note: A = total number of seats won; B = number of States (out of 19 States) in which seats were won; C = seats won as a percentage of total (excluding Ondo and Oyo States where elections did not hold). * Elections were put off in two States (Ondo and Oyo with combined 64 HR, and 10 Senate seats. Sources: Table 4.4 Recalculated by author from Osaghae (1998: 146-148); Table 4.5 Recalculated by author from Kirk-Green and Rimmer (1982: 42-44).

Legislative representation and the level of national integration

By far the most serious problems of national integration since the end of the Nigerian civil war in 1970 were what had become known in political parlance as the *Igbo question* and the *Minority question*. A series of events after the first and the counter coup d'état in 1966 had led to demand by the government of the Eastern Region for a review of future relationship between the federating units (regions) and the federal government. Failing to reach agreement with the first republic federal government the Igbo had led the Eastern Region to an unsuccessful secession that plunged the country into a 30-month civil war. With tacit agreement of the post-war federal government a great number of Igbos had lost the right to their property in other parts of the country in what was known as 'abandoned property policy'. They had lost their pre-civil war dominance in the army and had no representation at the nation's highest ruling body throughout the 1970s. Except for a brief period in 1975 the Igbo were conspicuously missing in the diarchies' cabinets. A feeling of second-class citizen was therefore normal for the Igbo throughout the 1970s.

The 1979 general elections produced an Igbo vice president Dr. Ekwueme. In addition there was a constitutional provision that every State must be represented in the Federal Cabinet and this meant a mandatory Igbo representation in the federal cabinet. The election of an Igbo Speaker of the House of Representative Edwin Umezueko, was therefore seen as a legislative contribution to national integration.

The same cannot be said of the minority question. In addition to a natural feeling of alienation common among minority group in any society there is a nagging irony that the bulk of the nation's oil wealth reside within geographical boundaries of especially the southern minority. The southern minority, thus saw itself as the goose that lays the golden egg only to end up sleeping in the open field. With electoral democracy as a game of numbers, and selectoral military-civil diarchy controlled by the barrel of the gun, neither the limited democracy nor the dominant military-civil diarchies in Nigeria's political history offered the minority the sense of belonging or what it considers a fair share of the 'national cake'.

If the constitutional provisions of per-capita allocation of National Assembly seats to States improved representation of the legislature one would expect this Representativeness to improve national integration. There were two ways of assuaging minority fears of marginalization. These were revenue allocation and state creation. The National Assembly had wide powers to alter both the revenue allocation formula and to create more states. The legislature achieved the least percentage (3.5%) revenue allocation based on derivation¹³. With regard to state creation the second republic legislature achieved nothing. The legislature allowed the parties and the executive to use bogus promises of state creation as a vote-catching plan in the 1983 general elections. By the end of 1982 the House of Representatives and Senate approved respectively thirty-eight, and forty-six requests for state creation. These efforts were however, thwarted by political parties that opposed the creation of states in areas where they feared such exercise will reduce their political control. It is to date only the first republic that was able to take advantage of the legislative powers to create Mid-West Region in 1962. The explanation for this failure may be found, according to Dudley (1982: 147-154), in the dominance of State legislatures by major ethnic groups¹⁴.

4.3.2 The legislature in civil-military diarchies in Nigeria

As noted above the legislative functions and powers of the legislature are central to regime legitimation. As custodians of the law a democratically elected legislature was not expected to offer legitimacy to a military regime however good the reasons for military interventions were. The first casualties of military interventions in Nigerian politics were therefore the legislatures. In every case the announcement of a military *coup d'état* was immediately followed with the suspension of not only the legislature (if it existed) but also the constitutional backing for its existence.

The vacuum created was filled by executive's usurpation of legislative functions. In practice during all military-civil diarchies, administrative legislative duties regarding the

¹³ This is equivalent to 10% of the 35% of allocation to DPA. See Appendix 5B.

¹⁴ More than the glorified status of the National Assembly, it was actually the State legislatures that held the ace in State creation since the Constitution provided for a majority vote in all States before a new State will be created anywhere in the country.

technical drafting of laws were performed by civil servants – employees in the Ministry of Justice. The final seal of approval of these laws was the exclusive responsibility of the highest ruling bodies which in the military-civil diarchies were almost exclusively composed of military officers. Although the head of the Justice Ministry was a civilian who in some regimes was a member of the highest ruling body, he had little or no powers that could influence the nature of military decrees.

4.4 Electoral education and democratic development

According to Shehab (2000), Friends of Democracy's scribe the objectives of electoral (political) education may be summarized as follows:

1. To promote democratic ideas and thinking and to raise people's awareness of the importance of democratic principles and practice;
2. To widen the scope of participation among people of different backgrounds with a view to raising the awareness of their rights and responsibilities and increasing their willingness and ability to enjoy and practice these rights; and
3. To eradicate the overwhelming passivity and indifference among citizens by activating their sense of belonging.

An educated electorate is therefore one that exhibits knowledge of its political rights and responsibilities by participating willingly in choosing or being chosen in the country's democratization process. In the so called 'countries in transition' where democracy had not been practiced for a long time the electorate must be able to discern the real motives of competing power seekers from their expressed campaign agenda, and to acknowledge that in politics as the art of the possible it must appreciate the limits of its rights and responsibilities in the context of prevailing political circumstances. An educated electorate would therefore not be expected to make infeasible demands of its political leaders. This expected political expediency requires for example, that a military administration undertaking a transition programme may not be expected to offer a purely free and fair elections.

The presence of educated electorate breeds a culture of political tolerance, enables the timely resolution of political conflicts, reduces the politicisation of ethnicity and therefore

encourages healthy political development based on issues of citizen welfare as against narrow political interests of tribal elite ruling class. It unmask the real interests of the political elite who pretend to be ethnic champions while pursuing its selfish material interests.

4.4.1 Political education in the first and second republics

One of the many explanations for political instability in Nigeria can be found in a conspiracy theory, which holds Nigeria's former colonial master Britain culpable. Although almost successfully obscured by many scholars of Nigerian politics, recent disclosures by the chief proponent of this view Professor Omo Omoruyi, one of the pioneer authors of the third republic transition appear to provide its authenticity¹⁵. According to this theory the agitation for political independence for Nigeria was organized under what became known as the 'Nationalist Movements'. At the forefront of this movement were largely politicians from southern Nigeria. Prominent northern politicians were unwilling to confront the colonial masters¹⁶. They felt that with the north's lower level of literacy and the attendant poor representation in the nation's colonial federal civil service and in the military relative to the south, the north was at risk of becoming a junior partner should Nigeria become independent at that time. At the floor of the Federal House of Representative northern representatives fiercely opposed a motion for independence and had threatened to opt out of the union. Ironically, Britain in relinquishing power was said to have made a secret pact with northern politicians to ensure political power was transferred to the North in exchange for the latter remaining as part of independent Nigeria (Omoruyi, 2000). The reasons behind Britain's action were twofold. First, with the discovery of oil in the south London was certain that a landlocked north would be unviable. Second, an oil-rich south with so many nationalists will be too independent to offer Britain the dependent market it wanted a former colony to be. The British was able to achieve this by a combination of predetermined northern majority representation at the federal level, and undue interference in the electoral process. On the prompting of British colonial administrators the north had during constitutional reviews prior to independence demanded among other concessions a minimum of 50% in the

¹⁵ See vanguard Book Series, Vanguard 11 August, 2000: 27; See also Omoruyi, 2000, and 2000a

¹⁶ For a detailed of nationalist consciousness among northern politicians see Coleman, 1958

Federal House of Representatives as a precondition for dropping its secession agenda (Coleman, 1958: 362-363). Dudley (1982: 61-62) also provide evidence of undue interference in his account of British official handling of the results of the 1959 general elections. In one instance the results had not been declared when the British Governor-General Sir James Robertson invited the leader of NPC to form the government.

The result was that independent Nigeria produced a northern ill-prepared senior political partner with a politically vibrant south playing a second fiddle/ or opposition after investing so much to achieve independence. Thus for both the triumphant northern politician and his vanquished southern counterpart, political failure or success in Nigeria's first republic was, rightly explained in ethnic terms. From this time onwards it no longer mattered what policies and programmes a party offered to the electorate, what was important was where the candidates, the party leaders come from. The foundation for ethnic politics that thrived on misinformation of the electorates was thus laid as political leaders manipulated citizens of their ethnic origins to enhance personal political interest. Political education the electorate then received was to 'vote for your own'. If the south had during nationalist struggles inculcated democratic principles to its citizens, the turn out of the elections following colonial manipulation was enough to 'disschool' them.

The low level of political education served the interest of political leaders. Parties were formed along ethnic lines and the electorate indoctrinated to accept a party led by his ethnic 'brother' as his own. Electoral victories were predictable not necessarily in terms of freedom and fairness of the electoral process but in terms of the rigging potentials of politicians within their geo-ethnic boundaries. As long as the electorate remained 'politically illiterate' these manoeuvres ensured electoral victory. Ethnic politics ensured the masking of the materialist motive for political power struggle. It was for lack of political education that the reason for the civil war - the control of oil revenues, for example was never known to the citizens of both factions. Neither did the ill trained youth of the rebel (Biafran) army had any conviction for fighting the federal troops other than that he was an ethnic Igbo of eastern origin.

4.4.2 Political education in military–civil diarchies

Political education in the first military era 1966-1979

Throughout the civil war (1966-1970) two opposing views were presented to the Nigerian electorate. To the Federal side the paramount goal was to keep Nigeria one, to the rebels (Biafra) the rest of the nation was hostile to easterners and the only option was to secede. In neither of these sides was the electorate given sufficient reason why and how the prosecution of a thirty-month civil war would enhance democracy. At the end of the civil war in 1970, Gowon initiated his famous 3Rs (rehabilitation, re-unification and reconstruction). As part of Gowon's reunification programme the declaration of 'no victor no vanquished' was intended to be a lesson in political forgiveness, accommodation and co-operation of hitherto political foes. However, the continued occupation by federal troops, of eastern towns and villages and the tacit approval the federal government gave to the 'abandoned property policy'¹⁷ did little to allow this laudable objective to take root. Although Gowon promised a return to civil rule by 1976 he reneged on this in an announcement in late 1974. The Murtala/ Obasanjo regime which took over from Gowon in 1975, beyond the routine registration of voters did little to educate a politically rusty electorate until they handed over to the civil regime of Shehu Shagari in 1979.

Political education in the second military era 1984-1998

As noted elsewhere the disposition of the Buhari regime towards Nigerian electorates was that of self-righteousness. The leadership knew it all, the electorate knew nothing about how to participate in the affairs of their own country. To teach them political followership the leadership employed a combination of 'horsewhipping and moral-suasion'. The launching of war against indiscipline (WAI) by the administration in 1984 saw Nigerians looking over their shoulder at every turn for the presence of a uniformed soldier to order them to obey traffic rules on poorly maintained roads. The army attended to long queues of motorists at petrol stations for days for scarce petrol. At sunset Nigerians hurried home to avoid arrest and detention under a Decree against wandering which technically

¹⁷ Under the Abandoned Property policy, Nigerian citizens of eastern region origin who had in the wake of the 1966 crisis vacated their property in other regions were not allowed to reclaim such property after the civil war.

imposed a 7 p.m. to 6 a.m. curfew in big cities like Lagos. Although WAI managed to subdue Nigerians they learned no lessons in political education from its pangs.

In terms of appreciation of a low level of national political education the Babangida regime did not differ markedly from its predecessor. What was different was not the diagnosis but the prescription for a solution. So much had been written about the failures of Babangida's transition to civil rule programme. If there were any good things the Babangida regime should be remembered for, one of them must be the foundation it laid for the revival of political education in Nigeria. Unlike Buhari, Babangida was not to arrogate to himself the status of a political tutor in the military fashion. In its widest consultations the regime not only employed the know-how of political and social scientists but also involved the citizens from all walks of life to reach for the political consciousness of the nation.

The establishment of the Political Bureau (PB) in 1986 marked the beginning of what would become a turning point in political education in Nigeria. The PB was headed by one of the finest brains in his chosen field, Prof. Omo Omoruyi and was charged with the drawing of the transition blueprint. Following its recommendations the Directorate of Social Mobilization (DSM) was established in 1987 and was charged with responsibilities for social and political mobilization of Nigerian citizens for meaningful participation in the country's democratization process. The political education arm of DSM, the mass mobilization for social justice and economic recovery (MAMSER), was headed by a notable political scientist Prof Jerry Ghana. MAMSER became an effective organ for dissemination of political and civil rights and responsibilities of citizens. It held seminars at the lowest level of political organizational structures all over the country. In one of its numerous jingles MAMSER urged "directors to direct well, leaders to lead well, farmers to farm well", a pungent reminder that those who make or administer laws were themselves not above the law. MAMSER's democratic dividend was effectively felt in the 12 June 1993 elections. A grass root nomination process designed to give voice to the rural masses on the choice of the presidential candidate was a direct outcome of MAMSER's interaction with rural communities before the electioneering campaigns. Dubbed 'Option A4', all presidential nominations were to run through a vertical progression from ward through local government, and state to federal levels. It was to the

credit of this system that over twenty-four presidential candidates were approved by the Electoral Commission. This was the first time such a high level of participation had been recorded in a presidential race in Nigeria's political history.

Since the PB was an ad-hoc body with specific terms of reference it could not address the issue of continuity in political education. To ensure that political education was a continuous process the Centre for Democratic Studies (CDS) was established in 1988 to sponsor research in all aspects of democracy. The CDS functioned as a permanent institution in the democratization process in Nigeria until it was closed down in 1998 by the Abacha regime.

In the first republic political intolerance of opposing views led to violent political crisis in Western Nigeria. MAMSER's lessons in democratic hope proved most important factor in the sustenance of Nigeria as one nation. The lessons learned of tolerance, of compromise, of perseverance, and oneness of purpose in fighting military domination proved very useful in the 1990s' resistance to military rule. In 1966 the death of the Prime Minister Tafawa Balewa, led to the counter coup d'état that culminated in the civil war. Had the electorate been the same as in 1966, the death of Abacha and Abiola in 1998 in circumstances comparable to coup d'état would have plunged Nigeria into another and longer civil war.

4.5 Military subordination to civil authority in Nigeria

By training the military is designed to wage wars. It is therefore violent and coercive. While many of the canvassed military's professional values – courage, honesty, sacrifice, integrity, loyalty and service – are among the most respected in the human experience, the norms and processes intrinsic to military institutions diverge from the premises of a democratic society (Kohn, 1997). In order to reduce this inherent adversarial relationship between military norms and democratic ideals, the role of the military in a democracy should be clearly specified that as an institution it should take its orders without exception, from the executive in line with the national interest and laws of the land. Essentially civilian control of the military in a democratic society ensures that security, as the main job of the military is made subordinate to the larger purpose of a nation. In

defending society the military should not arrogate to itself the function of defining that society. Admittedly, many African nations were under military regimes for so long that the military, even after handing over power to civil authority still managed to influence how society was governed. In what follows an attempt is made to locate the origins of military insubordination to civil authority in Nigeria.

4.5.1 The origins of military insubordination to civil authority in Nigeria

Military insubordination to civil authority in Nigeria has its roots in the history of the formation of the Nigerian military in the first place. The British West African Frontier Force (WAFF) that formed the nucleus of the Nigerian Army was trained to be subordinate to the colonial authority. The composition of the army top command prior to political independence and immediately after, was predominantly southern. When after independence northern politicians assumed power, there was perhaps justifiable fear that the loyalty of a southern dominated army was not to be taken for granted. Two factors might have fuelled this fear. One stems from panic - the north who were not ready for political independence and actually opposed it at the time suddenly found itself thrust with the odious responsibility of governing a more educated, radical and, better prepared South¹⁸. The second factor was that the bitter and acrimonious relationships among political parties during the elections that brought the North into power might have ruled out a consideration of possible lasting political co-operation. In the North's bid to protect itself politically it started a carefully planned and articulated recruitment of a military wing of the ruling Northern Peoples Congress (NPC) into the Nigerian army (Nwankwo and Ifejika, 1969). The first indigenous soldiers of Northern extraction were recruited from public schools by prominent politicians and trained under the watchful eyes and ears of their benefactors to whom they will later pay allegiance. Thus a political rather than professional army whose members were to take differing stance on how the Nigerian State was to be organized was created.

¹⁸ The East and West attained regional self-governance in 1957, two years earlier than the North.

With time, top military command became a mixture of ambitious officers with ethnic political loyalties. With the resultant politicisation and division this army expectedly came to represent an alternative political party from which the major political parties could draw support to rest power from its opposition.

4.5.2 Sustenance of military insubordination to civil authority in Nigeria

While the origins of military intervention in Nigerian politics could be located in the politicisation of, and divisions in the Nigerian army, this insubordination was sustained by four main factors. These include long stay in power that created an unquenching and reinforcing appetite for power, the acquisition of bureaucratic skills by the military, the reluctance to give up privileges associated with the control of political power, and the military's doubt that their interest will be protected while out of office.

Insubordination and long participation in governance

According to Kohn (1997: 2-3) when the military stayed long in power two things happen that undermine civil authority. First, long stay in power affords the military great material privileges that are not available to people outside the military. Second it exposes its personnel to advanced bureaucratic skills. With time the military begins to doubt the ability of civil leadership to uphold its own definition of national interest. This leads to a belief that its (the military's) ability to fulfil its mission may be at risk by allowing civil participation in government. How close did the Nigerian experience fit Kohn's hypothesis?

Long stay in power and acquisition of bureaucratic skills

Military leadership accounted for thirty (or 75%) of forty years of political self-governance in Nigeria. In these long years the military acquired great bureaucratic skills. Through learning by doing and in the informal apprenticeship under civilian technocrats in the diarchies the military believes it had learned from the mistakes of even civil regimes. Although isolated, there were cases of failed civil management of institutions such as some Nigerian universities and exemplary success of military personnel's

management of such cases¹⁹. While it can be argued that such success was achieved by brute force as a nature of the military in extracting obedience, they had provided the military with greater confidence in their ability to run civil institutions.

Privileges and the trappings of office in military-civil diarchies

When the trappings of office in terms of positions of responsibility to “control and distribute large portions of a country’s wealth made the premium very high relative to average level of subsistence of the masses, the struggle for power becomes desperate” (Emerson, 1971: 247; Diamond, 1988b: 12). This was because the opportunity cost of investing elsewhere rather than in politics was very huge indeed. As noted in the literature, the personal and patrimonial nature of political leadership in Africa afforded the leadership undue access to the nation’s treasury. Where leadership was predominantly military, this access can indeed be totally unhindered.

In addition to the access to official national coffers, members of the Nigerian military in and out of political positions enjoy great privileges as a direct result of their being in the military under military-civil diarchies. In Nigeria, especially since the end of the civil war in 1970, being in the army is a privilege and having a high ranking military officer is an asset of immense stature. The immediate post civil war days saw federal troops acquiring multiple wives from civilian parents in the southern part of the country without paying a dime as bride price²⁰. Throughout the 1970s access to plum government contracts and import licenses were the prerogative of the military high command, their friends and business associates. Military officers and their cronies in the Buhari (1984-1985), Babangida (1985-1993), and Abacha (1993-1998) regimes enriched themselves through bunkering, and allocation of petroleum mining rights (Osoba, 1996). The shortest and last of the military administrations, the Abubakar regime (1998-1999) was found to have allocated 41 new crude oil lifting rights to top functionaries of the regime, friends and business associates only few weeks to the 19 May 1999 handover to the democratically elected regime of president Obasanjo. In August of 1999, three months after taking office, President Obasanjo's government announced 16 crude oil lifting contracts to replace the

¹⁹ For instance Maman Kontagora was appointed a caretaker of the University of Nigeria in 1992.

²⁰ As a seven year old in 1970 at the end of the civil war the author witnessed federal troops take two of his cousins free, against African culture of paying bride price before marriage was contracted.

41 approved under previous military governments (Nwangwu, 2000). It was discovered that only these 16 of the 41 approvals went through a normal administrative tender process.

In or out of political office the military remains influential in business circles. Investors and the business community in Nigeria in the 1970s and 1980s were aware of the intrinsic asset of having retired military officers on the board of their companies. This was a gateway to overvalued government contracts. The overwhelming influence of the military in Nigeria went beyond the national borders. Potential foreign business partners were favourably disposed to companies with strong military links in Nigeria.

The military's doubt of civil authority's capacity to keeping Nigeria one

It was widely canvassed that the mission of the military in Nigeria was to protect its political wing manned by civilian politicians. The first military coup'd'e'tat in January 1966 was regarded as pro-southern for obvious reasons. First, all major actors in the coup'd'e'tat were of southern extraction. Second, first republic politicians of southern extraction survived the coup'd'e'tat. Third, the coup'd'e'tat took place largely in the north leading to the killing of prominent politicians of northern extraction, and finally when the dust settled, a southern military officer took over the leadership of the federal government. The counter coup'd'e'tat of July same year was led exclusively by northern army officers, all known casualty were of southern origin and at the end political leadership swung to the north and had remained with the north with subsequent military interventions.

If all subsequent administrations had been led by northerners and coup'd'e'tat were a means of ethnic/regional power struggles there must be other explanations why military interventions had not seized. First southern military was decimated through discriminatory career prospects following their defeat in the civil war. It took twenty years after the civil war before a southern officer could muster the courage to lead a military coup'd'e'tat. In 1990 Major Gideon Orkar led twenty-five army officers of southern origin but failed to topple the Babangida regime. The heavy post-coup'd'e'tat casualty of that attempt remained a deterrent to southern officers' participation in coup'd'e'tat attempts for a long time. All other coup'd'e'tat attempts by the northern

military had been to preserve northern leadership. Gross failure of civil authority under northern leadership had led to military interventions to pre-empt such measures being undertaken by southern army. Vivid example of this was the ouster of the Shagari administration by General Buhari²¹. It was variously argued and rightly too that had Shagari's second term been allowed to run its course, the political inaptitude of the northern political class would have become so obvious that even the northern electorate would have opted for a change (Africa Confidential 1984b: 1-5).

Beyond the protection of their political wing however, the covert purpose for the Nigerian military may be teased out from the famous slogan of the Federal troops during the civil war - "to keep Nigeria one – a task that must be done". The then Head of State General Yakubu Gowon from whose speech the above phrase was drawn had his surname turned into an acronym in high school riddles books as "Go on with one Nigeria" (Kukah, 2000: 16). Beneath its expressed interest, the real albeit masked interest of the military in Nigerian politics was the control of the nation's resources. This interest is served only in a Nigeria run as a unitary system. Because civil authority had shown sympathy to Nigeria as a true federation, the military, despite their utterances had no confidence in the capacity of civilians "to keep Nigeria one".

Ironically major players in civil authority did not show convincing courage in the face of crisis that threatened the unity of the country but had relied on military brutality instead of dialogue to sort out political differences. The military coup d'état of January 1966 was only partially success, although it claimed the life the Prime Minister. The President of the Senate Dr. Nwafor Orizu, constitutionally the next in line to the slain Prime Minister was not at risk in Lagos where the coup d'état had failed technically. Had he assumed power in accordance with the Constitution and called on the citizens for support, there was a chance that the military would not have become a permanent feature of Nigeria's political landscape. But the man on whose lap the mantle of leadership fell issued an official statement from the chambers of a democratically elected Senate calling on the military to take over power (Nwankwo and Ifejika, 1969: 135).

²¹ For a detailed account of the political closeness of Buhari's team with the Shagari administration see Tom Forrest, 1993: 93-98; see also African Confidential (1984a: 8).

The erosion of confidence in the capacity of civil political authority to integrate the nation's diverse ethnic interests under a polity had continued, oddly with the help of the politicians themselves. Six years into Babangida's transition programme, Author Nzeribe, a senator in the second republic (1979-1983) went to court in 1993 to seek a continuation of military regime. Alhaji Tofa, the man who later became presidential candidate in the 12 June 1993 elections, had few months before the elections called for the extension of military rule as according to him the civilians were not ready²²

4.6 Constructive opposition in Nigerian politics

The concept of opposition as an integral part of the analysis of democratization process made a slow but steady progress into the literature (Southall 2001: 5). Although as with democracy itself, a definition of what constitutes opposition is contestable there appears to be some consensus that opposition is defined in terms of its target – the government, regime or system at which it is directed (Blondel, 1997; Southall, 2001).

Thus the primary issues in the characterization of opposition are the establishment of current political order to which opposition is directed, the determination of whether opposition is internally and/ or externally generated and, the identification of 'the opposition'. As Geraint Parry (1997: 459) noted, opposition may be directed at the system or the principles and policies of those in authority, or even to the personnel. The actual targets of opposition depend on the ideological differences among political stakeholders. The wider the difference in ideology the more opposition is targeted at the system. Where however ideological differences are absent opposition is basically internal and directed at principles and policies of those in authority. Internal oppositions are part of system's internal contradictions that produce factions who disagree largely on policy matters. There is no doubt that the contradictions may have their roots in non-compliance with original agreements, in strange 'political bedfellows' pursuing a common goal for different interests, and/ or in the existence of mutual political dishonesty among factions of a political stakeholder. External oppositions on the other hand are generated from

²² Across the country's media, over radios and television a popular jingle throughout the Bangida transition programme drummed into the ears of Nigerian citizens that "hand over was ready, but take over was not".

outside and challenge the system (and/ or the principles and policies) under which current political leadership is installed.

It is possible for a government to be the target of both internal and external opposition at the same time. In whatever form opposition takes its primary goal is to challenge what it perceives, in accordance with its political beliefs, as undemocratic and unpopular political systems, principles and policies of a current political order. Its ultimate goal however, is to provide an alternative which in its belief is superior to the current political order which it opposes. As a government in waiting, and knowing that current misrule and bad governance is a potential liability to the economy and citizens in the future, the opposition is expected to offer its sincere opinion on all current political issues.

To be effective the opposition must be sizeable enough to pose a real challenge to current political order. Its alternative agenda must be seen to embody the political interests of group (s) larger than that represented by the current political order that it challenges. Challenge is real if the government is aware that it faces the unpleasant possibility of losing power on the basis of its policies being challenged.

Opposition as used in this study therefore refers to those internal and external challenges targeted at the various systems, principles and policies of governments in Nigeria during the study period. In addition to opposition by minority political parties during periods of electoral democracy external opposition in Nigeria had come from largely the organized labour and student unions, the Nigerian Press, the Nigerian Bar Association, and lately pro-democracy activists. How close to the above principles did the opposition in Nigeria come during the period under review?

4.6.1 Political Opposition in the first republic 1960–1966

Opposition to the colonial government of pre-independence Nigeria was organized around the activities of nationalist movements led by Herbert McCauley, Dr Nnamdi Azikiwe and Chief Obafemi Awolowo. The main channels were the 'nationalist news

Bagangida was also frequently quoted as saying that the military knew those they will not hand over to. The eventual annulment confirmed that the military did not find those it wanted to hand over to.

media' namely the West African Pilot, the Express, and the Nigerian Tribune. With the achievement of political independence in 1960 and the establishment of a parliamentary multiparty democracy political opposition was institutionalised and supplied by the electoral minority political parties. The 1959 federal elections that ushered in independence were contested by four major Parties. Two of these, the Northern Peoples Congress (NPC) and the Northern Elements Peoples Union (NEPU) were led by Tafawa Balewa and Aminu Kano, both prominent northern politicians. The National Council of Nigerian Citizens (NCNC) was led by Dr. Nnamdi Azikiwe from the East. The Action Group (AG), and the Nigeria National Democratic Party (NNDP) were led by Obafemi Awolowo, and Ladoke Akintola respectively, both prominent politicians from the West. Each of these parties drew support almost exclusively from the home regions of their leaders.

Without clear majority by any single party, a coalition of NPC and NCNC formed the government with AG emerging as the official opposition. With little or no ideological differences among the major political parties the opposition was directed at the NPC government and found vent in parliamentary debates. The formation of major political parties along ethnic lines meant that opposition to the NPC government was synonymous with opposition to the North. In addition to opposition at the federal level the majority party in each region also faced its own opposition by minority parties. The NPC/NCNC coalition played the minority in the Western region. Thus AG's opposition at the federal level was retaliated with regional opposition by minority NPC (with federal support) in the West. In 1962, the Federal Executive Council (FEC) obtained a federal legislative approval for a state of emergency in the West. The AG saw this action by both bodies controlled by the NPC as nothing but the North's design to destroy the West politically and render it incapable of assuming power in the near future.

The crisis that led to the state of emergency was caused by a breakaway faction of the AG, the NNDP led by Akintola who was known to have strong political links with the NPC. In 1963 the NPC/NCNC government supported the creation of Mid-West Region out of Western Region, even when neither the NPC nor the NCNC would support the splitting of their respective regions of influence. Although creation of more States or

Regions served the interest of democracy, it was curious that only the Western Region, by population the smallest of the three was split into two during the first republic.

The military intervention in January 1966 might have been a response to the inability of internal opposition to offer real challenge to a regime widely believed to be inept. The leaders of the military coup d'état in 1966 that ousted the Balewa government were opposed to what they perceived as the administration's policies that encouraged political patronage, nepotism, and corruption in high places (Ademoyega, 1981). Although only partially successful it led to the installation of General Aguiyi Ironsi, an Ibo from the Eastern region as the Head of State. The coup d'état confirmed the fears of northern politicians that the political subordination of a southern dominated army was not guaranteed.

Opposition to the Ironsi regime was swift as the northern military officers responded in a counter coup d'état six months later in July 1966 to topple the government and install Yakubu Gowon, a Lieutenant Colonel from the north as the new Head of State. It was widely believed that the reason for the coup d'état was the Unification Decree of 1966 promulgated by the Ironsi regime that abolished the Regions and introduced a unitary system of government (Nwankwo and Ifejika, 1969). The abrogation of that Decree and the promulgation of another in September 1966, restoring the federal system had learnt credence to this belief. However, the series of events before and after the counter coup d'état and up to the beginning of the civil war prove that the northern opposition to the Ironsi regime was not merely targeted at a unitary system. Its ethnic undertones weighed more than any other consideration²³.

Thus the ethnic nature of the political parties as well as the ethnic and politicisation of the army encouraged retaliatory responses to both institutionalised legitimate and non-legitimate opposition. Reactions to military coup d'état and counter coup d'état by ousted regimes were not so much informed by the fact that coup d'état plotting was a treasonable felony as by the fact that its leaders were drawn from a particular region of the country. This made opposition neither constructive nor effective with the result that even when

²³ For details of the events see Appendix 5A. The civil war (July 1967-January 1970) itself symbolized ethnic opposition to ethnic oriented systems, policies and ethnic politicians in power.

opposition succeeded in replacing the current regime it did not offer a superior alternative to Nigerian citizens.

4.6.2 Political opposition and counter opposition in military-civil diarchies in Nigeria (1970-1978)

The period 1970 –1975 witnessed a lull in external opposition. Having gone through a devastating thirty months civil war, first republic politicians were too scared and ill prepared to offer opposition to a military regime that was beating its chest for accomplishing the task of crushing a formidable armed rebellion. Closely associated with the above was that there appeared to be a tacit understanding among political stakeholders that the federal troops having fought hard to unit the country were not only entitled to, but also better equipped to complete a reintegration of all sections of the Nigerian society after the war. Expectedly opposition to the Gowon regime was largely internal²⁴.

Initial internal disagreement in the regime started with accusations of widespread corruption and self-enrichment among notably State Military Governors (SMGs). Gowon's alleged inability and/ or unwillingness to call the Governors to order had resulted to divisions and discontentment within the military top hierarchy (Obasanjo, 1981). The opposition that grew out of this was said to pitch Gowon against military commanders with unlimited access to the nation's armoury. When in 1974 Gowon announced the indefinite postponement of a planned return to civil rule by 1976 the opposition cashed in on what by all standards was a popular ground for power change. Gowon was toppled in a bloodless coupd'e'tat in July 1975 led by another northerner, Brigadier Murtala Mohammed.

Although Gowon was exiled to Britain following his ouster, the internal wrangling in the army was far from resolved. Less than eighth months after, Mohammed was assassinated in another military coupd'e'tat led by Dimka, a Lieutenant Colonel from Middle-Belt (Gowon's sub-ethnic group in the north). The coupd'e'tat failed to remove the regime. In a vengeful treason trial by the Mohammed's deputy Obasanjo, 450 army officers of

²⁴ Although a first republic politician, Awolowo's resignation in 1972 from Gowon's Executive Council this was an internal opposition since he served in that Government throughout the civil war

Middle-Belt origin were sentenced to death and executed by firing squad. If the Mohammed opposition was directed at a system and policy of Gowon's government that intended to perpetuate military rule, the counter opposition by Dimka and his group was merely directed at the person of Mohammed as the Head of State. With the resumption in 1976 and visible signs of commitment to the transition programme to civil rule throughout 1977 and 1978, the General Obasanjo regime enjoyed relative freedom from external opposition from either the Press or politicians. Internally the bitter example of execution of coup'd'etat plotters remained fresh in the barracks to deter opposition.

Thus of the two major instances of real challenge to governments and systems in this period, only the Mohammed opposition came close to offering a superior alternative. It challenged and replaced a sit-tight military regime, survived its counter opposition and successfully transitioned to a civil democracy in 1979.

4.6.3 Political opposition in the second republic 1979–1983

By 1979 a number of structural changes had taken place and thus made the setting different from what obtained in the first republic. Of all the transformations two were particularly remarkable and aimed at taming overwhelming regional power that was largely responsible for the fall of the first republic. In 1967 the four Regions were abolished and replaced with a twelve-States structure. By 1979 further divisions had brought the number to nineteen States. To further weaken the destabilizing influence of former regions, the provisions of electoral laws were aimed at the registration of only parties that showed evidence of national character. Finally, an executive presidential system was adopted in place of the first republic's parliamentary system. This was to ensure that power lied squarely with federal government and not with its constituent parts as was the case in the first republic. With these institutional changes optimism was rife that a solid foundation had been laid for constructive and effective opposition in Nigeria's democratization process.

Despite these efforts of the Obasanjo transition programme, in almost the same pattern as in the first republic, political parties were again formed along ethnic lines. Of the five

registered political parties that contested the 1979 general elections three were led by northerners and drew their support largely from States carved out of the old northern region. The same pattern was repeated in States of the old Western and Eastern regions where each of the political parties were led by the same individuals as in the first republic. A comparison of Tables 4. 2 and 4.3 on the one hand and Tables 4.4 and 4.5 on the other, reveals the replication of political activities of the first republic in the second. If the leadership structure of the parties in the second republic was a semblance of the first republic, the patterns of party electoral victory in the 1979 general elections confirmed that the second republic was merely a resurrection of the ghost of the first republic with parties winning overwhelmingly in their old regional block.

As would be expected initial fears were rife that opposition in the second republic would be a playback of what obtained in the first. The first test showed up in a legal battle instituted by Awolowo's Unity Party of Nigeria (UPN) to challenge the installation of Shagari as first executive president under National Party of Nigeria (NPN) 's ticket. The grounds were that the latter did not obtain the required 2/3 of nineteen States for electoral victory. It was potentially frightening and at the same time ironical that the then Attorney-General of the Federation Richard Akinjide, a Yoruba from the West was to lead the defence in whose hands lied the fate of a northern President-elect. Akinjide and his team proved sceptics wrong as they fought and won in a case legal luminaries agreed could go either way.

Optimists then were reassured that the days of ethnic opposition were over. How wrong were they? As in the first republic the Northern dominated National Party of Nigeria (NPN) was unable to secure a majority needed to effectively control the legislature. It again went into alliance with the Eastern based Nigerian Peoples Party (NPP). Yet again the West's dominant party, the UPN was driven to play the official opposition. Parliamentary debates were again dominated by what had become known as 'federal presence' and 'federal character' in States, reminiscent of the age-old squabble for which region got what from the national cake – the oil wealth.

In the first two years of legislative official opposition valuable time was wasted of fixing personal emoluments of political office holders, on whom, and from which ethnic origin

gets what political appointment. As ethnicity dominated opposition, issues of relevance to improvement of governance were relegated to the background. By the third year of Shagari's first term in 1982, the opposition realized that it had shown no proof of its capacity to provide an alternative superior to NPN/NPP alliance. Awolowo's UPN political influence was still restricted to the West. The UPN then began an underground alliance, first with the two parties that had been technically neglected by the ruling NPN - the Great Nigeria Peoples Party (GNPP) and the Peoples Redemption Party (PRP), and then with a faction of the NPP. This move culminated in the formation of a loose but effective opposition to the NPN government under the umbrella name the 'Peoples Progressive Alliance' (PPA). The breakdown of the NPN/NPP accord late 1982 swelled the membership of the PPA and for the first time opposition de-emphasized ethnicity and began to work together for the removal of the NPN government.

How long did this marriage of convenience last? Not much, for when the alliance was to present a consensus presidential candidate to challenge Shagari's second term, ethnic politics again was on hand to scuttle what seemed to be a well-articulated opposition. The PPA could not agree on whether Azikiwe, leader of the eastern dominated NPP or Awolowo, the westerner and leader of UPN should lead. Had ethnic politics not played its destabilising role the opposition would have triumphed in the 1983 presidential elections. Nigerians would have been afforded alternative governance, and a change to make an informed political choice in the affairs of their nation. The alliance agreed to disagree and so failed, but succeeded only in aiding, albeit unwittingly, the return of the Shagari's NPN administration. In an election described as massively rigged by many analysts (Osaghae, 1998) the NPN improved its electoral victory from the 1979 standing from 37% in 1979 to 68% in 1983 and needed no alliance to control the legislative arm of government. With NPN's absolute control of the legislature the task of opposition was thus made more difficult than before.

Opposition in the early days of Shagari's second term centred around numerous court actions instituted by parties and candidates who had been declared losers. The backlog of litigations was still in the in-trays of the judiciary when the military struck in January 1984 to finally end the second republic.

4.6.4 Political opposition and counter opposition in military-civil diarchies in Nigeria (1984-1998)

The Buhari regime (1984-1985)

The Buhari regime that overthrew Shagari's NPN government made no pretensions about its disdain for civil political authority. After some selective hoarding of politicians into jail, the Government instituted strict economic measures. To restrict opposition the regime rolled out a series of Decrees banning strikes by organized labour, legalizing among others, the indefinite detention of suspects, the imprisonment of journalists for false or malicious reporting, and instituting death penalty for crimes ranging from armed robbery, economic sabotage, to drug trafficking²⁵.

In its belief that Nigeria's political and economic woes were a direct result of civil indiscipline, the regime launched in 1984 its moral-suasive "war against indiscipline" (WAI). WAI was aimed at the re-orientation of the minds of Nigerians to 'obeying the last order'. Under these circumstances, external opposition was anathema. However opposition to the regime came quickly from within. The regime's internal contradictions were set to consume it. Major actors in the coup d'état that brought the regime to power would soon be heading for one another's throat over retroactive capital punishment for offenders of international drug trafficking some of whom were widely reported to have strong military links. There was also the contentious issue of selective treatment of political detainees. Within months the internal power struggle had culminated in a bloodless coup d'état and the installation of another military-civil diarchy in August 1985. The new regime was led by General Ibrahim Babangida.

The Babangida regime (1985-1993)

While the Buhari regime suppressed opposition by draconian military Decrees, the Babangida regime was quick to buy loyalty and limit opposition by abrogating some of the Decrees limiting media freedom, by releasing some political prisoners and by reducing the jail terms for others.

²⁵ For a list of military Decrees that suppressed and violated the rights citizens during Buhari's regime see Owasanoye and Nwankwo (1999).

These initial measures improved the regime's image among Nigerians but they did little to douse internal opposition. In December of 1985, only four months into the administration, the Government announced the abortion of a coup d'état involving largely Air Force officers who allegedly planned to attack the country's major infrastructure from the air in a bid to topple the regime (see Appendix 5A). It was not clear what the plotters were opposed to, neither did their trial reveal any involvement of officers of the ousted Buhari regime. However, the alleged leader – General Maman Vatsa – was a childhood friend and schoolmate of Babangida. Although unsuccessful the coup d'état was important in at least one respect – it indicated that the internal opposition in the military was multifarious. They were motivated by diverse forces ranging from disagreements over policy, through selfish personal ambition, to such mundane things as jealousy and hatred for the person in authority.

If the early reversal of Buhari's policies earned the Babangida regime its acceptance, the regime's subsequent measures were to prove crucial for curtailing and managing opposition when it became inevitable. By a combination of ingenuity in public relations and subtle material enticement of potential opposition, the Government secured not only the support but also the participation of respected and credible Nigerians. The regime's list of Ministers and Special Advisers were drawn from across all strata of political stakeholders. They were the 'who is who' in the academia and among politicians, professionals, social critics, notable political science pundits, former anti-establishments, social engineers, and labour unionists. The involvement of these experts encouraged the establishment of a variety of politically empowering structures that extended political participation to those hitherto engaged in and/ or confined to criticism of government policies. In this way the ranks of known opposition was seriously depleted, with perhaps Gani Fawehinmi, a Lagos Human Rights lawyer as the lone voice of opposition to the administration²⁶

In the first four years of the regime only one incident – the murder by parcel bomb of Dele Giwa, Editor-In-Chief of a prominent news magazine, *Newswatch* – had the potential of threatening the almost opposition-free image of the Babangida

²⁶ Gani Fawehinmi took the Military Government to court on virtually every issue he disagreed with. By his own account he spent more time in military detention cells than in his chambers.

administration. Even at this, the Press hardly came together in opposition to the government. The performance of the independent private press as an opposition group during the first four years of the Babangida regime was questionable. The Press remained largely uncritical of the regime up and until the unveiling of the so-called hidden agenda of the transition programme. The reason was not unconnected with the President's ingenuity in public relations. Like other potential opposition, the Press was very early in the life of the regime cowed by a combination of olive branches and subtle blackmail. Following the death by letter bomb in October 1986 of Dele Giwa, the cream of the Nigerian Press were quietly summoned by the Head of State and in what looked like a tacit agreement the Press never really raised any dust regarding the cold-blooded murder of their colleague.

Events in 1989 were however, indicative that the regime's honeymoon with supposed opposition was coming to its end. Externally, the Press appeared to have woken up to the regime's successful manipulation of opposition. The sensitisation of labour unions and university students had led to the nationwide SAP riots of May/June 1989. The Nigerian Bar Association had joined the strikes, boycotting courts nationwide to protest unlawful detention of protesters and government's disobedience of court orders to release them (Bassey, 2000: 227-228). In a renewed show of its potential for effective opposition the Press had become critical of the trial and conviction by a Tribunal, of Tam David West. A former Petroleum Resources Minister in the Buhari regime, David West was convicted on a trumped up charge of receiving a gold wristwatch as bribe from an expatriate oil consultant. The Press mounted a campaign and convinced Nigerians that David West was jailed because of his views on the involvement of the military high command in the mismanagement of the country's petroleum resources. These reports yielded fruit and in a face-saving move the Government contrived another Tribunal. The new Tribunal quashed a ten-year jail term after the man had spent 266 days in jail.

The government also had cause to worry about the internal opposition. The first signs came in January 1989 when the government announced an embargo on foreign trips by top military officers especially State Governors. This was followed in February by the dissolution of the nation's highest ruling body, the Armed Forces Ruling Council (AFRC). In the same month the leadership of the National Electoral Commission (NEC)

was changed. By October of the same year all thirteen political associations that applied to NEC for registration as political parties were dissolved by the newly constituted AFRC despite meeting NEC's stringent conditions. Not a few observers were convinced that there were indeed big cracks in the wall of the ruling diarchy (Agbu, 1998). The creation by government fiat, of two political parties in place of those earlier dissolved was a source of worry for the opposition, which by now was convinced the Government had a hidden agenda.

As if to confirm the suspicion of a hidden agenda, the Government began to postpone election dates against its own transition timetable. With every postponement came the banning of some category of politicians from participation in the transition programme. In April 1990 the brewing internal opposition to the regime crystallized in a bloody military coup d'état. Led by a Major, Gideon Okar, the coup d'état had in a broadcast announced the excision of the six core Muslim northern States from the Federation. Although the coup d'état did not topple the government it again brought to the fore the division in the Nigerian military along ethnic and manipulated religious lines. It was believed that northern politicians were opposed to the progress of the transition, which from all indications appeared to be favourable to the emergence of a southern president.

Between 1991 and June 1993 when the presidential election was held, the Government did not succeed in earning the confidence of a rapidly emerging pro-democracy groups and activists. As documented in appendix 5A, it was obvious that the Government encouraged the derailment of its own transition programme. When the elections were held and eventually annulled by the same Government, the pro-democracy activists were already fully charged to challenge the annulment.

The Shonekan-led Interim National Government (ING-1993)

Faced with the external pressure from the pro democracy groups and the internal opposition from his military constituency, Babangida was forced to vacate office on August 27 1993. He appointed the Shonekan-led Interim National Government (ING). Opposition to the ING was swift, from both the pro-democracy groups and from the military that was left behind by Babangida. The military high command, still predominantly northern feared that a new transition under Shonekan, a southerner did not

allay the fears of the emergence of a southern president. The pro-democracy groups were opposed to the ING's plan to conduct a fresh presidential election. Led by Abiola, the acclaimed winner of the 12 June election, pro-democracy groups instituted a legal action challenging the legality of the ING. A court verdict declaring the ING a nullity came at the heels of a nationwide protests by the Nigerian Labour Congress against ING's ill-advised increase in the pump price of petrol. With the court verdict a leadership vacuum was created to afford the military a good reason to take over power.

The Abacha regime (1993-1998)

General Abacha toppled the ING on 18 November 1993. On assumption of office the government had initially postured as a friend of the pro-democracy groups. Opposition to the government started as soon as it became clear that the General, like his predecessor intended to sit tight. Perhaps the most focused opposition, it centred on the revalidation of the 12 June election results believed to have been won by Moshood Abiola, and were largely coordinated by a coalition of over a hundred pro-democracy groups, labour unions, professional bodies and university students. Abacha's response to the mass protests were two-pronged. First he embarked on massive clampdown (detention, torture and killings) on individual leaderships of pro-democracy groups. Second, with Chief Abiola in prison and unable to directly coordinate the campaign for the revalidation of 12 June election results, the Government instituted a replication of its predecessor's unending transition programme which timetable ran from 1994 to 1998. While the former did not effectively stifle opposition, the latter managed to secure for Abacha a suspicious loyalty of politicians who ironically had participated and were indeed key players in the 12 June election. The curiosity to Abacha's transition programme came to light when all five Political Parties in their national congresses between 16-18 April 1998 adopted Abacha as their respective sole presidential candidate (see Appendix 5A). Having secured the mandate of all five political parties to run as the sole presidential candidate in the election to usher in the fourth republic by October 1998, the regime was confident it had finally crushed and triumphed over the formidable opposition of the pro-democracy groups.

In a twist of fate the Head of State died of heart failure on 8 June 1998. Following Abacha's death the Provisional Ruling Council (PRC) appointed General Abubarka as the new Head of State. Abacha's death was celebrated by the opposition in the hope that the

new Government would be favourable to the revalidation of 12 June election results with Abiola as Head of State. Again, fate had another script, Abiola, the symbol of June 12 and the rallying point of pro-democracy activists died of the same heart attack on 7 July 1998. Certainly the stress of the struggle had taken toll on the fragile health of a wealthy man incarcerated for almost five years.

With both Abacha and Abiola dead the focus of the opposition changed from revalidation of 12 June to a call for a sovereign national conference to determine how Nigerians want to coexist. The new government however was quick to assure Nigerians of its intentions to transit in the shortest time possible to a civil regime. With a transition timetable spanning barely seven months, the Abubarka regime did not have to worry about opposition. It successfully handed over to an elected civil Government on 19 May 1999.

4.6.5 Political opposition in the current Obasanjo regime

The Nigerian general elections of February 1999 were contested by three political Parties. These were the Peoples Democratic Party (PDP) led by Olusegun Obasanjo, an ethnic Yoruba from the former Western Region, the Alliance for Democracy (AD) led by Olu Falae, another Yoruba and former Secretary to the Babangida administration, and the All Peoples Party (APP) led by Onu, an Igbo academic from the East. After the State executive and national assembly elections, the APP and AD went into an electoral alliance to present a single Presidential candidate. The presidential election was therefore contested between two Yoruba Presidential candidates – Obasanjo of the PDP, and Falae of the AD. Having narrowed the ethnic choice for the presidential election it was no surprise that the pattern of voting would not for the first time in the political history of the nation follow ethnic lines. Table 4. 6 shows Party distribution of electoral victories in the 1999 Gubernatorial, Presidential and State and National Assembly elections. The Obasanjo-led PDP won the presidential election with over 62.78% of total votes cast. In addition the PDP won 20 (55.7%) of the 36 States Governorship seats, 65 (59.7%) of 109 Senate seats, and 212 (59%) of 360 House of Representative seats. Although the APP and AD presented a consensus candidate at the presidential poll they maintained their separate identities at the National Assembly.

Table 4. 6 Nigeria: Party share of electoral seat in general elections of 1999.

PARTY	LEADERSHIP	STATE ASSEMBLY			STATE GOV.		NATIONAL ASSEMBLY					PRESIDENTIAL ELECTION		OVER-ALL (%)
		A	B	C	A	C	Senate		House of Reps.			B1	C1	
							A	C	A	B	C			
Peoples Democratic Party (PDP)	Olusegun OBASANJO	529	20	53.8%	20	55.7%	65	59.7%	212	20	58.9%	18.74 million	62.78%	57%
Alliance for Democracy (AD)	Olu FALAE	171	6	17.4%	6	16.7%	20	18.3%	68	6	18.9%	----	----	18%
All Peoples Party (APP)	Dr. Ogbonnaya ONU	284	10	28.8%	10	27.6%	24	22%	79	10	22%	11.11 million	37.22 million	25%
TOTALS		984	36	100%	36	100%	109	100%	360	36	100%	29.85 million	100%	100%

Note:

A = total number of seats won;

B = number of States (out of 36 States) in which majority seats were won, figure in parenthesis () is number of States where both Parties are tied.

B1 = Votes won at the Presidential poll

C = seats won as a percentage of total.

C1 = Votes won at the Presidential poll as percentage of total votes cast.

Source: Independent National Electoral Commission (INEC) 1999.

Thus opposition to PDP was expected to come from the APP and the AD. Table 4.7 shows the post-election regional distribution of Party influence. As can be seen from the Table, APP was northern dominated while AD was 100% western. With Obasanjo, a western Yoruba leading the PDP with 47% northern representation, formal opposition was expected to be more complex and perhaps more effective than ever before.

Table 4.7 Nigeria: Regional Distribution of Party Influence after the 1999 General Elections

<i>Party/Leadership</i>	<i>State/ Region Under Party control</i>	<i>Regional Distribution of Party Influence</i>
Peoples Democratic Party (PDP) (OBASANJO - West)	North: 9 Western: 0 East: 9 Mid West: 2	North: 47.4% West: 0% East: 100% Midwest: 100%
Alliance for Democracy (FALAE - West)	North: 0 West: 5 East: 0 Midwest: 0	Northern: 0% Western: 100% Eastern: 0% Midwest: 0%
All Peoples Party (ONU-East)	North: 10 West: 0 East: 0 Midwest: 0	Northern: 100% Western: 0% Eastern: 0% Midwest: 0%

Source: Authors calculation from INEC figures

The first legislative year (1999/2000) of the Obasanjo regime gave a hint of the complex nature of opposition in an African polity with overlapping ethnic party cleavages. The PDP dominated Senate impeached its President Chief Evan Ewernerem, four months after inauguration in September 1999. A similar drama had played itself out in the House of Representatives in July 1999. The Speaker of the House of Representative Salisu Ibrahim, resigned his membership of the House.

Although the canvassed reasons were that the leaders of the National Assembly had lied to the Electoral Commission by falsifying their personal and academic records to contest the elections, not a few believed that both legislators lost their leadership of the legislature because their colleagues saw them as puppets of the executive branch. In less

than two years the Senate has had three Presidents. In each case the executive was central to the removal. The absence of the usual clear-cut ethnic loyalty for the manipulation of legislative opposition had led to intra-party opposition to the Obasanjo regime.

In the 2000/2001 there were two impeachment threats on the President by a legislature dominated by the President's own Party (*TheNews*, 2000: 25-27). These threats culminated in a Resolution passed by the House of Representatives (No HR.22) on August 13, 2002 to commence impeachment proceedings on the President. In the Resolution, the President was accused of among other things, non-implementation of the national budgets for 1999, 2000, and 2001 fiscal years, inability to redress insecurity and lack of capacity to manage national security, and unilateral review of the 2002 budget by the executive (*Tribune*, 2002a).

Although the executive-legislative face off appeared to be a normal democratic opposition there were indications that the ugly hands of ethnic politics were still behind the opposition to the policies of government. By the support the Arewa, an umbrella association of the north, the President believed that the Northern politicians were behind the impeachment moves (*Tribune*, 2002b). The Yoruba controlled AD, supposedly an opposition party issued a statement condemning the impeachment resolution (*This Day*, 2002). Less than one year to the end of President Obasanjo' first term there is nothing to show that ethnicity will not dominate opposition for the rest of his term.

4.7 Judicial independence in a democracy

The success of a modern democracy based on the separation of powers among the three arms of government depends largely on an impartial and independent Judiciary endowed with powers to administer a fair and uniform justice to all members of society. The Hon. Gerald Brennan observed that:

The reason why judicial independence is of such public importance is that a free society exists only so long as it is governed by the rule of law – the rule which binds the governors and the governed, administered impartially and treating equally all those who seek its remedies or against whom its remedies are sought. However vaguely it may be perceived, however unarticulated may be the thoughts, there is an aspiration in the hearts of all men and women for the rule of law (Brennan, 1996: 1).

The significance of the above is not so much in the ensuring the rule of law as in highlighting the desire of *all citizens* irrespective of whether in an electoral democracy or a diarchy, for the rule of law. As will be shown later this desire may in fact be higher in circumstances where the law itself may be non-existent. According to Nwabueze (1977: 2-4), some of the attributes of judicial power that enable it ensure the rule of law include among others the following:

- ❖ compulsory jurisdiction at the instance of a party to inquire into the dispute
- ❖ power to determine authoritatively and conclusively the facts and laws relevant to the dispute
- ❖ power to final determination that is binding to the parties, and power to enforce compliance or obedience to the decision.

Independence of the Judiciary is therefore used in this study to describe the absence of executive interference in the exercise of judicial powers in order to ensure the rule of law.

4.7.1 Sources of interference in judicial process in Nigeria

Four major sources of executive interference with the judicial process in Nigeria included the following.

- (a) Suspending existing law and/ or restricting the jurisdiction of courts in matters affecting the rights of citizens
- (b) Appointment and sacking of judicial officers without due process of the law with a view to influencing court judgments
- (c) Undermining the authority and judicial powers of the Judiciary by non-compliance with court orders, and
- (d) Financial dependence on the executive budget.

By restricting their jurisdiction, courts are legally denied the very tool – law- by which they deliver justice. The mechanism of court ouster clauses by which regular courts are denied jurisdiction creates parallel judicial systems that invariably serve the interest of the executive and in most cases these interests undermine the rights of citizens. As will be shown below court ouster clauses, can be used by governments to perpetuate itself in power.

The appointment (sacking) of judicial officers for reasons other than their proven ability (inability) to dispense justice in a fair manner to the people attacks their psyche and job security. With judges preoccupied with personal survival in a very insecure career, the delivery of justice becomes secondary unless it meant protecting executive interest. The result is that for those cases involving the State, citizens are not expected to get justice. The exercise of judicial powers is no use if the verdicts of courts are not carried out. Frequent disregard of court orders by government and law enforcement agencies means denial of justice to parties concerned. In addition the signal to potential seekers of justice is that they stood to gain no protection from the judicial system against infringement of their rights. This loss of faith in the judicial system in itself diverts demand for justice and leads to citizens taking the law into their own hands.

4.7.2 Interference in judicial process in military-civil diarchies in Nigeria

How did judicial independence fare during the period under review? Although no attempt is made here to prove the absence of judicial interference under elected regimes the rampant cases emanating from the above sources were largely recorded during the military-civil diarchies. Executive interference in the judicial process can be discussed under two broad headings: acts that limited the tools (legal provisions) with which the judiciary exercised judicial powers, and acts that undermined the authority of judicial officers to perform their duties under existing legal provisions.

Suspension of existing law and restriction of the jurisdiction of courts

Under the various constitutions of the federal republic of Nigeria an intent or attempt to overthrow the government was an act of treasonable felony. To legitimise itself the first Decree of any successful military intervention in Nigeria was the suspension of the sections of the Constitution which prohibited the very act that brought it into power. In all cases the partial suspension of the Constitution was followed immediately with an enabling Decree that gave legitimacy to the new regime. In addition to partial suspension of the constitution the regimes ruled by military Decrees. Initially, and especially during the Gowon regime, the Decrees did not have court ouster clauses.

There was probably no need to restrict the jurisdiction of courts to question military Decrees in the 1970s since it would be foolhardy in the immediate post-civil war politics to contemplate such opposition. After four years of elected democracy from 1979-1983, subsequent military governments became aware of the potential democratic opposition and real possibilities for legal challenges and civil disobedience to military Decrees. After a considerable absence (except to legitimise a military coup d'état) court ouster Decrees re-emerged in Nigeria's judicial system in 1984 under Buhari. As they became highly elevated during the Babangida regime they took precedence over even the unsuspended portion of the country's Constitution. For example, a research conducted by Gani Fawehinmi, a senior advocate of Nigeria (SAN) and one the most virulent attackers of executive interference in judicial process found that between 1970 and June 1991 164 laws containing ouster of courts' jurisdictions were promulgated by the Federal Governments (Fawehinmi, 1991). Another study reported that between 1986 and 1993 when Babangida vacated office, there were over 22 Decrees with court ouster clauses restricting the jurisdiction of the nation's courts (Owosanoye and Nwankwo, 1999: 68-110). Under Babangida Decrees not only ousted the jurisdiction of courts, many of them took retrospective effects to punish acts considered anti-government but for which there were no laws at the time prescribing them as punishable offences (Bassey, 2000: 222). In some cases Tribunals began sitting before the Decrees giving them legal backing were promulgated. Decree no 55 of 1992 under which a former General, Zamani Lekwot and others were tried and convicted was promulgated in December while the Tribunal started their trial earlier in July (Amnesty International, 1992).

Undermining the authority of judicial officers-A master-servant relationship

Of the three arms of government in an elected democracy, the judiciary happens to be the one normally not elected. However strong the argument for an elected judiciary might be the judiciary has remained almost entirely the appointee of the executive²⁷. One of the measures normally taken to reduce the influence of the executive on the judiciary is to involve all major political stakeholders in the appointment of judicial officers. This normally took the form of getting legislative approval for all major appointments by the executive, and/ or having an independent body vested with the power to appraise judicial

²⁷ for detail of the arguments for and against an elected judiciary see Lubowski, 1998:17-18; and Strum, 2001.

officers. In this way, while the executive still has the power to appoint judicial officers, the career prospects of the latter do not have to depend on the executive.

Prior to October 1, 1963 the Nigerian Constitution gave an independent body – the Judicial Service Commission (JSC) – the authority to determine the tenure of office and salaries of judicial officers. When the 1963 Constitution came into effect however, this power was removed from the JSC and vested in the executive (Nwankwo and Ifejika, 1969: 111). This change was blamed for the inability of the Judiciary to effectively get the warring parties in the Western Nigeria political crisis to obey court decisions that perhaps might have averted the crisis (Nwankwo and Ifejika, 1969: 115-117).

In the absence of an elected legislature following the collapse of the first republic the executive assumed full legislative authority. In Nigeria's military-civil diarchies judicial officers were left to the whims and caprices of their master - the executive. Niki Tobi, one time Justice, Federal Court of Appeal wrote of the relationship between the executive and the Judiciary: "Let the loyalty of the head of the judiciary not be in doubt, in the typical Nigerian context, the Chief Executive is the boss of the Head of the Judiciary and the latter should so behave" (Tobi, 1992: 329).

In this master-servant relationship only very few judicial officers were bold enough to speak out knowing the grave consequences. In his 1984 letter of resignation in protest of executive interference in judicial process, Justice Jinadu was quoted as saying: "It is not right in my view to treat the courts of justice as an extension of the Federal Ministry of Justice... I cannot be a party to this humiliation and disgrace to the judiciary and as no condition is permanent, I have done the only honourable thing for a reasonable, upright and disciplined judge to do" (Bassey, 2000: 87).

Disobedience to court orders

In all military-civil diarchies, if there was any outcome a litigant was certain of in a case involving the government it was that, should the judge be bold enough to give a judgment unfavourable to the Government, the latter was not going to obey it. (Tobi, 1992: 333-336). State Governors in the Gowon administration were notorious for incessant

harassment of judges who granted court orders unfavourable to the government. (Bassey, 2000: 103-109)²⁸.

Dismissal of judicial officers without due process of the law

When the executive could no longer put up with apparent embarrassment by court orders against it for which it was not prepared to obey, it became more politically expedient to identify judicial officers who had or were likely to give judgments against the State. The Mohammed's regime was perhaps the worst culprit in the sacking of judicial officers without due process of the law. Over the radio and television, distinguished judicial officers who had served many years in the nation's highest court, the Supreme Court were relieved of their duties and in some cases humiliated with trump up charges (Bassey, 2000: 85-87). In addition to frequent disobedience of court orders the summary dismissal of judicial officers continued in the Buhari regime and was extended to lawyers in the Ministry of Justice whose offence was in most cases trying to obey court orders.

Influencing court judgements

The setting up of tribunals to try treason cases arising from alleged coup d'état attempts was a common practice of the various military regimes. In the Babangida days however, this practice took the worst turn, as the military president would personally order the retrial (and eventual sentencing) of those earlier acquitted for same offences by his own tribunal (Bassey, 2000: 84).

Outlining the role of the judiciary in a modern democracy the Hon. Murray Gleeson (1997: 2) observed that "the role of the judiciary in the community is manifested not only in what judges do but also in how they do it which might be called judicial style". In its last days, the Babangida administration displayed a judicial style which left no observer in doubt that it was using the judiciary to perpetuate itself in power. Although the law (Decree No 25 of 1987) setting up the national electoral commission (NEC) had ousted the jurisdiction of the nations courts in having any say with the election processes, a high court judge was persuaded to grant an injunction restraining NEC from conducting the 1993 presidential election. The import of this injunction was not so much that it was at

²⁸ Bassey was a High Court Judge in the former South-Eastern State of Nigeria between 1969-1972 when he was summarily dismissed after several harassment for giving rulings unfavourable to the State government

the instance of a regime that used the judicial officers whose power it had earlier restricted, to perpetuate itself in power, as in the style in which this was done. The injunction was granted at close to midnight on 11 June less than twelve hours to the election. The streak of court injunctions and counter injunctions in various States of the federation that followed could only testify to one thing – that the judiciary had finally been crafted into an appendage of political parties (see appendix 5A for detail).

4.8 Government participation in direct economic activities

The emphasis democracy places on liberalization of economic activities derives from the fact that if politicians as policy makers were to actively participate in direct economic activities they are likely to bend the rules of production to suit their interests. This will result in an unfair competition. It is not surprising therefore to regard high level of government involvement in economic activities as an important trait of a command economy prevalent in undemocratic systems of government.

4.8.1 Public versus private provision of goods and services

The debate on the public-private sector nexus had effectively been reduced to the determination of the optimal size of the public sector. Government provision of both a legal and physical infrastructure for the operation of a market economy and, a limited set of public goods can offer a framework conducive for economic growth. However as governments move beyond these core functions, they will adversely affect economic growth for various reasons. These include (i) the distinctive effects of higher taxes; (ii) diminishing returns as government undertake activities for which they are ill-suited, and (iii) an interference with the wealth creation process due largely to governments' low capacity to adjust to changing circumstances that affect allocative efficiency.

Optimality criteria based on both economic and allocative efficiency in public enterprises are faulted on grounds that goods and services that qualify as 'public' serve the society from social rather than from purely economic fronts. If as it appears that the strongest grounds for public enterprises are higher social benefits to society, then public sector

involvement in direct economic activities that are designed by politicians to defraud the same society must not be encouraged. Public enterprises that are used largely for political patronage serve the interests of the very few who control government apparatus at the expense of the society as a whole. In this sense therefore the act of direct involvement in economic activities by governments is undemocratic.

Over three decades ago Cameron wrote of politicians and enterprises:

The kind of men found in the service of the state- and more importantly the kinds of incentives that impel them- are not necessarily those most conducive to economic growth. By their very nature political organizations attract many individuals who have no qualification for getting a job done except their devotion to the party and to dispense political patronage (Cameron, 1967: 322).

Rather than venture into direct economic services Cameron argued that governments had enough duties to occupy it. The health and education needs of the population, and the essential services of rail and high ways must be addressed first. While basic human needs remained grossly under funded and inadequate, successive Nigerian governments invested so much with so little return on direct economic activities. As can be seen below the origins and sustenance of government participation in direct economic activities in Nigeria were politically motivated.

4.8.2 Origins of government participation in direct economic activities in Nigeria

The political parties that inherited political independence in Nigeria had very lean purse. Like the political parties the first generation of state enterprises in Nigeria were established along regional lines. Public enterprises were motivated by the need for regional governments to control the resources in their regions and thus augment party finances. The Northern Region in 1962 formed the New Nigeria Development Company (NNDC) with its headquarters in Kaduna, the regional capital of the north. The Western Region established the Odu'a Investment Company (Odu'a Group) a holding company with head office in Ibadan, the regional capital of the West. The Eastern region established the Eastern Nigeria Development Corporation (ENDC) in 1960. Each of these was a holding company with subsidiaries in banking, agriculture, insurance and transportation.

The regional state enterprises drew their initial capital from state coffers and received regular government subventions. They were largely used for party patronage. Sub-regional interests vied for positions of responsibility in the management of regional enterprises. Competition among regional investment institutions was political rather than economic. Performance was secondary, the appointment of board members and management teams were means of political patronage. The frequent changes in regime meant high turnover of board membership and management teams of public enterprises. The lack of continuity in management policy led to disastrous performance. Since the regimes needed these enterprises as conduits for public funds for political patronage and personal enrichment, the subventions continued to flow to grossly under-performing state enterprises.

4.8.3 Sustenance of public sector involvement in direct economic activities in Nigeria

While the need to raise money for first generation political parties was the original motive, government control of the wealth-spinning oil industry was the most important factor that sustained government direct participation in economic activities in Nigeria. There were two reasons why the oil industry in Nigeria became a symbol of national control. In line with developments in OPEC countries in the early 1970s the oil industry was regarded as too politically strategic to be left in the hands of the private sector. If national control of the oil industry was strategically expedient for OPEC member countries, Nigeria had a more urgent and stronger reason to make the industry a government monopoly. The civil war was fought for the control of oil wealth. The northern dominated Federal Military Government was not expected therefore, to relinquish control of the oil sector to a private sector still largely controlled by the south.

Until the late 1960s governments did not actively participate in oil industry beyond raising taxes paid by oil companies. By 1971 the federal government established the Nigerian National Oil Corporation (NNOC) which took 35% (later increased to 60%) share of existing oil-producing companies. The quest for full control of the oil industry led to the merger of NNOC with the Federal Ministry of Petroleum in 1976 to form the Nigerian National Petroleum Corporation (Decree No 33 of 1976).

The creation of NNPC made Government the owner, the manager, marketer as well as the accounting and auditing officers in the all-important oil industry. When in 1975 Nigeria's military leader General Yakubu Gowon was quoted as saying that money was not the country's problem but how to spend it, not very few commentators were amused at what they regarded as an unguarded statement. Nothing however, could have been more accurate. While the oil boom and its attendant wealth were a blessing, the major problem it created was that of management of huge resources by regimes that were not accountable to the electorate. In its quest for 'how to spend the money' the Government got involved with direct economic activities in virtually every sector of the economy.

The Ajaokuta Iron and Steel plant was started in 1975 with the Soviet Union as technical partners. Two years later in 1977 four more (Aladja, Osogbo, Katsina and Jos Steel Rolling Mills) were added to the list. In agriculture and allied industry Government established River Basin Development Authorities in virtually every State of the federation through which it funded State owned large scale mechanized farming and irrigation projects. If the need for large capital outlay justified Government involvement in establishment of Iron and Steel industries, its involvement in other sectors could only be explained as avenues for political patronage.

The sheer number and size of Federal Governments' owned enterprises was overwhelming. At the end of 1988 there were over 600 Federal Government commercial enterprises in various sectors with over 1433 branches nationwide. This was in addition to 32 Federal Ministries, 125 Parastatals, 24 Federal Universities, and 61 Special Institutions and Research Centres (Goldstar, 2000; CBN, 1999a). Every Federal Government project was virtually replicated by State Governments. In addition to the survival of a number of the old regional institutional investments, each new State that was created after the abolishment of the regional system followed the same pattern of state investment in direct economic activity. The investments extended from agriculture, banking, insurance, transportation, hotels, housing and publishing. Despite the huge investments virtually every sector of the Nigerian economy was still import dependent. Several years after no steel have rolled out of the mills, the nation's national carrier Nigeria Airways had 24 aircrafts in its fleet in 1979 was by 1998 left with only one aircraft.

4.9 Autonomous central monetary authority (central bank independence)

One of the most widely canvassed argument for shielding monetary policy instruments from the political process is that politicians have incentives to exploit monetary policy to their short run electoral advantage. Empirical studies are almost unanimous that allowing a high degree of policy instrument autonomy to the central bank is one sure way to maintain an acceptable level of inflation (Cukierman, 1994). Scepticism regarding the political neutrality of the central Banker led to the concept of inflation targeting. In addition to enacting legislative powers for the independence of the central bank, inflation targeting extends the principal-agent principle to structure a contract between the central bank and the government, mandating the former to use policy-instruments of its choice to keep the inflation at a predetermined optimal level (Walsh, 1995; Svenson, 1997 cited in Berger et al, 2000).

The effectiveness of a legally guaranteed independence of the central bank appears to depend primarily on two factors: that the independence is exercised by reasonably conservative central banker, and that government can not change the rules of the game at zero cost (Berger et al, 2000: 36). If independence of the central bank is so important and yet so difficult to achieve in a democracy, it must be almost impossible in military-civil diarchies as was the case in Nigeria. Yet if democratization must be lifted off the ground the overwhelming power of money and monetary policy must be removed from less democratic political leaderships lest they become perpetuated.

4.10 Independence of the Central Bank of Nigeria

Independence of the central bank is used in this study to describe the existence and effectiveness of a framework that limits the executive from using monetary policies for political gains and against the larger interest of society. Between 1960 and 1970 there were two cases when monetary policy was used as political tool against the opposition in Nigerian politics. As part of its economic blockade of the rebel (Biafran) State, the Federal Government in 1967 changed the *Nigerian Pound Note*. The objective was to

forestall the currency, still in circulation in the rebel Eastern Region, from being used in cross border trade. At the end of the civil war there emerged the problem of integrating the Biafran monetary system into the federal financial system. To achieve this the Gowon regime issued a directive to the Central of Nigeria which required every 'Biafran' to deposit all *Biafran Pounds* in their possession into the bank for conversion to the Nigerian Pound. At the end of the exercise the Federal Government directed the CBN to issue a flat sum of £20 (Twenty Pounds) to every depositor irrespective of the amount deposited (Achebe, 1983: 45-46).

Except for these two isolated cases that could be excused as part of the wartime exigencies the Central Bank of Nigeria remained largely independent in the choice of policy instruments until 1988. The wide range of economic liberalization and deregulation measures following the adoption in 1986, of a Structural Adjustment Programme (SAP) resulted in the emergence of more banks and other financial intermediaries. Federal Government response to this was the announcement in 1988 of administrative and structural changes that effectively brought the CBN under the Office of the military President. These administrative changes were followed in 1991 by the issue of Decrees Nos. 24 and 25 of 1991. Although the canvassed reasons for these Decrees were to strengthen and expand the regulatory powers of the Central Bank of Nigeria to cope with the rapid growth of the financial sector, these Decrees turned out to be the major tool for executive control and eventual erosion of the independence of the Central Bank of Nigeria.

By the above Decree the CBN under the Babangida administration was turned into a mere department in the Office of the President. The provisions of the Decree gave sole authority to the President to appoint, appraise and extend the services of the Governor of the Central Bank of Nigeria, and all members of the Board of the Bank. In addition the President was the sole authority for deciding monetary and banking policies and for issuing directive for its implementation. Section 8(1, 2) of the Decree mandated the Governor to "keep the President informed of the monetary and banking policy pursued or intended to be pursued by the Bank". After due consideration the President "may, in writing, direct the Bank as to the monetary and banking policy pursued or intended to be

pursued and the directive shall be binding on the Board which shall forthwith take all steps necessary or expedient to give effect thereto”.

If the independence of the CBN was limited during the Babangida regime, it was grossly eroded under Abacha’s regime. Although the 1997 amendments (Decree No. 4 1997) removed the CBN from direct control of the President, it was now under the supervision of the Abacha’s Minister of Finance, and the Board was headed by a part time Chairman to whom the Governor reported. By placing enormous powers on the Ministry of Finance the CBN was left with a subjugated role in the monitoring of the financial institutions with little room for the Bank to exercise discretionary powers. In addition regulatory powers over insurance companies was removed from the CBN and vested in another body – the National Deposit Insurance Corporation (NDIC). After the death of General Abacha the Abubarka regime repealed the CBN (Amended) Decree No. 4 of 1997, and replaced it with Decree No. 37 of 1998. The Decree provided a measure of operational autonomy for the CBN to carry out its traditional functions. Specifically section 2 of the 1998 Decree restored the Chairmanship of the Board to the CBN Governor.

The low level of central bank independence was reflected in government deficit spending. As can be observed from Table 4.8, from 1988 when the first laws limiting the independence of the Central Bank were introduced until 1994 the government ran consistent and rising budget deficits.

Table 4.8 Nigeria: Money supply, government deficit and inflation 1988-1995

<i>Year</i>	<i>Money Supply(M1) (₦m)</i>	<i>Govt. Deficit (₦m)</i>	<i>Rate of Inflation %</i>
1980	9227.000	1975.200	9.9
1985	13227.000	3039.700	5.5
1988	21446.000	12160.900	38.3
1990	43540.000	22116.100	n.a
1992	79273.000	39532.500	44.5
1993	124422.000	107735.300	57.2
1994	178440.000	70270.600	57.0
1995	207509.000	(1000.000)	72.8
1996	235577.000	(37049.400)	29.3

Sources: M1 from IFS Yearbook 2001p.784-785; Others CBN, Annual Abstract of Statistics, various years. Figures in parenthesis () are budget surplus.

From N12.16 billion in 1988, Federal deficit spending rose to N22.12 billion in 1990. By 1992 this had gone up to N39.53 billion, and reached an all time high of N107.73 billion in 1993. The deficits were funded largely by printing new money. This was reflected in the rise in money supply (M1) from N13.2 billion in 1985 to N178.4 billion in 1994. Correspondingly the rate of inflation which stood at 5.5% in 1985 rose to 38.3% in 1988. By 1992 it had gone up to 44.5% and peaked at 72.8% in 1995 (CBN, 1998: 154).

In addition to the overwhelming leeway for continuous budget deficits, and the inflationary bias, the undermining of independence of the central bank allowed both the Babangida and Abacha regimes direct access to both domestic and foreign revenues of the nation. Legally, only the CBN had the authority to operate foreign accounts for the Federal Governments. Under Babangida however, handpicked government functionaries (and perhaps their cronies) operated what the government called 'Dedicated foreign accounts'. Dedicated accounts were among other things used to hold moneys from oil windfalls. Oil windfalls were the difference between actual and budgeted oil export revenues as a result of unexpected changes in world oil prices. Withdrawals from these accounts were done by only those nominated by the President. In this way these transactions did not go through the CBN and did not have to be part of the national budget. A Penal headed by a renowned economist Pius Okigbo in 1994 revealed that between 1991 and 1992 US\$12.4 billion drawn from the dedicated accounts were not accounted for anywhere in the national accounts (*The News*, 2000a; see also *Wealth Recovery*, 2001).

The abuse of central bank independence under the Abacha regime was largely domestic. Abacha's sudden death in 1998 left his Ministers unprepared to defend their financial recklessness. Five top functionaries of the Abacha regime including the Finance Minister, to whom the CBN governor reported, fearing reprisals from the incoming government voluntarily returned over US700 million they appropriated to themselves while in office. The Minister confirmed to a BBC reporter that US\$1.3 billion was irregularly withdrawn from government funds during General Sani Abacha's regime. (BBC World, 1998).

4.11 Conclusion

If there is one thing every distant observer knows about Nigerian politics it is that the military has dominated the country's politics. In this seemingly long chapter it had been necessary to explore the democratic process under what orthodox analysis would regard as nothing near democratic. Military insubordination to civil authority as exposed in the analysis has had its origins in an apparent ethnic struggle for power. Its sustenance has however, been a function of intra-class struggle – a struggle within the same ruling class across ethnic lines for the control of the nation's oil wealth. Factions of the ruling class are found both inside and outside the military. Democratization process under this setting, and across all the institutional frameworks, had produced military-civil diarchies in which 'selective' processes were as important as elective processes. A meaningful assessment of the democratization process in Nigeria should therefore incorporate both 'Selection' and 'Election'. The central issues raised here are: 1) What level of democratization did the above institutional framework offer to Nigerians? What was the nature of major political events that took place under the circumstances reviewed above? And how might those events be employed to identify and measure the level of various dimensions of democratization in Nigeria? These questions are addressed in an attempt to construct indices of democratization for Nigeria in Chapter five.

CHAPTER FIVE

INDICES OF DEMOCRATIZATION FOR NIGERIA

5.1 Introduction

This chapter describes in detail how four primary and two composite indices are constructed. Section 5.2 outlines existing measures of democracy and provides reasons why they are not suitable for the purpose of this study. In section 5.3 four important dimensions of democratization in Nigeria are identified and their indicators outlined. Section 5.4 discusses the primary data for the indices, while section 5.5 outlines the scales and the scoring system for the indicators. The concluding section, 5.6 summarises the indices and presents the justifications for their construction.

5.2 Applicability of existing measures of democracy for the study

To date, the most widely used quantitative measure of democracy is Raymond Gastil's indices of political freedoms and civil liberties²⁹. Recent empirical analyses using Gastil's data include Barro (1999, 1997); Goldsmith (1995; 1994); Burkhart and Lewis-Beck (1994), Starr (1991); Boswell and Dixon (1990); Gonick and Rosh (1988); Arat (1988), and Vorhies and Glahe (1988). Using Confirmatory Factor Analysis (a method which tests for random or systematic measurement errors in variables) Bollen found that of eight democracy variables from Banks (1979), Sussman (1982) and Gastil, "the variables with the highest validity are Gastil's political rights and Banks's freedom of group opposition (Bollen, 1993: 1219). Almost twenty years ago, John Bilson (1982: 97) considered that although Gastil's index was subjective, the margin of error was "reduced by the

²⁹ This is because the other measures are either one period or decade summaries (Vanhanen, 1997, Hadenius, 1992). In a number of others (Hewitt, 1977, Jackman 1974) Nigeria was not among the countries assessed.

experience of the Freedom House organization in the construction of the index, and by the review of the rankings by a distinguished panel of academics". Further popularity of the Gastil's measures was demonstrated by a record 35 citations in the 1990 edition of Social Science Citation Index³⁰.

With all its good credentials of availability of a continuous measure of the level of democracy, the Gastil Index had been found to suffer from very low variability (Fedderke, *et all*, 2001). For a measurable relationship between two indicators there must be variation in both. Despite the preponderance of evidence of an oscillating political development in Nigeria since its independence (Sklar, 1997: 16-28), and in many other African countries evaluated by the Gastil Index, the measure remained static, assigning virtually same level of ranking for several consecutive years. From 1972 when the Index was first constructed to 1979 the rankings for both political freedom and civil liberty remained steady at 'partly free'. Between 1979 and 1984, it stood stationary, ranking 'free'. Another stationary state followed for three years. Variation in the ranking did not improve until 1998.

The lack of variability in the Gastil indices is a direct consequence of the measure as a product and not a process. It was obvious that the ranking despite the procedural claim of detailed coverage of numerous dimensions of democratization had actually placed undue emphasis on *Elections*, for only in the periods where elections took place did the index show any sign of movement from its customary steady state. In addition to its low variability, all studies that used the Gastil indices were concerned with cross country comparative analyses, employing mainly cross-section data. In most of these analyses point scores for a particular year or decade averages of the level of democracy in various countries were compared. In this study the concern is democratization – a process, not a product.

In what ways then could democratization be measured in Nigeria? A meaningful measure of democratization in societies as Nigeria where the level of actual political freedoms had been low despite continuing attempts and struggles to install democracy, should move beyond the 'snapshot approach' in order to capture major occurrences along the process.

³⁰ For more evidence of the appeal of the index to researchers see Goldsmith, 1995: 163-164).

Exclusive emphasis on the end product of actual freedoms enjoyed by citizens misses the point and value of those freedoms denied, the foundations of their denial and the beneficial implications of learning from such past experiences. It also misses the intense struggles by an array of pro-democracy activists against military dictatorships and/ or military-civil diarchies in the country. Such undue emphasis on actual freedoms underplay the foundations the struggles laid for political development in the future. A measure of democratization for Nigeria which ranked 1999 as a free (democratic) society simply for the fact that a democratic election led to transition from a military government (Abubarka regime) to a civilian (Obasanjo regime) administration while scoring zero for the turbulent years of the Babangida and Abacha regimes fails to acknowledge the democratic contributions (input) of the deluge of local and international pressures that were brought to bear on the repressive regimes. Just as the presence of the inputs feed the democratization process, the absence of these inputs in themselves slowed down, derailed or even aborted entirely the desired democratization process. It is important therefore that a meaningful measure of democratization capture these dimensions.

5.3 Dimensions of democratization in Nigeria

The measure of democratization for Nigeria which I construct for this study is described below. It takes into account the most important dimensions of democratization process in Nigeria since political independence. Two basic assumptions form the building block for the identification of the relevant dimensions of democratization in Nigeria:

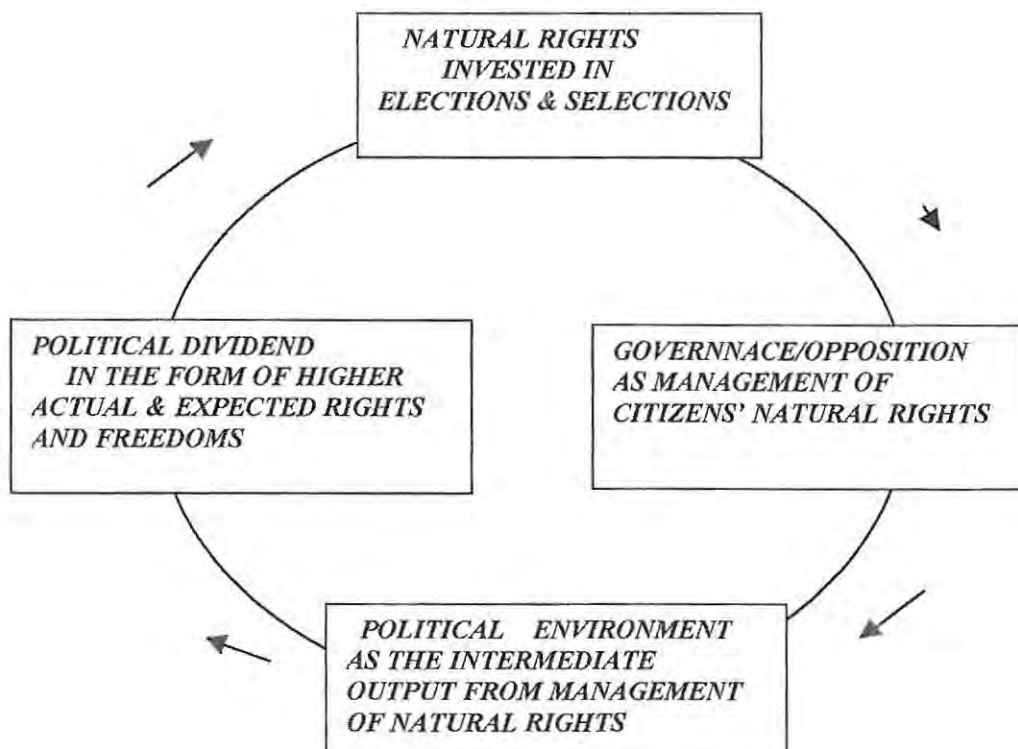
1. All political powers reside in the natural rights of Nigerian citizens. Adult suffrage however ensures that those who exercise power are by age, mentally capable of doing so.
2. The natural rights of Nigerian citizens are the sole input they *invest* in the political process. Citizens have expectations of dividend in the form of higher levels of rights and freedoms from which the next round of investment is to be made.

In articulating the measure of democratization a monologue is employed to identify the most relevant of the numerous dimensions of democratization in Nigeria:

- By what means were political power controlled /captured - (Elections/ Selections)
- What institutions did elections/selections produce - (Governments/Opposition)
- What did governments/opposition offer the electorate - (Political environment)
- What did the electorate enjoy from political environment - (Political dividend: Rights and Liberty to Participation and, and/or Hope for both).

As illustrated in figure 5, the democratization process therefore revolves around four main dimensions. The first is the political input level in the form of electoral and 'selectoral' processes by which political power is achieved and maintained by political stakeholders. Electoral processes result from wider distribution of natural rights while *selectoral* processes are indicative of more concentration of rights. In other words there would be more electoral (*selectoral*) processes the higher (less) the democratic content of a political system. Both elections and selections expressed the investment of rights and delegation of authority to the 'elect' and 'select'. The second level involves governance as management of citizens' investible rights, the responsibility of which is shared among the executive, legislative and judicial arms. These responsibilities become more (less) separated with mutual respects the more (less) democratic content a system has.

Fig. 5. The Democratization Process



The political environment - the third level - represents the intermediate output produced by the interaction of electoral and selectoral processes by which power is achieved, and the nature and quality of governance. As with any investment, the fourth level consists not only in the actual rights and liberties that could be enjoyed by citizens but also the expectations for future rights that enable them to make input in the next round of the process. As argued earlier, every political system goes through these processes irrespective of whether the dominant regimes are military-civil diarchy, military-personal dictatorship or democratic civilian. Thus by whichever way democracy is defined four measurable dimensions of democratization in Nigeria can be identified as Power Change, Quality of Governance, Political Environment, and Democratic Dividend.

5.3.1 Power change

This is defined as the process by which political stakeholder(s) captured and/ or maintain power. The relevant variables here are *Elections* and *Selections*. Elections include Federal, Regional, State and Local Government electoral processes (including plebiscites) whether organized by a military or civilian regime. Election is measured in terms of regularity, inclusiveness, openness and fairness. An election is considered regular if it takes place not later than the constitutional expiration of the incumbent legitimate term in office. Elections are inclusive to the extent that all adults of constitutional voting age are allowed to participate. They are open to the extent that all adults of constitutional voting age are allowed to contest for any political office and fair to the extent that there are no coercion of voters and no corruption in the counting of votes cast. Plebiscites by nature do not involve any contest for office, neither are they meant to be regular. They are therefore rated on the basis of inclusiveness and fairness.

Selections on the other hand are not constitutionally determined but come about as a result of intra-military struggle for power in Nigeria. Far from being a monolithic one-voice political stakeholder, the Nigerian military was (and still is) as divided and politicised along cultural, ethnic and ideological lines as were the formal political parties. In every attempt to change an incumbent regime the military posed as the guardian of democracy and promised a quick return to civil rule. And in each of these occasions open support for the power change was not lacking among other political stakeholders. The

point made here is that military coupd'e'tat as a selective process of power change was part of the democratization process in Nigeria.

Selection is defined here to include all successful and unsuccessful attempts to change an incumbent regime whether the incumbent regime was elected or selected. It also includes such minor changes in executive positions of preparatory democratic institutions such as Electoral Commissions, Transition to Civil Rule Committees, Population Commissions etc. Selection is evaluated on the basis of how peaceful or violent the process is. It is peaceful to the extent that it does not generate protests and violent to the extent that it results to or come about by bloody (loss of lives) process. That a change is violent does not necessarily mean the resultant regime has less democratic content than one that came through a peaceful means. However, the act of violence in the selection process though unavoidable in some cases is destabilizing, at least temporarily. Thus while violent selection carries a negative score for democratization, the quality of governance of the regime resulting from it may still be positive. Table 5.3.1 shows a detailed checklist of the bases for ranking the indicators relating to Power Change.

Table 5.3.1: Checklist of democratization Index for Nigeria- Power Change

<i>VARIABLES</i>	<i>INDICATORS</i>	<i>CHECKLIST OF BASES FOR RANKING</i>
A: Elections	A1: Regularity	A1i: Election held every constitutional due year; A1ii: If not how long from due date
	A2: Inclusiveness	A2i: Constitutional voting age limit; A2ii: Eligible voters prevented from voting by electoral administrative lapses and /or threat from opposition
	A3: Openness	A3i: Special requirements of age, education, ethnic or geographic background, for eligibility to contest political office; A3ii: Any ban on some people from political participation
	A4: Fairness	A4i: Actual or threat of coercion of voters; A4ii: Unlawful inducement of voters; A4iii: Irregularities and/ or outright corruption in vote counting and release of results
B: Selection	B1: Peaceful	B1i: Selection appealed to citizens and/or political stakeholders; B1ii: Extent of national support for selection process
	B2: Violence	B2i: Selection resulted to loss of life and property; B2ii: Selection greeted by violent protests; B2iii: Extent of national coverage of protest against selection or removal

5.3.2 Quality of governance

As noted above the responsibility of governance is shared between the legislature which makes laws governing the conduct of political and administrative office holders, the executive which implements government policies as approved by the legislature, and the judiciary which administers justice on the bases of existing laws of the land. The variables of governance therefore, are *Executive Quality*, *Legislature Quality*, and *Judiciary Quality*.

*Table 5.3.2: Checklist of democratization
Index for Nigeria- Quality of Governance*

<i>VARIABLES</i>	<i>INDICATORS</i>	<i>CHECKLIST OF BASES FOR RANKING</i>
C: Executive Quality	C1: Consultation with Opposition and or other political Stakeholders in major policy matters	C1i: Open debate on major policy issues; C1ii: Body set-up to obtain public opinion on matters of public interest; C1iii: Findings of such bodies made known to the public
	C2: Civil participation in executive functions	C2i: Civilians as chief executives of Federal, Regional, State, and Local governments and government parastatals; C2ii: Civilians as chief executive officers of strategic public enterprises
D: Legislative Quality	D1: Legislative Independence	D1i: Legislature elected and legally technically separate from the executive D1ii: Legislature elected but not technically separate from the executive D1iii: : Legislature not elected and not separate from the executive
	D2; Legislative Function	D2i: One-party legislature; D2ii: two-party legislature D2iii: multiparty legislature
E: Judiciary Quality	E1: Constitutional support	E1i: Constitution fully in operation; E1ii: Constitution partly suspended; E1iii: Existence of ouster clauses
	E2: Independence of executive intervention	E2i: The likelihood of political stakeholders or individuals critical of federal government policies getting fair justice outside their areas of political influence; E2ii: Executive obedience to court orders and unfavourable judgments; E2iii: Career prospect of judges who pass unfavourable judgment likely to suffer e.g. sacking (by executive fiat) a judicial officer without due process of the law.

Executive quality is measured by two indicators: *Consultation* with opposition and/ or major political stakeholders in crucial policy decision-making, and *Civil participation* in executive functions in all tiers of government. Since democracy is about the greatest good for the greatest number, the wider the executive is prepared to consult with other political stakeholders before making a crucial political decision, and the more the number of civilians that are brought into executive decision making positions in a military-civil diarchy for example, the higher the likelihood that such decisions are in the political interest of the greater majority.

Legislature quality is assessed on the bases of two indicators *Legislative Independence* and *Legislative Function*. Legislative Independence attempts to identify the existence of an elected legislature with legal/ or technical backing separating it from the executive. Legislative Independence recognizes the dual role of the legislator as both a lawmaker for the entire nation, and a representative of his constituency's political interest. To balance these roles the laws he supports must be in the interest of his constituency, and to act as check on the possible excesses of the executive the independence of the legislature must be guaranteed by law. A presidential system exemplifies a complete separation of powers among the arms of government. In a system where both arms (legislative and executive) of government share membership (as in the parliamentary system of Nigeria's first republic) the legislature, technically speaking is hardly separate from the executive.

A legally constituted legislature separate from the executive arm of the government is not necessarily a guarantee that its functions are not prone to executive interference. The larger the range of interests represented in the legislature, the more difficult it will be for the executive to exert undue influence in the functions of the former. Legislative function is therefore measured by the number of parties represented in the legislature.

Judiciary quality is measured by *Constitutional support* and *Independence* from executive intervention. For the Judiciary to effectively dispense justice the existing constitution has to be in full force. A partially suspended constitution ties the so-called long arm of the laws of the land and judicial officers are made victims of a very poor tool for their work. The existence of a fully operational body of laws does not however, guarantee efficient dispensation of justice. The Judicial system needs to be independent of executive

intervention of all sorts and judicial officers' career prospects should be made independent of executive patronage. A detailed checklist of the bases for measuring the indicators relating to Governance is presented in Table 5.3.2

5.3.3 Political environment

A preferred political environment for democratic development is one that is potentially and actually stable, which enables the expression of political views that not only enhances democratisation but also those that attack undemocratic institutions and actions within the framework of democratic laws. Potential stability derives from the capacity of a system to recognise and allay the fears (of political stakeholders that are not in power) that generate disagreement and agitation. Potential stability does not necessarily guarantee actual stability.

Political Environment is assessed on the bases of three variables: the *Potential* for stability, *Actual* level of stability, and the level of *Democratic struggle*. Political environment is potentially stable to the extent that there is agreement among Political Stakeholders on current socio-political order especially as it affects resource allocation. In the political history of Nigeria revenue allocation remains dominant as a tension-generating factor.

There are two dimensions to the politics of revenue allocation: disagreements among on the one hand, the tiers of government and on the other, geographical areas that lay claim to resource-generation. Agitations for resource allocation centre on the pros and cons of the principle of derivation. Derivationists understandably represented by oil-producing communities argue that resource control is a basic requirement for a true federalism and natural law, in which the federating units has their rights to primarily control the natural resources within their borders and make agreed contribution towards the maintenance of central public services. Anti-derivationists on the other hand, argue for a strong central government where no federating unit, by virtue of an accident of historical location receives undue financial strength capable of threatening the national interest – of keeping Nigeria one.

Conflicts among political stakeholders in Nigeria manifested in various ways including among others, coup d'états and counter coup d'états; ethnic and religious violence; environmental protection campaigns; and civil boycott of government organized programmes. However, any one of these manifestations that had the capacity to threaten the very existence of the unity of Nigeria had its remote and/ or immediate causes traceable to revenue allocation.

Along this line of resource allocation as tension-generating factor, every Nigerian Government had tried to allay the fears of domination and mitigate the effects of perceived/real 'marginalization' of minority political stakeholders. Among the measures adopted were the creation of Regions, States, and Local Governments to bring government presence (which in real terms amounts to resource allocation) closer to a hitherto neglected people. Other measures were constitutional provisions to ensure that religion was politically neutral; and party constitutional and administrative provisions to ensure that a party was not organized in such a way that it was seen to represent only the interest of one ethnic group.

To capture the level of *Potential Stability* therefore two indicators - *Tension-Generation* and *Tension-Alleviation* are employed. High (low) levels of agitation indicate a low (high) level of potential stability. Similarly the higher the capacity of political system to respond and allay the fears of domination, the higher the potential for stability.

Actual stability is a function of peaceful coexistence and accommodation of all shades of political opinions without coercion by the government. It is the high level of tolerance that allows a government to survive its term however undemocratic that government is. Actual level of stability is measured by two indicators: *Law and Order* with minimal coercion, and *Crisis and Instability*. The latter is a mirror image of the former and it is therefore treated as a negative factor of democratization. *Law and Order* is captured by the frequency of disruption of government. The relevant question here is whether a government, constitutionally elected or legally selected lasted its term. If a government is produced by selection, its term is taken to be the same as that which it replaced. The higher the frequency of disruption, the lower the level of political stability.

Table 5.3.3: Checklist of democratization Index for Nigeria- Political Environment

<i>VARIBLES</i>	<i>INDICATORS</i>	<i>CHECKLIST OF BASES FOR RANKING</i>
F: Potential for Stability	F1: Tension-Generation	F1i: Clamour for creation of Regions, States and Local Governments; F1ii Clamour for Revenue-Allocation formula to be based on derivation, F1iii: Disagreement over constitutional provisions for a State religion; and F1iv: National character of Political Parties
	F2: Tension-Alleviation	F2i: Creation of Regions, States, Local Governments; F1ii: Adjustments to Revenue-Allocation formula to reflect derivation; F2iii: Upholding secularity of the Nigerian State
G: Actual level of Stability/Instability	G1: Law and Order with minimum coercion	G1i: Absence of violent change of Government
	G2: Crisis and Instability	G2i: Frequency of Public Sector Industrial and Student Unrest; G2ii: State of emergency declared in any part of the country; G2iii: Outbreak of war
H: Democratic Struggle	H1: Organizational Framework for Democratic Struggle	H1i: Extent and number of PDAs and NGOs. actively resisting undemocratic political order
	H2: Actual Democratic Struggle	H2i: Number, extent and duration of Organized Struggles against undemocratic political decisions by PDA's

Crisis and Instability is indicated by the frequency of public sector industrial unrest, a declaration of state of emergency, and in the extreme case, the outbreak of civil war. Although stability is desirable for a healthy political environment it did not preclude organized resistance against anti-democratic institutions. Agitation, especially by pro-democracy activists (PDAs) against for instance, the annulment of a democratic election by a military represented democratic struggle. Democratic struggles also included peaceful attempts at resolving disagreements among Political Stakeholders.

The level of *Democratic Struggle* is predicated upon the existence of *Organizational Framework* for the struggle and the *Actual Struggles* that took place. The framework for democratic struggles in Nigeria for the period under review was provided by the non-governmental organizations (NGOs). Among the numerous NGOs two groups - human rights organizations (HROs) and PDAs - were the most actively involved in challenging

anti-democratic political decisions of government albeit easily distinguishable by their relative relevance to democratic struggle.

While the former employed mostly verbal (and sometimes published) condemnation to express their disagreement with undemocratic actions of government the latter physically challenged government actions by coordinating nation-wide strike actions, engineering civil disobedience and mass boycott of government sponsored programmes. They issued ultimatum to selected governments that had overstayed their corrective terms, used litigation to unseat these governments, ran anti-government propaganda through covert mobile media stations, and sponsored international sanctions against selected governments. In Table 5.3.3 a checklist of the bases for evaluating Political Environment is presented.

5.3.4 Democratic dividend

Democratic dividend is defined as the end product of citizens' investible natural rights and is captured by two variables, the actual level of *Liberty* enjoyed by citizens, and the expectation of future liberties here referred to as *Democratic Hope*. In countries where the actual levels of freedoms are low as in Nigeria, democratic hope becomes very crucial. Without it those who fought to resist undemocratic institutions would simply give up.

In the absence of democratic hope the only option is a helpless acceptance of authoritarian political systems, that soon become entrenched and then legitimised. Several times in the political history of Nigeria the hope for a better tomorrow had averted justifiable anarchy and helped to keep the country in one piece. Only the concept of democratic hope could explain the resilience of the Nigerian electorate under the protracted transitions to democracy that stretched from 1986 to 1999.

The indicators of liberty include *Organizational freedoms* and *Individual freedoms*. Democratic hope is indicated by *Pronouncements* and *Commitment* to democratic principles. Political pronouncements that enhance democratic hope include promises of return to civil rule and/ or restatement of such promises by military regimes. On the contrary renunciation of and/ or renegeing on such promises diminish democratic hope.

Commitment to democratic norms include all administrative and policy actions by a government to empower the citizenry for political participation. These include bringing governance closer to the citizens by Regional, State and Local Government creation, and the extension of political education to the people by the establishment of preparatory democratic bodies. Conversely, dismantling of existing democratic institutions and the existence of 'hidden agenda' demonstrate a low level of commitment to democratization. In Table 5.3.4 a checklist of the bases for evaluating democratic dividend is presented.

Table 5.3.4: Checklist of democratization Index for Nigeria- Democratic Dividend

<i>VARIABLES</i>	<i>INDICATORS</i>	<i>CHECKLIST OF BASES FOR RANKING</i>
J: Liberty	J1: Organizational Freedom	J1i: Freedom to form/ establish, run/practice media houses, religious organizations, non-governmental organizations (NGOs), pro-democracy organizations, and trade unions in any part of the country; J1ii: Freedom to publish, broadcast all shades of opinion without government censorship in any part of the country; J1iii: Freedom to advertise and solicit for membership of non-governmental organizations in any part of the country; J1iv: Growth in the number of pro-democracy organizations
	J2: Individual Human and Minority Rights	J2i: Freedom to live and practice lawful trade with equal status as any one else in any part of the country; J2ii: Freedom from harassment including unlawful detention and imprisonment by law enforcement agents; J2iii: Freedom to associate with any lawful organization privately or publicly; J2iv: Freedom of minority to have their say and protest the will of the majority; J2v: Freedom to join organized protests/ strikes without threat of job loss
K: Political Hope	K1: Pronouncements	K1i: Promises of return to civil rule by military regimes, military-civil diarchy; and K1ii: Restatement or denunciation of earlier promises
	K2: Commitment	K2i: Empowerment policies such as creation of new governmental administrative at the grassroots level; K2ii: Establishment of preparatory democratic bodies; K2iii: Poverty alleviation programmes that empower the citizenry; and K2iv: Success of transition

5.4 Primary data for the indices

Since democratization is presented in this study as a process and not a product, its development can only be captured in all major political activities by, and involving or targeted at major political stakeholders. The starting point of the operationalization of the measure of democratization is therefore, a census of major *Political Events* that shaped the nature and exemplified the process of the struggle for the exercise of power in Nigeria since independence. This is presented in a chronological order in Appendix 5A.

Where the dates of such events overlap in their month of occurrence they are recorded under 'Other developments'. These historical political milestones are very crucial in the analyses and ranking of the quality of Power Change, Governance, Political Environments, and Democratic Dividend enjoyed by Nigerian citizens during this period. The actual events are recorded in column two of Appendix 5A. The effects of these events on each of the four dimensions of democratization are analysed in columns 3-6. An event is considered political if it involves one or more *Political Stakeholders* and has effects on the variables/indicators of the four dimensions of democratization outlined above.

The term *Political Stakeholders* is used here to refer to organized groups that represent and articulate the political interests of their members, and which play active political roles in shaping the political development in the country. Although individual political stakeholder's actual interest and mode of political expression differed during the period under study, they overlapped in their claim to the protection and defence of the ideals of democracy. When labour embarked on an industrial action, its leaders claimed it was their political rights to do so. When the military overthrew an elected civilian regime they claimed they had come to restore political discipline, combat corruption, and to lay a solid foundation for democracy. Political high-handedness by governments, military or civil was defended as acting in the interest of national unity and democracy. When traditional rulers protested their 'under-utilization' to the Political Bureau, they did so on behalf of their subjects, the rural majority of Nigerians whose political voice could not be heard.

In addition to political parties, the most relevant political stakeholders in Nigeria for the period under review included the following:

The military
Federal governments
Regional/ State and Local governments
Trade union organizations
University student unions
Traditional rulers
Ethnic and cultural organizations
Pro-democracy activists (PDAs)

Political parties as organs for the articulation of group political interests are very important in the political development of any country. In an underdeveloped political system as Nigeria the number of political parties are very small. Contrary to popular view however, the limited number of political parties and the frequent exclusion of a number of them from active politicking by the military umpires did not necessarily create 'political monopoly' by the Military as one distinct political stakeholder in the struggle for power. It merely made such struggles less competitive. In their absence, other political stakeholders were actively involved in the struggle for power. The growth of these groups helped to broaden political participation and competition in the absence of a fully developed party system. They also shared, albeit in varying degrees, in the failures as well as successes of the continuing struggle for democratization. The political events recorded in Appendix 5A centred on the struggles by these stakeholders to influence power change, governance and the political environment in order to acquire higher levels of rights and freedoms (and hopes for those now unattainable rights) for their members.

Conspicuously missing from the list of political stakeholders is religious organizations. Evidently, political parties in Nigeria were criticized as exhibiting religious biases, and a number of civil disturbances involving different religious groups were given political connotation. In the course of this study, the temptation was indeed great for the inclusion of religious organizations as a major political stakeholder. However, the apparent religious undertones in Nigeria's political history is a coincidence of the fact that there are more Muslims in the North which had produced majority of the country's political leaders. Not a few scholars of Nigerian politics share the view that politicians had indeed manipulated the religious factor to their personal advantage (Bako, 1997: 284). Yet, the

politicians themselves are not united by a common religion. Were religion to define political loyalty, Muslims of different ethnic groups in Nigeria would be united politically. But they hardly are: Abiola, the acclaimed winner of the 12 June 1993 elections was a Muslim, the two central figures in the annulment, the incumbent at the time General Babangida, and the ultimate beneficiary General Abacha, were both Muslims. Ordinary Nigerians cohabit irrespective of their religious beliefs, when they fight they do so more along ethnic than religious lines.

In addition to the above primary data, secondary data on state creation, revenue allocation and industrial unrest constitute part of the input for the construction of the democratization indices.

5.5 Scales and scores for the indicators

Except for those for which modified scoring system had been applied, all indicators are ranked on a 25-point scale, ranging from excellent (21-25) through very good (17-20), good (13-16), fair (9-12), to poor (5-8), and very poor (1-4). The justification for this seemingly wide range is that the events themselves covered a variety of what appeared to represent very high to the very dismal democratic content. The wide range therefore ensures a level of variability consistent with the actual events. An indicator retains its score for the previous year if no major event took place to alter its quality significantly. In addition to the above scoring technique, elections, selections, and legislature quality need special treatment. The absence of regular democratic elections and the dominance of military-civil diarchies in Nigeria's political history also meant elected legislatures had been less than a regular feature in the nation's democratization process.

To accommodate the fact that elections and selections were not annual occurrences the scoring system is modified: if an election takes place in year one another election is not expected (but could happen) before end of the term of the office holders. The years before the next election is due takes the same point as the score of the election year regardless of whether the elections are staggered and/or overlap across years. If however an election is due for example, after four years and none takes place then the next election period (fifth to eighth years) scores the lowest rung of the next lower range with subsequent years for

which there is no election scoring lower points. The idea here is that the longer elections are delayed the longer the period for which the incumbent government rule without determinable mandate. Plebiscites are not scored for the years they do not occur. To score selection for the year it did not occur, it is recognized that since they take place as corrective power change the governments they give rise to are not expected by the citizenry to stay in power for more than the current tenure of the government that they replaced. Beyond this corrective period, citizens will welcome any power change even if it is by another selective process. This is the reason behind the virtual applause that has followed every military coup'd'etat in the political history of Nigeria. Thus selection scores in the years outside the corrective period take a higher grade than that occurring within the corrective period.

In measuring *Legislature Quality*, the military in Nigerian politics is treated as a Party, with its own political interests. *Legislative Function* in a military-civil diarchy is scored as in a one-party system and *Legislative Independence* as in a system having un-elected legislative and executive arm as one body. A score of 15 is given for legislative independence as well as legislative function for any year in which there is an elected legislature backed by constitutional and technical separation from the executive, and in which there is a multi-party-legislature respectively. A system is multi-party if at least three registered political parties are represented in elections. A score of 10 is assigned to legislative independence as well as legislative function for any year in which there is an elected legislature with constitutional but no technical separation from the executive and in which the legislature is two-party. Finally a score of 5 is given for legislative independence as well as legislative function for any year in which there is an un-elected legislative body with neither constitutional nor technical separation from the executive and in which only one party is represented. The number of demands for new States and the percentage of revenue demanded by derivationists are taken to be indicators of tension generation. The actual number of states and actual percentage of revenues allocated on the basis of derivation constitute the data for tension alleviation. Appendices 5B and 5C show respectively the historical developments in revenue allocation formula and state creation since 1960.

The score for tension generation is calculated as the difference between demand and actual number of states as a percentage of demand i.e. the percentage of unfulfilled aspiration. The level of tension alleviation is determined by how close the system comes to meeting these demands. Thus the actual number of states created as a percentage of number of demands constitute tension alleviation due to state creation. Same is done for actual as a percentage of demand for allocation of revenue on the basis of derivation. The average of these two is converted to a 25-point scale to arrive at the score for tension alleviation. This is summarized in Appendix 5D.1.

Assuming a four year term, to score *Law and Order* 20 points is given for every year of the term if an elected government survives its full term; 15 points for each of the first three years if the government is disrupted in the last (4th) year of its term; 10 for each of the first two years if the disruption is in the third. Five points is assigned for the first year where the disruption takes place in the second year and zero where the government does not last a full year. If a selected government is succeeded by an elected government within its corrective term 12 points is assigned for every year it lasts, 9 points (6 points) for every year if it is disrupted after three (two) years. Three (zero) points is awarded to each year if the disruption occurs in the second (first) year.

Beyond the corrective term³¹ of a selected regime, what the citizens want is a removal of the government even if by another selection. Its continuation therefore is potentially unstable and should therefore reduce the actual stability. This potential instability may however, be remedied if there is a programme to transit to an elected government. Thus for every year within (beyond) the corrective term of a selected regime in which there is an on-going transition to civil rule programme, a score of 9 points (3 points) is awarded. Finally 2 points is given for every year within the corrective period for which there is no transition programme. Details on constitutional/ corrective terms and actual period each regime spent in power are presented in Appendix 5D.2.

To score *Crisis and Instability* three factors are considered in the order of the relative importance of the indicators for their role in destabilizing the democratic process. Every year in which there is an outbreak of civil war for at least four months, is scored 20

³¹ The corrective term of a selected regime is the equivalent of one term of the administration it changed.

points. It gets 15 points if there is a state of emergency declared in any part of the country irrespective of how long this lasted before resumption of normal governance. The number of workers participating in industrial action is converted to a 12-point scale (1-12) by a range of 100, 000 to arrive at the score for crisis and instability caused by industrial unrest. The details of the above are shown in Appendix 5D.3. The number of NGOs actively challenging undemocratic actions constitute the data for scoring *Organizational Framework* for democratic struggle. Because of their relative importance to democratic struggle HROs were weighted 5 while PDAs were weighted 10. The resultant data are converted to a 25point scale (1-25) to agree with the general scoring technique. These are shown in Appendix5D.4. All other indicators are scored by evaluating their quality based on the events recorded in Appendix 5A.

The annual score for a variable is obtained by a summation of the scores of the indicators of the variable. Where applicable the score for a negative indicator is subtracted from the total. Similarly the score for the dimension is the summation of the scores of the variables. Four primary and two composite indices in line with the dimensions are obtained as shown below. The highest score for a variable is 25, and the highest score for a dimension is 100. In the case of Quality of Governance where there are six variables the score is converted into a 100 scale by dividing the sum by 150 (25 x 6) and multiplying by 100.

In the first of the two versions of the composite index (DIN_1), the score is obtained by a simple average of the scores of the dimensions. In this version, democratic variables complement one another, a recognition that the various dimensions of democratization are complementary. The second version (DIN_2) is obtained by the product of the scores of the dimension. In this version the variables do not complement one another. In fact as can be seen mathematically, should one dimension return a negative score the composite index automatically is negative. This approximates the absolutist view that a military regime for example cannot, by definition have any form of democratic content. The analyses in this study uses the first version.

In all cases the higher the score for the index the more democratic the system is taken to be. The formula for calculating the scores are shown below.

$$\begin{aligned}
 GINC &= \textit{Election} + \textit{Selection} \\
 &= \underline{\textit{Regu} + \textit{Incl} + \textit{Open} + \textit{Fair} + \textit{Peace} - \textit{Violt}} \quad \dots \quad (5.21)
 \end{aligned}$$

$$\begin{aligned}
 QIG &= \textit{Executive Quality} + \textit{Legislature Quality} + \textit{Judiciary Quality} \\
 &= \underline{\textit{Oconsult} + \textit{Civipart} + \textit{LegInd} + \textit{LegFtn} + \textit{Conspport} + \textit{JudInd}} \times 100 \\
 &\qquad\qquad\qquad 6 \times 25 \qquad\qquad\qquad \dots \dots \dots \quad (5.22)
 \end{aligned}$$

$$\begin{aligned}
 PIE &= \textit{Potential Stability} + \textit{Actual Stability} - \textit{Democratic Struggle} \\
 &= \underline{\textit{Talv} - \textit{Tgen} + \textit{Lorder} - \textit{Crinst} - (\textit{Ofds} + \textit{Acds})} \quad \dots \dots \dots \quad (5.23)
 \end{aligned}$$

$$\begin{aligned}
 PID &= \textit{Liberty} + \textit{Democratic Hope} \\
 &= \underline{\textit{Orgfree} + \textit{Indfree} + \textit{Promt} + \textit{Commit}} \quad (5.24)
 \end{aligned}$$

Where:

PID = score for *Index of Democratic Dividend*; *PIE* = the score for *Index of Political Environment*; *QIG* = score for *Index of the Quality of Governance*; *GINC* = the score for *Index of Power Change*; *Oconsult* = scores for consultation with opposition/ major political stakeholders in crucial policy decision-making; *Civipart* = score for civil participation in executive functions; *LegInd* = score for legislative independence; *LegFtn* = score for legislative function; *Conspport* = score for constitutional support; *JudInd* = score for independence of the Judiciary; *Tgen* = score for tension generation; *Talv* = score for tension alleviation; *Lorder* = score for law and order; *Crinst* = score for crisis and instability; *Ofds* = score for organizational framework for democratic struggle; *Acds* = score for actual democratic struggle; *Orgfree* = score for organizational freedom; *Indfree* = score for individual freedom; *Promt* = score for pronouncement; *Commit* = score for commitment.

The composite index of democratization

There are two broad ways of arriving at a composite index (Vanhanen, 1997: 38). One is the compensatory additive formula, the other, the non-compensatory multiplicative formula. The former derives from the assumption that the various dimensions of

democratization are complementary with improvement in one helping to lift the other. Here a simple summation or the arithmetic average of the scores of each dimension approximates a composite index capable of exhibiting all necessary characteristics of the original scores. This is the composite measure that accords with democratization as defined in this study. In the latter however, the dimensions are absolute. Each is seen as not only a necessary prerequisite but also one which high quality does not compensate for another's low quality.

$$DIN_1 = \frac{GINC + QIG + PIE + PID}{4} \dots\dots\dots (5.25)$$

$$DIN_2 = GINC \times QIG \times PIE \times PID \dots\dots\dots(5.26)$$

where *DIN* = the score for composite *Democratization Index for Nigeria*; *GINC*; *QIG*; *PIE*; and *PID* are as defined above.

The scores for the indices following the formulae in equations 5.21 to 5.26 are presented in Appendices 5E.1, 5E.2, 5E.3, 5E.4, and 5E.5.

5.6 Conclusion

What is new in these indices, one may ask? Obviously, not the absence of subjectivity. An index of democratization which can claim total immunity from subjectivity is yet to be constructed. Neither is there a set of variables and indicators considered the only ones capable of capturing democratic developments in any country. However, constructing political indices on the basis of actual historical events that typified the character of political leadership and the process of political development (even with the unfeasibility of capturing all events) will leave both the indices and their construction procedure open for verification. Verifiable historical occurrences help to assess the level of subjectivity associated with an index. Its advantage over the other indices reviewed in section 3.3 derives largely from the nature of political developments in Nigeria.

Thus the justification for the construction of the indices may be summarized as follows:

- All existing measures other than the Gastil indices do not possess the characteristic of continuity required for the analysis in this study. The only continuous measure however, in addition to suffering from very low variability, also does not meet the definitional context of democratization (as a process) in this study.
- In line with treating democratization as a process, rather than a product, the indices in this study capture the peculiar characteristics of the democratization process in a society where despite continuous inputs, the levels of actual freedoms remain low. The construction introduces two new variables that are dominant in the democratization process in Nigeria. These are the concepts of *Selection in Power change*, and *Democratic Hope in Democratic dividend*. Unlike in existing measures the construction here highlights that there is some democratic content even in a selection process. It also emphasizes the point that the *hope* for future improvements is a positive indicator of democratization.

The indices are therefore an improvement on existing measures for countries where the actual levels of freedoms are low.

What do the indices reveal of the pattern of democratization in Nigeria? How far do they deviate from, or approximate existing measures or ranks assigned to Nigeria by other measures? The pattern of democratization revealed by these indices as well as a comparative analyses of the indices are presented in chapter seven. The next chapter however, describes how these indices are put to use in the investigation of whether and in what direction, or to what degree democratic institutional changes affected growth of the Nigerian economy during the period under review.

CHAPTER SIX

METHODOLOGY

6.1 Introduction

Emerging from the literature is a strong view that the less democratic character of political leaderships in many debtor countries might have played a major role in the accumulation and performance of external resources in the growth efforts of developing economies. The focus of this chapter is to present the models formulated to attempt to investigate the relationships between the democratization of the political system in Nigeria (as measured in Chapter Five) and economic growth led by external resources. In section 6.2, the central research questions arising largely from the previously stated objectives and the consequent hypotheses are outlined. In section 6.3, the models for testing the hypotheses are specified. The first of the two models is intended to investigate the direction of the impact of external capital on growth of the Nigerian economy during the period under study. The second, in two definitional contexts of debt-led growth attempts to provide an econometric framework for the analysis of the impact of democratization on debt-led growth. Within this model the indices of democratization based on the political history of Nigeria as presented in chapter five are employed. Section 6.4 deals with application of the analytical methods while section 6.5 discusses data sources, the scope, and limitations of the study.

6.2 Research questions and hypotheses

On the surface it may look remote that the measures of democratization are theoretically associated with the process of accumulation and management of and hence the performance of debt in a country's growth effort. However a close look at the dimensions of democratization and their respective indicators reveal the obvious theoretical links

between democratization process and the variables of debt-led growth. In general it would be expected that governments which poor debt management resulted in poor economic performance risked electoral/selectoral losses. While electoral losses come through the ballot box, selectoral losses result from direct interventions such as coup d'état. Although their sphere and levels of accountability may differ³², both elected and selected governments have incentives to avoid political losses. One way of avoiding political losses will therefore be for governments, elected or selected, to strive to use their external resources prudently.

The empirical questions that pop up here are:

- First, do available data support negative or positive contribution of external resources to the growth of the Nigerian economy?
- Second, could this contribution be explained for instance by the process of power change among political stakeholders, the quality of governance, the political environment, and democratic dividend in the democratization process in Nigeria?
- Finally if the democratization process affects growth negatively or positively, what are the possible paths of these effects?

From the discussions of chapter 1 (section 1.5) and the immediate foregoing the two central testable null hypotheses of the study are reformulated as follows:

H_0^1 : external debt had positive contribution to the growth of the Nigerian economy during the period 1970-2000, and

H_0^2 : the level of democratization of the political system in Nigeria was negatively related to debt-led growth for the period under review.

³² Elected governments are accountable to the electorate, selected regimes are equally accountable to their selectorate. Accountability may be more crucial for selectoral processes that are more prone to violence.

Correspondingly, the alternative hypotheses may be stated as follows:

H₁¹: external debt had contributed negatively to the growth of the Nigerian economy during the period 1970 – 2000.

H₁²: the level of democratization of the political system in Nigeria was positively related to debt-led growth in the period 1970-2000.

6. 3 Model specifications

In line with the above hypotheses, the adjusted Taylor model is used to gauge the effect of external debt on the economic growth of the Nigerian economy. In the ‘democracy cum debt model’, a multiple regression model is used to capture the direction of the impact of democratization process on debt-led growth in Nigeria. The third model, ‘the trickle down effect of democratization’ addresses the third research question. It is a stylised categorization of the possible paths of the political institutions’ impacts on debt-led growth. The first two models are outlined bellow. For reasons that will become obvious later, the last model is reserved until after the presentation of the results of the analyses of the first two.

6. 3.1 The adjusted Taylor model

Following Degefe (1992: 37-40) to test the first hypothesis a macroeconomic model derived from Taylor (1983: 127-144) will be used. The model is specified bellow.

The Production function

The general Cobb-Douglas (1928) production function relates real output to inputs of capital K, labour L, and technology T.

$$Q = (K, L, T) \dots\dots\dots (6.01)$$

where Q is real output, K is capital stock, and T is an index of technology. With the assumption of exogenous technology, T is therefore a constant. The demand for labour input (whether skilled or unskilled) is met from domestic supply. The above assumptions leave capital as the major constraint to growth of output.

The aggregate production function could therefore be simplified to:

$$Q = \min(1/\lambda K, 1/\beta Mi) \quad \dots\dots\dots(6.02)$$

where K is the capital stock, β is imports of intermediate goods per unit of output and λ is the capital/output ratio, which is assumed to be equal to the incremental capital output ratio (ICOR).

The capital stock as well as additions to it is obtained from domestic sources (α), and the balance $(1 - \alpha)$ is imported.

$$\begin{aligned} K &= Kd + Ki \\ Kd &= \alpha K \\ Ki &= (1 - \alpha)K \end{aligned} \quad \dots (6.03)$$

The imported portion of the capital stock $(1 - \alpha)$, as well as intermediate goods (Mi), and consumer goods (Mc) are paid for by export earnings (X) whose proportion to gross domestic product (X/GDP) is given by (π).

$$\pi Q = (1 - \alpha)Ki + Mi + Mc \quad \dots\dots\dots 64.04)$$

The economy augments the foreign exchange earnings from export of goods and services (πQ) by public and private transfer payments (T) and foreign borrowing whose net flow (i.e. borrowing less amortization) is represented by (Df). Thus Df is the amount by which the stock of debt (D), increases annually (i.e. $Df = D_t - D_{t-1}$).

The external balance of the economy can now be expressed as follows:

$$-(Df + T) = \pi Q - \theta Q - I(1 - \alpha) - Mc - rD \quad \dots\dots\dots(6.05)$$

Equation (6.05) expresses net flows of debt plus total transfer payments as equal to total export earnings less imports of intermediate goods (θQ), less imports of capital goods $I(1-\alpha)$, less imports of consumer goods (Mc), and less interest payments on debt (rD). The important assumption here is that no payment is made from reserves and that there are no arrears.

To convert the variables in equation (6.05) into a common measure, it is divided by Q to yield equation (6.06)

$$-(Df/Q + T/Q) = \pi Q/Q - \theta Q/Q - I(1-\alpha)/Q - Mc/Q - rD/Q \quad \dots\dots\dots (6.06)$$

Letting $T/Q = t$; $D/Q = \Delta$; and $Mc/Q = mc \Delta$, represent the ratios of net transfer, the stock of external debt, and imports of consumer goods respectively to GDP, equation (6.07) is obtained.

$$-(Df/Q + t) = \pi - \theta - I/Q(1-\alpha) - mc - r\Delta \quad \dots\dots\dots(6.07)$$

Assuming that the rate of growth of the stock of debt increases at the same rate as GDP so that the debt/output ratio remains constant, i.e.

$$Df/Q = gd = D/D = g \quad \dots\dots\dots (6.08)$$

Substituting this and noting that the economy under the circumstance mentioned earlier attains a growth rate equal to the growth rate of the capital stock, i.e.

$$g = (Q_0 - Q_1)/Q = I = (K_0 - K_1)/K = I/\lambda \cdot I/Q \quad \dots\dots (6.09)$$

where subscripts $_0$ and $_1$ represent the previous and current periods respectively.

Solving for the growth rate of the economy from equation (6.07) yields equation (6.10)

$$g = \frac{(\pi + t) - \theta - mc - r\Delta}{\lambda(1-\alpha) - r\Delta} \dots\dots\dots (6.10)$$

Since the interest is to gauge the effect of external borrowing on economic growth, the partial derivative of growth (g) with respect to (Δ) satisfies this and yields equation (6.11)

$$\partial g / \partial \Delta = \frac{[\pi + t - \theta - mc - r(1-\alpha)\lambda]}{[\lambda(1-\alpha) - r\Delta]^2} \dots\dots\dots (6.11)$$

Equation (6.11) is the marginal condition relating to growth rate of the economy (g) when the debt to GDP ratio (Δ), increases over time. Since the denominator, $[\lambda(1-\alpha) - r\Delta]^2$ is positive, the necessary condition for the positive impact of external debt on growth of the economy follows from equation (6.11), which is

$$\partial g / \partial \Delta > 0 \text{ if and only if } \pi + t - \theta - mc > r(1-\alpha)\lambda \dots\dots\dots (6.12)$$

The interpretation of equation (6.12) is as follows: Assuming other things (including the character of political leadership) remain constant, foreign borrowing would contribute positively to the growth of the economy provided:

- (a) the share of export in GDP (π) is high;
- (b) transfer payment as a share of GDP (t) is high;
- (c) import of intermediate goods (θ) are low;
- (d) the share of imported capital ($1-\alpha$) is small;
- (e) imports of consumer goods (mc) is low;
- (f) interest rate on foreign debt (r), is low; and;
- (g) capital is used efficiently i.e. the ICOR (λ) is low.

An alternative interpretation of equation (6.12) is that both the share of export in GDP (π) and transfer payment as a share of GDP (t) are positive debt-led growth variables, while import of intermediate goods (θ), imports of consumer goods (mc), the share of imported

capital $(1-\alpha)$ and interest rates on foreign debt (r) are negative growth variables. Algebraically, the sum of the left hand side of the inequality may be regarded as positive growth while the product of the right hand side is a negative growth variable.

6.3.2 The democracy cum debt-led growth model

The model attempts to offer a relationship between democratization as measured by the democratization indices for Nigeria (*GIC, NINC, QIG, PIE and DIN*) and debt-led growth in two ways: (a) narrowly in the context of the Taylor marginal conditions specified above, and (b) in the wider context of the general literature on external resources and growth of the economy.

6.3.2.1 The narrow definition

Dependent and independent variables

Debt-led growth is defined narrowly as the impact of external capital on the economy via the variables of the adjusted Taylor debt cum growth model. Operationally, the focus of the narrow definition is on the changes in export as a proportion of GDP, transfer payments, imports of intermediate and consumer goods, interest rates on foreign loans, and the share of imported capital in the production process resulting from changes in the stock of a country's external of debt.

From equation (6.12) two components of debt-led growth are isolated:

$(\pi + t - \theta - mc)$, and $r(1-\alpha)\lambda$

Increases in $(\pi + t - \theta - mc)$ affect growth positively while decreases in $r(1-\alpha)\lambda$ affect growth positively. Thus the component $(\pi + t - \theta - mc)$, is regarded as *Positive growth* variable while $r(1-\alpha)\lambda$ is a negative growth factor. Debt-led growth (*DLG*) is in this narrow sense therefore is a function of two composite variables – *Positive growth (POSGTH)*, represented by the sum of the left hand side of the inequality in Equation 6.12. and *Negative growth (NEGTH)*, represented by the product of the right hand side.

That is:

$$POSGTH = (\pi + t - \theta - mc)$$

$$NEGTH = r(1-\alpha)\lambda$$

The relevant analytical issue in this narrow definition is therefore the investigation of the nature (negative or positive) of the association between each of these two variables (i.e. *POSGTH*, and *NEGTH*) and the democratization variables represented by the indices (*GINC*, *QIG*, *PIE*, *PID*, and *DIN*). Thus the two major dependent variables in the analyses of the narrow definition are *POSGTH*, and *NEGTH*. The analyses seeks to investigate their individual association with each of the democratization variables. As will be seen later the distinction made here between dependent and independent variables is a formality since the analysis in the narrow definition employs only the correlation technique, which technically makes no such distinction.

6.3.2.2 The broad definition

Dependent variables

In the wider definition however, a number of variables are identified as playing important roles in debt-led growth. In the Chenery two-gap analyses, savings and investment were central to external resource-led growth. The Griffin and Enos (1970) challenge to the two-gap analysis came largely due to the role of consumption especially of government sector in depressing growth. Recent suggestions of big and growing government size (budget) swallowing both internally generated as well as external resources also reinforce the Griffin and Enos thesis. From the above and in conjunction with growth cum debt models, especially Greene and Khan (1990), Degefe (1992), and Mjema (1996), a number of variables are identified as central to debt-led growth. In the analysis a variable is either growth-enhancing or growth-depressing. Growth is enhanced from the domestic sector by domestic savings and domestic investments, and from the external sector by exports and foreign direct investment. On the other hand consumption (public or private) is considered a drag on growth since they are assumed to reduce investible income. Two

other sources of impediments to growth are identified as capital flight and debt service obligations. This second group of variables is regarded as growth-depressing variables.

Independent Variables

It is acknowledged here that factors other than the democratization process also influence growth. To investigate the marginal impact of democratization therefore involves the use of a base equation containing the more conventional economic variables. There are therefore two sets of independent variables – the control variables and the democratization variables. (The former are dealt with in section 6.3.2.3)

The independent variables are the *Index of Democratic Dividend (PID)*, the *Index of Political Environment (PIE)*, the *Index of the Quality of Governance (QIC)*, the *Index of Government Change (GINC)*, and the composite *Index of Democratization for Nigeria (DIN₁)*. By using five explanatory variables of democratization, the analysis attempts to explore the relative importance of each in the explanation of variations in the dependent variables. While the first four variables captured the possible impacts of the individual dimensions of democratization on debt-led growth, the last variable is intended to measure the impact on debt-led growth of the whole democratization process.

6.3.2.3 Functional forms of the model for the broad definition

The control variables and the base equations

The base equation expresses each dependent variable as a function of theoretically and empirically established conventional variables. Since it is not feasible to include all variables that had been used in previous studies, the traditionally acceptable practice is to include those that appeared most frequently in previous studies involving the dependent variable in the base equation (Torstensson, 1994: 232-236).

The savings equation

Other things being equal domestic savings will be expected to grow with growth in disposable income, and with increases in savings interest rate. In the base equation

domestic savings is a positive function of national disposable income and the domestic savings interest rate. Foreign direct investment is also included to investigate the much talked about crowding out effect on domestic savings.

$$RGDS = \alpha + \beta_0NDY_r + \beta_1Rd + \beta_2DSR + \beta_3RFDI + u \quad \dots\dots (6.13)$$

where *RGDS* is real gross domestic savings, *NDY_r* is real national disposable income, *Rd* is domestic savings rate of interest, *DSR* is ratio of debt service to GDP, and *RFDI* is real foreign direct investment.

The domestic investment equation

Following Borensztein (1990), Chhibber and Pahwa (1994), and Iyoha (2000), the base domestic investment equation is specified as a negative function of domestic lending rate of interest but a positive function of change in GDP. To capture the effect of debt burden on domestic investment debt service ratio is also included as an explanatory variable.

$$RGDI = \alpha + \beta_0Rd + \beta_1CHGDP + \beta_2DSR + u \quad \dots\dots (6.14)$$

where *RGDI* is real gross domestic investment, *Rd* is domestic lending rate of interest, *CHGDP* is change in GDP, which is intended to capture the possible existence of an investment accelerator effect, and *DSR* is debt burden proxied by the ratio of debt service to export. A positive α is expected as autonomous investment, β_0 and β_2 are expected to be negative while β_1 is expected to be positive, *u* is the stochastic error term.

The export equation

From the demand side export revenue is basically a function of the level income of the trading partners, and the real exchange rate as a measure of export competitiveness (i.e. $RER = E_{pt} / P_n$, where *E* is nominal exchange rate index i.e. the domestic price of foreign currency, *P_t* is the index of foreign prices for tradable goods and *P_n* is an index of domestic prices for non-tradable. Conventionally, *P_t* is proxied by the wholesale price index of the trading partner while *P_n* is proxied by the consumer price index, which reflects more of non-tradable goods' prices in its composition (Ogun, 1998: 8-9). Given

the relationship between RER and the nominal exchange rate E, an increase in E due to a depreciation of the domestic currency results, for a given p_t and P_n , to a rise in real exchange rate and a rise in exports. The supply side is however made dependent on exportable production (gross output minus domestic consumption of tradable goods), and relative prices.

Although Nigeria's membership of the organization of oil exporting countries OPEC, suggests that the country's crude oil output is fixed, the constant review of OPEC country production quotas and the rampant disobedience by its members undermine the effectiveness of a fixed output regime. As shown in Table 1.1 in chapter one, Nigeria's export was dominated by crude oil during the period under study. It follows that activities in the sector will impact positively on output and therefore export revenue. In addition changes in world oil prices is expected to affect Nigeria's export revenues positively since the bulk of the country's export is crude oil.

The base equation for export revenue in Nigeria is expressed as a function of the real exchange rate, changes in income level of trading partners proxied by growth of final consumption expenditures in industrial countries, and level of activities in the Nigerian mining sector proxied by the index of mining production.

$$RX = \alpha + \beta_0 RER + \beta_1 IMA + \beta_2 CIC + \beta_3 DCC + \beta_4 CHWOP + u$$

..... (6.15)

where RX is real export revenue, RER is real exchange rate, IMA is index of real mining activity, CIC is final consumption expenditures as a percentage of GDP in industrial countries, DCC is domestic consumption of crude oil, and $CHWOP$ is an index of change in world crude oil prices. $\beta_0, \beta_1, \dots, \beta_4$ are coefficients, with a priori signs $\beta_0 > 0$, $\beta_1 > 0$, $\beta_2 > 0$, $\beta_4 > 0$, but $\beta_3 < 0$; and u is the stochastic error term.

The FDI equation

The unpredictability of autonomous FDI has generated a substantial scholarship to determine their major determinants. Although there is hardly any consensus on the

direction and nature of their impact on *FDI*, Asiedu's (2002) review of recent empirical studies reveals that a number of variables had appeared with higher frequency than others.

The actual or potential size of the market in their host countries, proxied by *GDP* per capita or its growth had been found to positively affect *FDI* in some studies (Schneider and Fry, 1985; Tsai, 1994; Bhattacharya *et al*, 1996; Broadman and Sun, 1997; and Lipsey, 1999); negative in others (Edwards, 1990; Jaspersen *et al* , 2000); and no effect at all in yet a number of studies (Loree and Guisinger, 1995; Wei, 2000; and Fernandez-Arias, 1996). The return on investment proxied by the inverse of *GDP* per capita (Asiedu, 2002), the quality of infrastructure usually proxied by availability and access to telephone lines, electricity supply etc. (Wheeler and Mody, 1992; Kumar, 1994; Loree and Guisinger, 1995), and openness, measured as the ratio of the sum of exports and imports to *GDP* (Edwards, 1990; Gastanaga *et al* , 1998; and Hausmann and Fernandez-Arias, 2000), have also featured as positive determinants of *FDI*. Prominent among the variables considered negative to attraction of *FDI* were taxes and tariffs, and political instability (Schneider and Fry, 1985; Edwards, 1990).

The base *FDI* equation in this study is expressed as follows

$$RFdI = \alpha + \beta_0RTN + \beta_1GDPg + \beta_2INF + \beta_3OPEN + u \dots\dots\dots(6.16)$$

where *RFdI* is the cumulative level of real foreign private investment, *RTN* is the rate of return on investment, *GDPg* is the growth rate of *GDP*, *INF* is the quality infrastructure proxied by the amount of electricity generation measured in million kilowatt hours, *OPEN* is the level of trade openness measured by the ratio of the sum of exports and imports to *GDP*. *u* is the stochastic error term. The a priori signs of the coefficients are $\beta_0 > 0$, $\beta_1 > 0$, $\beta_2 > 0$, but $\beta_3 > 0$.

The consumption equations

In the base equations Government consumption is separated from private consumption. In both cases the basic Keynesian short run model which expresses current consumption as a function of real disposable income was used. In specifying the base equation for

Government consumption, national disposable income was replaced by the sum of Federal Government retained revenue. Since governments did not pay taxes their annual total revenues was considered as their disposable income on which their consumption and non-consumption expenditures depended. Since it accounted for over 70% of government total revenues during the period of study, oil revenues is used as a good proxy for government disposable income. In addition to oil revenues defence spending is also considered as a positive function of government consumption.

A number of studies (Snyder and Yackovlev, 2001; Tebellini, 2000; Persson and Tebellini, 2000;) had found that increasing constitutional responsibility of government had impacted on government consumption expenditures. In a politically unstable political environment under largely unrepresentative regimes, government biggest responsibility might perhaps be the maintenance of law and order. Since this was the case in Nigeria for much of the study period it is expected that the level of law and order would impact on government expenditures. The direction of this impact may not be a priori determined.

The base equation for Government Consumption is therefore expressed as:

$$RGovtCn_t = \alpha + \beta_0 OILREV_t + \beta_1 DEFSPEND_t + \beta_2 LORDER + u \quad \dots (6.17)$$

where $RGovtCn$ is real government consumption expenditures, $OILREV$ is oil revenues, and $DEFSPEND$ is defence spending. The coefficients β_0 and β_1 , are expected to be, $\beta_0 > 0$, $\beta_1 > 0$, and u is the stochastic error term.

Private consumption $RPvtCn$ was expressed as a function of real national disposable income.

$$RPvtCn = \alpha + \beta NDY_r + u \quad \dots \dots \dots (4.18)$$

The capital flight equation

One of the principal determinants of capital flight is the real exchange rate. Empirical evidence of this, especially for highly indebted countries is found in the works of

Cuddington (1987), Zedillo (1987), and Pastor (1990). Although exchange rate expectations may be difficult to measure precisely, it is assumed that if a currency is overvalued economic agents would expect the devaluation of the currency in the future. In order to avoid potential loss residents might therefore convert domestic into foreign claims. Financial market underdevelopment with its limited variety of instruments in which wealth can be held had also been blamed for capital flight in developing countries (Ajayi, 2000). Dornbush (1985) had also shown that inflationary pressures generated by deficit financing are a major determinant of capital flight. In Nigeria over-invoicing of imports (and under-invoicing of exports), inflation, exchange rate misalignment, and debt-related unviable economic circumstances had largely been blamed for capital flight (Ajayi, 2000: 229). The notion of over-invoicing makes import itself a determinant of capital flight not from the point of view that imports are financed by scarce foreign capital, but by the fact that each unit of import is accompanied by the escape of capital with no yield to the domestic economy.

In the base equation capital flight is specified as a negative function of inflation rate, a positive function of real exchange rate, and growth in import. In addition, the level of development of the capital market is proxied by value of transactions at the Nigerian stock exchange.

$$CapFt = \alpha + \beta_0 InF + \beta_1 RER + \beta_2 Mg + \beta_3 SET + u \quad \dots(6.19)$$

where *CapFt* is capital flight, *InF* is the rate of inflation, *RER* is the real exchange rate. *Mg* is growth of import, *SET* is value of transactions in the Nigerian Stock exchange. α is the intercept the a priori sign of which is not known, β_0 , β_1 , β_3 are coefficients with expectation that ($\beta_0 > 0$, $\beta_1 < 0$, $\beta_3 > 0$.; u is the stochastic error term.

The debt burden equation

In addition to the impact of lending terms represented largely by the interest rate on foreign loans, there are perhaps as many variables as there are varied opinions on the causes of poor countries debt burden. Included in many studies (Khan and Knight, 1983; Ajayi, 1991, 2000; Barungi and Atingi, 2000), are the terms of trade, the growth rate of

income in industrial countries, the growth rate of private lending, the foreign real interest rate, the real effective exchange rate, and fiscal performance proxied by fiscal deficit. Of the above however, the most important for Nigeria are the real effective exchange rate, the terms of trade, the growth rate of private lending, and rate of interest on foreign debt (Ajayi, 2000).

The base equation for debt burden here was expressed as follows

$$RDSR = \alpha + \beta_0 RER + \beta_1 TOT + \beta_2 PvtLg + \beta_3 RFL + u \dots (6.20)$$

where *RDSR* is ratio of debt service to export (or GDP, *RER* is the real exchange rate, *PvtLg* is the growth rate of private borrowing, and *RFL* is interest rate on foreign loan. β_0 , β_1 , β_2 and β_3 are coefficients with expectation that $\beta_0 < 0$, $\beta_1 > 0$, $\beta_2 > 0$ and $\beta_3 > 0$; *u* is the stochastic error term.

The inclusion of the democratization variables

To complete the specifications each of the democratization variables enters into the base equation linearly as one of the explanatory variables. The linearity assumption in the relationship between institutional and economic variables is as contentious as the main issue of whether there were any relationships in the first place. However, more scholars (Goldsmith, 1995: 157-174; Scully, 1988: 652-662; Vorhies and Glahe, 1988: 45-71) had favoured linearity than otherwise. Accordingly, equations 6.13 to 6.22 are reformulated as in the follows general form:

$$Y_i = \alpha + \beta_0 X_1 + \beta_1 X_2 + \dots \beta_i X_i + \varphi_{i..5} Z_{i..5} + u \dots (6.21)$$

where Y_i is the dependent variable, $X_1, X_2, X_3, \dots, X_i$ are the control variables in the base equations, with coefficients $\beta_0, \beta_1, \dots, \beta_i$. $Z_{i..5}$ represent *GINC, QIG, PIE, PID, and DIN* respectively. $\varphi_{i..5}$ are their respective coefficients.

6.3.2.4 The expected signs of the coefficients of democratization variables

An a-priori statement regarding the signs of the coefficients depends on the side one is of the debate regarding the positive or negative impact of democratization on growth variables. From the optimists' viewpoint and in line with the stated hypotheses of the study, since democracy is expected to build confidence of citizens in their government, and policies that affect incomes are not expected to change arbitrarily there would be greater optimism with higher democratization and income earners would be expected to postpone present consumption for savings. Also, democratising systems are expected to be more open to the outside world, less restrictive in trade and export oriented with exports rising with improvements in the level of democratization. Further more, a democratising regime would be expected to generate improved credit rating in the international capital market since the risks associated with unpredictable political and therefore business environment are expected to be lower in more democratic systems. Similarly, increasing net transfer payments (receipts) are expected to result from more grants and softer credit terms from bilateral and multilateral lenders who would be sympathetic to democratising regimes. It is therefore expected that domestic savings, domestic investments, exports, and foreign direct investment will be positively affected by improvements in the *Index of Political Dividend (PID)*, the *Index of Political Environment (PIE)*, the *Index of the Quality of Governance (QIC)*, the *Index of Government Change (GINC)*, as well as the composite *Index of Democratization (DIN)*. The coefficients $\acute{C}_{i,5}$ in the savings, investment, export, and foreign direct investment equations are therefore expected to be positive.

Within the context of liberal or optimistic view (see section 2. 5) democracy inhibits the state's ability to spend money on itself. Despite the pressure for high level of transfer payments to citizen, a democratising system is expected to have checks and balances to discourage extravagant spending on 'white elephant projects', on the military, and on the state bureaucracy. Therefore government consumption expenditures are expected to fall with higher level of democratization, with the coefficients $\phi_{i,5}$ in the consumption equations negative.

Unstable political environments in addition to reducing creativity produces unpredictable business environment that make investment decision a more risky venture. Human and physical capital would therefore be driven out of less democratic economies (Ayittey, 1999a; Emeagwali, 2000; Gyiamah-Brempong, 1999). Stable political conditions resulting from democratization are expected to stem the tide of capital flight, with the coefficients less than zero. Similarly, improving credit ratings and loan terms as democratization improves is expected to lower the over debt burden by reducing debt service payments, with result that the coefficient $\phi_{l,5}$ in the Debt burden equation will be negative.

6.4 Data used and application of analytical tools

One of the most widely acknowledged problems of analyses involving debt data is the notorious inconsistency in the data reported by different institutions and stakeholders. World Bank's Debt Tables (renamed Global Development Finance after 1996) figures for example differ from IMF's International Financial Statistics (IFS) figures, and both individually differ from national figures published by debtor countries. Although the World Bank as an institution refuses to accept responsibility for the accuracy and /or completeness of its own published figures, it is common among researchers to use these figures (World Bank, 1999: iv). One of the reasons preference is given to international institutional sources over national figures is that for political reasons, governments have a tendency to understate external debt figures. Where however these figures have been inflated instead, this argument certainly loses its appeal. As noted in the background chapter Nigeria's debt figures tended to be higher than those published by international sources notably because of spurious debts. If these national debt figures were higher for whatever reasons, the appropriate attendant high burden could only be analysed by working with them instead of lower figures. In addition to this, is the frequent change in base-years in which figures in the international sources are published. In view of the foregoing and the constraint imposed by the need for consistency in time series analysis national figures obtained from three major sources are used in this study.

Data for the base equations are presented in Appendices 7E.1 to 7E.8. As indicated, most of the data are drawn from publications of the Central Bank of Nigeria (CBN), the

Federal Ministry of Finance (FMF) and the Federal Office of Statistics (FOS). While FOS is the statutory institution for economic, demographic and financial data generation and publication, the CBN and FMF have joint responsibility for collation and publication of the country's external debt data. With regard to debt management, the FMF is responsible for policy formulations while the responsibility for day-to-day monitoring of the country's external debt fall on the Debt Management Department of the CBN. Where data are taken from other sources, this is indicated accordingly.

The real variables in the base equations are calculated by deflating nominal values by the implicit price index in 1984/85 constant prices. In addition to the convenience that most data sources are published in 1984/85 base year this period is also the mid-point of the present study period.

6.5 Estimation technique in the broad definition

A common finding in time series regression analysis is the possibility that the residuals are correlated with their own lagged values. Primarily the presence of serial correlation is associated with the following problem:

- OLS is no longer efficient among linear estimators
- Standard errors computed using OLS formula are not correct, as they are generally understated
- If there are lagged dependent variables on the right-hand side, OLS estimates are biased and inconsistent

Although serial correlation problem is commonly ignored in the analysis involving political institutional variables³³ this is largely because most of these studies use cross-section and sometimes panel data and not strictly time series. Since the analysis here uses time series the presence of serial correlation is considered.

³³ For a list of empirical studies that ignored relevant econometric problems see Burkhart and Lewis-Beck, 1994: 904).

The Durbin-Watson statistic is a test for first-order serial correlation. More formally, the DW statistic measures the linear association between adjacent residuals from a regression model. The Durbin-Watson is a test of the hypothesis $\rho = 0$ in the specification:

$$\mu_t = \rho\mu_{t-1} + \varepsilon_t$$

If there is no serial correlation, the DW statistic will be around 2. The DW statistic will fall below 2 if there is positive serial correlation (in the worst case, it will be near zero). If there is negative correlation, the statistic will lie somewhere between 2 and 4. Positive serial correlation is the most commonly observed form of dependence. As a rule of thumb, with 50 or more observations and only a few independent variables, a DW statistic below about 1.5 is a strong indication of positive first order serial correlation (Johnston, 1984). A preliminary analysis using OLS estimation showed the presence of positive correlation. To take care of this the AR(1) model is used.

The first-order autoregressive model

The simplest and most widely used model of serial correlation is the first-order autoregressive, or AR(1), model. The AR(1) model is specified as:

$$Y_t = X_t\beta + \mu_t$$

$$\mu_t = \rho\mu_{t-1} + \varepsilon_t$$

The parameter ρ is the first-order serial correlation coefficient. In effect, the AR(1) model incorporates the residual from the past observation into the regression model for the current observation. The statistical/econometric computer package used here is *EVIEWS*, a detail description of which is given below.

6.6 Estimating AR(1) model on Eviews³⁴

The most widely used approach of estimating AR Models is the Cochrane-Orcutt (1949) procedure. This is a multi-step approach designed so that estimation can be performed using standard linear regression. In addition to its complicated and elongated nature the

³⁴ This section draws from EVIEWS Help Topics.

approach suffer from important drawbacks associated with models containing lagged dependent variables as regressors (Davidson and McKinnon, 1993: 329–341; Greene, 1997: 600–607).

EViews estimates AR models using non-linear regression techniques. This approach has the advantage of being easy to understand, generally applicable, and easily extended to non-linear specifications and models that contain endogenous right-hand side variables. Since non-linear least squares estimates are asymptotically equivalent to maximum likelihood estimates they are asymptotically efficient. To estimate an AR(1) model, *EViews* transforms the linear model,

$$Y_t = X_t\beta + \mu_t$$

$$\mu_t = \rho\mu_{t-1} + \varepsilon_t$$

into the nonlinear model, $Y_t = \rho Y_{t-1} + (X_t - \rho X_{t-1})\beta + \varepsilon_t$

by substituting the second equation into the first, and rearranging terms. The coefficients ρ and β are estimated simultaneously by applying a Marquardt non-linear least squares algorithm to the transformed equation.

The Output from AR Estimation on Eviews

While the estimated coefficients, coefficient standard errors, and *t*-statistics are interpreted in the same way as in OLS, results involving residuals differ from those computed in OLS settings. There are two different residuals associated with an AR model. The first are the estimated unconditional residuals, $\hat{u}_t = y_t - x_t b$. These are computed using the original variables, and the estimated coefficients, *b*. These residuals are the errors observed if one made a prediction of the value of the dependent variable y_t using contemporaneous information, but ignoring the information contained in the lagged residual. The emphasis in AR models however, is the second set of residuals - the estimated one-period-ahead forecast errors, $\hat{\varepsilon}_t$. As the name suggests, these residuals represent the forecast errors associated with computed forecasts using a prediction of the residuals based upon past values of the data, in addition to the contemporaneous information. In essence the unconditional forecasts and residuals are improved upon by taking advantage of the predictive power of the lagged residuals. The residual-based

regression statistics such as the R^2 , the standard error of regression, and the Durbin-Watson statistic reported by *EViews* are based on the one-period-ahead forecast errors $\hat{\varepsilon}$. In addition a set of statistics that is unique to AR models is the estimated AR parameters ρ . For the simple AR(1) model, the estimated parameter is the serial correlation coefficient of the unconditional residuals. For a stationary AR(1) model, the true ρ lies between -1 (extreme negative serial correlation) and $+1$ (extreme positive serial correlation). The stationarity condition for general $AR(p)$ processes is that the inverted roots of the lag polynomial lie inside the unit circle (Gujarati, 1999: 391). *EViews* reports these roots as Inverted AR Roots. There is no particular problem if the roots are imaginary, but a stationary AR model should have all roots with modulus less than one.

In the AR(1) estimation the analyses also employ the step-up method in multiple regression. First the base equation is regressed using the non-democratization variables. While there appears to be no theoretical benchmark regarding some acceptable level of explanation (i.e. the value of adjusted R^2) the base regression must achieve, it is important that the base equation is composed of regressors that are robustly significant in the explanation of variations in the dependent variable.

Second, each of the demovables is introduced into the equation and replaced one after another. The idea is to investigate if: a) the coefficient on the new variable is of the expected sign; b) the coefficient is statistically significant in which case the variable could be said to be a reliable determinant of the dependent variable; and c) the stepped-up equation improves the explanatory power (i.e. the adjusted R^2) of the model. Technically, the second of the three central hypotheses of this study (which the broad definition model seeks to test) can be broken down into two, a test of the individual partial regression coefficients and test of the joint hypothesis that all the variables included in the regression exert a joint influence on the dependent variable.

1. Test of the individual partial regression coefficients

$H_0: \beta_0, \beta_1, \beta_2, \dots, \beta_i = 0$ and $H_1: \beta_i \neq 0$ (where $\beta_1 \dots \beta_i$ represents each of the coefficients of the explanatory variables in the regressed equations).

That is, the null hypothesis that “changes in each of the independent variables (holding the rest constant) did not affect or result to changes in the dependent variable”. The alternative hypothesis is that this is not the case. For the purpose of this study, since each of the base equations had to pass these tests, the relevant null hypothesis is that of the individual partial regression coefficients of the democratization variables.

2. Test of the joint hypothesis

$$H_0: R^2 = 0 \text{ OR } \beta_0 = \beta_1 = \beta_2 = 0 \text{ and } H_1: R^2 \neq 0 \text{ OR } \beta_0 \neq \beta_1 \neq \beta_2$$

The joint hypothesis that in each case the included explanatory variables together explain zero percent of the variation in the dependent variable. The alternative here being that this is not the case. Thus the analysis is aims at testing first, whether a demovvariable, other things being equal (in this case holding the economic variables constant) significantly affected the dependent variables. Secondly, whether a demovvariable together with the economic variables significantly affected the dependent variable.

6.7 Scope and limitations of the study

Definitional scope

The study assumed a wide definitional scope for democratization to mean a process of political institutional and administrative reforms or evolution that move in either direction between the two utopian poles that may be termed ‘absolute democracy’ and ‘total authoritarianism’. The democratization process itself involves power change and governance in an interface of political environment to provide democratic dividend. Within this definitional scope, there was bound to be some degree of democracy in its liberal sense in the character of political leadership of even the worst authoritarian regimes. It was only in this sense that countries like Nigeria could qualify for analysis.

Although the analysis is aimed at the contribution to growth of the economy through those factors traditionally associated with external capital it will be practically difficult for a complete isolation of debt-led growth to be achieved. Formally, the study covered

the period 1970-2000. However the last stage of the analysis (the trickle down effect of democratization) covered the period 1960-2000. The reason for this was to provide a full analysis of the first republic without which a proper background for the rest of the analytical periods would be lacking.

Data limitations and the choice of estimation technique

Recent developments emphasize the danger of nonstationarity in econometric analysis involving economic time series data. To resolve the resultant spurious regression due to nonstationarity (Granger and Newbold, 1974), it had become common to undertake unit root tests and the consequent use of cointegration to analyse the short run dynamics and long run equilibrium of cointegrating variables³⁵. Despite the appeal of this technique its application is best suited for sample observations of 50 and above, and according to Hall (1986) as cited by Gujarati (1995: 729) “the critical values and small sample performance of many of the tests are unknown for a wide range of models” In addition to the inadequacy of the data (with less than 30 observations) used in this study, the primary research questions are concerned with short run effects of non-economic or political institutional variables on growth. The limitation on number of observations for this was imposed by the historical fact that Nigeria is only 40 years old as an independent nation. The first decade was interrupted by a three-year civil war with practically no economic data. Unless quarterly data are generated the feasibility of a normal time series application would be remote. Unfortunately getting quarterly data on democratization is an unfeasible task that is not explored for this study. Nor had this been done elsewhere.

Subjectivity of the indices

As noted earlier, no index has yet escaped from subjectivity. There is no doubt that were democratization defined in ways other than is done for this study, the indices will return scores different from those in this study. Changing the definition has the implication of employing different dimensions and variables. This imposes a limitation on the interpretation of the outcome of the analyses in this study. This limitation is that results should be interpreted in the context in which democratization is used here.

³⁵ For a fuller discussion of unit root tests and cointegration see Granger, 1981; Engle and Granger, 1987; for empirical applications see Gujarati, 1995: 724-730; and Griffiths et al, 1993: 700-702).

CHAPTER SEVEN

EMPIRICAL ESTIMATION AND DISCUSSION OF RESULTS

7.1 Introduction

The results of the estimations using the models specified in chapter six are presented in this chapter. First, the results of the debt-cum-growth analysis following the adjusted Taylor model are presented in section 7.2. Since the major variables (democratization or demovariables for short) used in the democracy-cum debt-led growth analysis are generated primarily for this study, it is appropriate to do a comparative analysis of the indices with other measure(s) of democracy. The results of this comparison are presented and discussed in section 7.3. This is followed, in section 7.4 by the results of the correlation analysis of the democracy-cum debt-led growth relationship in the context of the narrow definition. Finally, the results of the multiple regression analyses in the context of the broad definition are presented and discussed in section 7.5.

7.2 Estimation of the debt-cum-growth relationship

The quantitative macroeconomic Taylor marginal conditions outlined in chapter six are applied to test hypothesis H_0^1 . Precisely, the condition provided by the inequality (6.12) is used to gauge the direction of the impact of foreign borrowing on the economic growth of the Nigerian economy. Where the left hand side (LHS) of equation (6.12), $\{\pi + t - \theta - mc\}$ is found to be greater than the right hand side (RHS) $\{r(1-\alpha) \lambda\}$, this is taken to mean a positive contribution of external debt to the growth of the Nigerian economy and vice versa. The ICOR (λ), is obtained by ordinary least square (OLS) estimation since the year-to-year data exhibited considerable variation including negative values. This method is preferred since it eliminated the overwhelming impact of negative and extreme values if the average of the annual incremental capital/output ratio is used instead.

Table 7.1 Nigeria: Contribution of debt to growth 1970-1998

YEAR	X_d	T_p	M_c	M_q	LHS	Rfl (%)	GFCF	MI	a	$1-a$	RHS = 7(11)y	LHS-RHS
	2	3	4	5	6=(2+3)-(4+5)	7	8	9	10=9/8	11	12 (y=6.86)	13 = 6-12
1970	0.170	0.478	0.055	0.025	0.568	6.000	9188.345	2968.783	0.323	0.677	0.279	0.290
1971	0.197	0.382	0.063	0.023	0.493	4.500	12830.000	4178.000	0.326	0.674	0.208	0.285
1972	0.199	0.363	0.051	0.019	0.492	6.100	13471.154	3768.269	0.280	0.720	0.301	0.191
1973	0.207	0.244	0.041	0.016	0.394	6.600	17550.336	3297.987	0.188	0.812	0.368	0.027
1974	0.317	0.160	0.036	0.022	0.419	4.400	14265.766	2530.631	0.177	0.823	0.248	0.170
1975	0.228	0.149	0.063	0.024	0.291	7.600	18627.087	5792.208	0.311	0.689	0.359	-0.068
1976	0.247	0.133	0.060	0.025	0.296	8.500	26389.974	8031.250	0.304	0.696	0.406	-0.110
1977	0.233	0.142	0.074	0.023	0.278	8.200	27651.893	9718.227	0.351	0.649	0.365	-0.087
1978	0.168	0.143	0.081	0.027	0.202	10.100	23175.309	8823.210	0.381	0.619	0.429	-0.227
1979	0.251	0.156	0.070	0.028	0.310	10.700	19228.330	6141.860	0.319	0.681	0.500	-0.189
1980	0.279	0.238	0.067	0.026	0.424	10.600	20493.384	6900.567	0.337	0.663	0.482	-0.059
1981	0.217	0.218	0.087	0.034	0.314	9.200	16965.278	7872.361	0.464	0.536	0.338	-0.024
1982	0.159	0.075	0.076	0.029	0.129	10.000	14839.674	6209.103	0.418	0.582	0.399	-0.270
1983	0.131	0.035	0.066	0.026	0.075	10.200	9514.620	3758.363	0.395	0.605	0.423	-0.349
1984	0.143	0.039	0.043	0.025	0.114	9.800	5417.000	2568.100	0.474	0.526	0.354	-0.240
1985	0.162	0.043	0.039	0.022	0.144	9.000	5358.654	2321.538	0.433	0.567	0.350	-0.206
1986	0.122	0.051	0.028	0.019	0.126	9.000	7179.412	2233.137	0.311	0.689	0.425	-0.299
1987	0.279	0.028	0.059	0.036	0.212	7.900	6967.974	4462.549	0.640	0.360	0.195	0.017
1988	0.215	0.071	0.045	0.035	0.206	7.600	6622.460	4759.679	0.719	0.281	0.147	0.060
1989	0.222	0.063	0.034	0.032	0.219	7.100	6855.547	4602.643	0.671	0.329	0.160	0.059
1990	0.489	0.095	0.062	0.049	0.473	6.600	10638.069	6431.330	0.605	0.395	0.179	0.294
1991	0.375	0.084	0.327	0.067	0.064	6.100	10357.895	10075.877	0.973	0.027	0.011	0.053
1992	0.377	0.071	0.089	0.054	0.306	4.600	10410.083	11027.747	1.059	-0.059	-0.019	0.325
1993	0.314	0.074	0.081	0.041	0.266	6.100	11564.000	10620.071	0.918	0.082	0.034	0.232
1994	0.225	0.057	0.059	0.059	0.163	6.300	9425.831	5118.925	0.543	0.457	0.197	-0.034
1995	0.481	0.053	0.135	0.126	0.272	6.500	5989.005	10794.817	1.802	-0.802	-0.358	0.630
1996	0.556	0.017	0.100	0.075	0.397	6.700	6559.189	5023.310	0.766	0.234	0.108	0.289
1997	0.429	0.044	0.113	0.081	0.279	6.400	11474.299	7903.618	0.689	0.311	0.137	0.143
1998	0.262	0.042	0.121	0.087	0.095	6.200	7881.402	8179.364	1.038	-0.038	-0.016	0.111

Source: Calculated by author from Appendix 7B

The value obtained by this method is (6.86) and this is applied for the entire period. The share of imported capital in the production process ($1 - \alpha$) is calculated as $(1 - M_k/GFCF)$ where M_k is the value of imports of capital goods and GFCF is gross fixed capital formation both in 1985 prices.

The results of the above exercise are presented in Table 7.1. The pattern of the observed contributions are plotted in figures 7.2.1, and 7.2.2. Figure 7.2.1 underscores the relationship between positive and negative debt-led growth paths. The line *DLG* representing overall direction of debt-led growth remains above (below) the origin so long as the positive growth line *Posgth*, was above (below) the negative growth line *Negth*.

In figure 7.2.2 shows the following pattern:

- Positive contribution in the period 1970-1974
- Negative contribution in the period 1975- 1986
- Positive contribution in the period 1987 – 19993
- Brief relapse to negative contribution in 1995 and
- Positive contribution in 1996-1998

A closer look at figure 7.2.2 reveals that although the pattern is positive it is decreasing and almost touches the origin in 1973. The 1974-1975 period indicate a slight recovery from the downward trend but also marks the beginning of a nosedive that not only reverses the contribution but also keeps it negative for twelve uninterrupted years. The explanation for the change from a decreasing marginal positive contribution in the 1970-1973 period, to that of increasing marginal positive contribution in 1974 may be located in the beginning of the oil boom. Since the increase in oil revenue was not envisaged it came as a shock and government expenditure responded with some lag.

The greater part of the twelve-year negative contribution coincided with Nigeria's oil boom years, an indication that with so much oil wealth little attention was paid to debt performance.

Fig. 7.2.1 Nigeria: Patterns of positive and Negative growth 1970-1998

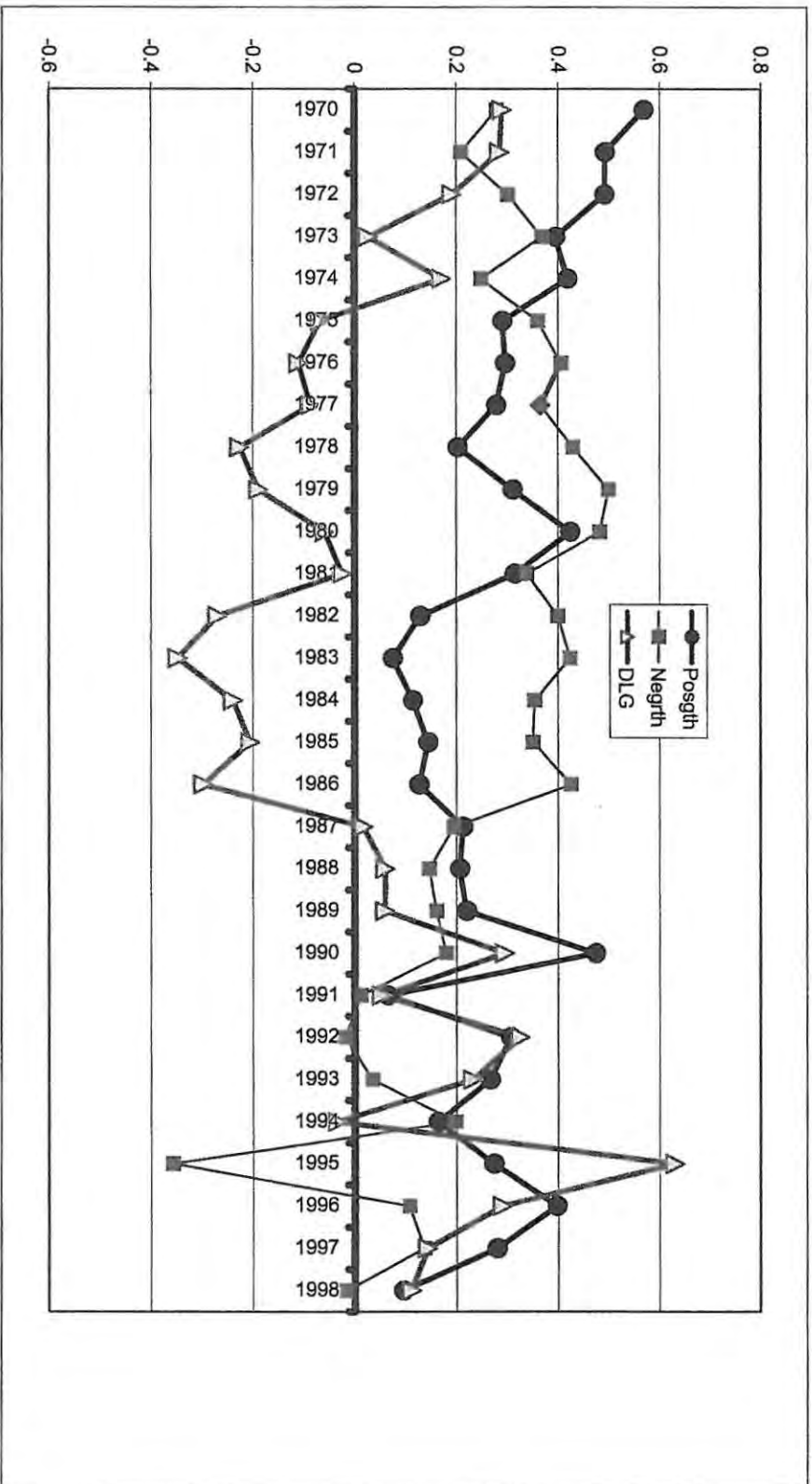
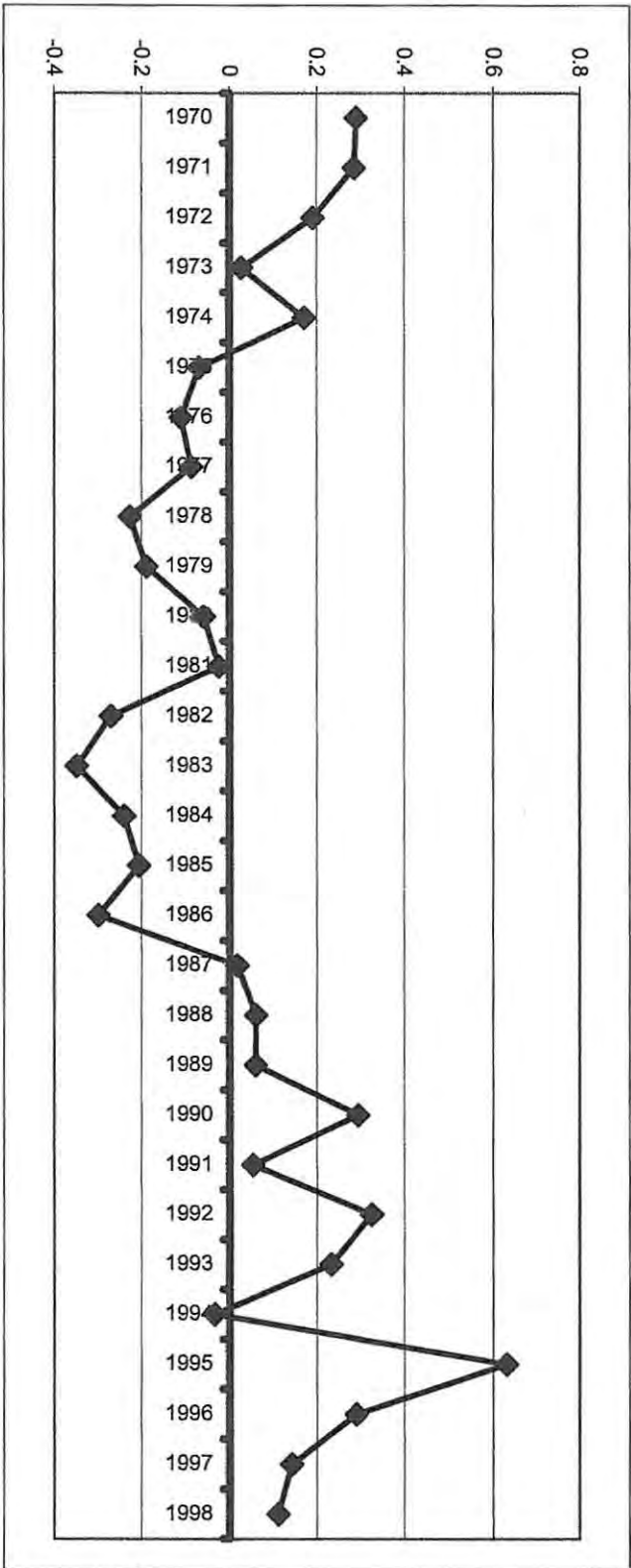


Fig. 7.2.2 Nigeria: Patterns of debt-led growth 1970-1998



Added to the above was that the level of external debt and the consequent debt obligations were not seen at this time as a threat to the health of the economy. Interestingly the marginal negative contributions for the period were not uniform. From 1975 when the negative trend commenced the downward slope (negative marginal contribution) was relatively low until 1978 when the slope became steeper. This was the period when euro-dollar private capital of \$1.0 billion with double-digit market interest rates made its debut in Nigeria's external debt portfolio.

An apparent recovery is observed in 1980/81. Two possible explanations for the brief recovery can be teased out: first was the Shagari administration's 'Austerity Measures' that were aimed at reducing government expenditures and the general import bill. However, the austerity measures did not in this period seem to have improved on the rising import bill as seen in column 4 of Table 7.1. The second and most probable can be located in the observed recovery in the contribution of export to GDP as seen in column 2 of Table 7.1. This recovery which was also reflected in an improvement in the nation's external reserve position as seen in figure 1.2 in chapter one had improved creditor perception of the economy and led to the observed lowering of interest on loan from 10.6 percent in 1980 to 9.2 percent in 1981. This perception of buoyancy was also reflected in the domestic policy-makers relaxation of deflationary measures. Since the improvements in the external sector were only brief it did not sustain the recovery. Although there was a legal limit for external borrowing the decline in interest rate encouraged further borrowing particularly from the international capital market to finance projects of doubtful viability by the Shagari administration. But the interest rates were variable and as they mirrored perceived risks in debtor countries, they rose again to 10.0 percent in 1982. Consequently debt-led growth relapsed and fell to an all time high marginal negative contribution in 1983.

This downward slide in the negative band was punctuated in 1984/85 with a remarkable recovery in terms of declining negative marginal contribution. If the Shagari administration had survived its second term in office one would attribute this to the austerity measures working with some two-year lag. But the credit should go to the more stringent import restriction policies of the Buhari regime.

As can be seen in columns 4 and 5 of *Table 7.1* both consumer and intermediate imports as a percentages of GDP declined in this period. Another brief relapse occurred in 1986, which may be explained by the policy disruptions arising from the power change from Buhari to Babangida regime in 1985.

While oil shocks and domestic policies are offered as explanations for the undulating pattern in the negative band the general negative relationship between external debt and growth in the period 1975 – 1986 can be explained by the use to which external capital were put. The bulk of foreign capital during this period was devoted to improving the infrastructure of the country. Of a total of 171 debt contracts Nigeria signed with eleven creditors between 1969 and 1982, for which a total obligation of over US\$7.6 billion were still outstanding as at 1999, 131 representing 76.6% were for the development of the nation's infrastructures. These were in the arrears of transport and telecommunication, power generation, social services, and administration. Although these basic infrastructures are catalysts in the growth process, they are not directly productive. The 'productive activities' for which the remaining funds were directed included such projects as the Ajaokuta Steel Complex and the Delta Steel Complex. It was common knowledge that these projects never took off long after the loans had matured (Iremeren, 1997).

The observed sustained recovery from 1987 that led to positive contribution is interesting. What could be responsible for this? As noted earlier in chapter one Nigeria's structural adjustment program (SAP) was introduced in 1986. During this period foreign capital were not only targeted at productive sectors, but were also monitored by donor agencies. Secondly 1988 marked a turning point in the country's debt management policy. As was depicted in Appendix *IC* the formulation of a national debt management policy-guidelines and the establishment of a Debt Conversion Committee (DCC) in 1988 improved debt management in two ways: it provided a more effective framework for monitoring debt performance, and it also gave debt managers some level of executive capacity and reduced government interference and manipulation. From 1988 onwards the nation's debt management was coordinated largely by the DCC and this appeared to have improved the quantity and quality of data on the country's debt.

Like the negative, the positive band from 1988 to 1998 exhibited irregular undulating pattern. The troughs of 1991 and 1994, and peaks of 1992, and 1996 were particularly important. While the 1991 scenario can be explained as a direct response to rising import bill (column 4 Table 7.1), the negative contribution in 1994 can only be due to the increasing political tension. This view was further corroborated by the poor performance of Nigeria's debt conversion programme during this period. As indicated in Appendix 1C, the demand for the country's debt instrument at the debt conversion auction dropped by 82.4% from US\$1.111 billion in 1993 to US\$195.8 million at the end of 1994.

What role did the democratization process play concerning the direction and magnitude of the debt-led growth observed above?

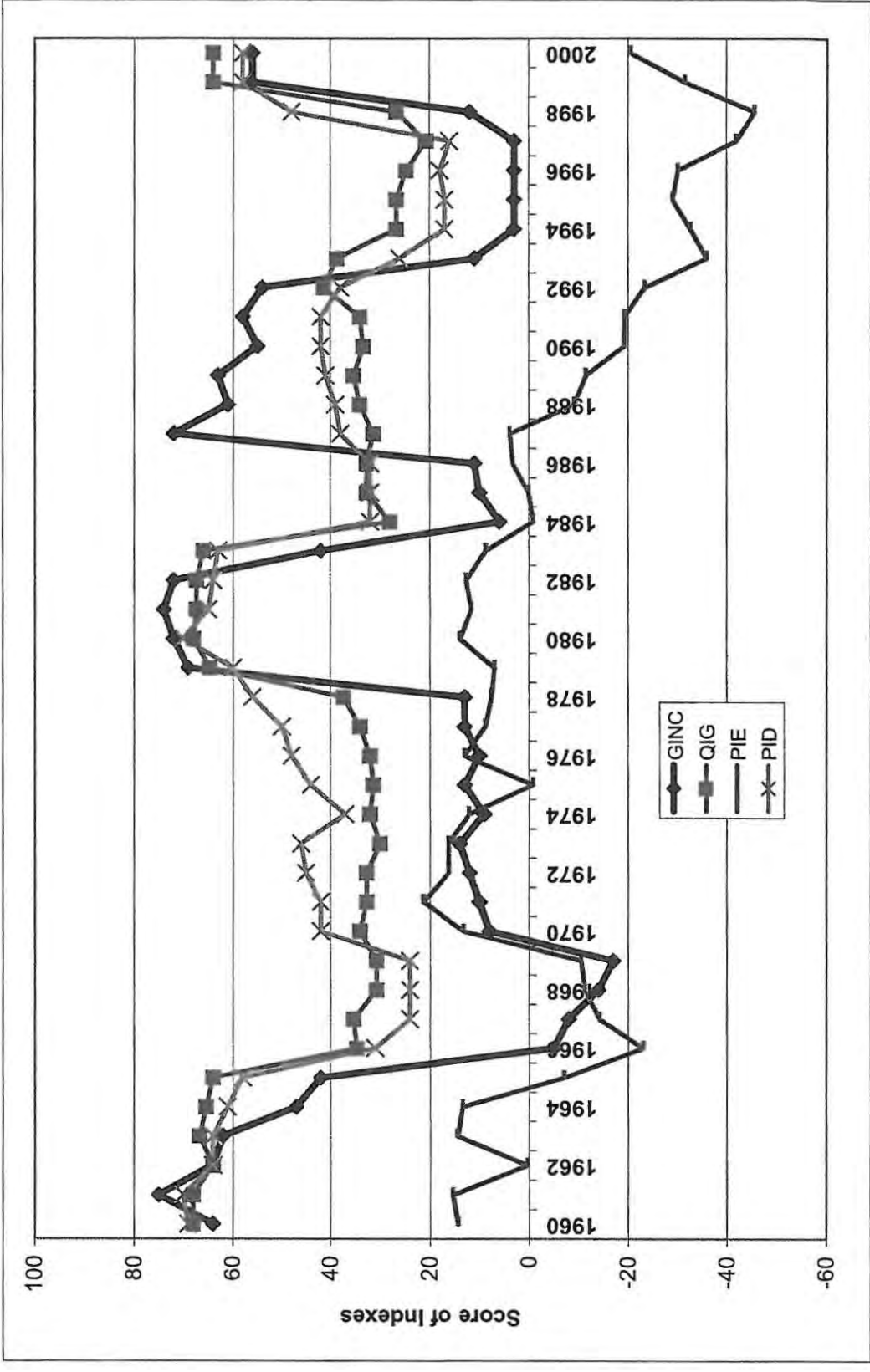
7.3 Patterns of democratization in Nigeria 1960–2000

In fig. 7.3.1 the graph of the scores of the four primary indices are plotted. As can be seen from the figure, *GINC* had a fair start in 1960 after political independence, an appreciable improvement for only one year after which a relapse to 1960 level marked the beginning of a slide culminating in the chaotic civil war that dipped the index to an all time low.

Recovery after the civil war did not really take place until a kick start in 1979. The index remained high for the next four years, a direct reflection of the importance of democratic elections in power change. The vicious selection of the Buhari regime was reflected in deterioration of the index, which did not recover until 1987. The high scores of the 1987-1992, unusual for a period of military rule reflected a high level of quasi-electoral processes that marked the period of Babangida's transition programme. Although arguments that the longest transition programme in Africa led the country nowhere about (Osaghae, 1998: 207-225), it would seem however, that those seemingly wasted years actually laid the foundation of the eventual democratic power change that was achieved in the later years.

With the exception of the civil war years, no period was so dismal in the scores for power change as the years 1993 to 1998. Arguably the Abacha regime was an "unlucky" one:

Fig. 7.3.1 Nigeria: Patterns of Democratization (Dimensions)



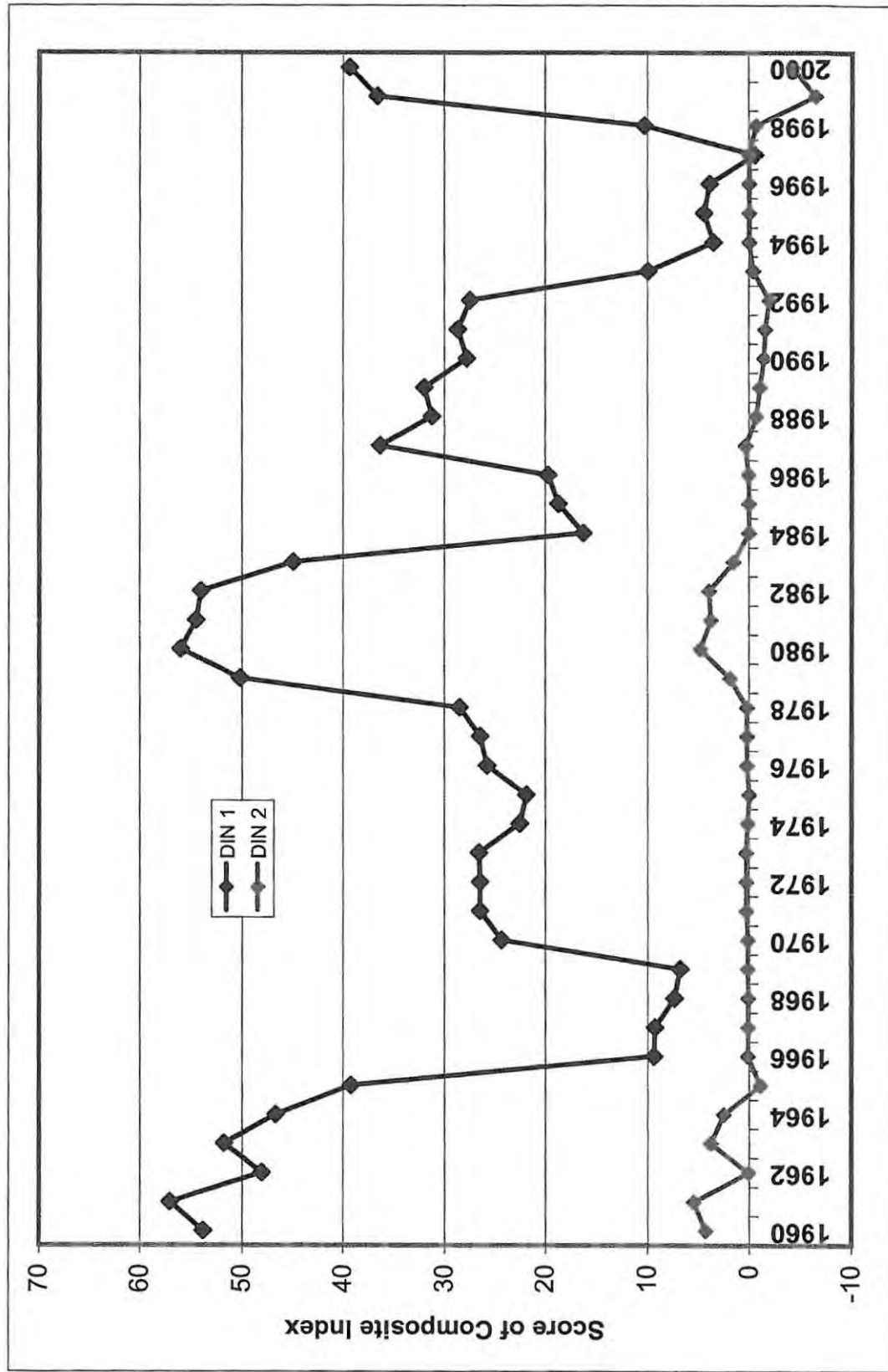
First it coincided with the frustrations of the aftermath of a lengthy transition that culminated in the annulment of the June 12 1993 elections. Second, the crumbling of a seemingly early romance between the regime and the proponents of revalidation of 12 June election results had informed a strong view that Abacha himself (and not the former leader, Babangida) was to blame for the annulment. Against these backdrops, the selectoral processes of the regime's transition programme enjoyed very little acceptance among citizens. The scores following the return of full electoral power change in 1999 improved but this was still below the 1960 level.

The quality of governance index (*QIG*) and the index of democratic dividend (*PIP*) followed almost the same pattern as *GINC*, with *QIG* however exhibiting relative stability across the period 1967-1977. All three indices enjoyed the kick-start occasioned by the return to civil rule of 1979, with *PIP* recovering faster than both *QIG* and *GINC* as well as the shock by the disruption that took place in 1984. Again *QIG* and *PIP* recovered faster and maintained relative stability albeit at a level below *GINC*. Clearly common among all three indices was the undulating nature of the patterns. A brief period of relative high was followed by a free-fall and deteriorating scores.

The index of political environment deserves special comment. Except for a very brief period 1970 -1972 when it was above *GINC*, it remained below any of the other three measures. Although the same undulating trend was observed in *PIE*, of particular note was that it remained negative longer than it was positive, an indication that neither civil nor military-civil diarchy had provided any meaningful level of political environment.

The composite indices are plotted in figure 7.3.2. One of the composite indices *DIN₁* clearly exhibited the same pattern as in *GINC*, *QIG* and *PIP*. This is understandably so because by definition it represents the arithmetic mean of the four primary indices, with each dimension compensating for the shortcomings in one another. As can be seen from the second *DIN₂*, only in the very brief periods of 1960-1965, and 1979-1983 had democracy been lifted off the starting line. As noted earlier this is a representation of the absolutist view of democracy as a product with binary quantity. It was either present (as in these two brief periods) or not there at all. It has already been argued in chapter three that this view of democracy does not accord with democratization in Africa.

Fig. 7.3.2 Nigeria: Patterns of Democratization (Composite indices)



7.4

Indices of democratization for Nigeria and other measures of democracy compared

To validate a new measure, it is customary in empirical literature to compare the new measure with existing ones (Vanhanen, 1997: 40-41; see also McHenry, 2000: 170-171). As noted in chapter three available measures that included Nigeria were either outside the period of analysis of this study and/ or provide data in decade summaries of very limited periods. Gastil's indices provide the best grounds for comparison because its ratings of political rights and civil liberties for Nigeria covered nearly the same period as this study. Since Gastil's ratings rose with decline in the level of democracy whereas the scores of the indices in this study rose with increases in the level of democratization, the Gastil indices are first inverted and then converted to a scale of 100 from its original scale of 0 – 7, to align with the one in this study. Finally a composite index for the Freedom House (See Vanhanen, 1997: 38) measures is calculated using the formula in equation 5.25, in Chapter Five. This exercise is presented in Appendix 7A.

The correlation matrix of the four primary and two variants of the composite indices, and Gastil's two indices including the derived Freedom House Composite Index (*FHC Index*) are presented in Table 7.5.1. The results show that both the primary and composite indices are positively correlated with the two Gastil indices. Two of the four primary indices *QIG*, and *PID* are strongly correlated with both political freedom and civil liberty. *GINC* is strongly correlated with political freedom. Both *PIE* and *GINC* are fairly correlated with civil liberty. The correlation between *PIE* and political freedom is relatively weak albeit positive. The composite index derived by the arithmetic mean of the two Gastil indices is very strongly correlated with *DIN₁*. Correlation with *DIN₂* is understandably very weak, but it is still positive.

From the above it can be said that although different indicators are used in the construction of the indices of democratization for Nigeria the results are more or less similar with the most widely used index of democracy. The construction here makes no claim of an invention. It had benefited from the standard practice in the literature of measurement of democracy by first identifying the relevant dimensions of democratization and then evaluating the variables and indicators of these dimensions.

Table 7.5.1 Correlation of Gastil's political freedom, civil liberty and Freedom House composite index with the indices of democratisation for Nigeria.

[$N = 29$; $df. = 27$; $\rho = .349$ (** 5%), 409 (2%), 449 (***) 1%]

	<i>Political freedom</i>	<i>Civil liberty</i>	<i>FHC Index</i>
<i>GINC</i>	0.759***	0.514***	0.670***
<i>QIG</i>	0.917***	0.750***	0.897***
<i>PIE</i>	0.403**	0.526***	0.473***
<i>PID</i>	0.877***	0.924***	0.940***
<i>DIN1</i>	0.908***	0.808***	0.914***
<i>DIN2</i>	0.359**	0.193	0.310

Source: Calculated by author from Appendices 5E.5 and 7A.

While the indicators have drawn from Nigeria's political experience, they may not be peculiar – they fit perhaps closely many African polities where democratic hope had been higher than sustained democratic rule. As was noted in Chapter Six, the construction is not perfect however, it is expected that this attempt will elicit new interest in the evaluation of national political developments which appear to have been ignored lately in place of cross country comparative political developments.

7.5 Democratization and debt-led growth- estimation and empirical results of the narrow definition

Since the interest in the narrow definition is to investigate the nature of linear relationship between debt-led growth and democratization process correlation analysis is the estimation procedure. Similar analyses employing this primary tool of estimation include Goldsmith (1994: 122-123), Goldsmith (1995: 163-167), Ersson and Lane (1996: 59-61), and Feld and Savioz, (1997: 520-523).

The democratization indices are correlated with debt-led growth variables as well as the derived composite variables - negative growth (*Posgth*) and positive growth (*Negth*).

The matrix of correlation coefficients ρ 's following this analysis are presented in Tables 7.6.1 to 7.6.4. In each of the Tables the democratization index and its components are recorded in column one. Positive and Negative growth and their components are recorded in the first row.

7.5.1 Power change and debt-led growth

Table 7.6.1 shows the correlation coefficients between power change and its components and the variables of debt-led growth. Correlation coefficients between power change and *Posgth*, and *Negth* show negative and positive respectively. None of these is however statistically significant even at the 10% level. This result sums up to a negative but not significant correlation between power change and debt-led growth. Thus there appears to be no association between the democratic content of power change and debt-led growth.

However, a closer look at the disaggregated correlations reveals some interesting results. A positive and significant (at 2% level) correlation is observed between *Violence* and *Posgth*, suggesting that less democratic selectoral processes of power change are associated with positive debt-led growth. The reason for this association seems to derive from a significant negative association between less democratic regimes (*Violence*) and imports of especially consumer goods (*Mc*). The most plausible explanation of this finding could be that within the framework of an overvalued currency and relative availability of foreign exchange afforded by the oil wealth, imports would be very attractive. Governments' import substitution (and later import restriction) policies were designed to reduce the volume of imports to ease the pressure on foreign exchange. It does appear from the result here that regimes with less democratic content might have been more effective in policing the physical restrictions on the growth of imports than their counterparts with more democratic content. This is more so in view of the fact that actual policing of the country's borders were done by both military and customs officers during military civil diarchies as opposed to the exclusive use of the latter during civil administrations. Imports might have therefore been affected by reduction in cross border smuggling.

Table 7. 6.1 Nigeria: Correlation of debt-led growth and variables of power change [N= 29; df. = 27; $\rho = .295(10\%)$, .349 (**5%), 409 (**2%), 449 (*1%)]

	<i>Xd</i>	<i>Tp</i>	<i>Mc</i>	<i>Mq</i>	<i>Posgth</i>	<i>Rfl</i>	<i>Gcfc</i>	<i>Mi</i>	<i>a</i>	<i>(1-a)</i>	<i>Negth</i>	<i>DLG</i>
<i>Regular.</i>	0.046	-0.205	0.143	-0.070	-0.180	0.297	-0.119	0.079	0.083	-0.083	0.057	-0.155
<i>Inclusive.</i>	0.042	-0.093	0.146	-0.086	-0.086	0.377**	0.039	0.162	0.029	-0.029	0.144	-0.171
<i>Open</i>	-0.031	-0.062	0.098	-0.120	-0.094	0.446***	0.080	0.124	-0.019	0.019	0.203	-0.225
<i>Fair</i>	0.132	-0.135	0.229	-0.021	-0.092	0.204	-0.048	0.216	0.140	-0.140	-0.012	-0.046
<i>Election</i>	0.050	-0.131	0.159	-0.075	-0.119	0.337*	-0.018	0.148	0.062	-0.062	0.097	-0.152
<i>Peace.</i>	-0.308*	0.301*	-0.300*	-0.321*	0.181	-0.191	0.272	-0.223	-0.346*	0.346*	0.185	-0.044
<i>Violence</i>	0.024	0.306*	-0.351*	-0.259	0.466***	-0.286	0.170	-0.321*	-0.357*	0.357*	0.140	0.164
<i>selection</i>	-0.374**	0.265	-0.249	-0.302*	0.072	-0.139	0.272	-0.167	-0.303*	0.303*	0.177	-0.103
<i>GINC</i>	-0.020	-0.095	0.131	-0.148	-0.121	0.356*	0.036	0.135	0.009	-0.009	0.148	-0.195

Table 7. 6.2 Nigeria: Correlation of debt-led growth and variables of quality of governance

	<i>Xd</i>	<i>Tp</i>	<i>Mc</i>	<i>Mq</i>	<i>Posgth</i>	<i>Rfl</i>	<i>Gcfc</i>	<i>Mi</i>	<i>a</i>	<i>(1-a)</i>	<i>Negth</i>	<i>DLG</i>
<i>Consult.</i>	-0.437*	0.355*	-0.100	-0.511****	0.076	0.484***	0.257	-0.025	-0.317*	0.317*	0.467***	-0.341*
<i>Civil part.</i>	0.067	0.063	0.186	0.033	0.028	0.391*	0.441**	0.421**	0.008	-0.008	0.183	-0.135
<i>Exco.quality</i>	-0.195	0.228	0.057	-0.255	0.057	0.494***	0.401**	0.238	-0.166	0.166	0.361	-0.264
<i>Leg.Ind.</i>	-0.163	0.016	-0.015	-0.174	-0.082	0.531****	0.235	0.175	-0.115	0.115	0.338*	-0.329*
<i>LegFtn.</i>	-0.163	0.016	-0.015	-0.174	-0.082	0.531****	0.235	0.175	-0.115	0.115	0.338*	-0.329*
<i>Leg.quality</i>	-0.163	0.016	-0.015	-0.174	-0.082	0.531****	0.235	0.175	-0.115	0.115	0.338*	-0.329*
<i>Conspont</i>	-0.471***	0.159	-0.210	-0.528****	-0.069	0.705****	0.335*	-0.158	-0.456***	0.456***	0.653****	-0.582****
<i>JudInd.</i>	-0.461***	0.109	-0.103	-0.453***	-0.160	0.659****	0.229	-0.129	-0.363*	0.363*	0.564****	-0.563****
<i>Jud.quality</i>	-0.472***	0.135	-0.156	-0.495***	-0.119	0.690****	0.283	-0.145	-0.413**	0.413**	0.614****	-0.580****
<i>QIG</i>	-0.303*	0.126	-0.050	-0.334*	-0.060	0.612****	0.315*	0.077	-0.253	0.253	0.472***	-0.427**

Source: author's calculation from Appendices 5E.1 and Table 7.1

7.5.2 Quality of governance and debt-led growth

Table 7.6.2 shows the correlation coefficients between quality of governance (and its variables) and the variables of debt-led growth. Correlation coefficients between *QIG* and *Posgth*, and *Negth* show negative and positive respectively. While that between *QIG* and *Posgth* is not significant the correlation between *QIG* and *Negth* is significant at 2% level, summing up to a negative and significant (at 5%) association between *QIG* and debt-led growth (*DLG*). In other words governance with more democratic content is associated with lower debt-led growth. In the disaggregated picture, the path of this negative relationship appears largely located in the relationship between *QIG* and interest rate on foreign loans (*Rfl*). All the variables of *QIG* are positively correlated with *Rfl* and significant at the 1% level.

7.5.3 Political environment and debt-led growth

The correlation coefficients between political environment *PIE*, (and its variables) and the variables of debt-led growth are presented in *Table 7.6.3*. *PIE* is positively correlated with both *Posgth*, and *Negth* but the stronger and more statistically significant correlation is that between *PIE* and *Negth*. Consequently the statistical significance of a negative correlation between political environment and debt-led growth is reduced from 1% to 5% level. Disaggregating this relationship reveals the path of the positive albeit non-statistically significant association between positive debt-led growth and political environment. While *PIE*'s positive and negative correlations with transfer payments (*Tp*) and imports (*Mc* and *Mq*) are respectively consistent with a positive correlation with positive debt-led growth, the observed negative correlation between *PIE* and rate of export might explain the overall negative correlation between *PIE* and debt-led growth. Equally important are the correlations (and suggestive association) between the shares of domestic (*a*) and foreign (*I- a*) capital in the production process and *PIE*. Political environment shows very strong and negative association with (*a*) and an equally strong but positive association with (*I- a*).

Table 7.6.3 Nigeria: Correlation of debt-led growth and variables of political environment [N= 29; df. = 27; $p = .295(10\%)$, .349 (**5%), 409 (**2%), 449 (*1%)]

	<i>Xd</i>	<i>Tp</i>	<i>Mc</i>	<i>Mq</i>	<i>Posgth</i>	<i>Rfl</i>	<i>Gcfc</i>	<i>Mi</i>	<i>a</i>	<i>(1-a)</i>	<i>Negth</i>	<i>DLG</i>
<i>Tgen</i>	-0.193	-0.505****	-0.062	-0.034	-0.552****	0.536****	-0.011	0.241	0.114	-0.114	0.145	-0.452***
<i>Talv.</i>	0.191	0.506****	0.062	0.031	0.552****	-0.536****	0.015	-0.240	-0.117	0.117	-0.142	0.450***
<i>Pol.stability</i>	0.206	0.503****	0.029	0.016	0.577****	-0.549****	-0.006	-0.273	-0.133	0.133	-0.139	0.462***
<i>Lorder</i>	-0.345*	0.152	-0.109	-0.331*	-0.049	0.601****	0.514****	0.036	-0.386*	0.386*	0.560****	-0.493***
<i>CrInst.</i>	0.395*	-0.415**	0.347*	0.568****	-0.271	-0.142	-0.243	0.289	0.345*	-0.345*	-0.319*	0.101
<i>Act.stability</i>	-0.470***	0.309*	-0.242	-0.530****	0.071	0.588****	0.555****	-0.090	-0.485***	0.485**	0.627****	-0.477***
<i>Ofds</i>	0.715****	-0.485***	0.453***	0.887****	-0.169	-0.478***	-0.440**	0.495***	0.780****	-0.780****	-0.799****	0.560****
<i>Acds</i>	0.661****	-0.622****	0.441***	0.847****	-0.316*	-0.236	-0.284	0.583****	0.739****	-0.739****	-0.670****	0.365*
<i>DS</i>	0.708****	-0.546****	0.457***	0.888****	-0.228	-0.395*	-0.389*	0.538****	0.779****	-0.779****	-0.765****	0.497***
<i>PIE</i>	-0.622****	0.598****	-0.400**	-0.809****	0.304*	0.380*	0.477***	-0.461***	-0.748****	0.748****	0.735****	-0.426**

Table 7.6.4 Nigeria: Correlation of debt-led growth and variables of democratic dividend [N= 29; df. = 27; $p = .295(10\%)$, .349 (**5%), 409 (**2%), 449 (*1%)]

	<i>Xd</i>	<i>Tp</i>	<i>Mc</i>	<i>Mq</i>	<i>Posgth</i>	<i>Rfl</i>	<i>Gcfc</i>	<i>Mi</i>	<i>a</i>	<i>(1-a)</i>	<i>Negth</i>	<i>DLG</i>
<i>Orfree</i>	-0.615****	0.389*	-0.254	-0.609****	0.039	0.587****	0.573****	-0.183	-0.615****	0.615****	0.732****	-0.583****
<i>Indfree</i>	-0.252	-0.083	0.051	-0.233	-0.253	0.399**	-0.024	0.071	-0.033	0.033	0.208	-0.324*
<i>Liberty</i>	-0.556****	0.243	-0.160	-0.544****	-0.086	0.603****	0.402**	-0.100	-0.458***	0.458***	0.621****	-0.566****
<i>Promt</i>	-0.422**	0.669****	-0.149	-0.449***	0.361*	0.278	0.684****	-0.036	-0.535****	0.535****	0.551****	-0.239
<i>Commit</i>	-0.176	0.081	0.171	-0.330*	-0.083	0.472***	0.477***	0.239	-0.223	0.223	0.391*	-0.374*
<i>D'Hope</i>	-0.335*	0.401**	0.035	-0.450****	0.134	0.454***	0.668****	0.138	-0.424**	0.424**	0.543****	-0.369*
<i>PID</i>	-0.468**	0.341*	-0.064	-0.522****	0.027	0.555****	0.566****	0.022	-0.464***	0.464***	0.612****	-0.491***

Source: author's calculation from Appendices 5E.2and Table 7.1

7.5.4 Democratic dividend and debt-led growth

Correlations of democratic dividend (*PID*) and debt-led growth (and its variables) are presented in *Table 7.6.4*, *PID* shows positive correlation with both positive and negative growth. While the former is not significant at all, the latter is strong at 1% significance level leading thus to a negative (and significant at 1% level) correlation between political dividend and debt-led growth. In tracing the path of this association it is observed that *PID*'s positive (negative) correlation with transfer payments (imports) are consistent with positive growth. As in the case of political environment, *PID*'s negative and significant correlation with the rate of export (*Xd*) accounts for the erosion of the significance of the positive relationship between *PID* and positive debt-led growth. Similarly *PID*'s positive correlation with negative growth can be located in the formers' respective negative and positive association with the shares of domestic (*a*) and foreign (*1 - a*) capital.

7.5.5 The composite indices of democratization for Nigeria and debt-led growth.

Table 7.6.5 Nigeria: Correlation of debt-led growth and democratization indices

[*N* = 29; *df* = 27; *p* = .295(*10%), .349 (**5%), .409 (**2%), .449 (****1%)]

	<i>Positive growth</i>	<i>Negative growth</i>	<i>Debt-led growth</i>
<i>Power change (GINC)</i>	- 0.121	0.148	- 0.195
<i>Quality of governance (QIG)</i>	- 0.060	0.472 ****	- 0.427 ***
<i>Political environment (PIE)</i>	0.304*	0.735 ****	- 0.426 ***
<i>Political dividend (PID)</i>	0.027	0.612 ****	- 0.491 ****
<i>Nigeria index of democratization (DIN₁)</i>	0.038	0.546 ****	- 0.443 ***
<i>Nigeria index of democratization (DIN₂)</i>	0.073	0.546 ****	- 0.408 **

Source: Calculated by author from 7.1 and 7.3

Table 7.6.5 shows correlation coefficients of the four primary and two composite indices and debt-led growth. Both the compensatory (*DIN₁*) and non-compensatory (*DIN₂*)

composite indices of democratization show the same pattern of correlations with debt-led growth. Both indices are positively but not significantly correlated with positive growth. Their correlations with negative growth (*Negth*) are both positive and very significant at the 1% level. The overall correlations with debt-led growth (*DLG*) are thus both negative albeit with higher significance in the compensatory version of the index.

7.5.6 Summary and interpretation of correlation analysis in the narrow definition

For the period under review the association between the democratization process in Nigeria and debt-led growth may be summarized as follows:

- More democratic power change was not associated with debt-led growth
- Improvements in democratic quality of governance was associated with lower debt-led growth
- More democratic political environment was associated with both positive and negative growth factors, but the latter association was stronger than the former
- Increases in democratic dividend was associated with lower debt-led growth and finally
- Increases in the level of democratization however measured were associated with lower levels of debt-led growth.

The suggestion of a negative relationship here between democratization and debt performance should be interpreted with caution. As revealed in the disaggregated correlations the single most important variable on which debt-led growth in the narrow definition depends is exports. All four indices of democratization showed up with negative correlations with export and two of these (*PIE* and *PID*) were significant. Why would higher levels of democratization be associated with lower exports? Without suggesting causality in any definite direction, the closest explanation will naturally fall within the pessimist domain. If a country's export sector was predominantly extractive, (as in oil industry) foreign high-tech intensive, with its price erratic and determined largely by exogenous factors, then higher levels of democratization may play no significant role in increasing the level of export revenues. On the other hand if civil

agitations against exploration-related environmental degradation had the capacity to disrupt exploration then this can reduce output of exportable.

It is tempting therefore to argue, in the spirit of the pessimist view- point that tough regimes (meaning less democratic) did a superior job of bringing order to society by containing such agitations. This explanation does not seem plausible for Nigeria. As was highlighted in Appendix 5A some of the worst environmental agitations in oil producing States in Nigeria that claimed many lives including the notable playwright Ken Saro-Wiwa, took place during one of the least democratic regimes. Agitation in the oil-producing (Niger-Delta) areas of Nigeria in the years 1994 – 1997 were the most destabilizing for oil companies. Three major oil companies in Port Harcourt, Rivers State – Shell, AGIP, and ELF, claimed to have lost over 12 million barrels of oil to environmental agitations in 1993 alone (Obi, 1997: 40). Where then does this leave one? Was export as an important determinant of the level of debt-led growth in Nigeria a question of ‘luck’, in which export earnings for purely exogenous factors grew faster during military-civil diarchies than during civil regimes. Or is there a theoretical positive link between export performance driven by extractive oil industry and authoritarian governments. The regression of export in the broad definition will shed more light on this.

The other finding and perhaps more important for this study is that except for power change, improvements in all the dimensions of democratization are associated with increasing share of imported capital and decreases in the share of domestic capital. This suggests that foreign lenders were more favourable to dealing with more democratic than less democratic governments.

A correlation analysis of the nature undertaken in the narrow definition imposes a limitation that no suggestion of causality may be made on the bases of these findings. This however, does not mean such causal associations may not exist. In the next section the results of a more suggestive analysis are reported.

7.6 Democratization and debt-led-growth-estimation and empirical results in the broad definition

Each of the base equations 6.13 – 6.20 in Chapter Six is regressed in its original specification. Where any variable is found not to be relevant by lack of statistical significance the variable is dropped from the model. In some cases variables were lagged. In addition to the variables being more significant in their lagged values, there was theoretical justification for doing so.

Except in the debt burden equation³⁶ and private consumption, all other dependent variables are transformed into their log forms. By this transformation the analyses in the log-lin equations are interested in the relative (%) change in the dependent variable due to absolute change in the explanatory variables. In other words the interpretation of the partial coefficients relate to the impact of changes in the level of democratization expressed as percentage changes in the mean value of debt-led growth variables.

The partial regression coefficients and *t* statistics are presented in Tables 7.8.1 – 7.8.8. Column one in each table shows the independent variables with the expected sign of their coefficient in parenthesis. Column two shows the partial regression coefficients of the independent variables of the base equation. Columns three to seven each shows the partial regression coefficients of the equations including the democratization variables. The most important statistics are highlighted along the diagonal in each Table. The last four rows show the adjusted R^2 , the *F* statistics, the Durbin-Watson (*D-W*) statistics, and the *Inverted AR Root* - serial correlation coefficient of the unconditional residuals.

Although the standard procedure for interpreting multiple regression results is followed, the emphases are first, on the signs and statistical significance of the partial regression coefficients relating to the introduced democratization variables. Second, on the observed improvement (or the absence of it) in the adjusted multiple coefficient of determination R^2 due to the introduction of a democratization variable. These emphases are informed by the central research question of whether or not each of the democratization variables is a

³⁶ Debt burden is a percentage of debt service payment , there is no need therefore for transformation

reliable determinant of debt-led growth, and how much improvement its introduction improves the explanation of variations in debt-led growth.

7.6.1 Domestic savings and the level of democratization

Table 7. 8. 1 Nigeria: Regression of domestic savings on the level of democratization

Dependent variable = *lnGDS*
[N= 26]

Independent variable	E Q U A T I O N					
	6.13.1	6.13.2	6.13.3	6.13.4	6.13.5	6.13.6
<i>RFDI</i> (-)	-8.560 (2.191)**	-8.350 (1.840)*	-8.700 (2.166)**	-0.0002 (3.959)***	9.510 (2.301)**	8.830 (2.056)**
<i>RD</i> (+)	0.058 (2.208)**	0.058 (2.101)**	0.060 (2.205)**	0.060 (2.224)**	0.065 (2.384)**	0.059 (2.178)**
<i>DSR4</i> (-)	-0.127 (1.602)	-0.122 (1.315)	-0.135 (1.601)	-0.210 (3.099)***	-0.159 (1.829)*	-0.134 (1.451)
<i>GINC</i> (+)		0.0004 (0.908)				
<i>QJG</i> (+)			-0.002 (0.286)			
<i>PIE</i> (+)				-0.039 (4.115)***		
<i>PID</i> (+)					-0.008 (0.780)	
<i>DIN</i> (+)						-0.001 (0.139)
Adjusted R ²	0.93	0.93	0.93	0.94	0.93	0.93
F(Prob F)	96.546(000)	73.586(000)	73.839(000)	75.879(000)	74.928(000)	73.607(000)
D W Stat	1.748	1.738	1.784	1.876	1.759	1.763
Inv.AR Roots	.89	.89	.88	.30	.85	.88

Note: Figures in parenthesis are *t* stats. * denote 10% significance level; ** denote 5% significance level; *** denote 1% significance level

Source: Extracted from Regressions Output run by author on *EViews*

Regression results of the domestic savings equations are presented in Table 7.8.1. Disposable income did not make any statistical significant contribution to variations in domestic savings and had to be dropped. The base equation is therefore run with foreign

direct investment (*FDI*), domestic deposit interest rate (*RD*) and debt service ratio (*DSR*). The partial coefficients of all three variable are of the expected signs: negative for *FDI* and *DSR*, and positive for *RD*. Coefficient for *FDI* and *RD* are both significant at 5%. Although coefficient for *DSR* narrowly misses 10% significance level, it is retained in the base equation because its significance improved in subsequent regressions. Thus in the base regression, foreign direct investment is confirmed to be a drag on domestic savings. The base regression explains 93% of the variation in domestic savings for the period.

The introduction of the demovariables produce mixed results. The partial coefficient for *GINC* is of the expected (positive) sign but not significant. The partial regression coefficients for *QIG*, *PIE*, *PID* and *DIN* are of the unexpected (negative) sign. However *QIG* and *PID* are not significant. *PIE* is significant at 1% level of confidence. It is also in this case that the adjusted R^2 improved albeit marginally from .93 to .94, an indication that the relevant dimension of democratization for the variations in domestic savings is political environment.

With partial regression coefficient of 0.039, this means that a unit change in the level of political environment will, holding all other variables constant, be associated with a minus 0.039% change in the mean level of domestic savings. This unexpected result will be discussed in section 7.7.

7.6.2 Domestic investment and the level of democratization

Domestic lending rate is dropped from the base equation because it was not statistically significant. Gross domestic investment (*GDI*) is regressed on change in gross domestic product (*CHGDP*), and debt service ratio (*DSR*). Regression results of the domestic investment equations are presented in Table 7.8.2. Coefficients for both explanatory variables are of the expected sign: Change in GDP is positive while debt service ration is negative. The former is significant at 1% while the latter is significant at 5%. Both variables together explain 72% of the variation in gross domestic investment. The base regression therefore confirms that while increases in GDP accelerates investment, debt service payments depress it.

Table 7. 8. 2 Nigeria: Regression of domestic investment on the level of democratization

Dependent variable = *lnRGDI*
[N= 27]

Independent variable	E Q U A T I O N					
	6.14.1	6.14.2	6.14.3	6.14.4	6.14.5	6.14.6
CHGDP (+)	3.470 (4.601)***	3.490 (4.516)***	3.510 (4.518)***	3.530 (4.880)***	3.520 (4.550)***	3.540 (4.577)***
DSR (-)	-0.128 (2.340)**	-0.117 (1.952)*	-0.112 (1.998)**	-0.132 (2.724)**	-0.116 (2.198)**	-0.099 (1.787)*
GINC(+)		0.001 (0.479)				
QIG(+)			0.007 (1.123)			
PIE (+)				0.015 (3.141)***		
PID (+)					0.016 (3.364)***	
DIN (+)						0.010 (1.864)*
Adjusted R ²	.72	.71	.73	.79	.78	.75
F(Prob F)	23.619(000)	17.183(000)	18.519	25.649(000)	24.543(000)	20.042(000)
D W Stat	1.087	1.104	1.019	1.508	1.172	1.319
AR Roots	.86	.85	.80	.66	.58	.74

Note: Figures in parenthesis are *t* stats. * denote 10% significance level; ** denote 5% significance level; *** denote 1% significance level

Source: Extracted from Regressions run by author on *EViews*

The coefficient of each of the introduced demovariabes is of the correct (positive) sign, indicating that every dimension of democratization is positively related with domestic investment. Not all of them however, are statistically significant. *GINC* and *QIG* are not significant even at 10%, although the latter's introduction results in a marginal improvement of the adjusted R^2 from 0.72 to 0.73. Coefficients for *PIE* and *PID* on the other hand are both significant at 1% level. Their introduction also improve adjusted R^2 from 0.72 to 0.79 and 0.78 respectively.

The coefficient for the composite democratization index *DIN*, is significant at 10%. Its introduction into the base equation improves adjusted R^2 from 0.72 to 0.75.

From the partial coefficients in Table 7.8.2, it can be said that a unit change in the level of political environment (*PIE*), holding other variables constant, is associated with a 0.015% change in the mean value of domestic investment. Similarly, a unit change in the level of political dividend is associated with a 0.016% in the mean level of domestic investment, other things being equal. Over all, a unit improvement in the level of democratization, keeping other variables constant, is associated with a 0.01% change in the mean value of domestic investment.

7.6.3 Export and the level of democratization

Three of the original variables of the export base equation - real exchange rate, (*RER*), final consumption expenditures in industrial countries (*CIC*) and domestic consumption of crude petroleum (*DCC*) - are dropped from the regression as non of them shows any systematic or statistical significance in the explanation of variations in export earnings. Thus actual base regression equation is real export expressed as a function of change in world oil prices (*CHWOP*) and the index of mining activities (*IMA*). The results of the base regression and the introduction of the demovables are presented in Table 7.8.3.

Coefficients for both *CHWOP* and *IMA* in the base regression are of the expected signs (positive) and both are significant at 1% level. The base regression coefficient of multiple determination is 0.82. In other words both variables have positive impact and explain 82% of the variation in export earnings. The partial regression coefficient of each of the introduced democratization variables is correctly (positive) signed. Of the four primary measures, two (*GINC* and *PIE*) are significant at 10% level. In both cases the adjusted R^2 improve albeit marginally from 0.82 to 0.84. Coefficients for the other two (*QIG* and *PID*) are not significant even at 10%. Although the introduction of the composite measure (*DIN*), results in a marginal improvement of the adjusted coefficient of multiple determination R^2 , and with its coefficient correctly signed, it is not significant even at 10%.

Table 7. 8. 3 Nigeria: Regression of export on the level of democratization

Dependent variable = *lnRX*
[N= 28]

Independent variable	E Q U A T I O N					
	6.15.1	6.15.2	6.15.3	6.15.4	6.15.5	6.15.6
CHWOP (+)	0.194 (6.255)***	0.199 (6.046)***	0.195 (5.925)***	0.320 (4.266)***	0.201 (5.501)***	0.224 (5.576)***
IMA (+)	1.415 (5.160)***	1.505 (5.241)***	1.417 (4.996)***	1.329 (4.220)***	1.421 (5.030)***	1.444 (4.806)***
GINC(+)		0.004 (1.886)*				
QIG(+)			0.003 (.098)			
PIE(+)				0.012 (1.884)*		
PID(+)					0.001(1.334)	
DIN(+)						0.006 (1.384)
Adjusted R ²	.82	.84	.82	.84	.82	.83
F(Prob F)	42.642(000)	36.692(000)	30.664(000)	36.056(000)	36.825(000)	33.681(000)
D W Stat	1.937	2.074	1.942	2.203	1.935	2.040
AR Roots	.31	.37	.31	.48	.31	.39

Note: Figures in parenthesis are *t* stats. * denote 10% significance level; ** denote 5% significance level; *** denote 1% significance level

Source: Extracted from Regressions run by author on EViews

The significant partial regression coefficients show that a unit improvement in the democratic content of power change is associated with a 0.004% improvement in export earnings. Similarly a unit improvement in the level of political environment is associated with 0.012% improvement in export performance.

7.6.4 Foreign direct investment and democratization

The results of the *FDI* regressions are presented in Table 7.8.4. Only two variables - the level of infrastructure development (*INFS*) and real mining activity (*RMA*) made it through the base equation. As indicated in Chapter Six the high level of unpredictability of *FDI* is relived in this exercise.

Table 7. 8. 4 Nigeria: Regression of foreign direct investment on the level of democratization

Dependent variable = $\ln RFDI$
[N= 27]

Independent variable	E Q U A T I O N					
	6.16.1	6.16.2	6.16.3	6.16.4	6.16.5	6.1.6
INFS (+)	0.007 (1.911)*	0.005 (1.388)	0.007 (1.857)*	0.008 (2.148)**	0.008 (2.070)**	0.007 (1.838)*
RMA (+)	-1.330 (3.906)***	-1.330 (4.142)***	-1.330 (3.738)***	-1.520 (3.900)***	-1.490 (3.988)***	-1.460 (4.078)***
GINC (+)		-0.003 (1.810)*				
QIG (+)			-0.002 (0.052)			
PIE (+)				-0.005 (1.092)		
PID (+)					-0.005 (1.323)	
DIN (+)						-0.005 (1.428)
Adjusted R ²	.71	.74	.70	.71	.72	.72
F(Prob F)	22.475(000)	19.046(000)	16.126(000)	17.302(000)	17.529(000)	17.919(000)
D W Stat	1.842	1.777	1.841	1.823	1.882	1.820
AR Roots	.54	.43	.54	.53	.42	.44

Note: Figures in parenthesis are *t* stats. * denote 10% significance level; ** denote 5% significance level; *** denote 1% significance level

Source: Extracted from Regressions run by author on EViews

While coefficient of the level of infrastructure development is of the expected (positive) sign and significant at 10%, real mining activity returned a very significant (1%) coefficient but with the unexpected (negative) sign, suggesting that increases in real mining activity is associated with declining foreign direct investment. The base regression explains 71% of the variation in the level of foreign direct investment for the period. Similarly coefficients for all the introduced democratization variables are of the unexpected (negative) signs. However only *GINC* is significant at 10%, and its introduction improves adjusted R^2 by over 4.2% from 0.71 to 0.74. From the coefficient, a unit improvement in the democratic content of power change is associated with a 0.003% decrease in the mean value of foreign direct investment. This unexpected result will be discussed in section 7.7.

7.6.5 Public and private consumption expenditures and the level of democratization

Government consumption

The regression results for government consumption and private consumption are presented in Tables 7.8.5, and 7.8.6 . In the base equation for government consumption national disposable income is dropped leaving the growth of oil revenue, defence spending, and the level of law and order as the explanatory variables.

Against expectations coefficient for oil revenue is negative and very significant at 1%. Coefficients for both defence spending, and law and order are of the expected (positive) signs and significant at 1% and 5% respectively. The base regression explains 72% of observed variations in government consumption expenditures. In all cases of the introduction of a demovvariable the coefficient is of the expected (negative) signs. Of the five demovvariables two - power change, and the composite measure (*GINC*, and *DIN*) - are both significant at 5%. Coefficient for political environment (*PIE*) is significant at 10%. Coefficients for *QIG* and *PID* are both not significant at 10%. Correspondingly, the introductions of *GINC* and *PIE* improve the adjusted R^2 from 0.72 in the base equation to 0.75 and 0.74 respectively.

From the significant coefficients a unit improvement in the democratic content of power change is associated with 0.004% reduction in the mean value of government consumption expenditures. Similarly a unit improvement in political environment is associated with a 0.006% decline in government consumption. Over all a unit improvement in the level of democratization is associated with a 0.008% reduction in government consumption spending. The observed (unexpected) negative relationship between government consumption and oil revues is discussed in section 7.7.

Table 7. 8. 5 Nigeria: Regression of government consumption on the level of democratization

Dependent variable = *lnRGOVTCN*
[N= 28]

Independent variable	<i>E Q U A T I O N</i>					
	<i>6.18.1</i>	<i>6.18.2</i>	<i>6.18.3</i>	<i>6.18.4</i>	<i>6.18.5</i>	<i>6.18.6</i>
<i>OILREV</i> (+)	-2.160 (2.650)***	-1.580 (2.092)**	-1.990 (2.273)**	-2.500 (3.246)***	-2.200 (2.738)**	-1.890 (2.636)***
<i>DEFSPEND</i> (+)	0.0002 (3.544)***	0.0002 (3.807)***	0.0002 (3.489)***	0.0002 (4.256)***	0.0002 (3.698)***	0.0002 (4.414)***
<i>LORDER</i> (+)	0.015 (2.233)**	0.0219 (2.977)***	0.019 (2.269)**	0.0222 (2.839)***	0.018 (2.316)**	0.026 (3.085)***
<i>GINC</i> (-)		-0.004 (2.096)**				
<i>QIG</i> (-)			-0.004 (0.760)			
<i>PIE</i> (-)				-0.006 (1.706)*		
<i>PID</i> (-)					-0.004 (0.861)	
<i>DIN</i> (-)						-0.008 (2.102)**
Adjusted R ²	.72	.75	.72	.74	.72	.75
F(Prob F)	18.918(000)	17.738(000)	14.969(000)	16.576(000)	15.092(000)	17.797(000)
D W Stat	1.930	1.853	1.881	1.889	1.850	1.786
AR Roots	.48	.33	.51	.35	.45	.34

Note: Figures in parenthesis are *t* stats. * denote 10% significance level; ** denote 5% significance level; *** denote 1% significance level

Source: Extracted from Regressions run by author on *EViews*

Private consumption

As indicated in section 7.6 regression with log transformation of private consumption did not give any consistent significant relationship with any of the democratization variables. The untransformed real values were therefore used. The implication of this is that the partial coefficients here are not interpreted as slopes or relative (%) but as absolute changes in the mean value of the dependent variable due to variations in the independent variables.

The base equation explains 74% of observed variations in private consumption expenditures. In other words national disposable income is positively and highly (1%) significantly related with private consumption.

Table 7. 8. 6 Nigeria: Regression of private consumption on democratization

Dependent variable = *RPVTCN* [N= 30]

Independent variable	E Q U A T I O N					
	<i>6.19.1</i>	<i>6.19.2</i>	<i>6.19.3</i>	<i>6.19.4</i>	<i>6.19.5</i>	<i>6.19.6</i>
RNDY (+)	0.811 (9.426)***	0.814 (9.838)***	0.817 (10.105)***	0.838 (11.383)***	0.786 (8.833)***	0.794 (9.571)***
<i>GINC</i> (-)		-158 (1.752)*				
<i>QIG</i> (-)			-360 (2.317)**			
<i>PIE</i> (-)				-610 (2.449)**		
<i>PID</i> (-)					-269 (1.644)	
DIN (-)						-372 (2.230)**
Adjusted R ²	.74	.76	.78	.77	.74	.77
F(Prob F)	42.974(0000)	31.925(0000)	35.164(0000)	32.865(000)	29.306(000)	34.242(000)
D W Stat	1.356	1.357	1.396	1.742	1.508	1.422
AR Roots	.62	.63	.59	.94	.34	.52

Note: Figures in parenthesis are *t* stats. * denote 10% significance level; ** denote 5% significance level; *** denote 1% significance level

Source: Extracted from Regressions run by author on *EViews*

The sign of the coefficient of each of the introduced demovables is of the expected (negative) direction. Higher democratic content in all dimensions are associated with reduction in private consumption. Except for power change democratic dividend (*PID*), all coefficients are significant, power change at 10%, quality of governance (*QIG*), political environment (*PIE*) and the composite measure at 5%. In every case except *PID*, the introduction of a demovable variable improved the adjusted coefficient of multiple determination R^2 . From 0.74 in the base equation to 0.76 in the regression with *GINC*, 0.78 with *QIG*, 0.77 with *PIE* and *DIN*.

From the coefficients a unit improvement in the democratic contents of power change, quality of governance, political environment and democratic dividend are associated with respective declines in the mean value of private consumption of 158, 360, and 610 units (million Naira) respectively.

7.6.6 Capital flight and the level of democratization

The results of capital flight regressions are presented in Table 7.8.7. Only two of the variables, the rate of inflation (*INF*) and real exchange rate (*RER*) are included in the base equation. The others are dropped because there are no systematic relationship between any of them and the independent variable. The coefficients for *INF* and *RER* are correctly signed: positive for the rate of inflation and negative for real exchange rate. Although of the correct sign, *INF* is not significant in all the regressions except with the quality of governance. The base regression is re-run after dropping this variable and this is at a very minimal loss of only 1 percentage point in the coefficient of multiple determination from 0.85 to 0.84³⁷. Thus the base regression with only *RER* explains about 84% of observed variations in capital flight during the period.

The sign of the coefficient of the introduced demovable in every case is of the expected (negative) direction. Their statistical significance range from 1% (*PIE* and *DIN*), through 5% for *QIG*, and *PID*, and 10% for *GINC*. In every case, the introduction of a demovable improves the adjusted R^2 , from 0.84 in the base regression to 0.86 with *GINC*, and *QIG*, 0.87 with *PID*, to 0.90 in *PIE*, and 0.88 in *DIN*.

Table 7. 8. 7 Nigeria: Regression of capital flight on the level of democratization

Dependent variable = *LNCAPFT* [N= 26]

Independent variable	E Q U A T I O N					
	6.10.1	6.10.2	6.10.3	6.10.4	6.10.5	6.10.6
<i>INF</i> (+)	0.019 (1.679)	0.014 (1.240)	0.019 (1.785)*	0.002 (0.209)	0.013 (1.241)	0.012 (1.072)
<i>RER</i> (-)	-0.013 (5.551)***	-0.014 (6.455)***	-0.012 (7.001)***	-0.007 (2.618)**	-0.011 (5.574)***	-0.012 (6.609)***
	[-0.014 (5.327)]***	[-0.015 (6.937)]***	[-0.013 (6.718)]***	[-0.006 (2.739)]**	[-0.012 (5.608)]***	[-0.013 (6.936)]***
<i>GINC</i> (-)		-0.013 (1.798)* [-0.016 (2.110)]**				
<i>QIG</i> (-)			-0.030 (2.191)** [-0.032 (2.053)]**			
<i>PIE</i> (-)				-0.070 (3.168)*** [-0.073 (4.158)]***		
<i>PID</i> (-)					-0.035 (2.035)** [-0.042 (2.428)]**	
<i>DIN</i> (-)						-0.037 (2.536)** [-0.043 (2.987)]***
Adjusted R ²	.85 [.84]	.86 [.86]	.87 [.86]	.89 [.90]	.87 [.87]	.88 [.88]
F(Prob F)	48.816(000) [67.024(000)]	41.081(000) [52.908(000)]	42.530(000) [50.971(000)]	54.440(000) [75.871(000)]	42.036(000) [54.198(000)]	46.515(000) [61.158(000)]
D W Stat	1.945 [1.865]	1.962 [1.880]	2.053 [1.967]	1.842 [1.834]	2.020 [1.969]	1.995 [1.931]
Inv. AR Roots	.41 [.50]	.37 [.41]	.23 [.35]	.22 [.21]	.28 [.31]	.29 [.32]

Note: Figures in parenthesis are t stats. * denote 10% significance level; ** denote 5% significance level; *** denote 1% significance level

Source: Extracted from Regressions run by author on *EViews*

³⁷ The parameters for the second set of regressions are in parentheses of the type [] in the Table.

In other words every dimension of democratization is negatively and strongly related with capital flight.

The coefficients show that a unit improvement in the democratic content of power change, keeping all other variables constant, is associated with a 0.016% reduction in the mean value of capital flight. The reduction in the mean value of capital flight are 0.032% and 0.073% with the quality of governance and political environment respectively. Over all a unit improvement in the level of democratization is associated with a 0.043% decline in the mean value of capital flight.

7.6.7 Debt burden and the level of democratization

Results of the debt burden regression are presented in Table 7.8.8. One of the variables, terms of trade (*TOT*) is dropped from the base equation for lack of data. Interest on foreign loans is lagged to reflect the fact most external loans carry interest moratorium of at least one year, with the effect that interest payments do not become a burden on the economy immediately a loan is contracted. Signs of the coefficients of the independent variables in the base equation are of the expected direction: coefficient for real exchange rate (*RER*), is negative, while those of private debt (*PVTL*) and interest rate on loans (*RFL*) are both positive. Coefficients for two of the variables (*RER*, and *RFL*) are significant at 10% while *PVTL* is significant at 1%. The base regression explains 72% of the observed variations in debt burden for the period.

In each case of the introduction of a demovvariable the sign of the coefficient is in the expected (negative) direction. Coefficients for two of the primary demovvariables (*GINC* and *PID*) are significant at 2% and 5% levels respectively. Coefficient on the composite demovvariable (*DIN*) is significant at 2%. Coefficient for *QIG* and *PIE* though of the right sign are not significant at 10%. Adjusted R^2 improves with the introduction of *GINC* and *PID* , from 0.72 in the base regression to 0.76 and 0.75 respectively. The introduction of the composite measure (*DIN*) improves adjusted R^2 from 0.72 to 0.77. Thus two dimensions of democratization – power change and political dividend, as well as the over all level of democratization are strongly and negatively related with debt burden.

From the coefficients a unit improvement in the democratic content of power change, and of democratic dividend are each associated with 0.014% and 0.027% decline in the mean value of debt burden. Similarly a unit improvement in the over all level of democratization is associated with a 0.031% decrease in debt burden.

Table 7. 8. 8 Nigeria: Regression of debt burden on the level of democratization

Dependent variable =RDSR [N= 22]

Independent variable	E Q U A T I O N					
	6.11.1	6.11.2	6.11.3	6.11.4	6.11.5	6.11.6
RER (-)	0.003 (1.718)*	0.003 (2.464)**	0.004 (2.459)**	0.007 (1.782)*	0.005 (3.273)***	0.005 (3.726)***
PVTL (+)	0.074 (5.137)***	0.079 (6.818)***	0.075 (5.573)***	0.080 (5.084)***	0.077 (6.207)***	0.080 (6.959)***
RFL _{t-1} (+)	0.188 (1.905)*	0.275 (3.193)**	0.266 (2.445)**	0.299 (2.005)**	0.281 (2.937)***	0.326 (3.403)**
GINC (-)		-0.014 (2.613)**				
QIG (-)			-0.019 (1.375)			
PIE (-)				-0.029 (1.101)		
PID (-)					-0.027 (2.096)**	
DIN (-)						-0.031 (2.682)**
Adjusted R ²	.72	.76	.73	.73	.75	.77
F(Prob F)	17.885(000)	17.705(000)	14.931(000)	15.121(000)	16.458(000)	18.102(000)
D W Stat	1.965	2.051	2.019	2.026	1.940	2.050
AR Roots	.27	.03	.12	.31	.04	.02

Note: Figures in parenthesis are t stats. * denote 10% significance level; ** denote 5% significance level; *** denote 1% significance level

Source: Extracted from Regressions run by author on EViews

7.7 Summary and interpretation of findings

A summary of the findings of the above analyses is presented in Table 7.9. For the period of the study with Nigerian data the evidence suggests that:

- Contrary to expectation *Gross Domestic Savings* has negative and significant relation with Political environment (*PIE*). Higher levels of Political Environment are related with lower level of domestic savings. Although this negative relationship is transmitted to the overall level of democratization, it is not significant.
- *Gross Domestic Investment* is positively related to democratization. In particular high (low) levels of democratic political environment as well as high (low) democratic dividend are each significantly and positively related to high (low) levels of domestic investment.
- There is evidence of a systematic relationship between the level of *Export* earnings and the level of 'democraticness' of *Power Change*, and *Political Environment*. The more democratic the process of *Power Change* and the *Political Environment*, the higher the level of domestic investment. These positive relationships are however, not enough for a significant positive relationship between the over all democratization process in Nigeria and export performance.
- *Foreign Direct Investment* is negatively related to all dimensions of democratization. Except for *Power Change* however, none of these is significant.
- *Government Consumption* is negatively and significantly related with the level of democratization. In particular, more democratic processes of *Power Change*, and *Political Environment* are associated with lower levels of public consumption expenditures.
- All dimensions of democratization save the level of democratic dividend (*PID*) are negatively related to the level of *Private Consumption* expenditures. In other words higher levels of democratization is associated with lover private consumption.

- All dimensions of democratization are significantly and negatively related with *Capital Flight*. Lower levels of democratization in every sense, is associated with higher levels of capital flight.
- The degree of *Debt Burden* is negatively and significantly related with the level of democratization. In particular, more democratic *Power Change* and *Democratic Dividend* are strongly associated with lower debt burden.

7. 7.1 Overall significance of the regressions and the relative importance of the demovables

The relevant statistics for assessing the overall significance of the regressions are presented in the first two of the last four rows of Tables 7.8.1 to 7.8.11. These are the adjusted R^2 , and the F statistic. The F statistic (and its probability, p) is the most widely used measure of overall significance of the regression, a test of the collective importance (statistical significance) of the independent variables in the explanation of observed variations in the dependent variable. The adjusted R^2 is a measure of the goodness of fit of the regression model. Since this measure is by definition adjusted for the number of variables it may be used also to compare two regressions that have the same dependent variables but different number of explanatory variables. An added advantage of the adjusted R^2 for comparative analysis is that it is by definition directly related with F . The larger the adjusted R^2 is the greater the F value will be and in the limit when adjusted $R^2 = 1$, the F value is infinite, meaning that the probability of making an error when 100% of the variations in a dependent variable is ascribed to changes in the included explanatory variables is in fact zero.

Judging by the F value and its probability the overall significance of all the regressions are good. In all cases also the inverted roots of the AR lie within the unit root. Thus all the regressions meet the stationarity condition for an AR(1) process.

Table 7.9 Nigeria: Summary of regression results of democratization and debt-led growth

	<i>GDS</i>	<i>GDI</i>	<i>EXPORT</i>	<i>FDI</i>	<i>GOVTCN</i>	<i>PVTCN</i>	<i>CAPFT</i>	<i>DSR</i>
<i>POWER CHANGE (GINC)</i>	Positive Not Significant	Positive Not Significant	Positive & Significant	Negative & Significant	Negative & Significant	Negative & Significant	Negative & Significant	Negative & Significant
<i>QUALITY OF GOVERNANCE (QIG)</i>	Negative Not Significant	Positive Not Significant	Positive Not Significant	Negative Not Significant	Negative Not Significant	Negative & Significant	Negative & Significant	Negative Not Significant
<i>POLITICAL ENVIRONMENT (PIE)</i>	Negative & Significant	Positive & Significant	Positive & Significant	Negative Not Significant	Negative & Significant	Negative & Significant	Negative & Significant	Negative Not Significant
<i>DEMOCRATIC DIVIDEND (PID)</i>	Negative Not Significant	Positive & Significant	Positive Not Significant	Negative Not Significant	Negative Not Significant	Negative Not Significant	Negative & Significant	Negative & Significant
<i>DEMOCRATIZATION INDEX FOR NIGERIA (DIN)</i>	Negative Not Significant	Positive & Significant (10%)	Positive Not Significant	Negative Not Significant	Negative & Significant (5%)	Negative & Significant (5%)	Negative & Significant (1%)	Negative & Significant (2%)

Table 7.10 Nigeria: Relative significance of political institutional variables for growth

	<i>POWER CHANGE (GINC)</i>				<i>GOVERNANCE (QIG)</i>				<i>POL. ENVIRONMENT (PIE)</i>				<i>DEMO. DIVIDENT (PID)</i>			
	<i>Adj. R²</i>	<i>F (Prob.)</i>	<i>DW Stat.</i>	<i>Inv AR</i>	<i>Adj. R²</i>	<i>F (Prob.)</i>	<i>DW Stat.</i>	<i>Inv AR</i>	<i>Adj. R²</i>	<i>F (Prob.)</i>	<i>DW Stat.</i>	<i>Inv AR</i>	<i>Adj. R²</i>	<i>F (Prob.)</i>	<i>DW Stat.</i>	<i>Inv AR</i>
<i>GDS</i>	0.93	73.5	1.738	0.89	0.93	73.8	1.784	0.88	0.94	75.8	1.876	0.30	0.93	74.9	1.759	0.85
<i>GDI</i>	0.71	17.1	1.104	0.85	0.73	18.5	1.019	0.80	0.79	25.6	1.508	0.66	0.78	24.5	1.172	0.58
<i>EXPORT</i>	0.84	36.6	2.074	0.37	0.82	30.6	1.942	0.31	0.84	36.0	2.203	0.48	0.82	36.8	1.935	0.31
<i>FDI</i>	0.74	19.0	1.777	0.43	0.70	16.1	1.841	0.54	0.71	17.3	1.823	0.53	0.72	17.5	1.882	0.42
<i>GNC</i>	0.81	42.7	1.706	0.97	0.82	44.1	1.645	0.95	0.81	44.1	1.614	1.00	0.80	40.7	1.699	0.97
<i>GOVTCN</i>	0.75	17.7	1.853	0.33	0.72	14.9	1.881	0.51	0.74	16.5	1.889	0.35	0.72	15.0	1.850	0.45
<i>PVTCN</i>	0.76	31.9	1.357	0.63	0.78	35.1	1.396	0.59	0.77	32.8	1.742	0.94	0.74	29.3	1.508	0.34
<i>IMPORT</i>	0.73	19.6	2.051	0.50	0.72	19.1	2.017	0.47	0.75	21.4	1.929	0.40	0.72	19.1	2.031	0.49
<i>CAPFT</i>	0.86	52.9	1.880	0.41	0.86	50.9	1.967	0.35	0.90	75.8	1.834	0.21	0.87	54.1	1.969	0.31
<i>DSR</i>	0.76	17.7	2.051	0.03	0.73	14.9	2.019	0.12	0.73	15.1	2.026	0.31	0.75	16.4	1.940	0.04

Source: Tables 7.8.1 – 7.8.8.

Another question of interest is which of the political institutional factors (along with the economic variables) best explains the variations in each of the growth variables? The relative explanatory powers of *GINC*, *QIG*, *PIE* and *PID* in each of the dependent variables are summarized in Table 7.10. *Positive growth* (growth-enhancing) variables are presented in the first four cells while *Negative growth* variables are in the last four in column one.

In three (*GDS*, *GDI*, and *Exports*) of the four *Positive growth* factors the regressions with political environment (*PIE*) produces the highest adjusted R^2 . Similarly *PIE* is significant in three of four *Negative-growth* variables and produces the best explanatory power in the capital flight regression. *GINC* produces the highest R^2 in *FDI*, government consumption (*GOVTCN*) and in debt burden (*DSR*). Quality of governance (*QIG*) is the most significant in private consumption expenditures (*PVTCN*)

As can be seen from Table 7.9, growth appears to be more responsive to political environment (*PIE*) than any other political institutional variable. The impact of political environment however appears to be stronger with growth-depressing variables than with factors that enhance growth. Similarly, power change (*GINC*) quality of and governance (*QIG*) are significant in more *Negative-growth* variables than they are on factors that enhance growth.

The above picture is reflected in the composite index (*DIN*). Overall, the level of democratization is a significant determinant of one *Positive-growth* variable (the level of gross domestic invest), and a significant determinant of all four *Negative-growth* variables. In particular while in the *Positive-growth* variable (*GDI*), the level of democratization is significant at 10%, the significance with respect to the *Negative-growth* ranged from 1% for capital flight through 2% for debt burden to 5% for public and private consumption expenditures.

Assuming that the growth variables analysed in this study affected growth of the Nigerian economy equally (negatively or positively as the case may be), the results suggest that the total impacts of political institutional factors are more important for depressing growth than they were for enhancing it.

7.7.2 A concluding remark

Debt cum growth analysis

What conclusions do the findings of the above analyses lead to? A rejection of the null hypothesis H_0^1 in chapter six would mean that for the period of the study and based on the analysis of section 7.2 external capital contributed positively to the growth of the Nigerian economy. An acceptance will mean the opposite. However, neither of these positions truly accord with the mixed results of the analysis. For some period external debt was a negative contributor to growth, for others external capital indeed contributed positively to the growth of the Nigerian economy. The mixed results reinforce the fact that external capital can be both growth enhancing as well as a growth depressing. What role external capital plays in a nation's economic growth depends on how capital is managed in the host economy. As demonstrated above the contribution of external capital in Nigeria followed this pattern: positive largely during those periods when debt were better managed, and negative in those periods when little or no attention were paid to debt management.

Debt cum democratization analysis (narrow definition)

Strictly within the context of the narrow definition of debt-led growth a rejection of the null hypothesis H_0^2 in chapter six is the logical outcome of the analysis reported in section 7.4. However, as noted in the discussion of these results the undue dependence of debt-led growth, in the narrow definition, on export performance actually dwarfed any meaningful role democratization variables could play in debt-led growth. Being dominantly extractive and dependent on exogenous factors domestic political processes did not significantly influence the performance of export (this was confirmed in the broad definition analysis). In particular mother luck appeared not to have been on the side of regimes with more democratic content with respect to export enhancing factors such as developments in world crude oil prices.

Debt cum democratization analysis (broad definition)

In the analysis of the broad definition of debt-led growth there are two outcomes that need special scrutiny – the negative relationships between *Political Environment* and gross domestic savings, and between *FDI* and *Power Change*. Although the overall

negative effect of democratization on both *GDS* and *FDI* are not significant, these dimensional effects are important to deserve further comment.

Why would savings fall (rise) with improving (worsening) political environment? Against the arguments in section 6.3.2.4 there are a number of possible explanations: First is that if private wealth owners feel that the political situation will be worsening and may threaten their fixed assets they will be motivated to alter their portfolios in favour of more liquid assets in the form of savings accounts. This is in the hope that should the political situation become extremely volatile they would have quicker access to bank balances than they would of immovable property. Also from the private sector, poor income earners who feel that their future income stream might be disrupted by politically motivated strikes may postpone some current consumption in favour of savings particularly for the expected rainy day. Thus in two related ways, one expectation and the other precautionary, lower levels of political environment may lead to short run increases in savings.

The above explanations appear to be plausible for Nigeria. Between 1980 and 1984 annual deposit of rural branches of commercial banks in Nigeria averaged N172 million. This was the period when Nigeria enjoyed relative peaceful political environment under an elected civil democracy. By 1986, following two successive military coupd'ètat rural savings had gone up to N873.5 million. Between 1987 and 1989 the average was N2.776 billion. This rose to N9.470 billion for the period 1990/1991. In 1992 following the elections and inauguration of the National Assembly rural savings dropped to N4.855 billion. One year later and in response to the political crisis that engulfed most urban cities following the annulment of the presidential election, rural savings reached an all time high of N19.542 billion in 1993 (CBN, 1998a: 23) Conversely, real estate of the Trading and business sub-sector increased steadily from N129.678 billion in 1979 through N265.625 billion in 1982 to N517.811 billion in 1984. Between 1985 and 1990 real estate stagnated, rising only marginally from N538.146 billion to N589.481 billion (CBN, 1998a: 227).

Thus Nigerians did not only moved their assets from fixed to liquid, they also relocated to safer and less politically volatile rural environments.

What with *Power Change* and *FDI*? Was foreign investment more favourable to less democratic *Power Change*? The immediate clue to answering this is to look at the distribution of foreign private investment in Nigeria by type of activity. This reveals a clear dominance by 'Mining and Quarrying' sub sector, 95% of which is accounted for by oil exploration. While not absolving multinational oil companies for their own well documented undemocratic actions and support for undemocratic governments in Nigeria (Onwuekwe, 2001), there is a need to put this preference in perspective.

Although the common belief was that multinational oil companies preferred strong authoritarian political regimes in their host countries for the protection of their huge sunk investments from policy instability that might result with democratic processes, a recent study by Wantchekony, (1999) has shown that authoritarian political leadership is a common feature in almost all countries whose economies depend on extractive resources. Of the numerous reasons advanced in Wantchekony (1999: 3-4) for the sustenance of authoritarianism in resource-dependent economies two are particularly relevant for Nigeria. First is that resource dependence allowed the political leadership to be more detached and less accountable to the electorate since they did not need to levy taxes. Secondly with access to the huge resource rents undemocratic governments are able to buy over or even stifle pro-democracy opposition especially in a country where the majority are very poor and may be ready to 'sell' their conscience for money.

Multinational companies in Nigeria found themselves between on the one hand, unaccountable governments reaping huge rents from oil exploration and paying lip service to the environmental and human degradation of oil-bearing communities, and on the other, the environmental and human rights activists protesting government neglect and posing real danger to oil installations in their communities. With legal ownership and control of all mineral resources vested in the Federal Governments, oil companies chose to ignore democratic principles of production and to align with the former for obvious reasons – to protect their investment and profits.

Rejection of the Hypothesis H₀₂

Despite the above isolated outcomes there appear to be fairly strong bases from the evidence of the analysis reported in section 7.5 for rejecting the null hypothesis (H_0^2) that

the level of democratization of the political system in Nigeria was negatively related to debt-led growth for the period of the study. This means an acceptance of the alternative. First is the evidence of a positive impact of democratization on domestic investment through an enabling and favourable democratic political environment, and through high level of democratic dividend that ensures a wide range of political rights and freedoms. Or more accurately an evidence of a strong and positive relationship between low levels of enabling environment and low levels of domestic investment. Second is the negative impact of democratization on public and private consumption, capital flight, and on debt burden all of which depress growth. Thus low levels of democratization in Nigeria may have affected growth by depressing domestic investment, and by encouraging high rates of public and private consumption, capital flight, and placing more debt burden on the economy via high debt service.

Emerging from the above is that the impact of democratization appears to be stronger with negative than with positive growth factors. In other words while democratization may be supportive of growth its greater impact appears to be in limiting the factors that themselves limit growth.

CHAPTER EIGHT

THE PATHS OF POLITICAL INSTITUTIONS' IMPACT ON DEBT-LED GROWTH

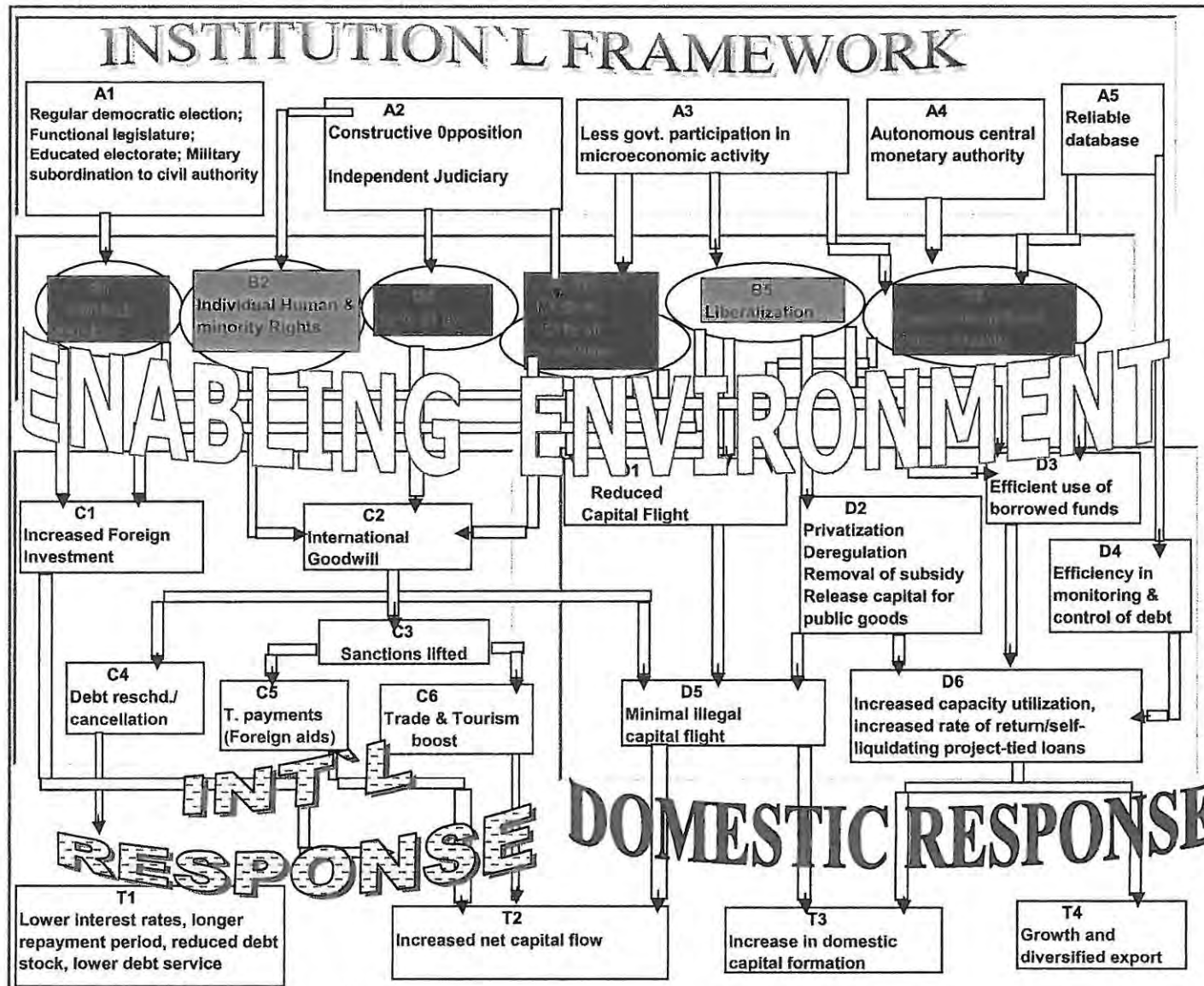
8.1 Introduction

Although quantitative analyses are often regarded as superior to their qualitative counterparts there has been increasing consensus among social scientists that neither the former nor the latter can exclusively explain in full, the possible variations in the situations they impact upon. This is even more the case where institutional variables are involved. Both for reasons of infeasibility of cardinal measurement as well as difficulty in gathering data for a large number of variables, quantitative and qualitative analyses have come to complement each other. As noted by Mesquita (2002: 4), while quantitative methods generally lend themselves to meeting “higher standards of replicability, qualitative designs are better for illuminating causal mechanisms”.

The analyses in Chapter Seven investigated the direction of the relationship between democratization and debt-led growth. In addition to the inclusion of other variables that were not taken into account in the analyses so far, the analysis in this chapter addresses the last of the three questions in section 6. 2. Specifically this is the question of *how*, given improvements in the presence and quality of the frameworks for democratization, will this be transmitted to improvements into growth-enhancing factors?

The schema developed for this model (presented in Fig. 8) is referred to in this study as *the trickle down effect of democratization*. It is a theoretical model built to categorize the possible paths of present and future impacts of democratization on debt-led growth in Nigeria. The key to the trickle down effect of democratization lays in its transmission mechanism from panel A through B, C, D to the terminals T1-T4.

Fig. 8 Trickle Down Effect of Democratization



Improvements in the institutional frameworks (panel A) are transmitted through an enabling environment (panel B) that simultaneously elicits a host of international (panel C) and domestic responses (panel D) all of which are growth enhancing. The chains of this transmission mechanism are described in sections 8.2, 8.3, 8.4 and 8.5.

8.2 Institutions and the enabling environment

The trickle down effect of democratization model is built on the central assumption that for a political system by whatever name called to be instrumental to growth, there must be the capacity to offer an enabling environment. For a debt-ridden economy as Nigeria's the environment must enable the achievement of among other things the following:

- Increase in net capital flows to the debtor economy
- Engender international goodwill for assistance to and cooperation with the debtor nation
- Reverse the growing capital flight (both legal and illegal) from the debtor country
- Ensure efficient use of all investible funds available to the economy of the debtor nation and
- Ensure efficient debt management in terms of monitoring and control.

The term *Enabling Environment* is used in this study to describe the interface of political stability, respect for human rights, rule of law, minimal official corruption, liberalization of the means of production, fiscal discipline, and policy fidelity.

There are two broad categories of defining political instability – those that emphasize regime turnover irrespective of the political system, and those that analyse only acts that lead to changes from one political system to another³⁸. For the purpose of this model *Political Stability* is used here to describe the propensity of governments, regimes, and communities within which they operate to be free from acts that drive the political system and functions of governance away from democratic ideals. These range from actual or attempted disruptions through extra constitutional means such as frequent coup d'état, secessionist civil wars and guerrilla war fares, to potentially destabilizing actions of

³⁸ For a detailed analysis on this issue see Gyimah-Brempong and Munoz de Camacho, 1998.

government such as unilateral and non-consultative constitutional changes, and large scale politically motivated riots.

Human Rights is used here as enshrined in the Universal Declaration of Human Rights adopted and proclaimed by United Nations General Assembly resolution 217 A (III) of 10 December 1948. Nigeria is a State party to a number of International Human Rights Treaties among which are International Covenant on Civil and Political Rights (ICCPR), International Covenant on Economic Social and Cultural Rights (ICESCR), Covenant on the Elimination of All Forms of Discrimination against Women, and International Covenant on the Elimination of All Forms of racial Discrimination. At the continental level Nigeria is also signatory and party to African Charter on Human and Peoples Rights (Amnesty International, 2000: 287-291). States that have ratified or acceded to a convention are party to such treaties and are bound to observe the provisions. It is therefore expected of political leadership to ensure the strict observance of treaties the country is party to.

The *Rule of law* is used to denote equality of all persons and entities including the government of the day under the law with no 'sacred cows' within the judicial system. Practically it translates to among other things the release of government white papers and conclusive prosecution of indicted government officials, and the absence of different legal standards for the armed forces.

Official corruption is used in this model to describe corruption at the political office level. It includes actions of government official that are not only illegal but also amount to the exploitation of official positions for private gains. The assumption in this seemingly restrictive definition³⁹ is that corruption at lower levels of the Nigerian society including the private sector, are secondary. They result from the lack of moral courage by those entrusted with power to govern society, and whose duty include the prevention of corruption. By placing the responsibility for corruption on the political leadership, this

³⁹ For more elaborate discussion of various facets of corruption see TI Source Book Chapters 2 and 3. (Transparency International, 1999).

definition avoids the temptation of joining with governments' own propaganda that every one is responsible⁴⁰.

Although multifaceted *Liberalization* is used here to capture increasing private participation that results directly from decreasing involvement of the public sector in direct economic activities. The basic rationale for its inclusion in the model is that the exposure of top bureaucrats, politicians, and their cronies to huge public sector budgets with soft constraints results to high level of corruption which undermine productivity.

Fiscal discipline is used here to describe the degree of government's adherence to its own taxation and expenditures provisions. Annual government budgets were a permanent feature of all governments in Nigeria during the period of the study. Yet actual recorded government expenditures were nothing near budgeted levels. In some cases windfall revenues from unexpected increases in world oil prices were squandered by the Office of the Presidency without any reference even to the Ministry of Finance.

Policy fidelity is used in a broader sense to describe how committed the governments are to its domestic economic and social policies. Policy infidelity range from selective evasion of microeconomic measures at the implementation stages to outright relaxation or frequent altering of macroeconomic policies before their planned terminal periods. The Babangida regime (1986-1993) was particularly notorious for its policy inconsistency with respect to the liberalization of the foreign exchange market.

8.2.1 Institutions and political stability

The path from institutional frameworks to an enabling environment starts in panel A1. In military-civil diarchies democratic elections are organized by military umpires whose primary interests are largely the installation of a civil administration that will forgive their past political corruption. With the power of incumbency at its disposal an outgoing military regime willing to democratise is therefore not expected to conduct perfectly

⁴⁰ For political leadership origins and sustenance of corruption in Nigeria see Osoba, 1996; to appreciate the scale of State official involvement in corruption in Nigeria see Lewis, 1997: 318-322).

democratic elections but will rather be favourably disposed to those politicians who will protect its past. The result is that those who take over from the military are faced with the dilemma of 'righting the wrongs of the past' and being loyal to their military benefactors. As democratic elections become regular however, the latter interests will be expected to dilute largely by a process of 'time-healing' of political wounds, and forgiveness of past political misrule. The past political leadership in turn feels less threatened, giving way for the entry into politics of politicians who do not primarily owe their political career to military benefactors. The resultant improvements in terms of inclusiveness, openness and fairness are bound to improve political stability. With a politically neutral military, subordinate to civil authority and a functional legislature, conflicting political interests will be resolved constitutionally, thus enhancing political stability. This is the part traced by A1 – B1 arrow in Fig. 8.

8.2.2 Institutions, human and minority rights, and the rule of law

The paths A2 – B2 and A2 – B3 trace the impacts of constructive opposition and a Judiciary independent of executive dictates on individual human rights and the peculiar rights of the minority in a multi-ethnic society on the one hand, and on the rule of law on the other. Improvements in the constructiveness of the opposition is a constant reminder to the government in power that the public's perception of its human rights record is a barometer of its political performance and ultimately a major determinant of its hold on power. Since its ultimate goal is to replace the government in power the opposition will be interested in presenting the electorate with alternative electoral promises superior to current status. Whether or not these superior alternatives are achievable, they have the effect of striving the government to improve on its human rights records. Improving independence of the judiciary means that judicial officers are less dependent on the executive for both their career prospects and for effective performance of their judicial duties. With less interference from the executive those who were hitherto considered as political and judicial sacred cows realize they are no longer above the law. Past victims of executive interference in judicial process rekindle their faith in the judicial system to protect their rights. The result is an improvement in the rule of law.

8.2.3 Institutions and official corruption

Constructive opposition and an independent judiciary also affect the level of official corruption. If political and public office holders are aware that not only will the opposition expose mismanagement of public resources, but that the judicial system will also not offer preferential treatment to them, then the tide of official corruption will be stemmed. However, the greater impact on official corruption comes from less government involvement in direct economic activities – the path A3 – B4.

Official corruption is primarily the outcome of exposure to direct budgetary implementation involving large volume of funds given to public enterprises. Government contracts, subsidies, grants and dubious (ghost-worker syndrome) employments in public enterprises are the chief feeders of official corruption. Since these subventions are not normally tied to the level of economic performance of these enterprises there is hardly any accountability and this encourages misappropriation of public funds into private accumulation. A Report of a Panel set up by President Obasanjo in June 1999 to review government contracts, licenses and appointments into the federal civil service allegedly awarded by his predecessor General Abubarka, made startling revelations: In a 300 page Report the 'Kolade Commission' found that a total of 4072 contracts, 576 licenses for petroleum and solid minerals exploration, 807 political appointments, and 111 subsidized foreign exchange approvals were made in the last five months of the Abubarka administration (Salami and Adekanbi, 2000: 12-18).

If there are less state owned enterprises, there will be less government contracts and less budgets with soft constraint. Less government participation in direct economic activities will reduce this illicit exposure and the inherent temptation to expropriate public resources for private benefits and help to minimize official corruption.

8.2.4 Institutions and liberalization of the means of production

A direct outcome of decreasing government involvement in direct economic activities is the divestment of its shares of ownership of hitherto public enterprises. Whether these enterprises were government monopolies or majority share holding, the process of divestment, the removal of direct controls and subsidies that hitherto sustained these public enterprises have the effect of allowing entry of more investors into these industries. With government interest out of the way the management of these enterprises are no longer avenues for political patronage and waste. They are expected to become more profitable and therefore attractive to investors purely on the basis of their economic viability. In this way the economy's means of production become more liberalized. This is the path traced by A3 – B5 in the schema.

8.2.5 Institutions, fiscal discipline, policy fidelity and reliable database

The paths A4 – B6 and A5 – B6 trace the impact of a politically neutral monetary authority and a reliable database on fiscal discipline and policy fidelity. Flagrant fiscal indiscipline of unapproved extra-budgetary expenditures by various Nigerian governments was a direct result of direct control of the central bank by the presidency. As demonstrated in Chapter Four, during the Babangida/ Abacha regimes the erosion of central bank independence in Nigeria degenerated to the level of executive unilateral dictation of monetary policy instruments. These include among other things, the printing of new money to finance deficit budgets, the maintenance of 'special dedicated foreign accounts' with exclusive government access, the funding of an overvalued Naira exchange rate by unilateral executive interventions, and the maintenance of commercial bank accounts (most of which were almost always overdrawn) by State governments without the knowledge of the central bank. The more independent the central monetary authority is the less the opportunity for the executive to indulge in fiscal indiscipline.

One of the most canvassed reasons for lack of governments' commitment to adjustment policies in response to the debt crisis in many debtor countries is the domestic political

cost associated with structural adjustment programmes. Public debt verification was an ongoing exercise in Nigeria in the first decade of the debt crisis. At every stage it emerged that the government knew only little regarding the various ramifications of the debt problem. The lack of clear policy guidelines on external borrowing prior to 1988 robbed the Central Bank of Nigeria of the requisite information to build a reliable data on the nation's external debt.

The lack of adequate data on the value, structure, sources and composition of the debts, and the uncertainty of possible implications of adopted policies were perhaps the underlying reasons behind government frequent wavering and changes in policy. Improvements in the availability of reliable data will not only help policymakers chose the right policies but also improve confidence in the outcome of chosen policies. In the absence of a hidden agenda governments with little doubt of the outcome of their own policies are more likely to stick to the policies and hence exhibit higher degree of policy fidelity.

8.3 International responses to the enabling environment

The international dimensions of the debt crisis make it imperative that domestic environments in debtor countries are important for the responses of creditors, international financial institutions and aid donors. If lenders in the late 1970s and early 1980s were naive regarding the domestic conditions and the viability of the Nigerian economy as a borrowing nation, creditors have, since the eruption of the debt crisis in the mid 1980s, become very sensitive of domestic environments in debtor countries. In the absence of debt cancellation the alternatives were narrowed to various forms of rescheduling and / or conversion to equity holdings. The success of both depended (and still depend) almost entirely on the perceptions of the viability of the domestic environment.

In addition to the international dimensions of the debt crisis there is a huge international interests in Nigeria. A number of reasons can be adduced why the international community wants an enabling environment? First and foremost the only surviving superpower is ready to expand its political ideology, and the time is ripe with the demise

of its most important competitor, Soviet communism. Second, Nigeria is politically strategic in the West African sub-region. With a population of over one hundred and thirty million, Nigeria is the largest single market in Africa for international trade and therefore vital for globalisation.

8.3.1 The enabling environment and foreign investment

As noted in the concluding remark in section 7.7 the observed negative relationship between *Power Change* and foreign direct investment is a direct implication of an extractive monoculture economy. With government divestment in non-oil manufacturing sectors of the economy foreign investment will respond positively to a more diversified economy. The paths B1 – C1 and B5 – C1 trace the impact of political stability and liberalization on foreign investment. Whether political instability is defined in terms of actual or threat of the turnover of regimes (Barro, 1991), or frequent changes in political systems (Gyimah-Brempong and Munoz de-Camacho, 1998; and Gyimah-Brempong and Traynor, 1999), the central feature is that they bring about sudden radical changes in property rights laws and rules governing the conduct of businesses. Other things being equal, a politically stable environment will enable investors predict correctly the viability of intended investments. Conversely a politically volatile environment is difficult to predict and therefore hampers investment decision. This is more so when changes in regimes are more frequent. An improvement in the level of political stability will therefore boost foreign investment.

The second path, B5 – C1 is an obvious one. More liberalization involves the removal of hitherto restrictive controls where foreign investment had been limited. A combination of greater access by foreign investors into hitherto controlled markets, and the ‘capital hunger’ in a debt-ridden economy will drive up foreign investment.

8.3.2 The enabling environment and international goodwill

International goodwill is used here as a measure of the overall image of the nation in the eyes of the international community. During the cold war days there were three possibility frontiers for a third world African nation to fashion its foreign policy. It could

chose to lean towards the Soviet inspired socialist, or the American controlled capitalist block, or better still pretend to be non-aligned and stress the point that it was possible to sift those ideas from both blocks which it considered beneficial for its circumstances. Whatever the choice a country made at that time it did not have to lose the goodwill of the entire international community. With the cold war over however, there appears to be very few ways to court the goodwill of an international community that is fast becoming a global village both in terms of convergence in ideology and advances in technology and modern communications. This is reflected in the increasing convergence among NGOs regarding the factors that shape the world's opinion of individual countries⁴¹. Of the few options in today's world, international perceptions of individual human rights, the rights of the minority to allay their fears of domination by the majority in many multi-ethnic countries, and the level of corruption by political office holders are the most important. In the model the paths of the impact of improving levels of individual human rights, minority rights and minimal official corruption on international goodwill are traced by B2 – C2, B3 – C2, and B4 – C2.

The intangible expressions of improving levels of international goodwill are concretised in the lifting of sanctions hitherto imposed by the international community for human rights violations. The first causalities of international sanctions are normally foreign aid, trade and tourism. The lifting of sanctions is expected to boost these sectors of the economy. The paths of these impacts are traced by C3 – C5 and C3 – C6.

The role of international goodwill is perhaps the most important factor in the ways debtor countries are treated by creditors and multilateral organizations. The success of debt rescheduling agreements between debtors and creditors depends on the cooperation of IMF, which in turn is controlled by governments of the industrialized nations. The image of a debtor country in the eyes of the industrialized countries will continue to be the central issue in the determination of their disposition towards these countries.

⁴¹ While the number of NGOs that seek to influence world opinion of governments around the globe have quadrupled in the last two decades they appear to agree on the central ideals of modern democracy as a

8.3.3 International responses to the enabling environment in Nigeria

As can be observed from Appendix 5A the worst human rights records were recorded during the Abacha administration (1993-1998). The annulment of the June 12 1993 presidential election and the sacking of the Interim National Government (ING) by General Abacha generated widespread pro-democracy protests to which the Government reacted with massive repression and flagrant abuse of human rights.

8.3.3.1 NGOs responses to the enabling environment in Nigeria

Among the NGOs that responded were Amnesty International (AI) and Transparency International (TI). AI was formed in 1961 by Peter Benenson, a British lawyer with the original intention to launch an appeal in Britain with the aim of obtaining amnesty for prisoners of conscience all over the world. Ever since, AI has become the first voice of the downtrodden and oppressed in so many countries of the world. The credibility of the organization has improved dramatically following its non-compromising stance on issues of human rights violations and condemnation of the super powers at their seemingly double standards. AI's responses to the political situation in Nigeria were persistent. Through special reports and annual publications it kept the campaign alive and sensitised international community on the worsening human rights conditions in Nigeria. Between 1996 and 1997 AI published over 14 special reports indicting the Abacha regime on human rights violation (Amnesty International, 2002).

After its public launch in Berlin in May 1993, TI became the first NGO to dedicate its efforts solely to the fight against official corruption. In 1995, Nigeria's former ruler Olusegun Obasanjo (the only military ruler to have successfully organised a transition to civil rule without succeeding himself) was appointed Chairman of TI's Advisory Council (Transparency International, 2002). His critical views of the Abacha regime under TI's umbrella earned him a frame-up for coupd'e'tat plotting and a life jail by the Abacha administration. In its first publication of *Corruption Perceptions Index*, covering 45

yardstick for good governance.

countries TI rated Nigeria the most corrupt in the world. Throughout the Abacha regime TI continued to embarrass the Nigerian political leadership. It continued to warn the international community of the poor human rights records in Nigeria. In addition to AI and TI, international responses to Nigeria's enabling environment also came from the Commonwealth, United States, and Canada.

8.3.3.2 Commonwealth of Nations responses to the enabling environment in Nigeria

Prior to 1993, the Commonwealth did not give any special attention to the political situation in Nigeria. There were two main reasons for this lack of attention. First was Nigeria's 'holier than thou' attitude, where a military Government itself, Nigeria under the auspices of the Commonwealth was at the forefront of the democratization process in both Zimbabwe in 1980, and Namibia later in 1990. Secondly until the end of 1989 the Babangida transition programme looked every inch in the right direction towards a successful hand over to civil democracy. By 1990 however, the Pro-Democracy Activists (PDAs) became increasingly suspicious of a hidden agenda and their complaints began to attract Commonwealth's attention. In 1991, Commonwealth came out with the Harare Declaration which outlined its agenda for the promotion of democracy, human rights and good governance. Between 1991 and 1993 Commonwealth relied on reports by its Advisory Commission in Nigeria manned by Dr. Beko Ransome-Kuti, chairman of both Committee for the Defence of Human Rights (CDHR) and the Campaign for Democracy (CD).

Gross human rights violations in the years following the annulment of the Presidential election in June 1993 forced the Commonwealth to change its approach to the Nigeria crisis. In July 1995 Commonwealth had cause to fear that events in Nigeria were in violation of the 1991 Harare Declaration. The body mandated its Human Rights arm, Commonwealth Human Rights Initiative (CHRI) to embark on a fact-finding mission regarding human rights abuses in Nigeria and "make recommendations as to the steps which could be taken to assist the advancement of human rights and prospects for democracy in Nigeria" (Commonwealth, 1995: 1-2).

In a Report entitled "Nigeria-stolen by Generals" CHRI documented key political events and human rights violations between 1993 and 1995, including torture and killings by

security personnel, arbitrary arrests and detention without trial of key opposition elements and a long lists of political prisoners unknown even to the Nigerian public, and the virtual take over of the judiciary by Military Tribunals, established under Decrees. The Report also featured specially the incarcerations of Chief Abiola, the winner of the annulled Presidential election, and Ken Saro-Wiwa and his ten other Ogoni environmental activists who were at the time being tried by a Tribunal for trumped up murder charges (Commonwealth, 1995: 16-24).

Expectedly, the Report unequivocally recommended that the Commonwealth Heads of Governments Meeting (CHOGM) coming up in November of that year should seriously consider the suspension of Nigeria from the body. The Report also recommended that the Commonwealth governments in their individual capacities should sensitise the international community including the UN for immediate application of suitable sanctions against Nigeria.

If the Report was not enough indictment for Nigeria to incur the wrath of Commonwealth, the events between its release and the next CHOGM meeting sealed any hope for escape. Few weeks before the November 1995 CHOGM meeting in Auckland, New Zealand, Saro-Wiwa and eight other Ogoni Activists were executed by the Abacha Government while their lawyers were making preparations to appeal the death sentences of a Tribunal. Nigeria was suspended from the Commonwealth with immediate effect. In addition the country was given a two year ultimatum to fully restore democracy or face expulsion from Commonwealth (*Guardian*, 1995: 1). In 1996 Commonwealth Ministerial Action Group (CMAG) was mandated to monitor continuously human rights violations in Nigeria and recommend punitive measures to deal with the political leadership. After several meetings with PDAs in Nigeria the CMAG in 1997 recommended among other sanctions, mandatory oil embargo, a ban on air-links with Nigeria and the freezing of the financial assets and bank accounts in foreign countries of members of the regime and their families if the country did not democratise by 1998. In its CHOGM meeting held in Edinburgh, Scotland in 1997, Nigeria's suspension was extended for another one year, all existing sanctions were retained and CMAG's recommendations of further sanctions were upheld (Commonwealth, 1997).

The sanctions remained in force until the death of Abacha in June 1998. Following General Abubarka's assumption of power and the institution of a credible transition, CMAG in October 1998 heard representations from Nigeria's new foreign minister, Ignatius Ollisemeka and recommended that Commonwealth member states begin to lift sanctions against Nigeria. Canada, consistently the most outspoken member of CMAG, took the first steps to lift its barrage of 1993 sanctions (Obiagwu, 1993: 1-2), and restoring diplomatic links broken in April 1997. When Canadian Secretary of State for Africa David Kilgore, visited Nigeria in September he offered financial and technical assistance for the 1999 general elections, as did other Commonwealth members and the Commonwealth Secretariat.

In November 1999, Canadian law makers promised support for investment (Bakare, 1999:2) and debt rescheduling (Ajayi, 1999) for Nigeria. One year later Canada made good its promise by cancelling Nigeria's N4.31 billion debt. (Ezema, 2000), and in July 2001 Nigeria's anti-Aids drive received \$6.6 Million from Canada (Ayeoyenikan, 2001). Two months into President Obasanjo administration Commonwealth offered to help Nigeria recover the nation's wealth looted abroad by past military leaders. Earlier in January 1999 the Commonwealth had started work on a program that would make it difficult, if not impossible, for banks and other financial institutions to accept monies looted from the national treasury of Commonwealth member nations (*Guardian*, 1999).

8.3.3.3 USA response to the enabling environment in Nigeria

The United States was by far the most vocal as it assumed the responsibility of voicing world opinion on the ideals of democracy and the enabling environment for investment. U.S. central role was not surprising in the prevailing circumstances. First, it was the only surviving super power and the champion of the surviving ideology - democracy. Second she wielded an overwhelming influence on the conduct and operations of the international financial institutions (IFIs) who themselves were central to the resolution of the debt problem. Finally the U.S. saw Nigeria as politically and economically strategic in the African continent.

The expressed concern was in three major areas - high level of official corruption, human rights abuses by government and the government's reluctance to fight drug trafficking. Following the failure of diplomatic moves to get the Abacha government to improve on its records in these areas, the United States government responded with a deluge of punitive actions against the Nigerian government. In 1993 the United States aviation authorities suspended all flights to and from Nigeria blaming the Nigeria – U.S. route as the biggest culprit in the narcotic trade (Aliagan, 1993: 1). This was seen by aviation and diplomatic watchers as one of the harsh measures lined up by Washington to press the Babangida military administration to hand over to a civilian government.

The next casualty of U.S. sanctions was foreign aid and foreign investment. The U.S. based International Narcotic Control Strategy (INCS) indicted Nigeria in its March 1994 Report, the US State department in a memorandum directed that US officials should henceforth vote against Nigeria's request for assistance from any of the IFIs, particularly the World Bank and IMF (Adebayo, 1994: 1-2). This was followed in 1995 by America's desertification of Nigeria as a hostile environment for foreign investment. In April 1995, an American multinational export/import guarantee bank, Ex-Im Bank withdrew its cover for the financing of a critical \$2 billion required for the construction of a Liquefied Natural Gas (LNG) plant in Finima, Rivers State of Nigeria. This withdrawal had its ripple effect as Japanese and other Western creditors who had originally agreed to part-finance the project also withdrew their participation (Aduba, 1995: 1).

In October 1996, the U.S. Secretary of State Warren Christopher in an address to the South African Institute for International Affairs (SAIIA) warned of an impending multilateral coalition for decisive punitive economic measures against Nigeria for the country's poor human rights record and official corruption (*Guardian*, 1996: 1). By June 1997 the US had taken legislative measures to block all forms of foreign investment and non-democratic aid to Nigeria. A bill tagged "Nigeria Democracy Act" asked the American Congress to bar new American investments in Nigeria. Previously, the author of the bill Donald Payne had sought by legislation to, among other things, prevent U.S. aid other than those that were for the building of democracy, ban Ex-Im Bank funds, Overseas Private Investment Corporation (OPIC) and the Trade and Development

Agency (TDA) funds for Nigeria, and freeze the assets of Nigerian nationals who benefits from policies that hinder Nigeria's transition to democracy (*Daily Times* 1997a: 3).

Throughout 1997, U.S. continued to justify its anti-Nigerian stance. In a report entitled "1997 National Trade Climate Report on Nigeria" by the U.S. Trade Representative Office it said more U.S. investments were not forthcoming into Nigeria because of the continued stay of the military regime in Nigeria and spate of corruption in the business sector (Abbah, 1997: 1-2, see also Carrington, 1997).

The President of Nigeria-America Chamber of Commerce (NACC) in Nigeria Mr. Ihonde disclosed in an interview with Punch Newspaper in July 1997 that a 36 member Trade Delegation to the U.S. was confronted with five main reasons why the United States business community was scared of Nigeria. These included "democratization crisis, Human rights abuse, general insecurity, drug trafficking and official corruption" (Ogunwale, 1997: 20). Official U.S. anti-Nigerian stance soon robbed off on the civil community. In July 1997 four major U.S. cities, Oakland, Amherst, Massachusetts and Berkeley imposed trade embargoes on Nigeria. Campaigns mounted by Nigerian community in Oakland for example, forced an Oakland School Board to change its decision to accept \$2 million donation by Shell. Shell was then seen as comrades in human rights abuses with the Nigerian government after the judicial murder of Ken Saro-Wiwa, the Ogoni activist who opposed environmental degradation by oil exploration in Nigeria (Waziri, 1997; Oladeinde, 1997: 3).

By early 1998 the U.S. Ambassador to Nigeria William Twaddle warned that U.S. oil industry experts were finally considering abandoning Nigeria for other more enabling environments in Africa such as Angola, and Eastern Europe. Nigeria was at the verge of losing over \$7 billion U.S. investment in the oil industry (Abbah, 1998: 1-2). If Nigeria in 1998 was considered less attractive than war-torn Angola, then the decision must have been a crucial one for the United States.

Following the deaths, in mid 1998 by natural causes, of Chief Abiola, and General Abacha, the two central figures in the Nigeria's democratization crisis the succeeding Abubakar administration began to make serious commitments to return to civil rule. The

repeal of many repressive decrees along side a snappy transition programme sent positive signals to the international community. Again the U.S. was the quickest to respond. In what appeared to be a landmark in the restoration of international goodwill the U.S. Agency for International Development (USAID) announced the approval by the U.S. Congress of a \$2 million aid to support the transition programme (Akor, 1998: 1). By December of the same year the U.S Secretary of Commerce William Daley, met with the Head of State Gen. Abubarka to discuss resumption of suspended trade and economic relations with Nigeria. Reaffirming the importance of an enabling environment, Daley noted that the international business community "...look for not only economic and political stability. They also look for a sound legal system. They look for rules that do not keep changing. Any country that wants their business must provide that climate" (Obayuwana, 1998: 3). Earlier in October 1998 the U.S. authorities had expressed their belief that closer military ties between the U.S. and a democratic Nigeria would not only benefit the U.S. but would also support the role of the military in a democratic Nigeria - civilian control of the military (Kramer, 1998: 10). By August of the following year all U.S. military related sanctions on Nigeria were lifted (Akande, 1999: 1).

United States' goodwill increased after the successful conclusion of the general elections and the emergence of the President- elect Olusegun Obasanjo. Hopes were very high that the improving enabling environment was what Nigeria needed to attract foreign investment. The U.S. Secretary of State for promotion of democracy in Africa, the Rev. Jesse Jackson declared that "the new democratic order will shore up Nigeria's credibility in such a way that we will mobilize world resources to help build the investment platform in Nigeria" (Obayuwana, 1999a: 30). Nigeria's credibility received that big boost in July 1999 following the declaration by a delegation of USAID led by Ms Ravi Aulaph that "the political climate in the country was conducive for foreign investment" (Famakinwa, 1999).

In its bid to enhance industrial growth in Africa the U.S. had in April of 1999 introduced the "African Growth and Opportunity Act". Nigeria was included as potential beneficiary in a special \$650 million investment funds for Africa (Ayedun, 1999: 11). In addition another \$1 billion investment funds were being devoted to the stimulation of growth and domestic industries in Africa for which Nigeria was billed to be a major beneficiary

(Obayuwana, 1999a: 30). There is no doubt that had Nigeria's enabling environment not improved it would have been excluded from benefiting from these gestures.

Further U.S aid and investment followed: In May 1999 Vivian Dorrych, USAID assistant administrator for Africa announced a \$20 million aid to strengthen health sector in sixteen of Nigeria's thirty-six States. U.S. Ex-Im Bank followed in August 1999 with a \$100 million pilot program for short and medium term insurance in the private sector (Osasuyi, 1999: 13). This was followed in 2000 by another \$1.2 billion Ex-Im Bank loan guarantees for medium and long term investment (*This Day*, 2000: 43-45). In September 1999 a U.S based company announced the conclusion of plans to invest \$200 million in agricultural extension and development of small-scale agro-business in three (Oyo, Kwara and Kogi) States of the federation (Obayuwana, 1999b: 5).

8.3.3.4 Nigeria: International goodwill and recovery of stolen money

Charles Kindleberger (1987: 24-25) identified three crucial conditions for capital repatriation after it had occurred: confidence in the capacity of the capital-deficit country to, a) maintain a stable exchange rate, b) ensure the safety of capital, and c) move towards economic recovery. While the above conditions might be crucial for the reversal of legitimate capital flight, the goodwill of the international community is perhaps the most important condition for the return of money stolen by those who had the special privilege of easy and unrestrained access to their national treasuries. This is because however viable the domestic economy might be those whose wealth are derived by political rent may never feel safe to return their loot. As long as the poverty and misery in the domestic environment are traceable to past political mismanagement, there exists a threat to the safety of stolen money, and voluntary repatriation should therefore not be conceived.

International goodwill was felt in the thorny issue of recovery of the nation's stolen wealth, stashed away in foreign banks. On the promptings of the United States Treasury Adviser, Nigeria in 1999 forwarded a formal request to the American and British governments for the repatriation of the country's over US\$6 billions stolen by the nations former military leaders and their cronies (Olagunju, 1999: 1; *Daily Times*, 1999: 32).

In October 2001, a UK High Court ordered a number of banks to freeze accounts linked to General Sani Abacha as part of Nigeria's search for more than US\$3 billion looted during the late dictator's rule. Western countries had then demanded that the alleged culprit late General Abacha be put on trial as a first step towards Nigeria recovering more than \$1.3 billion worth of assets frozen in European bank accounts related to the Abacha family⁴². In February 2002, it was reported that UBS, Switzerland's biggest bank and one of the leaders in the international fight against dirty money, has been put in the embarrassing position of having to block another US\$60 million account linked to the family of the late Nigerian dictator (Wealth Recovery, 2002). In July 2002, the Swiss banking regulators reprimanded UBS for its lack of due diligence in handling funds allegedly linked to Sani Abacha.

The dearth of data on actual amount recovered through these efforts has given rise to suspicions of compromise by the Obasanjo regime⁴³. Whatever the actual figures the important role of international goodwill in the loot recovery drive cannot be ignored. The important point made here is that Western governments would have been less willing to support the recovery campaign had Nigeria remained under dictatorship. That the British legal system which in 1984 protected Umaru Dikko, Shagari's Transport Minister accused of embezzling millions of Dollars by the Buhari regime was the same that in 2000 refused to offer protection to the Abacha loot can only be explained in terms of changing international goodwill.

As would be expected, there is scepticism regarding the sustainability of the loot recovery drive. From the domestic front it is feared that after Abacha's, there may be no further attempts at going after those other leaders also indicted of looting the nation's treasury. The pessimists believe that the reason why Abacha is being investigated is because he is dead. In April 2000 for example, a London-based Nigerian Sports Ambassador, Fashanu provided President Obasanjo with "details of accounts numbers, identities of those involved, dates and times" of a US\$6 billion fraud in Nigeria's debt-buy-back and currency stabilization scheme between 1988 and 1993 (Akanbi, 2000: 17-23). To date no

⁴² A network of anticorruption organizations in Nigeria formed in 2000 - Wealth Recovery, has a rich collection of developments in Nigeria's wealth recovery drive.

⁴³ For a critical view on this issue see The African Network for Environmental and Economic Justice ANEEJ's Advertorial in *Vanguard on Sunday* (2002).

action has been taken by the Obasanjo administration to investigate these allegations. A second concern is that President Obasanjo might use the loot recovery drive to his political advantage. Criticism in this direction point to a recent out-of-court settlement between the Federal Government of Nigeria and the Abacha family involving the recovery of \$535 million by Swiss banks in return for the dropping of a murder charge against the heir to Abacha's estate (Oni, 2000). A few weeks after Mohammed's release there were speculations that the Abacha family might be sponsoring a Political Party to contest the May 2003 general elections.

While these fears may not be unfounded, their implication for the sustenance of the loot recovery and the prevention of future looting of the nation's treasury might have been exaggerated. If the present administration's anti-corruption laws are implemented to its letter, under improving democratization the sources of wealth to be looted out of the country will certainly diminish, and perhaps the campaign for recovery of loot may then cease to be a continuous exercise but one with a terminal date.

From the international front recent developments point to a reduction in the willingness and capacity of host banks to foreign loots to continue to accept illicit funds from poor African countries. The myth of Swiss banking secrecy due to public ignorance about Swiss banking system may have encouraged the supply of dirty money from poor countries as it was widely believed that there is a cast iron protection of deposits from public knowledge. It was also believed that relations of numbered account holders who died before withdrawing their deposits cannot lay claims to the deposits.

In recent time however, Swiss authorities have come out to demystify the ever talked about numbered account. Swiss authorities (Arpagaus, 1997) assert that there is nothing peculiar in a so-called numbered account, other than the fact only a select few of the bank staff have access to details of the account. There is no special regulations protecting numbered accounts from criminal investigations even at the international level. Since 1992 Swiss banks have continued to exercise 'due diligence' principle which requires banks to verify the identity of their customers and, in cases of doubt, to obtain from the customer a declaration setting forth the identity of the beneficial owner of assets deposited with the bank. In July 1997 Swiss Bankers Association (1997) opened a

publicly accessible web site of a list of dormant accounts with full details of account holders who presumably did not disclose the accounts to their relations before their death⁴⁴. A bill tabled to the Swiss parliament in October 2000 sought to required Swiss banks to report any deposit of more than SFr1 million made by anyone holding public office, especially heads of state or government ministers (Hunter, 2001). Although the proposal was defeated by a narrow margin, the signals are rife that the Swiss banking and legal system will no longer be perceived as protecting foreign loot. In October 2000 barely a week after the bill narrowly missed passage, 11 of the world's biggest banks declared their opposition to the use of their networks for criminal financial transactions (*Economist*, 2001).

European governments have also found good reasons to support measures that will ensure good governance and limit corruption in third world countries. In a speech at the House of Commons on 18 June 2002, British Foreign Secretary Jack Straw asked for support for tighter immigration and asylum laws across the European Union. Straw admitted that "we have to tackle the long term causes such as poverty and instability which lead to migratory pressures into Europe" (Straw, 2002). The link between poverty and massive exodus of illegal immigrants from third world countries into Europe may also be extended to recognise that poverty in these third world countries are made worse by continuous looting of national treasuries. Encouraging banks to return the loot to poor countries at the same time democratization is being consolidated at the domestic front will help to reduce the poverty and misery that immigrants are running away from.

Thus while the relative weak political will at the domestic front may slow down the campaign for loot recovery, the renewed global commitment to the fight against corruption by countries that hitherto played host to the loot will no doubt keep the campaign alive. A recent wildlife conservation advertisement on the powerful Cable News Network CNN, ended with phrase: "for when the buying stops, the killing stops too" (CNN, 2002). Continued campaign against dirty money will reduce the active demand for poor countries' loot in European banks. The supply from kleptomaniac political leadership will follow suit.

⁴⁴ Although this was initially established to provide Nazi victims or their heirs with an opportunity to make claims to assets deposited in Swiss banks in the period before and during World War II, there the hope that the scheme will be extended to other victims including the economies whose treasuries had been looted by their leaders.

8.4 Domestic responses to the enabling environment

Although the international community has a wider leverage to respond to domestic enabling environments, local entrepreneurship and all forms of its correlates are very sensitive to its immediate environment. Adam Smith (1937 cited in Goldsmith, 1995: 160) encapsulated the idea when he observed that “commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which peoples do not feel themselves secure in possession of their property, in which the fate of contracts is not supported by the law and guaranteed by government”.

In an environment where official corruption obscures the rule of law, in which the larger portion of the means of production are monopolized by governments, and in which fiscal indiscipline and policy infidelity reign supreme, there is no doubt that local entrepreneurs will look elsewhere for better alternatives. As revealed in the analyses of Chapter 7 (section 7.7), increasing insecurity to property in the major cities forced Nigerians to move their wealth to rural areas even though the latter were less productive. Those that had access to foreign safe heavens must have resorted to capital flight.

In the schema there are three direct paths through which improving enabling environment may affect the domestic sector – reduced (legal and illegal) capital flight via minimal official corruption, privatisation resulting from liberalization, and improved efficiency in the use of borrowed funds through minimal official corruption, fiscal discipline and policy fidelity, and a reliable database.

8.4.1 The enabling environment and capital flight

The most direct domestic response to improving enabling environment is traced by the path B4-D1. Minimal official corruption will reduce the cost of doing business and hence a reduction in the incentive for capital flight, largely through the mechanism of bribery. First, by eliminating bribes paid to government agencies to acquire landed property for business purposes; to secure foreign exchange allocations for necessary imports; to clear imported goods at the ports, and to obtain local purchase orders (LPOs) for government

contract. The lower costs due to absence of bribes are passed on to final consumers with the effect that effective demand is increased. Environments characterized by low costs of production and growing effective demand will not only attract new investments, they will reduce the incentive to move capital out.

Similarly proceeds of bribes and all forms of illegal accumulation by government officials and their cronies end up in foreign bank accounts where the beneficiaries are assured of the safety of their loot. This form of illegal capital flight is aided by two main forces namely, the lack of international goodwill and domestic official corruption, the former of which has already been discussed. Minimizing official corruption will be the lasting solution to illegal capital flight from economies that need capital the most. This is the path traced by D1-D5.

Subsidies are popular with otherwise unpopular governments. Used as bribe and/ or blackmail to contain dissent, a large proportion of subsidies end up in the personal accounts of government functionaries. Removing bogus government subsidies will help to reduce illegal capital flight. This is the path traced in figure 8 by D2-D5.

8.4.2 The enabling environment and privatisation

The path of the impact of enabling environment on privatisation is a direct one, traced in the schema by B5-D2. If implemented under the right rules of the game, privatisation will reassign property rights, empower the community and reduce the central government overload (Starr, 1988). There will be less need for subsidy and the accompanying huge budget deficits (Sheshinski and Lopez-Calva, 1998: 7), and capital will be released for public goods such as education, health, and basic infrastructures. Privatisation will allow for better management and improved technology. In Nigeria capacity utilization is grossly low due largely to scarcity of foreign exchange to import raw materials. With foreign participation, sourcing raw material from parent companies abroad will be cheaper, the level of excess capacity will fall. Privatised firms producing at near full capacity will do so at lower average cost than before, thus increasing returns on capital. Where private sector firms are financed by external loans, they will be project-tied and self-liquidating. This is the path D2-D6 in the schema.

8.4.3 Nigeria's experience with Privatisation

Privatisation is not a new ideology in Nigeria. In the first decade after independence and up until the oil boom era, the private sector although dominated by multinational companies enjoyed free hand in the enterprise of their choice. As highlighted in chapter four, oil money afforded the governments the means to venture into all sectors of the economy. Since governments are not keen competitors they legislated the private sector out of many enterprises. Thus came government monopolies in Power and Steel, Telecommunications, Primary, Secondary and Tertiary Education etc.

In addition to transforming the private sector into a large public sector, one government policy that crippled the private sector during the 1970s in Nigeria was the indigenisation policy adopted by the Gowon regime in 1972 (Decree No 16 of 1972). The policy was intended to give Nigerians the ownership and control of the means of production in the economy. However, the timing was bad in the sense that barely two years after a devastating three-year civil war, only very few indigenous entrepreneurs could afford to buy controlling shares in the firms where foreigners were forced to divest. Therefore, the only 'local investor' with big money was the government and its agencies. Thus government either acquired shares in the name of government agencies or in the names of government officials and their associates who then became directors without much business acumen. What was then the private sector was over protected from the global economy by a flawed import substitution policy and an over valued currency. The excruciating debt crisis exposed the underpinning structural weakness. The lot fell on the Babangida regime to restructure.

8.4.3.1 Privatisation under the Babangida regime

Privatisation was one of the aspects of the IMF SAP that was rejected by the national debate organized by President Ibrahim Babangida in 1986. By 1988 however when the Head of State acknowledged that SAP was unworkable without IMF support, privatisation became an integral part of the now IMF-backed structural adjustment programme. The promulgation of Privatisation /Commercialisation Decree No 25 of 1988 gave legal backing to the reform of State owned enterprises (SOEs). Under the scheme a Technical Committee on Privatisation/ Commercialisation (TCPC) was established to

oversee the implementation of the programme. The TCPC identified over 600 Federal Government owned enterprises and recommended immediate privatisation of 133 of them. As can be seen from Table 8.1 between 1988 and 1994, 54 enterprises were privatised. These were mainly small and medium-scale concerns in agro-processing, cement, petroleum marketing, insurance and banking. In 34 of these controlling (60-100%) shares were sold to the private sector. Over 80% of the enterprises were sold by public offer.

To ensure equity and allay the fears of anti-privatisation campaigners various mechanisms were put in place by TCPC to ensure the equitable spread of ownership among different social classes, ethnic and regional groupings. The formula also restricted the amount of equity that any individual or region could purchase and included allocation of a proportion of shares to all States of the federation as well as to employees in the privatised enterprises. Thus in terms of increasing the spread and penetration of share ownership in Nigeria, the Babangida programme was undoubtedly successful. The impact of privatisation was also felt in the capital market. Capitalisation rose from N12 billion in 1989 to N22.6 in 1991. Three years later it almost tripled to N65.5 billion in 1994 (CBN, 1999a: 25).

However, of the 54 privatised enterprises only one was purchased by a foreign investor, (see Table 8.1). In the first four years of the programme 1988-1992, no foreign investor showed interest. Although the usual explanation for this foreign lack of interest was the presence of laws restricting the proportion of equity foreigners could hold in companies in Nigeria (40% at the time), the real reason was the uncertainty in the political situation. The importance of foreign participation in privatisation is underscored by the fact that the single purchase by foreign investors in early 1993 accounted for nearly 70% of a total of US\$740.4 million funds realized from privatisation in the seven years. This singular foreign interest might have been in anticipation of a successful transition by middle of 1993.

Table 8.1 Nigeria: Privatisation of State Owned Enterprises

1988-1993

YEAR	No of Enterprises	Share Sold (%)	Amt. Sold (US\$ million Equivalent)	Foreign exchange Realised (US\$m)	Mode of Sale		Buyers	
					A	B	C	D
1988/89	19	60-100	33.60	0.00	19	0	19	0
1990/91	15	60-100	51.20	0.00	13	2	15	0
1992/93	20	24-100	655.60	500.00	10	10	19	1
Total	54		740.40	500.00	42	12	53	1

Source: Appendix 8B

Note: A = Enterprises sold by public offer; B = Enterprises sold by private offer; C = Enterprises bought by local investors; D = Enterprise bought by foreign investors.

8.4.3.2 Privatisation under the Abacha regime

There was a lull in privatisation during the Abacha regime. The administration abandoned the structural adjustment programme in its 1995 Budget speech. It then promulgated the Nigerian Investment Promotion Commission Decree No.16 of 1995. The law was aimed at effectively abolishing existing restrictions, in respect of the limits of foreign shareholding, in Nigerian registered/domiciled enterprises. Under the Decree a foreign investor in an approved enterprise was guaranteed unconditional transfer of funds through an authorized dealer, in freely convertible currency of: (a) dividends or profit (net of taxes) attributable to the investment; (b) payments in respect of loan servicing where a foreign loan had been obtained; and (c) the remittance of proceeds (net of all taxes) and other obligations in the event of sale or liquidation of the enterprise or any interest attributable to the investment. These legal provisions did not however guarantee the enabling environment for foreign investment. In the five years of the Abacha administration, no single privatisation deal was completed.

8.4.3.3 Framework for privatisation since 1999

Under General Abubarka further attempts were made to improve the legal backing of privatisation. The Public Enterprises (Privatisation and Commercialization) Decree of 1999 established two bodies to strengthen the programme. These were:

1. National Council of Privatisation (NCP) with responsibility to reformulate privatisation and commercialization policies and
2. The Bureau of Public Enterprises (BPE), which took over the TCPC with responsibility to implement privatisation and commercialization policies formulated by the NCP.

Under the new scheme there were three categories:

Partial Privatisation: Part I of the First Schedule to the Decree provided for partial privatisation a total of 34 enterprises where Government had 100% share holding. Government was to relinquish 60% share holding 40% of which would be offered to foreign investors leaving the rest 20% for local investors.

Full Privatisation: Under Part II of the First Schedule to the Decree a total of enterprises in six sectors where Government had minority share holding ranging from 25%-60% were to be fully privatised. These included 3 Oil marketing companies, 6 Cement firms, 5 Commercial banks bought by Federal Government Parastals under the Babangida programme, 3 Agribusiness firms, 6 Motor vehicle Assembly Plants, and 2 Hotels.

Commercialization: A total of 24 (9) enterprises listed in Part I of the Second Schedule were to be partially (fully) commercialised. Among those for partial commercialisation were the Nigerian Railway Corporation, 12 River Basin Development Authorities, 4 Print and Electronic Media enterprises, 6 National Parks, and the Nigeria Postal Services. Earmarked for full Commercialization included 6 Banks and Insurance companies, the Nigerian National Petroleum Corporation, Nigerian Ports Authority and the Federal Housing Authority. While privatised enterprises were to run as private sector companies commercialised enterprises were to operate as a purely commercial enterprise albeit still subject to the general regulatory power of the Government of the Federation with respect to (a) fixing the rates, prices and charges for goods and services they provide; (b)

capitalizing their assets; and (c) borrowing money and issue of debenture stocks. The provision that commercialised enterprises could be sued in their corporate name removes the legal immunity they hitherto enjoyed.

Data on actual number of completed deals under the present privatisation scheme are not available. Moreover there are conflicting reports on which enterprise has been sold and for what amount. In a number of cases the parent ministries of enterprises slated for privatisation and the NCP are disputing their respective responsibilities.

8.4.4 Concerns for privatisation in Nigeria

Of all the variables in this model privatisation is perhaps the most contentious. Criticisms of privatisation formed an important plank of the anti-globalisation campaign. Among the foremost fears for privatisation five stand out:

- Privatisation erodes national sovereignty by transferring ownership of the means of production to foreign investors whose primary interest may be profit making.
- Privatisation may be used for political gains against the opposition by reassigning property rights from the State to supporters of the ruling party.
- Privatisation that normally involve rationalization of privatised firms lead to job losses in the public sector.
- Privatisation may be hijacked by erstwhile corrupt political leadership who in the first place was responsible for the inefficiency in the public sector.
- The chief proponent of privatisation – the United States of America – does not mean well for third world countries. US subsidy to its industries at the same time it encourages poor African countries to privatise amounts to double standard.

Without prejudice to the ideological foundations of the above concerns, anti-privatisation campaigners have hardly provided viable alternatives to the waste, corruption and inefficiencies of state owned enterprises in Nigeria. Admittedly, undue dependence on foreign investment raises the prospects of diminished sovereignty and may in fact provoke passions of nationalism. However, it is doubtful that the degree of national

sovereignty was higher under the yoke of debt burden than under free and honest enterprise by Nigerians and foreign partners. Foreign direct investment via privatisation is an improvement on foreign loans because the domestic economy do not have to bear the burden of debt. Neither did national leaderships that looted their economies dry enhanced their sovereignty. In fact they diminished it: A nation is less sovereign when its leadership stash away its wealth into foreign countries, for where your wealth is, there will your heart be. African leaders with huge deposits in Swiss banks will be committed more to stability in Switzerland than they would for their home countries. Privatisation which domicile the wealth of foreign investors in the domestic economy of poor countries does not necessarily undermine the latter's sovereignty, especially under a democratic system.

Secondly, and luckily for Nigeria the political opposition – the democrats in this case, are the group initiating privatisation. When the current political leadership took office in May 1999, President Obasanjo was in no doubt that State enterprises had “suffered from fundamental problems of excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption under crippling political patronage” (Africa Recovery, 2000).

Thirdly US double standard does not provide sufficient ground for agitation against the removal of subsidies in Nigeria. While the US subsidised its industries, the political leadership in Nigeria subsidised the ‘revenues’ of the political elite. Only a small fraction of what entered into government books as subsidies actually got to the intended targets. The rest ended up in foreign accounts of government officials. Effectively therefore, subsidies in Nigeria actually subsidised foreign economies where the funds were employed to increase productivity.

There are however two issues that need to be addressed for privatisation to serve the interest of the greatest good for the greatest number in Nigeria. These are job losses and the threat posed by political patronage to privatisation of State owned enterprises in Nigeria.

8.4.4 .1 Job losses and labour resistance to privatisation in Nigeria

Job losses has been one of the many criticisms against privatisation of public enterprises especially in poor African countries where the government was the major employer of labour. Admittedly, the public sector in Nigeria accounted for over 60% of employment of the formal sector labour force. However the average earnings in the private sector exceeded that of the public sector by over 70%. In addition public sector workers in Nigerian were owed salaries in arrears of up to six months. Consequently workers were almost always on strike with huge losses to the economy. As shown in Appendix 5D.3 Between 1970 and 1979 the public sector recorded an annual average of 185 work stoppages involving over 77, 000 workers. The decade 1980-1989 recorded annual average of 127 work stoppages involving over 450, 000 workers. Although the annual average number of work stoppages dropped to 108 in the period 1990-2000, almost 1,000, 000 workers were involved annually in public sector industrial unrest⁴⁵.

If privatisation meant expansion or diversification of the enterprises as was normally specified in the agreement between NPC and Core Investors⁴⁶, the resultant increasing job opportunities in the private sector, the prompt payment of salaries and less losses in productive man hours will more than compensate for the job loss in the public sector. Also since the negotiations between the NCP and Core Investors normally include funding arrangements for rehabilitation of retired workers, retraining and development plan for those not retrenched, there is absolutely nothing to fear by labour about privatisation in Nigeria. In its weekly briefing on 27 August, 2002 the BPE approved the NCP's framework for labour matters under the privatisation programme. It includes, amongst other things, modalities for solving redundancies, settlement of severance payment, terminal benefits as well as pensions and liabilities to workers in privatised enterprises (Bureau of Public Enterprises, 2002).

⁴⁵ These averages are calculated from columns 3 and 4 of Appendix 5D.3.

⁴⁶ The Privatisation handbook issued by the NCP describes Core Investor as formidable and experienced corporations or consortia with the capabilities of adding value to an enterprise and making it operate profitably in the face of international competition.

8.4.4.2 Political patronage and privatisation in Nigeria

The greatest obstacle to privatisation in Nigeria is that public enterprises were largely avenues for government patronage. The same people who were beneficiaries of government patronage are in effect being asked to divest and thus lose the huge rents they hitherto enjoyed.

Curiously, as privatisation was being conceived under the Babangida regime, there were huge planned investments in the utilities prior to sale. The argument at that time was that the proposed investments would significantly increase the values of the enterprises prior to sale. But the stronger argument that the investments would also increase the debt of equity profile of the enterprises was not given any attention. Judging by the antecedents of the public sector in making such investments, it would not be out of place to infer that this was indeed a last minute effort to corner more funds into private pockets.

As in the main political arena, beneficiaries of State owned enterprises deny openly that they oppose privatisation. However, they attempt to use the masses to protect their hidden motives. There are allegations of ethnic bias in the selection of Core Investors. For example, indigenes and top government officials of the host State of Benue Cement Company rejected a Core Investor (Dangote Industries), chosen by BPE and approved by the NCP. The open rejection of the Core Investor some believe was informed by political and ethnic, rather than economic/technical reasons (Ocholi, 2002). Previously the O'dua Group (the former Western Region Conglomerate discussed in Chapter Four) went to court to challenge the selection of Blue Circle Co. Ltd. as a Core Investor for the West African Portland Cement Company (WACO).

Although government stuck to its decision and went ahead with the sales the political scares will take time to heal. If privatisation must succeed in Nigeria the proponents must find a way of striking a balance between political fears and economic gains.

8.4.5 The enabling environment and efficiency in the use of borrowed funds

Barring any natural disaster, it will be expected that project-tied loans will perform positively to yield increased growth if all of the following conditions were met:

- ✓ Proper feasibility were carried out regarding the viability of projects for which borrowed funds were meant
- ✓ All funds earmarked for the projects were actually invested in the projects and in accordance with set targets
- ✓ There were no midstream changes in policies necessitating changes in the design and location of projects, and
- ✓ The management of such enterprises will not be used for political patronage.

As noted in Chapter One Nigeria's first billion Dollar loan was a 'jumbo loan' not tied to any project but contracted by politicians eager to fund their re-election. The loan was therefore not expected to meet the above conditions. However, subsequent loans contracted by State and Federal Governments were largely project-tied.

In a country-wide Appraisal of a sample of 145 projects funded by Paris Club loans amounting to US\$13.72 billion, Iremiren (1997) a Director in External Finance Division of Nigeria's Federal Ministry of Finance reported that the rate of project failure at both the State and Federal levels was over 42%. The projects failed to perform because "they were in most cases run down by their management staff usually in collusion with Government functionaries" (Iremiren, 1997: 6). The nature and stage of the failures are also revealing. In nearly a third of the 61 failed projects, construction works at designated sites did not take off. In the remaining two-thirds the projects were implemented up to the stage of commissioning but were either never commissioned or were closed down soon thereafter. The failure of the projects resulted in high outstanding liabilities. Table 8.2 shows total liabilities for project-tied loans from 11 Paris Club creditors. As at December 1999, 171 projects including the failed ones were indebted to the tune of US\$8.7 billion.

*Table 8.2 Nigeria: Total Liability of Paris Club
Project-tied Loans as at 1999.*

<i>Creditor Country</i>	<i>No of Project Funded</i>	<i>Total Liability. (US\$ million)</i>
Germany	36	1,354.48
Australia	6	190.00
Italy	16	665.64
Netherlands	12	460.58
Denmark	4	121.67
Japan	15	1616.00
Spain	2	61.59
United States of America	7	509.71
Belgium	5	112.80
Great Britain	40	2,297.55
France	28	1,324.30
Total	171	8,714.32

Source: Federal Ministry of Finance, Abuja.

Under flagrant official corruption that led to the running down of the projects, with changes in policy that led to abandonment of projects and management used largely for political patronage, the enabling environment was simply lacking for efficient use of borrowed funds. An improving enabling environment involves a turnaround on the forces that led to project failures. Moreover liberalization removes ‘political management’ from overseeing projects funded by loans, policy fidelity minimizes the tendency to change designs midstream and stems the tide of failures. The paths of the impact of an improving enabling environment on the use of borrowed funds are traced in figure 8 by B4-D3, B5-D3, and B6-D3.

8.5 Terminal effects and debt-led growth

The terminal effects of possible debt reduction and rescheduling at better terms are lower debt stock and interest payment. At a given level of output this will translate to lower debt burden. This is the path C4-T1. A combination of increased foreign investment, transfer payments, and boost in trade and tourism will increase net capital flow. These paths are traced by C1-T2, C5-T2, and C6-T2 respectively.

In addition, eliminating illegal capital flight will improve the over all relative net capital flow for given level of output. This path is represented by D5-T2. At the domestic front, whether capital flight is legal or illegal, its reduction leaves more capital within the borders of the economy. It is assumed here that, prior to capital flight wealth owners whatever the means they had acquired their wealth will make investment decisions that will increase domestic capital formation. With the added incentive of international goodwill repatriated capital will boost the level of capital formation. This is the path D5-T3. Further more, increasing capacity utilization and returns will lead to further investments and capital formation (D6-T3).

Finally, at less than 50% capacity utilization manufacturing companies in Nigeria were unable to supply a growing market in the West African sub-region. With improvements in capacity utilization in manufacturing Nigeria's export sector will undoubtedly experience the much-needed diversification, and growth will be less dependent on the petroleum sector.

The term *Terminal* is used here as a logical conclusion of one round in a chain of forces transmitted from the improvements in the institutional frameworks through the enabling environment. The model is self-sustaining as the forces in T1, T2, T3, and T4 have the capacity to generate further improvements in the enabling environment.

8.6 Conclusion

Despite understandable agitations against globalisation, there do not seem to be a wide choice horizon for any country to opt out of the global economy. This is more so when a country is already neck deep in debt. Democratization may be essentially home grown – i.e. a commitment by all internal political stake holders to the tenets of majority rule. Its effectiveness in playing a catalytic role for economic recovery in debtor countries must however, depend on the capacity of its environment to enable growth enhancing domestic and international responses. The special problems of recovery of illegal capital flight underscores the crucial role of international goodwill in the broad concept of the interdependence between domestic and external variables in development. Luckily for countries like Nigeria, the international community is beginning to appreciate that the

ripple effects of dirty money in the global economy can be a negative one, to both host countries, and to capital deficit countries alike. Building environments that elicit positive international responses does not diminish a country's sovereignty, nor is depending on it to complement and strengthen weak domestic economic structures ideologically inferior.

Although a theoretical construct, the Trickle Down effect of democratization can be empirically evaluated. As shown with the Nigerian experience in the years between 1993 and 2000, an enabling environment is central to the recovery from debt crisis to sustainable growth. The relevance of Trickle Down effect of democratization model for understanding the paths of the impact of democratization on growth and hence its contribution to addressing the debt problem can not therefore be ruled out.

CHAPTER NINE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

9.1 Summary

The background to the study had two main thrusts: a restatement of the sub-Saharan African debt crisis, and the exemplary situation of Nigeria. In reaffirming a well-known fact that the majority of sub-Saharan Africa was debt-ridden it noted that since the inception of the debt crisis in 1982, there had been a legion of global initiatives aimed at addressing the problems. Unfortunately the success of those initiatives had been very limited in a small number of cases. Over all key stakeholders to the debt issue – creditors and debtors, as well as financial intermediators and guarantors – were agreed that the initiatives had been largely a colossal failure as they had failed to reduce either the debt magnitude or the attendant burden on the debtor economies. One of the direct responses to the failure of debt initiatives was the call by both scholars and international agencies on debtor nations to democratise.

Initially sustained by two major factors - a near-zero hope in outright debt cancellation, and the reluctance of creditor nations to confiscate ill-gotten wealth of the political leadership in debtor nations – democratization had become a major precondition for virtually all forms of beneficial relations between the rich and the poor nations of the world. The proponents were of the view that borrowed funds had failed to perform largely because undemocratic governments had not only over borrowed but had also squandered borrowed money. They argued that by democratising, the porous avenues for mismanagement and waste of resources associated with undemocratic political leadership would be blocked.

Nigeria fitted perfectly into the picture painted by proponents of ‘democracy for good governance and debt performance’. The country had in the 1970s earned huge amounts

from its oil revenues but failed to translate this into sustainable development. By a combination of poor domestic policies and outright corruption in government Africa's potentially most prosperous nation was turned into a debtor nation. The huge debts contracted by successive governments and their agencies had also gone down the drain. Since its political leadership had been predominantly military, it was natural to blame the lack of democracy for the failure of not only internally generated wealth but also for the failure of externally sourced capital to perform.

Thus two central questions for this study were the measurement of the democratization process in Nigeria and the impacts of the actual levels of democratization on debt-led growth. Although there were very strong views linking democratization and debt performance in Nigeria no attempt had before now been made to empirically evaluate this claim. Two imperatives of this investigation were the definition of debt performance on the one hand and the measurement of the level of democratization itself on the other. Since external loans were meant to engineer growth of the economy, debt was deemed to have performed if it led to increases (decreases) in growth-enhancing (growth-depressing) factors.

Two contextual definitions of debt-led growth were explored in this study. One, in a narrow sense and within the framework of the Taylor marginal conditions for debt-led growth, and the other in a broad dimension to incorporate all relevant negative and positive growth factors such as savings, investment, exports, foreign direct investments, public and private consumption, capital flights, and debt service burden.

Within the broader framework the literature on capitalist development the issue of which political system was more growth oriented was found to still be inconclusive. However the core literature revealed two yening gaps in the analyses of debt-led growth in poor resource countries. First, the gap created by the tacit exclusion of institutional variables in the debt-cum-growth analyses. Secondly, where institutional variables had been included as in the new growth models there was a general lack of focus on the area from which growth was expected- external resource. In response to these shortcomings this study attempted to include the political institutional and administrative variables into the debt-growth analysis.

The immediate imperative was to address the conceptual and measurement issues of democracy and democratization. The resolution of the conceptual and measurement issues underscored the need for the construction of indices of democratization for Nigeria. These grounds were first, that no existing measures was appropriate for the study, second, the political history of Nigeria meant that democratization rather than democracy was more important. A 'process' as against a 'product approach' was therefore adopted in the construction of a measure of democratization for the country.

Three related imperatives of this approach were 1) the identification and assessment of the institutional framework necessary for democratization since political independence in 1960, 2) the identification of the most relevant dimensions of democratization in Nigeria, and 3) the respective indicators of the dimensions. In line with the process approach the dimensions followed a cyclical pattern. Every cycle in the democratization process began with *power change* - the investment of citizens' natural rights involving the delegation of their authority. In the ideal case the delegation was an electoral system while in most of Nigeria's real world situation it was selectoral. The elected (or selected) assumed the responsibility of governance where the interaction of political policy formulation and implementation on the one hand, and between the goals of policy and the citizens' aspirations on the other produce a *political environment*. Through this environment citizens expected to reap from their sowing, a *democratic dividend* in the form of higher political and civil rights than they had invested. More investments could then be made in the next round. In the ideal situation every cycle ought to generate higher dividend. However, in the dominant cases where the stock of citizens' rights had been massively depleted, the only political assets left for investment in the democratization process was *democratic hope*. This hope was as important in this study as the individual rights of an American citizen (suspect) who is presumed innocent until the prosecution proved otherwise.

The state of the institutions in Nigeria generated a deluge of political events on the bases of which the indicators were scored. The limitations imposed by space meant that only the major political events were recorded. Using these events four primary and one composite indices of democratization, based on four dimensions were constructed. These

were Power Change, Quality of Governance, Political Environment, Democratic Dividend, and the composite measure, Democratization Index for Nigeria.

The empirical research questions were first, whether available data supported negative or positive contribution of external resources to the growth of the Nigerian economy? Second, could this contribution be explained for instance by the process of power change among political stakeholders, the quality of governance, the political environment, and democratic dividend in the democratization process in Nigeria? Finally if the democratization process affected growth negatively or positively, what were the envisaged paths of these effects for the future?

The first question was investigated using the simple macroeconomic framework provided by the Taylor (1983) marginal conditions for debt-led growth. Precisely, the condition provided by the inequality (6.12) was used to gauge the direction of the impact of foreign borrowing on the economic growth of the Nigerian economy. Where the left hand side (LHS) of equation (6.12), $\{\pi + t - \theta - mc\}$ was found to be greater than the right hand side (RHS) $\{r(1-\alpha) \lambda\}$, this was taken to mean a positive contribution of external debt to the growth of the Nigerian economy and vice versa.

The second issue was addressed in two definitional contexts – a narrow definition in strict compliance with the Taylor model, a broad definition, which included variables that conventionally affected debt-led growth. The analytical tool in the narrow definition was a multiple correlation aimed at investigating the nature of possible association between debt-led growth and democratization variables. In the broad definition a multiple regression of the AR(1) model was used to estimate the relationship between democratization variables and those factors known to have an impact on the performance of external debt. These were growth-enhancing variables including domestic savings, domestic investment, export, foreign direct investment; and growth-depressing factors including public consumption, private consumption, capital flight, and debt burden.

9.2 Conclusions

What conclusions did the findings of the analyses in chapter seven lead to? A rejection of the null hypothesis H_0^1 in Chapter Six would mean that for the period of the study and based on the analysis of section 7.2 external capital contributed positively to the growth of the Nigerian economy. An acceptance will mean the opposite. However, neither of these positions truly represents the mixed results of the analysis. For some period external debt was a negative contributor to growth, for others external capital indeed contributed positively to the growth of the Nigerian economy. The mixed results reinforced the fact that external capital can be both growth enhancing as well as a growth depressing. What role external capital played in a nation's economic growth depended on how capital was managed by the host economy? As demonstrated in this study the contribution of external capital in Nigeria followed this pattern: positive largely during those periods when debt were better managed, and negative in those periods when little or no attention were paid to debt management.

Strictly within the context of the narrow definition of debt-led growth a rejection of the null hypothesis H_0^2 in Chapter Six was the logical outcome of the analysis reported in section 7.4. At face value therefore, the results of the narrow definition of debt-led growth suggested that democratization inhibited growth, an outcome in the pessimist domain. However, as noted in the discussion of these results the undue dependence of debt-led growth, in the narrow definition, on export performance actually dwarfed any meaningful role democratization variables could play in debt-led growth. Exports for Nigeria were largely extractive and its revenue depended on the vagaries of the international oil market.

In some way however, there was political connotation to export performance but this cannot be directly attributed to domestic politics. Political instability in oil exporting countries other than Nigeria was favourable to export revenues. The suggestion that an oil-exporting country be 'politically stable' to benefit from political instability in another major oil exporting nations increased the temptation to ascribe export performance to domestic political situation. International politics however, affected oil market in a way that current domestic political leaderships merely benefited (suffered) from windfalls of rising (falling) oil prices. The political stability required here did not involve

democratization as both stable democracy as well as stable authoritarianism could guarantee non-disruption of export production especially for an extractive industry. Thus the result of the narrow definition belong to the pessimist's camp only with some qualification: that democratization may not positively affect growth where such growth depended largely on externally driven and largely extractive export performance.

Turning to the broader definition of debt-led growth there were strong bases from the evidence of the analysis reported in section 7.5 for rejecting the null hypothesis (H_0^2). Rejecting that the level of democratization of the political system in Nigeria was negatively related to debt-led growth for the period of the study by implication means the acceptance of the alternative. First there was the positive impact of democratization on domestic investment: unfavourable democratic political environment and low levels of democratic dividend had reduced a wide range of political rights and freedoms. Limited freedoms, uncertainty regarding the viability of investment, and unclear property rights for instance might have in turn resulted to low levels of investment.

Second were the negative impact of democratization on capital flight, on debt burden and on accumulation of debt, each of which depressed growth in some way. In addition to reducing investible stock of domestic capital, capital flight had a negative effect on foreign direct investment by sending signals to foreign investors that the domestic economy was not viable. It was also possible that the alleged spurious debts referred to in Chapter One (Falae, 1986) had aided capital flight from Nigeria. In addition to Ajayi's (2000: 233) concept of debt-driven capital flight where illegal transfers of capital were made possible by the availability of borrowed funds, spurious debts resulted when foreign exporters connived with Nigerian importers to inflate trade arrears. When these arrears were converted into debts local importers only needed to raise local currency in order to transfer its foreign currency equivalent.

Over all therefore the results supported the optimist view that democratization was beneficial to growth. While this was not surprising, the new and perhaps more interesting aspect of the finding was that the impact of democratization was stronger with negative than with positive growth factors. In other words while democratization may be supportive of growth, its greater impact appeared to be in limiting the factors that

themselves limit growth. The practical implication of this was very interesting and required demonstration.

Assuming a 1% improvement in the level of democratization and an increase in the level of investment from (I_0) to (I_1) led output to increase from (Q_0) to (Q_2) . If however the level of democratization were to drop by the same 1% with the investment still at (I_1) , the resulting output (Q_{21}) will be less than (Q_0) .

The lesson from this is that democratization, as a continuous process must not be allowed to retard where it had been initiated. This is not only because its improvement will be beneficial to growth but also because the cost of doing so will be greater than the gains of its improvement. It is therefore probable that societies that had achieved a high level of growth over a long time under democratization can fall faster than they rose should they experience retardation in democratization even at the same rate they had improved.

Thus given a natural level of endowment, a democratising polity with a political history similar to Nigeria's will reduce waste of resources faster than a non-democratising society. In this way higher growth may be achieved. The direct interpretation of this conclusion is that had the level of democratization been higher the Nigerian economy would have done better generally and in debt performance in particular. It needs to be cautioned here that the level of democratization was not necessarily higher for all dimensions in civil regimes than they were in military-civil diarchies.

9.3 Envisaged paths of political institution's impacts on debt-led growth

If lower levels of democratization were associated with poor performance of debt-led growth, how might improvements in the levels of democratization however small, trickle down to offer a better political environment that can reduce waste of public resources, minimize corruption, encourage international goodwill in a fast globalising world economy, and enable growth?

The envisaged path of the impact of the institutional framework for democratization on growth including that led by debt was presented as *the trickle down effect of democracy* in Chapter Eight. Despite cultural peculiarities, mass-dominated democracy as one type of political administration may be 'globalised' by its assumption that policies are made with the sole objective of the greatest good for the greatest number in the polity. The model was built on the central assumption that for a political system by whatever name called to be instrumental to development, there must be the capacity to offer an enabling environment for growth.

The key to the trickle down effect of democratization lay in the transmission mechanism. Improvements in the institutional frameworks were expected to transmit through an enabling environment to elicit both domestic and international responses that will enhance growth.

The institutional framework for democratization included the following: regular democratically elected governments, accountable to an educated electorate; a functional legislature; a virile opposition; an independent judiciary that was capable of handling a tolerable level of non-conformity with the rule of law. Others were a military that was subordinate to civil authority and politically neutral; an educated electorate capable of understanding and discerning the differences in the motivation of political parties vying for power; a central monetary authority insulated from the political process in its choice of monetary policy instruments to maximize societal goals; and a reliable database.

Improvements in the institutional frameworks were expected to provide an enabling environment - the interface of political stability, respect for human rights, rule of law, minimal official corruption, liberalization of the means of production, fiscal discipline, and policy fidelity. Regular free and fair democratic election by an educated electorate was expected to produce a functional and representative legislature that would ensure minority rights. A military that was subordinate to civil authority, would provide the much needed *political stability*. With constructive opposition, a free press and independent Judiciary, *rule of law* was expected to prevail and *human rights* record of the democratising debtor nation would improve.

As government withdraws from participation in direct production of goods and services, it would be expected that *liberalization* would become popular. A combination of less government activity and virile opposition would curb *official corruption*. An autonomous central monetary authority with reliable database would ensure *fiscal discipline* and *policy fidelity*.

Once the enabling environment was in place the stage is set for a positive response from the international community. *Foreign investment* (which is central to the debt problem) will be expected to respond positively to a combination of political stability, liberalization and policy fidelity. *International goodwill*, a measure of the overall image of the nation in the eyes of the international community, would be enhanced by a combination of good human rights record, rule of law, and minimal official corruption. *Capital flight*, ostensibly one the bane of capital formation in politically unstable debtor countries will be expected to respond negatively to a combination of political stability, minimal official corruption, and liberalization. Strict execution of projects in accordance with plan, which is the hallmark of fiscal discipline and policy fidelity, plus the technical and managerial know how that come with liberalization will be expected to ensure *efficient use of borrowed funds*. Enhanced international goodwill will see creditors offering concession rescheduling and in some cases forgive debts. New lenders who will offer facilities with low interest and long repayment periods now become accessible to a more politically stable and economically viable democratic government.

A combination of low interest and long amortization period will be expected to reduce the debt service falling due at any given time. Concession rescheduling that offers debt for equity will reduce total debt stock and technically speaking increase foreign investment. Lifting of both economic and political sanctions by powerful nations and international organizations following democratization further reinforces the country's acceptance and goodwill in the eyes of the international community. Human rights organizations' improved ratings will impact positively on tourism. Donor countries will offer more aid, and the country can now count on the goodwill of the international community in minimizing illegal capital flight. Increasing foreign investment, reduction in debt service payments, increase in transfer payment, increased foreign exchange earnings from trade and tourism, and minimized capital flight will translate to increasing net capital flow.

Efficiency in the use of funds will increase rate of return, which will in turn improve the rate of domestic capital formation. Other things being equal, these responses will be sustained and reinforced by the continued presence of the enabling environment.

9.4 Recommendations

On the basis of the analyses what prospects are there for growth-enhancing political institutional factors in Nigeria? As demonstrated in this study there was no dearth of attempts at democratization of Nigerian politics, what was lacking perhaps was its sustenance. How therefore may democratization be sustained in order to enhance debt-led growth? As illustrated in Chapter Four, the poor state of each of the institutions during the period under review was responsible for the slow pace of democratization. A general improvement in the quality of the institutional framework for democratization is therefore necessary for sustained positive democratization in Nigeria. Imperatively, this is a call for the following:

- More regular democratic elections to reduce the incidence of selection in the country's democratization process
- More opportunities for the institutionalisation of functional legislatures at all levels (local, state, and federal) of governance
- More viable and constructive opposition that is coordinated around issues of public interests as opposed to elite ethnic interests
- A judiciary whose budgets, career prospects, and the effectiveness of its judicial functions are not dependent on the executive arm of government
- Less government involvement in direct economic activity. This will reduce undue exposure of government functionaries to public funds and free resources for the critical areas of the public sector such as health, education, and basic infrastructures
- A politically neutral central monetary authority, in addition to checking politically motivated inflationary tendencies of governments in power, will also limit the executives' undue access to the nation's treasury and the temptation for looting.
- A culture of military subordination to civil authority to depoliticise and de-ethicise the military and
- The institutionalisation and enhancement of political education for the electorate.

The links between the above recommendations and the resolution of the debt issue are established in the *Trickle Down Effect of Democratization* model summarized in section 9.3. Improvements in the above areas will first and foremost diminish the role a political leadership that squanders external resources. Subsequently they are bound to generate the enabling environment capable of eliciting domestic and international responses for debt-led growth. The direct effects on debt-led growth will be achieved through the following: a) an increase in net capital flows to the debtor economy, b) the engendering of international goodwill for assistance to, and cooperation with the debtor nation, c) a reversal of the growing capital flight (both legal and illegal) from the debtor country, d) efficient use of all investible funds available to the economy of the debtor nation, and e) efficient debt management in terms of monitoring and control.

Political Education and the Prospect for Democratization in Nigeria

How may concrete steps be taken to achieve the above recommendations? While improvement is required for each of the institutions a workable approach to strengthen them cannot be done in isolation of one another. There appears to be a common factor in the inefficiency of these institutions in Nigeria. That common factor can be located in the institutionalisation and continuous enhancement of political education for the electorate.

The centrality of political education consists in its effects across the dimensions of democracy. Political education will impact on power change in a number of ways. While defenceless civilians may not be in a position to stage armed resistance to military takeovers of elected governments, the reaction of an educated electorate to those who take the reigns of power by the barrel of the gun and for personal political gains could discourage future military coupd'e'tat. Were Nigerians politically educated enough to understand the thin line between military-civil diarchies and corrupt civil regimes in Nigeria their support and sometimes clamour for the former would be less. For a politically educated electorate the choice is not between corrupt civil leadership and military-civil diarchy but between an incumbent corrupt civil leadership and another currently vying for leadership and which professes to offer less corruption.

In terms of governance, the electorate must be capable of judging the leadership not on the bases of ethnic origins of political office holders but on the fulfilment of election promises. At present not many Nigerians are aware of the constitutional provision that their elected representative in the national and state legislatures can be withdrawn at their instance. Legislators in the two brief periods of electoral democracy in Nigeria had spent more time during legislative sessions allocating sub-committee seats not on the bases individual expertise of representatives but to achieve ethno-regional balance. In both periods also, they had spent unduly long sessions fixing their personal emoluments.

The response of literate Nigerians to the poor political environments of the Abacha regime for example, was to emigrate to Europe and the United States of America. Those who emigrate fail to realize that every bad system is self-destructive and that being the product (beneficiary) of the same system they could be instrumental to its demise. Any sustainable improvement in the political development of a nation must be initiated from within. The institutionalisation of political education as part of the nation's curricular at all levels (primary, secondary and tertiary) of education will bring to the fore the truism that the long term costs of running away from current political problems are more burdensome than the short term economic gains of emigration to apparently politically stable societies. These stable democracies were built by the steadfastness of citizens' democratic hope, not by despair and abandonment of the cause they professed to believe in. Nigerians in Diaspora must be made to go through this education if we must achieve a turning point in the country's democratization process.

Arguably Nigeria had not been lucky to have a leadership whose personal and primordial interests were subordinate to the national interests of political cooperation in a deeply divided society. Sit-tight political leaderships in Nigeria were largely a direct outcome of mutual distrust and fear among political stakeholders that their interests would not be protected out of power. While this fear was genuine the interests themselves were fake. They were masked to appear as though they were the majority ethnic-interests, but they simply represented those of the elite across ethnic lines. The unmasking of elite political interests will come largely through a higher level of political education than was obtainable during the period under review. Nigeria needs an electorate capable of understanding their common needs across ethnic nationalities. That way the ethnic

political champions would have failed to ethnize politics. Their strongest weapon of playing one ethnic group against the other would have failed and helped to unveil their real material motives for personal gains. As noted by Lucy Taylor (1999: 69), once “political leaders become aware that they can no longer pull the wool over the peoples’ eyes they will be less inclined towards political subterfuge, corruption and deceit”.

In what ways do the recommendations of this study differ from recently proffered solutions to Nigeria’s political problems? A number of suggestions on how to solve the country’s political dilemmas were put forward recently by scholars of and commentators on Nigerian politics⁴⁷. Some of these are outlined below to help put into perspective the recommendations of this study.

The country’s political woes were blamed on the obsession of many elite members with “primitive accumulation” at the expense of the public (Osoba, 1996: 384-385). This was obviously a reference to corruption in high places, which, the author argued had continued despite a legion of institutions and measures by various Nigerian governments for combating corruption. In the belief that the issues of geoethnic power imbalances were the crux of the Nigerian political crisis, Uwazurike (1999: 329) suggested a rotational ‘consociationalism’ to accommodate the legion of ethnic interests in Nigeria. Celestin Monga (1999: 60-61) on the imperatives for the consolidation of democratic transition in Africa advocated military neutrality as a way of reducing military uprising. He acknowledged rightly that most of African armies were tribal and therefore ethnically biased. They have therefore taken sides on political disagreements. Noting the thin line between the governments in power and the opposition in terms of alternative governance agenda, Monga (1999: 53) prescribed the expansion of the political market to broaden the present limited opportunities for new breed politicians in Africa.

There is no doubt that reduction in corruption will sanitize the political process and produce better political leadership. But how can political corruption in Nigeria be tackled without first educating the people on the factors that sustain political corruption?

⁴⁷ For an insight into the dilemmas of democracy in Nigerian see Becket and Young’s (1997) edited volume.

Political corruption thrived in Nigeria largely because the people unwittingly encouraged it. A corrupt politician in Nigeria was a political office holder (military and civilian), a senior civil servant, or a government contractor. He embezzled, misappropriated or stole from federal funds. He lived in the big city and visited his home to launch a community-sponsored project. From his loot he made paltry donation. He was rewarded by his community with chieftaincy titles, with front pews reserved in his local church or mosque, and with honorary doctorates by universities in his State. Having 'contributed' to the development of his community, he assumed the status of a kingmaker and dictated by fair or foul means, who became what in the community politics. With time he became a political colossus in his State, one who could deliver the State to the party in power at the federal level.

The politicians who managed to attain the above status in their States become 'untouchables' at the federal level. They were at liberty to award themselves federal contracts, collect full payment, worked away without doing the job. In the government's books the project were completed and commissioned but on ground they were abandoned. If in the rear chance that the Press picks this up, under pressure the government sets up a Commission of Inquiry. The Commission does its job in camera and submits a report to the government indicting the contractor. The government promises the issuance of a white paper, end of story. They were never prosecuted.

Only a break in the corruption chain of a permissive societal value system can curb corruption in Nigeria. Education of the electorate is perhaps the most suited to break this chain. An educated electorate understands that were public funds not misappropriated by the politician such funds would be devoted to the development of the community. Then there would be no need for community-self-help projects to which a chief launcher (the politician) would be invited to raise funds. Combating corruption without political education is akin to what Segal (1999:1) described as "dealing with the devil" with bare hands. However great the efforts, they will be addressing the symptoms not the entrenched root causes.

The benefit of a rotational presidency as suggested by Uwazurike was that it accommodates various ethnic interests and corrects the geopolitical imbalances. This

presupposes that the political interests of ordinary citizens vary among ethnic groups in the country. As argued above the so-called ethnic interests were those of the elite ruling class, not those of the majority of ordinary Nigerians across ethnic boundaries. A rotational presidency without first educating the electorate will simply rotate power within the same group whose real interests stand at odds with those of the people. Nor will the Nigerian military ever be politically neutral without first educating their ranks. Luckman (1996: 241) has shown that “crafting democratic control over the military” is a complex exercise that requires education of both the military and civil society in order to avoid alienation of potential military apologists, and to forestall the manipulation of the military by its own high command . Only when military officers can no longer count on the blind support of their ethnic army, will coupd’e`tat be less frequent.

Thus what appears to be missing in virtually all of these recommendations is where to begin. That singular catalyst needed for the simultaneous attainment of most of the suggestions is political education. If electoral education can curb political corruption and reduce waste of available resources, the effective supply of domestic capital will improve. This means that for a given level of required investment capital, demand for external resources will fall. The economy will be able to avoid desperate situations that erode the bargaining power of a borrowing country. Contracting external loans at a time when a country is not under pressure enhances the chances of better terms – lower interest rates, longer amortisation periods, and lower debt burden for the economy.

9.5 Implications for further research

Two major questions raised by the conclusions of this study at which further research may be directed include: 1) how do we arrive at a cardinal measure of political education for a country, to be able to monitor its progress? 2) If debt-led growth was defined in ways similar to this study what is the nature of the relationship between democratization and growth for other sub-Saharan African debtor countries. In other words given the political history of Ghana for example was democratization a factor in the country’s debt-led growth? Hopefully these issues will be addressed in subsequent research.

Appendix 1A: Current HIPC's Proposals

	HIPC Terms:1996 to mid 1999	Expanded HIPC G-7 Proposal-June 1999	International Debt Relief(US HR 3425)	Debt Relief for Poverty & Development (US HR 1095)
Goal	For good economic Performance countries, debt level reduced to a 'sustainable level	For good economic performance countries, debt level reduced so countries can meet needs and spur economic growth	To authorize actions for bilateral debt relief and improve multilateral debt relief	To improve existing debt relief mechanisms & ensure savings from debt cancellation will finance poverty reduction
Country Eligibility	Good economic record World Bank/IMF program IDA only status; NPV debt-to-export ratio over 200% ; NPV debt-to-fiscal revenue ratio over 280%	Good economic record IDA only status NPV debt-to-export ratio over 150% NPV debt-to-fiscal revenue ratio over 250%	Social and economic program; IDA only status NPV debt-to-export ratio over 150% NPV debt-to-fiscal revenue ratio over 250%	IDA only status for Nigeria NPV debt-to-export ratio over 150% NPV debt-to-fiscal revenue ratio over 250% No ESAF program required
Other Eligibility Criteria	nil	For USA: Legislative requirements Regarding human rights, terrorism, drug Trafficking, military spending,	For USA: Legislative requirements Regarding human rights, terrorism, drug Trafficking, military spending,	For USA: Legislative requirements Regarding human rights, terrorism, Drug trafficking, military spending, slavery practices, child labor
Poverty Focus	Nothing explicit	Modified World Bank/IMF programs; to emphasize poverty reduction; channel relief savings into education, health etc	Modified World Bank/IMF programs to be consistent with debtor country's poverty reduction strategy	Deposit relief savings into Human Dev. Fund to finance poverty reduction programs
Number Potentially Eligible	29 (25 in Africa)	36 (30 in Africa)	36 (30 in Africa)	46 (35 in Africa)
Multilateral Debt Relief Targets/Ratios	Reduction of debts owed so That NPV debt-to-exports ratio is 200-250% NPV debt-to-revenue ratio 280%	Reduction of debts owed so that NPV debt-to-exports ratio is 150% NPV debt-to-revenue ratio 250%	None Stated	Reduction of debts owed so that NPV debt-to-exports ratio is 100% Annual debt service of 10% of government domestic revenue
Bilateral Concessional Debt Relief	Not Applicable	100%	None Stated	100%

Source: US Congressional Research Service (2000); IMF (2000a, 2000c).

Appendix 1B A Glossary of global debt initiatives 1986-1996

<i>INITIATIVE/ SPONSORS</i>	<i>MAIN FEATURES</i>	<i>REMARKS</i>
<p>THE BAKER PLAN (1985, 1987)</p> <p>US SECRETARY OF THE TREASURY -JAMES BAKER</p>	<p>Private Banks, the World Bank, and All other Multilateral Development Banks to increase lending by US\$29 billion to 15 Highly indebted Developing Countries over a period of three years</p> <p>Qualification was made conditional to IMF Economic Reform Programme.</p> <p>Implementation was on case-by case bases</p>	<p>Nigeria and Ivory Coast were the only two SSA countries listed in the 15 HICs.</p> <p>The basic pre-condition of growth-oriented adjustment was not met by potential beneficiary debtor countries. Further lending therefore carried greater risks of default and so lenders did not show interest in the Programme.</p>
<p>THE INTERNATIONAL MONETARY FUND (IMF) FACILITIES</p> <p>(1986, 1987)</p>	<p>Concessional loans to assist developing debtor countries to resolve macroeconomic problems:</p> <ul style="list-style-type: none"> (i) Structural Adjustment Facility (SAF) - provided for new loans at 0.5% interest, over 10 years and with 5 ½ year grace period (ii) Enhanced Structural Adjustment Facility (ESAF) - to support mainly Balance of Payment problems under 3 year Adjustment Programme for member countries 	<p>The eligibility criteria included the active participation of IMF staff in the formulation of debtor countries' Adjustment policy framework. Since Nigeria's SAP was "home grown" she did not benefit from this facility during the 1986-1989 SAP.</p>
<p>AFRICAN DEVELOPMENT BANK (ADB) PLAN 19988</p>	<p>Conversion of non-concessional loans to African countries into 20year securities at fixed interest.</p> <p>Establishment of a 'Redemption Fund' into which debtors would make annual payments for the duration for the liquidation of debts</p>	<p>The passing of interest risks from debtors to creditors meant that the latter were not favourably disposed to this Plan.</p>

Appendix 1B A Glossary of global debt initiatives 1986-1996 2/3

<i>INITIATIVE</i>	<i>MAIN FEATURES</i>	<i>REMARKS</i>
TORONTO AND TRINIDAD TERM (1988) – THE G-7	<p>1. Rescheduling by the Paris Club, of non-concessional bilateral official debts of low-income African countries with following options:</p> <ul style="list-style-type: none"> (i) Cancellation of a third on eligible maturities and rescheduling of the remainder (ii) Adoption of a longer repayment period of 25 years with market interest rates (iii) Changing moratorium interest rates below market rates with a 14-year repayment period <p>2. Debt relief by commercial creditors with the following options:</p> <ul style="list-style-type: none"> (i) Cancellation of a third of debt service due during the consolidation period, and rescheduling of the remainder over 14 years with grace period of 8 years at market interest rates (ii) Reschedule all debt service due over 25 years with 14 years grace period at market interest rates (iii) Reschedule all debt service due over 14 years with 8 years grace period at 3.5% below market interest rates 	Defaults were very common under these terms and the G-7 sought to address the problems by the Enhanced Toronto Terms
THE BRADY PLAN (1989) US SECRETARY OF THE TREASURY –NICHOLAS F. BRADY	<p>1. In addition to the Baker Plan the Brady Plan had the following main features:</p> <ul style="list-style-type: none"> (i) Debt Buy-back: Use of a debtor country's reserves, or new money (loans) from IMF, or World Bank to repurchase its debts at a discount (ii) Financing of debt-buy backs by the IFIs (iii) Par Bonds: Debt conversion into less risky assets backed by collateral 	<p>As shown in Appendix 1C Nigeria benefited from the Debt-buy back in 1992 and this almost liquidated the country's London Club debts.</p> <p>Generally however the debt problem persisted</p>

Appendix 1B A Glossary of global debt initiatives 1986-1996 3/3

<i>INITIATIVE/SPONSORS</i>	<i>MAIN FEATURES</i>	<i>REMARKS</i>
THE HOUSTON TERMS (1990) FRANCE AND USA	<ol style="list-style-type: none"> 1. Rescheduling of ODA debts for 20 years with 10 year grace period 2. Rescheduling of Export Credit and Official Loans other than ODA for 15 years with 8 year grace period 3. Debt swaps: for nature, for aid, for equity etc 	Debt for nature resulted to massive ecological problems especially in South American countries
ENHANCED TORONTO TERMS (1991) THE G-8	<ol style="list-style-type: none"> 1. Rescheduling of all Official Development Assistance (ODA) debts for 30 years with 12 year grace period at interest rates consistent with concessional rates 2. Reduction of non (ODA) debts by 50% through the following options: <ol style="list-style-type: none"> (i) 50% cancellation of debt service due, Reschedule the remainder over 23 years with 6 year grace period at marked rates of interest (ii) Rescheduling of all debt service due for 23 years at interest rates sufficiently low to reduce debt service falling due by 50% (iii) A combination of interest rate reduction and partial capitalization of debt service over repayment period of 23 years with 5 year grace period. 	Debtor countries problems remained largely unchanged
THE NAPLES TERMS (1994) THE G-8	<ol style="list-style-type: none"> 1. Reduction by 67% of net present value (NPV) of debt 2. Increased maturity to 33 years (40 years for ODA debts) 3. Poverty levels introduce as eligibility criterion 	
HIPC INITIATIVE (1996)	See Appendix 1A.	

Sources: CBN (1998b); Giutian (1995), US Congressional Research Service (2000).

Appendix IC. Nigeria: Debt management strategies 1978 2000.

<i>PERIOD</i>	<i>NATURE OF DEBT PROBLEM</i>	<i>DEBT MANAGEMENT STRATEGY/POLICY</i>	<i>EFFECT ON DEBT PERFORMANCE</i>
1978	Falling oil export revenues in the 1977/78 period had forced the military government to borrow from the international capital market at high interest rates and short maturities to finance medium and long term projects. Most of the projects did not yield any revenues before the debts were mature.	<p>1. Borrowing ceiling:</p> <p>Fearing that the incoming civil regime may continue to resort to external borrowing to finance electoral promises the outgoing military government put a legal ceiling on the nation's stock of external debts.</p> <p>Decree No 30 of 1978 places a limit of US\$5 billion for the nation's total debt stock, and the Federal Ministry of Finance gave exclusive authority to the to source external loans</p> <p>2. Deflationary fiscal and monetary policies were also put in place to check government spending.</p>	Both States and Federal Government breached the ceilings by continued borrowing from private sources.
1980	A brief recovery of export earnings in 1980/81 had led the government to relax the 1978 deflationary measures. Imports were rising in the face of declining foreign exchange earnings. Trade arrears accumulated.	Debt service ceiling: Maximum debt service to local revenue ratio of 10% for State Governments; and 30% of export earnings for the Federal Government	The ceilings meant that actual debt service payments fell bellow due service payments. Subsequent rescheduling of unpaid interests led to bunching up of these maturities.
1982	Continued decline in foreign exchange earnings, low reserves led to further accumulation of trade arrears. Trade creditor declined further credit lines and the government was put under pressure on government to resort to further external borrowing by refinancing trade arrears.	Borrowing ceiling: An annual limit of US\$200 million for State Governments.	States did not adhere to this ceiling since they did not have to seek prior authorization from the Federal Government

Appendix 1C. 2/6

<i>PERIOD</i>	<i>NATURE OF DEBT PROBLEM</i>	DEBT MANAGEMENT STRATEGY/POLICY	<i>EFFECT ON DEBT PERFORMANCE</i>
1983	Still lower foreign exchange earnings worsens the 1982 situation. There was greater need for rescheduling, even if it meant postponement of the evil day.	Debt rescheduling: Agreement signed with trade creditors for refinancing of US\$2.1 billion trade arrears on confirmed letters of credit at 1.5% above LIBOR rate	The agreement was successful: by 1986, Nigeria had repaid the full amounts involved.
1984-1985	A military government had taken over from the civil administration. Unable to court the creditors initially the regime would have to reintroduce the loan embargo. But most of the loans were revolving in the sense that having obtained the first tranche States were automatically qualified for subsequent ones.	Loan embargo: State Governments embargoed from borrowing from external sources Debt rescheduling: Refinancing of US\$4.81 billion trade debts contracted through open accounts and bills for collection by issue of promissory notes with maturity of 22 years.	By providing for penalty for States that breached the embargo the Federal Government admitted its inability to control the States demand for external loans. A deduction at source of federal allocations to defaulting States was not stringent enough to discourage external loans by States. The issue of CBN Promissory Notes successfully converted trade arrears to medium term debts
1986, 1989, 1991	Trade areas converted into short term loans, short term ICM loans used for medium and long term projects were fast maturing in the face of continued dwindling of foreign exchange earnings. The need for rescheduling to a longer term portfolio was becoming more and more urgent. But the IMF support so crucial for agreement with creditors were made conditional to politically costly Structural Adjustment.	Debt rescheduling: Three separate rescheduling agreements with the Paris Club in Dec. 1986, March 1989, and January 1991 involving a total of US\$1.6 billion debt service obligations.	Nigeria reneged on the first two agreements but succeeded with the last one. Under the agreements debt service payments falling due within 15 months were consolidated and rescheduled.

Appendix 1C. 3/6

<i>PERIOD</i>	<i>NATURE OF DEBT PROBLEM</i>	DEBT MANAGEMENT STRATEGY/POLICY	<i>EFFECT ON DEBT PERFORMANCE</i>
1987	Default in debt service obligations due to legislation and decline in foreign exchange earnings, and interest recapitalisation led to bunching up of maturities. With no new loans there was an urgent need for a more effective debt management policy.	Debt rescheduling: Agreement reached with London Club to refinance/ restructure a total of US\$5.8 billion.	Under the agreement the country was required to make an annual debt service payment of US\$1.345 billion. Nigeria defaulted on this
1988	As more defaults led to more bunching up the only option became debt conversion. The viability of debt conversion depended however on perception of political stability and the regime's commitment to Structural Adjustment Programme (SAP).	<p>1. National debt management policy: In February 1988 a comprehensive policy framework was issued by the Federal Government which aimed to:</p> <p>a) evolve strategies for increasing foreign exchange earnings in order to reduce the demand for external borrowing;</p> <p>b) stipulate the criteria for external borrowing and determine the type of projects for which external loans may be obtained</p> <p>c) outline the mechanism for servicing public and private sector external debts.</p> <p>d) define the roles and responsibilities of the various organs of the Federal and State Governments as well as private sector in the management of external debt.</p>	1. The national policy appeared to have provided the focus that had been lacking in the nation's debt management. It only remained for the policy to be adhered to.

Appendix 1C. 4/6

PERIOD	NATURE OF DEBT PROBLEM	DEBT MANAGEMENT STRATEGY/POLICY	EFFECT ON DEBT PERFORMANCE
1988-cont.		<p>2. Establishment of Debt Conversion committee (DCC) to coordinate Nigeria's debt conversion programme. Conducted through private bids applications were received from bidders to convert the country's external debt to either domestic debt or equity participation in domestic enterprises.</p>	<p>2. The DCC remains a permanent organizational under which debt conversion had been carried out since 1988.</p> <p><u>1988 Debt Conversion</u></p> <p>A. No of application received: 84 B. Value ,, ,, received: US\$1.628 billion. C. No of application approved: 59 D. Value ,, ,, approved: US\$1.034 billion. E. Actual debt redeemed (debt cancelled + discount appropriated +commission earned): US\$60.7 million.</p>
1989	<p>As more defaults led to more bunching up the only option became debt conversion. The viability of debt conversion depended however on perception of political stability and the regime's commitment to Structural Adjustment Programme (SAP).</p> <p>Government relaxation of SAP policies for domestic political reasons was making the country's debt less attractive to potential buyers</p>	<p>1. Debt rescheduling: Following Nigeria's default in the 1987 agreement, a new agreement was signed that effectively reduced required debt service obligation from US\$1.345 to US\$711 million</p> <p>2. Debt conversion continued under the DCC</p>	<p>1. Nigeria honoured the terms of this agreement until 1991 when it again defaulted on debt service payments</p> <p>2. <u>1989 Debt Conversion</u></p> <p>A. No of application received: 55 B. Value ,, ,, received: US\$435.41million. C. No of application approved: 41 D. Value ,, ,, approved: US\$325.6 million. E. Actual debt redeemed (debt cancelled + discount appropriated +commission earned): US\$383.95 million.</p>

Appendix 1C. 5/6

PERIOD	NATURE OF DEBT PROBLEM	DEBT MANAGEMENT STRATEGY/POLICY	EFFECT ON DEBT PERFORMANCE																								
1990-1992	The ongoing transition to civil democracy and the external sector recovery following the Gulf oil price increases raised creditor confidence even in the face of rising government huge political and social spending.	<p>1. Debt buy back arrangement: Following the failure of the 1987, and partial default of the 1989 agreements fresh negotiations for debt buy-back led to a successful agreement in 1992.</p> <p>2. Debt collateralisation: A total of US\$2.054 billion of London Club debt was converted into a 30-year bond.</p> <p>3. Debt conversion continued under the DCC</p>	<p>1. Over 62% of London Club debt amounting to US\$3.395 billion was bought back at 60% discount thus saving the country a total of US\$2.04 billion.</p> <p>2. The 30year bond meant that the yield would off-set or pay off the collateralised amount.</p> <p>3. <u>1990-1992 Debt Conversion</u></p> <table border="1"> <thead> <tr> <th></th> <th><u>1990</u></th> <th><u>1991</u></th> <th><u>1992</u></th> </tr> </thead> <tbody> <tr> <td>A.No of application received:</td> <td>75</td> <td>18</td> <td>34</td> </tr> <tr> <td>B.Value ,, ,, received:</td> <td>\$435.4M</td> <td>\$142M</td> <td>\$465.2M</td> </tr> <tr> <td>C.No of application approved:</td> <td>53</td> <td>34</td> <td>25</td> </tr> <tr> <td>D.Value ,, ,, approved:</td> <td>\$537.5M</td> <td>\$280.8M</td> <td>\$421.1M</td> </tr> <tr> <td>E.Actual debt redeemed:</td> <td>\$326.2M</td> <td>\$169.2M</td> <td>\$199.3M</td> </tr> </tbody> </table>		<u>1990</u>	<u>1991</u>	<u>1992</u>	A.No of application received:	75	18	34	B.Value ,, ,, received:	\$435.4M	\$142M	\$465.2M	C.No of application approved:	53	34	25	D.Value ,, ,, approved:	\$537.5M	\$280.8M	\$421.1M	E.Actual debt redeemed:	\$326.2M	\$169.2M	\$199.3M
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1993-1994	The volatile political condition following the annulment of 12 June 1993 presidential election worsened the attractiveness of the country's debt conversion effects.	Debt conversion continued under the DCC	<p><u>1993-1994 Debt Conversion</u></p> <table border="1"> <thead> <tr> <th></th> <th><u>1993</u></th> <th><u>1994</u></th> </tr> </thead> <tbody> <tr> <td>A. No of application received:</td> <td>75</td> <td>18</td> </tr> <tr> <td>B. Value ,, ,, received:</td> <td>\$1110.7M</td> <td>\$195.8M</td> </tr> <tr> <td>C. No of application approved:</td> <td>9</td> <td>4</td> </tr> <tr> <td>D. Value ,, ,, approved:</td> <td>\$111.3M</td> <td>\$186.8M</td> </tr> <tr> <td>E. Actual debt redeemed:</td> <td>\$50M</td> <td>\$17.3M</td> </tr> </tbody> </table>		<u>1993</u>	<u>1994</u>	A. No of application received:	75	18	B. Value ,, ,, received:	\$1110.7M	\$195.8M	C. No of application approved:	9	4	D. Value ,, ,, approved:	\$111.3M	\$186.8M	E. Actual debt redeemed:	\$50M	\$17.3M						
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Appendix 1C. 6/6

PERIOD	NATURE OF DEBT PROBLEM	DEBT MANAGEMENT STRATEGY/POLICY	EFFECT ON DEBT PERFORMANCE			
1995-1997	The volatile political condition following the annulment of 12 June 1993 presidential election worsened the attractiveness of the country's debt conversion effects.	Debt conversion continued under the DCC	<u>1995-1996 Debt Conversion</u>			
			<u>1995</u>	<u>1996</u>	<u>1997</u>	
			A.No of application received:	108	56	40
			B.Value ,, ,, received:	\$894.3M	\$606.7M	\$368.8M
			C.No of application approved:	60	39	30
			D.Value ,, ,, approved:	\$367.6M	\$129.7M	\$143.6M
			E.Actual debt redeemed:	\$272M	\$209M	\$124.1M
1998-2000	Improving political environment following the successful transition to elected democracy attracted international goodwill. Hope was again raised that in addition to the ongoing debt conversion, creditors may consider actual debt cancellation	1. Debt reschedule: After protracted talks an approval of by the IMF to implement a 12-month Stand-by Credit from July 2000 was secured. 2. The above gave way for a Paris Club debt reschedule with a three year moratorium and amortization period ranging from 18-20 years on the payment of Nigeria's US\$21.4 bn debt to the Club 3. Debt conversion continued under the DCC	<u>1998-2000 Debt Conversion</u>			
			<u>1998</u>	<u>1999</u>	<u>2000</u>	
			A.No of application received:	n.a	20	20
			B.Value ,, ,, received:	n.a	\$276.5M	\$328.2M
			C.No of application approved:	n.a	17	11
			D.Value ,, ,, approved:	n.a	\$81.3M	\$184.8M
			E.Actual debt redeemed:	n.a	\$59.7M	\$57.9

Sources: Coker (1999: 7-8); Debt Management Department of the Central Bank of Nigeria; Central Bank of Nigeria Annual Report and Statement of Accounts, various years, and Federal Ministry of Finance.

Appendix 5A: Major political events in Nigeria and their effects on dimensions of democratization 1960-2000

YEAR	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1959/60	Oct: Forty-four years after the amalgamation of Northern and Southern protectorates into one Nigeria its colonial master Britain grants her independence	<p>A Parliamentary Democracy replaces the Colonial Government: Having come on schedule as part of the agreement reached by Stakeholders (the Colonial Government and the various Nationalist Groups); and in the absence of any form of ban the Regularity and Openness of the 1959 Federal Elections were Excellent.</p> <p>Its Inclusiveness and Fairness were not so good: Muslim Women of legal voting age (21yrs) were not allowed to vote by their husbands; there were complaints of irregularities at the vote-counting stage</p>	<p>The executive was composed of a Federal Executive Council drawn from among the Legislature and headed by the Prime minister</p> <p>Since the majority party did not have the required legislative majority it had to run a coalitional government where consultation with other political stakeholders was a necessity;</p> <p>All executive positions were held by civilians</p> <p>The Legislature was unicameral at federal (House of Rep) and Region (House of Assembly) levels, technically no clear separation of powers between the executive and the legislature. Three Parties were represented in the Legislature</p> <p>The Constitutional Support for the Judiciary to dispense justice was provided by the 1959 Constitution that was in full force. However, the fact that the highest judicial body in the land was still the British Privy Council undermined the Independence of the Judiciary</p>	<p>Pre-independence Nationalist Agitation against Colonialism was undoubtedly high though not entirely unanimous as the North had preferred a later date for independence. The attainment of political independence however, represented a high level of mitigation of these Agitation</p> <p>Although the formation of political parties was along regional (and to a lesser extent religious) lines virtually all Stakeholders were united against Colonialism. therefore Actual stability was good</p> <p>Although the framework were in place the level of democratic struggle in the first few years after political independence was low relative to pre-independence years, largely taking the form of struggle to capture power at the centre rather than against undemocratic institutions</p>	<p>At independence Organizational Freedom was high. Regional, Cultural and Political Organizations as well as the Press flourished to form the framework for the Nationalist Movements that eventually won independence. Individual Freedom was however, low: Political Parties were formed along ethnic lines and there was hardly freedom for individuals to join Parties outside their Regions</p> <p>In terms of Pronouncements while Southern Nationalists extolled the virtues of democracy, their Northern counterparts openly canvassed for continued Colonialism - an indication that Democratic Hope was suspect. However, Commitment seem to have been extracted from even the most pessimist of pre-independence politicians</p>
1961	Feb: Second Cameroon Plebiscite to ascertain the political choice of Southern Cameroon to become part of Cameroon or continue to be part of Nigeria	Very Inclusive and Open process	Structure and quality of the Executive, the Legislature and the Judiciary remain the same as in the previous year but the reduction of Federal area of jurisdiction as Southern Cameroon ceases to be part of Nigeria made consultation less politically expensive. The Plebiscite by itself was indicative high level of Consultation	There was hardly any disagreement among political stakeholders on the issue Southern Cameroon. The level of Democratic Struggle in the first three years after political independence was low relative to pre-independence years, largely around capturing power at the centre rather than against undemocratic institutions	The successful Plebiscite was indicative of improving Commitment to democratic ideals. It empowered Southern Cameroon to participate in the politics of their country

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YEAR	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1962	<p>May: Federal executive council obtains legislative approval for a state of emergency in Western Region following intra-party conflict over the use of regional government resources for party electioneering campaign, and physical assault on the speaker of the regional House of Assembly.</p> <p>Date: Awolowo, a frontline Western Regional politician arrested tried and imprisoned over charges of plotting to unlawfully topple an elected government for which he was the chief opposition</p> <p>May: Abortive census exercise, crisis over census figures that initially gave South a majority over the North, but reversed by Northern politicians.</p>	<p>Suspension of elected regional legislature and executive was a setback on the electoral process especially in Western Region</p> <p>Abortive census led to reduced reliability for existing voters' register and therefore questionable inclusiveness of future elections</p>	<p>The assumption of executive and legislative powers in Western Region by Federal appointed officers between May 1962-Jan. 1963 undermined both Executive and Legislature quality in the Region. At the federal level however, the state of emergency came through a democratic process. Thus all indicators save Consultation, of Executive and Legislature quality were negatively affected. The state of the Judiciary remained the same</p>	<p>Administration of the Western Region by the appointees of a federal government controlled by a different party and the imprisonment of Awolowo were a source of political tension</p> <p>Although the emergency reduced organizational framework for democratic struggle, public resistance to rigged census figures was indicative of heightened democratic struggle</p>	<p>State of emergency meant diminished Organizational and Individual Freedoms for Political Stakeholders and the people of Western Region and others who would like to go into this Region</p>
1963	<p>Constitution of the federation Act no. 20 establishes the Supreme Court of Nigeria</p> <p>Feb: 1962 National Population Census annulled for lack of regional confidence in census figure</p> <p>Jul: Plebiscite in favour of the creation of Mid-Western Region</p> <p>Aug: Mid-West Region created following plebiscite</p> <p>Nov: Fresh census conducted, population put at 55.67million</p>	<p>Again unreliable census figures undermine validity of existing voters' register and therefore questionable inclusiveness of future elections</p>	<p>With the establishment of the Supreme Court of Nigeria the Judicial system becomes completely free from Colonial control and supervision</p> <p>The successful Plebiscite resulting in the creation of a new Region and the annulment of the 1962 Census in response to protests were indicative of Executive Consultation in matters of national importance</p>	<p>With no improvement in the brewing political tension in the Western Region, disagreement among the Regions over census figures on the one hand and between Western Region and the other Regions on the other over the split of the former into two regions the Potential for political Stability was being eroded</p> <p>The annulment of the disputed census figures however was a plus for Democratic Struggle</p>	<p>Creation of additional Region by a Plebiscite in addition to bringing Government closer to the electorate also increased Commitment to democratic ideals.</p>

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1964	<p>Feb: Protests over 1963 census, figures rejected</p> <p>June: Joint action committee (JAC) of all trade unions in the country embark on a nationwide general strike after government reneged on previous agreement based on the Morgan Report.</p> <p>Aug: General Elections into Federal Legislature</p> <p>Dec: Federal election crisis caused by alleged rigging which gave massive electoral victory to NPC</p>	<p>Continued protests over census figures undermined validity of existing voters' register.</p> <p>The election came on time (regular); One of the three Parties (UPGA) boycotted the election; massive rigging was reported.</p>	<p>Government's reneging on the Morgan Report dented its Consultation record</p>	<p>Persistent disagreement over census figures was indicative of low level of Agreement among Political Stakeholders</p> <p>As political crisis deepens with wider areas (now including Federal Government handling of the Western Region crisis and the its response to the Morgan Report regarding the right of workers led to erosion of federal regime's legitimacy among urban workers, university workers, and radical progressive elements. It was increasingly difficult for Law and Order to be maintained without coercion</p> <p>The intense resistance to election-rigging in the West was indicative of increasing Democratic Struggle</p>	<p>Individual Freedom suffered during the Election Crisis especially in the Regional Capitals</p>
1965	<p>Feb: University of Lagos crisis over the appointment of a new vice chancellor caused by federal/ regional government direct meddling in university affairs and divisive party loyalty among university administrators</p> <p>Oct: Western regional election</p> <p>Western regional election crisis caused by massive violation of electoral rules</p>	<p>Although the Regional election was regular, allegations of rigging cast doubt on its fairness, the crisis that followed merely confirmed this</p>		<p>Crisis cumulate, parties politically polarized, intense conflict among political stakeholders over the control of university administration</p> <p>Initial popular protest over official election results quickly exploded into open rebellion with police and the army involved in maintenance of law and order.</p>	<p>Sacking and forced resignation of over 75% of university staff whose loyalty to the Regional ruling party was in doubt was a negation of Individual Freedom of these people to belong to political parties of their choice</p>

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDENT
1966	<p>Jan: First military coup – A group of five majors embark on a bloody coup to remove a corrupt civil regime they had faith in its ability to democratically govern the nation. With high casualty including the Prime minister the coup recorded a partial success as the executive arm of the Balewa government was effectively removed. The fractured legislature invites the army chief to take over the reigns of power (Irons regime overthrows the Balewa regime).</p> <p>May: Decree bans political activities for a period of three years, dissolves eighty-one political and twenty-six cultural associations</p> <p>May: Decree abrogates federal system, abolishes regions and establishes a unitary system</p> <p>Jul/Aug: Second military coup: Gowon overthrows Ironsi regime in a bloody coup that claimed the life the Head of State and the Governor of Western Region. Ojukwu (military governor of Eastern region) declines recognition of Gowon as head of state thus setting the tone for a North-South political showdown</p> <p>Sep: Government issues a Decree restoring Federal system – a clear indication that the present regime was to dismantle policies of its predecessor seen as representing the Southern political agenda</p> <p>12-29 Sep: Government convenes an <i>Ad Hoc</i> Constitutional Conference attended by all regional representatives to resolve the political impasse;</p> <p>Following wholesale massacre of over 30,000 Ibos of Eastern origin resident in the North largely due to the interpretation of the 15 Jan coup (where mainly Northern politicians lost their lives) as a Southern political agenda the proceedings of the Constitutional Conference was suspended and the country lost what would be its last chance to internally resolve the political impasse</p> <p>24-31 Oct: <i>Ad Hoc</i> Constitutional Conference resumes with Eastern delegates absent but adjourn indefinitely after one of deliberation to issue Constitutional Proposals that were announced by Government</p>	<p>Although the partially successful coup was violent (cost the life the Prime Minister, and Premiers of Northern and Western Regions), actual Power change was relatively peaceful (by the invitation of the legislature)</p> <p>As would be expected when a military regime is overthrown by a section of its divided army the second coup was extremely bloody, a forerunner of the violence that marked the 30 month civil war</p>	<p>All Federal and Regional Parliamentary institutions suspended and replaced by a Supreme Military Council (SMC) which assumed Executive and Legislative powers at the federal level; Military Governors took executive responsibilities at the regional level. That they ruled with a civilian Legislature ensured the survival a degree of civil participation in governance</p> <p>Judiciary undermined as Constitution is suspended, Advisory Judicial Committee established, ouster clauses introduced and courts can not question the validity of military decrees, Attorney-General of the Federation not a member of SMC</p> <p>The counter coup and the Government that took over did not change in character regarding the quality of governance except perhaps in the narrow area of consultation with other political stakeholders in the various <i>Ad Hoc</i> Constitutional conferences</p>	<p>The dissolution of political and cultural association undermined democratic struggle</p> <p>Initial optimism that greeted the overthrow of the discredited Balewa regime soon turn into violent clashes as coup was now interpreted with ethnic bias. The army is ethicised.</p> <p>The massacre of Ibo officers of Eastern Region embarked upon by Northern military officers presented a very tense and volatile political environment that was to lead eventually to a civil war ensued</p>	<p>Ban on open political activities infringed on organization freedoms; the numerous Consultations by the Ironsi and later Gowon Regimes managed to kept Democratic Hope (Pronouncement) from taking a nose-dive. This was however only temporary</p> <p>The dismantling of the federal system, abolition of the Regions for over one half of the year before they were restored diminished Commitment to democratic norms</p>

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDENT
1967	<p>Jan: Federal and Regional Government officials meet in Aburi, Ghana to fashion out an acceptable relationship between the Regions and the Federal government in order to strengthen confidence in the latter and to forestall imminent civil war ; on return the eastern regional government interpreted accord to mean a higher level of autonomy for the regions while the federal government disagreed</p> <p>1-5 May: Leaders of thought, an informal group of senior citizens and traditional rulers from the North, West, and Mid-West Regions meet find a negotiated settlement of the conflict: national reconciliation committee raised and sent to Eastern Region on peace mission</p> <p>10-15 March: Supreme Military Council (SMC), Federal and Regional law officers meet separately in Benin, Mid West to interpret the Aburi accord and resolve conflicting claims between the Eastern Region and Federal Government; Ojukwu absent</p> <p>26-27 May: Eastern Region Consultative Assembly meet and authorizes Ojukwu, the Governor to secede</p> <p>27 May: Federal Government declared state of emergency in Eastern region</p> <p>30 May: Eastern region announces secession and declares the Republic of Biafra annexing the Eastern and Mid-West Regions</p> <p>May: Gowon reacts by abolishing the Regions , replacing them with twelve states; To get the support of the Western Region Gowon released its most prominent politician Awolowo from prison and made him deputy chairman of the Federal Executive Council and Commissioner for Finance</p> <p>July: Civil war starts: Federal troops engages the Biafran Army in a bloody war that was to last for 30 months</p>	<p>As two parallel armies engage in power tussle, one driven by desire for self determination for an aggrieved, the other by the zeal to forestall a political disintegration only one indicator of power change – violence – survived to create a stalemate</p>	<p>Governance quality in general continue to worsen even in the face of numerous efforts by an apparently highly consultative Military Federal Executive and politicians from Regions other than the East tried to avert the imminent civil war without success</p> <p>The abolition of the Regional framework finally nailed the coffin of consultation by the Government, but the twelve State structure and the appointment of Awolowo increased Civil Participation in executive functions in those States not affected by the civil war</p>	<p>In between the tense political atmosphere stakeholders managed to find time to embark albeit unsuccessfully on democratic settlement of what will soon become a chaotic situation</p> <p>With the outbreak of the civil war organizational and legal framework for democratic struggle outside military confrontation were totally dismantled</p>	<p>Following the indefinite adjournment of the <i>Ad Hoc</i> Constitutional Conferences, and the failure of Consultation to restore confidence in the fragile political environment, Pronouncement for Democratic Hope took a nose dive. However, the twelve State structure indicated the survival of Commitment for democratic ideals</p> <p>With the outbreak of the civil war, Organisational and Individual Freedoms (especially in the war affected areas) shattered.</p>

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DATE	EVENT	EFFECT ON/ STATE OF ELECTIVE PROCESS	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1968	Civil war continues Agbekoya riots in Western Region	Violence still on the increase as the electoral/selectoral process stalemates	Executive, Legislative and Judicial functions of governance in a war period lacked any form of orderliness. Military 'jungle justice' reigned in the war affected areas (about 40% of the population); The Federal and State diarchy in areas not affected by the civil war was highly skewed with military dominance	Crisis escalates. Very violent especially in the Eastern and Western Regions with absolutely no organizational and legal framework for democratic struggle by stakeholders outside the military	Same as in the previous year
1969	Civil war continues	Violence still on the increase as the Selectoral process stalemates	Same as in the previous civil war year	Political environment still as violent as in the previous year. Very violent especially in the Eastern and Western Region	With the intervention of OAU, a glimpse of hope seems to be around the corner
1970	Jan: Biafra surrenders following the intervention of the OAU. Civil war ends, Federal troops occupy major Biafran towns. Oct: Gowon declares 'no victor no vanquished' in the three-year civil war and announces a 9 point Programme for return to civil rule by 1976 Other developments: Decree No 13 of 1970 alters the existing revenue allocation formula de-emphasising the principle of derivation (see Appendix E-1)	Stalemate resolved as the war ends and the Gowon regime successfully takes over the entire country to mark the end of the Selectoral process which started in 1966	At the end of the civil war diarchy was gradually being restored at the State levels in the war affected areas thus giving some lease of life to Civil Participation in executive functions	Relative political peace returns following the end of the civil war but 'jungle justice' with low level of framework for political struggle, continued in the larger part of the war affected areas with military occupation of urban and rural towns.	End of military hostilities was a relief but military occupation of the Eastern Region still limited freedoms in this area for the greater part of the year. The announcement of the 9 point Programme for return to Civil Rule resurrected democratic hope for Nigerians especially in the Eastern States

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DATE	EVENT	EFFECT ON/ STATE OF ELECTIVE PROCESS	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDENT
1971	<p>Sep. Awolowo resigns from the Federal Executive Council in protest against continued stay of the military in power after the end of the civil war</p> <p>Aug: Report of (Adebo) wages and salaries commission released</p> <p>Other developments: Decree No. 9 of 1971 allocates all royalties and rent from off shore oil revenue to Federal government, again further de-emphasising the principle of derivation in revenue sharing (see Appendix E-1)</p>	No power change	<p>With the resignation of Chief Awolowo Civil Participation in the Federal Executive was down. Legislative duties of government remained military dominated At the State level diarchy with Military Chief Executives and civilian Commissioners flourished</p> <p>Awolowo's resignation however was a revival of democratic struggle</p>	<p>Although the Ban on political activities was still in force, the announcement of the 9 point programme for the return to civil rule provided the framework for covert (with Government tacit consent) political activities by the civil society in areas not affected by the civil war</p> <p>Potential stability suffered a setback due to de-emphasis of the derivation principle in revenue allocation</p>	<p>Although military occupation in urban Eastern towns continued, Organizational Freedoms improved as cultural, trade and professional groups reunite after the end of the civil war. Individual property rights were still hampered by the Federal Government backing of the "Abandoned Property Principle" whereby Easterners could not return to their homes in the North and Western parts of the country.</p>
1972		No power change	Same as in 1971	Same as in the previous year with more covert political activities	Same as in the previous year
1973	<p>Mar: Fed. Government announces the establishment of a Federal Revenue Court (FRC) with jurisdiction for civil and criminal cases relating to companies, taxes and property rights</p> <p>Nov: National population census conducted, provisional population figure (79.76 million) announced</p>	No power change yet. However, census figures were again disputed by many states, providing only a doubtful input for reliable voters register and therefore the inclusiveness of future elections	Executive and Legislative qualities remain the same. But the establishment of FRC was a plus for Constitutional Support for the Judiciary.	<p>Same as in the previous year with yet more covert political activities.</p> <p>But the de-emphasis of the principle of derivation in revenue allocation had negative effects on potential stability</p>	Same as in the previous year
1974	<p>Sep: Report of (Udoji) public service review commission released</p> <p>Oct: Gowon postpones return to civil rule indefinitely citing non-repentance of the political class as major reason</p>	No power change	Poor Consultation in Gowon's unilateral postponement of the planed Transition to Civil Rule worsens Executive Quality	The postponement induced a lull in the covert civil political activities that had started to build up in the previous years	Democratic Hope suffers a setback following the indefinite postponement of transition to civil rule

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDENT
1975	<p>29 Jul: Third military coup: Murtala Mohammed, a brigadier overthrows the Gowon regime citing the postponement of transition to civil rule by the latter as its main reason</p> <p>19 Aug: Three weeks after assuming office the Mohammed administration set up a five-man Commission headed by Justice Ayo Irikefe to examine the creation of more States.</p> <p>1 Oct: Five-stage programme for return to civil rule by 1979 announced</p> <p>18 Oct: 50 member Constitution Drafting Committee (CDC) inaugurated</p> <p>Other developments: Massive purge of judicial officers by government fiat citing corruption as main reason</p> <p>Other developments: Decree No 6 of 1975 reforms the revenue allocation formula, reducing the share to States on the basis of derivation (see Appendix 5B)</p>	<p>Change peaceful, no lives lost; Coup well received by citizens, the Press in both public and private sectors welcomed coup as timely; removal and replacement of all 12 state governors indicted for official corruption applauded by citizens</p> <p>Selection of mostly retired judicial officers into the CDC applauded by most stakeholders</p>	<p>In addition to an all military SMC the new Regime's governing bodies were expanded to include a 25 member (13 military officers, 11 civilians and 1 police officer) Federal Executive Council (FEC) with ministerial powers; and an advisory National Council of States (NCS) with membership drawn from Military Governors with the Head of State as Chairman. Thus there was improvement in Civil Participation .</p> <p>Sacking of judicial officers by military fiat without recourse to the Judicial Commission undermined the independence of the Judiciary</p> <p>Potential stability again received a setback as the derivation principle is de-emphasized.</p>	<p>Although the change of Government was predicated on a speedy return to civil rule the immediate political environment after the coup continued to depress democratic struggle: the trial and carrying out of death sentences by firing squad of senior military officers of Middle Belt origin with their majority in the county's army was feared to trigger off more military insurrection that was to further destabilize the polity.</p>	<p>Democratic hope restored by the new Government's 5 stage transition programme and the inauguration of CDC</p>
1976	<p>Jan: Trade Dispute Decree (No 2) prohibits right of workers to strike</p> <p>3 Feb: Following the recommendation of the Irikife Commission the Federal Government creates seven more states created bringing total to nineteen states</p> <p>13 Feb: Fourth military coup: Murtala Mohammed assassinated, Obasanjo takes over as the coup failed to change the regime</p> <p>Sep: CDC Report released</p> <p>Oct: Federal Electoral Commission (FEDECO) appointed with responsibility to organize a Transition to Civil Rule</p> <p>Dec: Local Government Reforms Decree creates 77 Local Government Councils</p>	<p>Fourth military coup was very bloody, claiming the lives of the incumbent Head of State and afterwards over 450 commissioned officers that participated in the failed attempt to overthrow the regime</p>	<p>With appointment of new State Governors and Local Government Chairmen and the subsequent constitution of the States' Executive and L.G Councils Civil Participation in executive positions improved</p> <p>The establishment of the Legal Aid Council was a plus for the judiciary as its functions encouraged the poor who hitherto could not afford legal fees to seek justice.</p>	<p>The 5 stage transition to civil rule programme and the inauguration of CDC in the last quarter of 1975 started to revive Democratic Struggle but this was again made to suffer a further setback due to the ban on strikes.</p> <p>The assassination of Murtala Mohammed made the situation more complex.</p>	<p>Creation of States, Local Government reforms, the release of the CDC Report, and the appointment of FEDECO gave Commitment a quantum jump</p>

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDENT
1976 cont.	Other developments: The establishment of a Legal Aid Council to provide legal aid to citizens of low income brackets	Appointment of a retired Justice of the Supreme Court, Udo Udoma from outside the three major tribal groups to head FEDECO was applauded by all stakeholders who considered the choice as politically neutral		The CDC Report and the appointment of FEDECO however helped a quick come-back in Democratic Struggle in the last quarter of the year	
1977	Aug: Election into Constituent Assembly (CA) Oct: Constituent Assembly (CA) inaugurated and begins sittings	Although members of the CA were elected, this was through an electoral college of appointed Local Government Chairmen.	In addition to the appointment of new State Governors the creation Local Government (LGs) and appointment of civilian LG Chairmen added a boost to Civil Participation in executive positions improved General governance improves with greater Consultation in the CA	With the elections into and the inauguration of the CA political activities began to blossom as the CA offered a forum for expression of political dissent	Democratic Hope received further boost as CA begins deliberations; LG reforms brought governance closer to the people and enhanced participation
1978	Jan: Report of (Adebayo) Technical Committee on revenue allocation released Feb: Trade Union Reform establishes Nigeria Labour Congress (NLC), an umbrella for over 155 trade unions in both the private sector April: CA proceedings held up by boycott over religious rights of citizens, reconvenes after 24 April and adjourns indefinitely on 5 June Aug: Constitution presented to Head of State Sep: Constitution promulgated; ban on open political activities lifted	With the conclusion of CA proceedings and promulgation of the Constitution the electoral process was provided with a framework	Highly consultative Committee on the sensitive issue of revenue allocation improved the executive quality of governance Promulgated of Constitution improved Constitutional Support for the Judiciary	Lifting of ban on open political activities further improved the general political environment	Establishment of NLC was a boost to Organizational and Individual Freedom Completion of deliberations by CA, the promulgation of a new democratic constitution and the lifting of ban on open political activities proved conclusively Government's Commitment (Political Hope) to the Transition

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DATE	EVENT	EFFECT ON/ STATE OF ELECTIVE PROCESS	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDENT
1979	<p>Jul/Aug: Elections into Federal and State Executive and legislatures</p> <p>Oct: Withdrawal of the military from governance; Inauguration of Second Republic with Shehu Shagari as Executive President</p>	<p>Presidential system replaces military-civil diarchy: Election came 14 years after the last one in 1965. But it also was on schedule, after 4 year of corrective regime. There was neither ban nor boycott. Only at the Presidential level were there allegations of electoral irregularities. All electoral disputes were settled by the court</p>	<p>Return to civil rule improves further Governance Quality: Executive President (Governor) heading the Federal (State) Executive Council whose members do not hold legislative elective positions;</p> <p>A bicameral (95-member Senate and 449-member House of Representatives) Federal and unicameral State (State House of Assembly) Legislatures; Complete (legal and technical) clear separation of powers between the former and the latter</p> <p>Five Political Parties with overall and legislative electoral share as follows:</p> <p>Overall :- NPN (36%), UPN (27%), NPP (16%), PRP (10%), GNPP (10%)</p> <p>Fed. Legislature:- NPN (37.5%), UPN (27.5%), NPP (17%), PRP (9%), GNPP (9%)</p> <p>Lacking absolute majority in the Legislature the NPN formed a coalitional Government with NPP making Consultation necessary</p> <p>Constitutional Support for the Judiciary was guaranteed by the 1979 Constitution</p>	<p>With the successful transition to civil rule by a committed military that kept to its promise to return to its traditional role of defending a democratic nation, there was cause to assume that the potential for stability was high. However, the coalition of NPN and NPP with UPN playing the 'official opposition' in a presidential system was reminiscent of the first republic - a source of worry for political stability</p>	<p>Actualisation of Political Hope as a successful hand-over to civil democracy paves way for greater Political Divident</p>

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDENT
1980	<p>June: Report of (Okigbo) Commission on Revenue Allocation submitted (find detail and its relation to political stability)</p> <p>Aug: Report of (Irikife) Tribunal of Inquiry into Crude Oil sales by second republic politicians</p> <p>Dec: Fundamentalist Muslim uprising in Kano (Maitasine riots) claims many lives</p>	General Election not due	Executive, Legislature and the Judiciary were structurally same as in the previous year with improved Consultation in matters of Revenue Allocation and Crude Oil sales	Exploitation of religious riots by politicians further threatens the potential for Political Stability; Actual level of Stability as well as Democratic Struggle remained healthy though	Organizational and Individual Freedoms were high; hopes for higher democratic freedoms continued to improve
1981	<p>Mar: NPP announced the withdrawal from the NPP-NPN Accord on which the coalitional Government was formed</p> <p>June: impeachment of Governor Balarabe Musa of Kaduna State</p> <p>Other developments: Following the breakdown of the NPP-NPN Accord, Alhaji Shugaba a Northern Muslim and stalwart of NPP in Gongola (a state controlled by the NPN) deported to Niger Republic without the knowledge of the Internal Affairs Minister</p>	General Election not due	<p>The impeachment of the Kaduna State Governor and the unlawful deportation Alh. Shugaba allegedly by NPN (the ruling Party) agents was indicative that the Government was less inclined to consulting other Political Stakeholders in matters of national Importance</p> <p>The Judiciary however showed its independence from the Executive when a Court Order reversed the unlawful deportation</p>	Impeachment of Gov. Balarabe and the wrongful deportation of Shugaba generated a high level of Democratic Struggle even outside Political Parties	While Organizational Freedom remained high Individual Freedom received a shocker with the deportation of Shugaba; The eventual resolution of the deportation saga in favour of the deportee however revived hopes for higher democratic freedoms
1982	<p>Dec: NPP, and GNPP Governors join UPN to form an alliance for the next year elections under the umbrella of Progressive Peoples Alliance PPA</p>	General Election not due	Executive, Legislature and Judiciary structurally same as in the previous year	With one year to the next general elections political activities were on the increase	The approaching elections kept Organizational Freedoms high. Individual Freedoms had hardly recovered from the blow of the previous year when threat to life and property became increasing visible following bitter electioneering campaigns

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1983	<p>Jul/Aug: Federal and State elections into executive and legislative arms of government</p> <p>Sep: Riots broke out following the overturning of election victories in favour of the ruling Party in Ondo, Imo, Bendel and Kano States</p> <p>Oct: Inauguration of Third Republic, Shagari commences a second term in office as executive president</p>	<p>Elections were regular coming exactly on due time; the 'zoning formula' at the party primaries however cast some doubt on the Openness and Inclusiveness of the process</p> <p>Massive electoral fraud was reported at the Federal and state levels by incumbent Governments casting doubt on how free, fair, inclusive the elections were.</p> <p>Basically no change in the political system as the Shagari Government was officially returned to power for a second term</p>	<p>Executive and legislative structures same as in the previous year</p> <p>Six Political Parties with electoral share as follows:</p> <p>Overall :- NPN (36%), UPN (27%), NPP (16%), PRP (10%), GNPP (10%), NAP (0%)</p> <p>Fed. Legislature:- NPN (58%), UPN (8%), NPP (11%), PRP (0.2%), GNPP (8%), NAP (0%), Unoccupied (14.8%)</p> <p>State executive:- NPN (68%), UPN (16%), NPP (11%), PRP (5%), GNPP (0%), Nap (0%)</p> <p>Presidential vote:- NPN (47.33%), UPN (30.98%), NPP (13.88%), PRP (4.08%), GNPP (2.51%), NAP (1.21%)</p> <p>With legislative majority seat, the NPN not need a Coalition as was the case in 1979, this reduced Government tendency for Consultation</p> <p>The Judiciary was still being supported by the 1979 Constitution that was in full force.</p>	<p>Electioneering campaigns which dominated the Democratic Struggles since 1982 were manifestly tense with bloody rallies in inter-party confrontations</p> <p>With massive rigging and so-called 'landslide victory', the overturning of electoral victories in favour of NPN the ruling Party</p>	<p>Inauguration of Shagari's second term despite bitter competition of the electoral process was more a boost for democratic hope in terms of faith in learning by doing than for actual freedoms</p>

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1984	<p>Dec 83/Jan: Fifth military coup, Buhari/ Idiagbon topples a democratically elected government</p> <p>Jan/Feb: Arrests, detention under Detention of Persons Decree No 2 of 1984, and selective trials and imprisonment of former political office holders under the Recovery of Public Property Decree of 1984</p> <p>Mar: Government launches 'War Against Indiscipline' (WAI) – A military brand of moral suasion that combined military threat and appeal to citizens for civil responsibility</p> <p>Other developments: (1) Decree Nos. 4 among others, enacted to gag the Press and impose death penalty for drug traffic offenders. (2) In addition to the traditional suspension of certain part of the Constitution 1984 marked the beginning of the enactment of Decrees ousting the jurisdiction of the normal courts. Between 1984 and 1985 7 such Decrees were issued (CRP, 1999)</p>	<p>Once again military dictatorship replaces what was generally regarded as unstable multiparty presidential democracy</p> <p>Although the Selectoral process was not violent, its reception by the citizen was very low.</p>	<p>Governing bodies of the new Regime included the following: a 20 member SMC consisting of 16 military officers, 3 civilians, and 1 police officer; 20 member FEC made up of 14 civilians and six military officers; and 27 member NCS comprising of all 19 State military Governors, 7 other military officers and only one civilian.</p> <p>At the State levels the Military Governors were once again State chief executives chairing in most cases an all civilian State Cabinet. Thus at both the Federal and State levels were diarchy similar to pre-1979 with more Civil Participation at the State and Local Governments</p> <p>Suspension of the Constitution and existence of Decrees with ouster clauses eroded Constitutional Support for the quality of the Judiciary</p>	<p>Return of ban on open political activities, Draconian Decree Nos. 2 and 4 set the tone for a very poor political environment</p> <p>Although the introduction of WAI and other forms of moralsuative policies of the Buhari regime brought orderliness, the relative peace and orderliness of the early days of the regime was extorted from the public by military coercion</p>	<p>Decree Nos. 2 and 4 constituted the greatest threat to Individual Freedom during the Buhari regime and formed the pilot of what would become a prolonged abuse of Organizational and Individual rights in later years</p> <p>The dismantling of democratic institutions dipped the Regime's Commitment to democracy in the near future. Neither was there any sign of this in the early Pronouncements by leaders of the coup.</p>

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1985	<p>Aug: Sixth military coup, a palace coup led by a member of SMC Gen. Babangida topples the brief but draconian regime of the unsmiling duo of Buhari and Idiagbon; Among the reasons the new Government cited for the power change were the former regime's inability to successfully negotiate with external creditors for debt reschedule, and the need to return the country to civil democracy</p> <p>Government constitutes a broad based 'Federal Character' cabinet with among others the Chairman of Nigerian Bar Association (NBA) Bola Ajibola as Justice Minister, veteran Journalist and crusader for Press freedom Tony Momoh as Information minister, and Professor Olikoya Ransome-Kuti of the renown anti-military Ransome-Kuti family as Health Minister</p> <p>Sep: Government commissioned a public debate on the merits and demerits of taking a \$2.5billion IMF loan with its conditionalities. The public rejection of IMF loan did not however stop Government introducing a home bred SAP, which was vigorously opposed by trade unions, university workers and students.</p> <p>Dec: Seventh military coup – Government announced it had uncovered a plot by largely air force men and headed by General Vatsa a former classmate of President Babangida, to overthrow it by bombing strategic positions; A military Tribunal was set up and after the trial ten officers including Vatsa were executed</p> <p>Other developments: (1) Government-instituted Committee (headed by Ebitu Ukiwe, the vice President) reviews cases of human rights violations under Buhari, reviews downward the sentences of public officers jailed under Decree No 2, repeals death sentence for drug traffickers, repeals Decree No 4 and released journalists jailed under it (2) Establishment of an all civilian Presidential Advisory Committee (PAC) charged with formulating and monitoring the Structural Adjustment and Political Policies</p>	<p>Coup well received ; Change was peaceful as no lives were lost; A 'conciliar' mode of 'interest-accommodation' replaces the corporatist authoritarianism system (Joseph, 1997: 145);</p> <p>Attempted power change results to massive loss of highly trained military officers</p>	<p>Armed Forces Ruling Council (AFRC) replaces SMC as the highest decision-making body of the regime while FEC was renamed National Council of Ministers (NCM)</p> <p>The broad based NCM (23-member cabinet comprising 19 civilians), an all civilian PAC and the Political Bureau showed marked improvement in Civil Participation in governance</p> <p>The public IMF debate was indicative of the executive's preparedness to consult with people in matters of public interest and national concern</p> <p>The Constitution remain suspended but the quick repeal of the draconian Decrees were indicative that the Judiciary may be playing a more effective role even in a military regime</p>	<p>The 1984 political environment continued until the last quarter of 1985 with proscription of Students and Trade Unions thus undermining democratic struggle</p> <p>The public debate on the IMF loan as well as the resistance to the Government's local breed of SAP rejuvenated Democratic Struggle</p>	<p>For the greater part of the year the proscription of Student and Trade Unions continued to depress the dwindling Organizational and Freedom.</p> <p>However the Ukiwe Commission was seen by many as an indicator of improved Individual freedom</p>

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1986	<p>Jan: Government announces return to civil rule by 1 Oct. 1990</p> <p>Feb: 17 member (ten of which were academicians) Political Bureau headed by Samuel Cookey, an astute political scientist appointed to fashion out a new political system that should endure the country's volatile politics: after receiving 27,324 memoranda and communiqué from individuals, pro-democracy organizations, the media, student unions, professional and trade unions, and State-sponsored seminars the Bureau proposed a new political culture that emphasized popular participation in governance and respect for citizen and political rights through a well thought out and ordered transition spanning from Local Government through States to the Federal level (FGN, 1987a: 220-221)fn (Osaghae, 1998: 207-216)</p> <p>Feb: Nigeria joins Organization of Islamic Countries (OIC)</p> <p>April: Ahmadu Bello University (ABU) Crisis – armed policemen and soldiers invaded the university premises to stop an unauthorized demonstration by students in remembrance of their colleagues who lost their lives in an anti- government demonstration in 1978; The death of over twenty students led to several weeks solidarity protests in many other universities across the country students; The Government in reaction closed nine universities, NANS was once again proscribed and a ban placed on further demonstrations</p> <p>June: Acting on the recommendation of the Political Bureau for a 'new political order' Government announced a blanket ban on politicians who held political office between 1975 – August 1985.</p> <p>19 Oct: Dele Giwa journalist editor and publisher of Newswatch killed by parcel bomb as he investigated the link between the military hierarchy and drug trafficking in Nigeria. Murder still unsolved till date</p>	<p>Framework for electoral process is initiated by the Political Bureau</p>	<p>Executive positions of Political Bureau, MAMSA, and DFRRI held by civilians, and the expanded civilian loaded Cabinet gave further boost to Civil Participation in executive functions</p>	<p>Although the ban on open politicking was still in force the announcement of a return to civil rule by the Babangida administration was accompanied by an unhidden though tacit consent for open political activities by the civil society. The appointment of the Political Bureau and its by-product – MAMSA did a lot to encourage political activities</p> <p>The IOC issue exposed a low level of Agreement among Stakeholders regarding issues of national importance</p> <p>Although the selective ban was potentially destabilising, it was well received by most political stakeholders as virtually all believe the 'old politicians were responsible for the economic downturn</p>	<p>The activities of DFRRI and MAMSA promoted rapid growth in the number of private voluntary NGOs that sought to participate in the shaping of public policies</p> <p>MAMSA through its three departments, Mass Mobilization, Mass education and Political education promoted popular participation in politics.</p> <p>While the above impacted positively on Commitment, Government clampdown on University students activists, and the death of Dele Giwa were a setback in Organizational Freedom</p>

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1987	<p>30 Jan: Government launches the National Directorate on Employment (NDE)</p> <p>7-12 Mar: Politically inspired religious riots in Kafanchan, Kaduna, Zaria and Katsina claimed several hundreds of life and millions worth of property. A dust-to-down curfew is imposed in Kaduna State by the State Military Administrator</p> <p>6 Apr: Newswatch, one of the foremost publications in the country critical of Government policies is banned and its premises shut for leaking contents of the Political Bureau Report</p> <p>21-22 May: Lecturer and unionist, President of ASUU Dr Festus Iyayi is sacked and the University on Benin is closed down following violent demonstrations by students and staff unionists over the state of infrastructure in the university</p> <p>1 Jul: White paper on Political Bureau Report (FRN1987:100) absolves judiciary of alleged collusion with politicians to obstruct justice</p> <p>1 Jul: Timetable for return to civil rule spanned through 6 phases from 1987 to 1 Oct 1992 announced: Phase 1 of the Transition Timetable listed the Programme for 1987 as follows: Establishment of a) Directorate of Mass Mobilization; b) National Electoral Commission c) Constitutional Drafting Committee and the Elections into Local Government s on non-party basis</p>		<p>Executive quality was enhanced via improved Civil Participation in appointments in the new States; in the leadership of the BLRW and the Peoples Bank that came later in September</p> <p>Existence of Tribunals to handle exclusively matters relating to the transition programme created judicial system parallel to normal courts that undermined both Judicial independence and function</p>	<p>NDE's political relevance consists in the fact that it helped to engage thousands of restive youths who otherwise would be available for political trouble-shooters. It was therefore acting to enhance political stability</p> <p>The release of the Transition programme and the zero party Local Government elections strengthened the framework for political activities which by now was on the rise</p>	<p>In addition to the White paper on Political bureau Report. The release of Transition Timetable for return to Civil Rule indicated a growing commitment to Civil Rule</p>

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1987ctd	<p>3 Jul: Federal Military Government bans religious advertisement in all newspapers operating in the country</p> <p>25 Jul: To achieve the recommendations of the Political Bureau the Directorate of Mass Mobilization for Social Justice (MAMSA) was established to transform passive Nigerian citizens into active political participants</p> <p>The above was followed by the establishment of the Directorate of Food Roads and rural Infrastructure (DFRRI)</p> <p>4 Aug: Federal Military Government appoints a ten-member National Electoral Commission (NEC) led by 66 year old political science Professor Eme-Awa to oversee the elections of the Transition to civil rule</p> <p>26 Aug: Six month ban on Newswatch is lifted by Government</p> <p>4 Sep: Government appoints a 46 member Constitution Review Committee (CRC) with a six month mandate to draft a Constitution in line with the spirit of the Transition as proposed by the Political Bureau; Its membership was composed mostly of Lawyers and academicians and headed by Mr Justice Buba Ardo</p> <p>23 Sep: Two more States created bringing the total to 21</p> <p>25-27 Sep: Following a National Workshop on Women in Rural Development under the Chairperson of the wife of the Military Head of State Mrs Babangida, the Better Life for Rural Women (BLRW) was established to raise women's consciousness of their political and social rights</p>			<p>The appointment of both the electoral commission (NEC) and the constitution review commission (CRC) heightened political activities</p>	<p>The ban on religious advertisements was a setback on Organisational Freedom</p> <p>In addition to the MAMSA /DFRRI effects, the announcement of the Transition timetable was a boost for political hope; Commitment also got a boost in the creation of more States, the establishment of BLRW, improved political empowerment of hitherto politically handicapped women</p> <p>In addition to helping to reduce political instability the NDE empowered hitherto unemployed youths</p> <p>The unbanning of Newswatch was a plus for organisational freedom</p>

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1987ctd	<p>25-27 Sep: Following a National Workshop on Women in Rural Development under the Chairperson of the wife of the Military Head of State Mrs Babangida, the Better Life for Rural Women (BLRW) was established to raise women's consciousness of their political and social rights</p> <p>12 Oct: Registration of voters for the Local Government election begins nationwide</p> <p>12 Dec: Local Government elections on zero party basis conducted nationwide.</p> <p>15 Dec: New Military Administrators appointed in five States</p> <p>16 Dec: NEC cancels LG elections in Lagos State due to alleged irregularities</p> <p>Other developments:</p> <ol style="list-style-type: none"> (1) Transition to Civil Rule Tribunal as part of Transition to Civil Rule Decree 19 was enacted; (2) The 1986 blanket ban was modified through Decree No. 25 of 1987 which banned for life former political office-holders who had been indicted/or found guilty of corruption while in office (3) Civil Liberties Organisation (CLO) was established: a non- governmental human rights association of individuals committed to the promotion of the principles and practices of human rights in Nigeria as enshrined in the Constitution 	<p>Coming 4 years after the 1983 elections the LG Election was regular. It was also acknowledged free, fair except in Lagos State, with relative setback in openness due to existing selective ban on some politicians.</p>	<p>The elections produced 301 LG chief executives and over 6,500 councillors. It thus improved Civil Participation in the military-civilian diarchy.</p>	<p>With the conclusion of the Local Government elections, majority of Political Stakeholders looked forward to the successful conclusion of the remaining Transition Programme</p> <p>The framework for Democratic Struggle received a boost with formation of CLO, while Actual political activities improved with voters registration and the elections</p>	<p>The BLRW an outcome of a National Workshop on Women in Rural Development under the Chairperson of the wife of the Military Head of State Mrs Babangida, has been seen as a replication of the UN Arusha declaration to empower Nigerian women. It was therefore a plus for commitment.</p> <p>Commitment received a further boost in the completion of registration of voters.</p> <p>The zero-party Local Government elections improved Individual Freedom to participate in direct political activities. In addition the modification of the ban by Decree (25) improved individual political rights</p> <p>The Decree (19)'s legal backing to the Transition Programme was a boost for commitment.</p>

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1988	<p>According to the Transition Timetable 1988 was scheduled for the establishment of</p> <ol style="list-style-type: none"> a) National population Commission b) Code of Conduct Bureau c) Code of Conduct Tribunal d) Constituent Assembly and e) National Revenue Commission <p>May: New Constituent Assembly (CA) chaired by former justice of the Supreme Court, Justice Aniagolu inaugurated to deliberate on the CRC's draft and produce a final constitution for submission to the AFRC; Of its membership of 567, 450 were elected by LG councillors to represent Federal Constituencies, and seven prominent Traditional Rulers from the old North, Middle Belt, West, and Mid West Regions. These were areas where the authority of traditional ruler were strongly felt and they could be said to speak for the people, with rest from the membership of CRC</p> <p>Other developments:</p> <ol style="list-style-type: none"> (1) Abolition of State Ministries for Local Governments through which States administered Local Governments. Elected LG chairmen now took executive responsibility which hitherto was performed by state appointed executive secretaries (2) Human Rights Africa (HRA) was formed: a non-governmental organization with continental focus HRA objective was the defence of rights and liberties in the African continent 	<p>Selectoral process of the CA was well received by the citizens</p>	<p>Inclusion of Traditional Rulers in the CA was a boost to Governments Consultation with other Stakeholders</p> <p>Further reforms in LG administration that allowed greater responsibility for elected LG chiefs was a boost to Civil Participation</p>	<p>The emergence of HRA strengthened Organizational Framework for Democratic Struggle</p>	<p>In addition to the MANSAs /DFRRI effects, there was a further boost to Commitment as the CA was inaugurated</p>

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1989	<p>2 Jan: Federal Government announces embargo on foreign trips by Military Governors</p> <p>4 Feb: Federal Government dissolves ARFC, a 19 member newly reconstituted AFRC is sworn in by Gen. Babangida on 13 Feb.</p> <p>28 Feb: Prof. Humphrey Nwosu is appointed Chairman of National Electoral Commission following the resignation of Eme-Awa</p> <p>6 Mar: Four new civilian ministers appointed by the Federal Military Government</p> <p>14 Apr: Federal Military Government launches a new National Population Policy aimed at checking chronic irregularities in census exercises</p> <p>2 May: Ban on active political activities lifted by President Ibrahim Babangida</p> <p>3 May: New Constitution promulgated; two-party political system recommended by the Political Bureau adopted</p> <p>5 May: Following AFRC's approval on 3 May Federal Government the creation of 152 LGs, bringing the total to 453</p> <p>25-31 May: Nationwide mass protest by labour and University Students against the Govt's implementation of SAP begins.</p> <p>30 May: Federal Government reacts by closing down 4 federal Universities</p> <p>13 Jun: Gen. Babangida holds a closed-door meeting with Police Chiefs (revelations later emerged that management and control of the SAP riots dominated their deliberations)</p>	<p>Lifting of ban on political activities was a plus for the framework for elective process</p>	<p>The appointment of four new civilian ministers, and creation of more LGAs headed by civilian chief executives further improved Civil Participation in executive positions</p> <p>The new Constitution provided a stronger Support for the Judiciary</p>	<p>While there was agreement on the need for democracy Stakeholders disagreed as to the extent of multiparty democracy</p> <p>Promulgation of the new Constitution, the recommendation of only six out of thirteen political associations that applied for registration as political parties and their eventual dissolution created hype in Democratic Struggle. Actual political activities also got a boost with the lifting of the ban on Open politicking</p> <p>Although the closure of the Universities reduced Organisational Framework for Democratic Struggle, the nation-wide SAP protests rather than pose threat to Political Stability actually generated very high Democratic Struggle.</p>	<p>The ban on overseas travel placed at military officers was a breach of their Individual Freedom.</p> <p>The dissolution and later reconstitution of the AFRC seen as preparatory to civil regime, the promulgation of the Constitution and creation of more LGs were a plus to Commitment</p>

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1989ctd	<p>21 Jun: More State Universities (Ogun, Delta,) are closed down as the SAP riots continue</p> <p>3 Jul: Lawyers embark on a one week strike over Decree No 2 which empowered the Government to detain people without trial. After a court order forced the lawyers to call of their strike, the Nigerian Bar Association (NBA) followed this up on 6 August with an 14 day ultimatum to the Government to abrogate Decree No 2</p> <p>Jul: Thirteen out of over eighty-eight political associations applied to NEC for registration as political parties to participate in the transition</p> <p>27 Aug: Following the meeting with Police Chiefs Government announces that policemen will now serve only in their home state</p> <p>1 Oct: Government announces the setting up the Peoples Bank. The Bank is launched in 8 geo-political zones in the country on 3 Oct. with the establishment of a network of Peoples Bank (PB) and Community Banks (CBs) to provide credit to citizens who were disadvantaged by normal bank credit policies</p> <p>4 Oct: NEC completes verification of the claims of thirteen political associations that applied for registration as political parties, recommends six in spite of the fact that non of them qualified for registration on the bases of NEC's criteria</p> <p>7 Oct: AFRC dissolves all thirteen political associations on the bases of NEC's Report that non of them qualified to be registered as a political party with grass-root support and on charges of corruption and manipulation by 'moneybag politicians. In place of the thirteen dissolved associations, Government under the auspices of NEC and DSM created two parties – National Republican Convention N(RC), and Social Democratic Party (SDP) to reflect the two political slants (after the USA system) that dominated the memoranda to the Political Bureau. To avoid a repeat of a hijack of the new parties by 'money bag' politicians the Government undertook to fund the parties.</p>	<p>Again the formation of Political Associations improve the framework for elective process</p>		<p>Although the continued SAP strike, the threat by the NBA that eventually led to withdrawal of policemen to their home States indicated potential instability, they heightened the level of Democratic Struggle</p>	<p>The dissolution of the thirteen Political Associations, the closure of more Universities and banning of Student Unions limited Organisational Freedom</p> <p>Although the dissolution of thirteen Political Associations limited Organizational Freedom, Government funding of the two Political Parties that replaced them had a positive effect on Individual Freedom to join a party of their choice and be free to canvass their opinion without the undue influence of individual financiers of the party.</p> <p>Commitment got further boost in the establishment of the Peoples Bank - aimed at empowering the masses thus reducing their dependence on a few political lords</p>

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1989ctd	<p>10 Oct: NEC announces the postponement of the Local Government Election slated for December 1989</p> <p>13 Oct: Gen. Babangida addresses the Armed Forces Consultative Assembly (AFCA) in Abuja ostensibly to make them see reason for their imminent return to their constitutional role and disengage from politics</p> <p>30 Oct: Following calls by Traditional Rulers, Labour Unions and the National University Commission the Federal Government announced the re-opening of six of the many Universities closed down in connection with the SAP riots</p> <p>20 Nov: Late Aminu Kano's House converted to Centre for Democratic Studies (CDS) charged with research into the failure of past attempts at democracy and the design of a new political blueprint</p> <p>Other developments:</p> <p>(1) In a further modification Decree No 9 of 1989 increased the number of those disqualified for political office to include the chief executives of the democratic preparatory bodies - NEC, the Directorate of Social Mobilization (DSM), the National Population Commission (NPC) ostensibly because they were the authors of the Transition Programme</p> <p>(2) The Committee for the Defence of Human Rights (CDHR) was formed: In response to gross human rights abuses the CDHR main objective was to provide free legal services to victims of human rights abuse</p>		Government's palley with its own AFCA, and the heeding to Traditional Rulers' call on re-opening of the Universities was a plus for Consultation	The formation of the CDHR improved Organisational Framework for Democratic Struggle	Despite the postponement of the LG election the establishment of the CDS indicated a higher Commitment to democratization in two ways: by aiming to find a lasting solution to democratic failures of the past, and by immortalizing one of the founding fathers of independent Nigeria – Alhaji Aminu Kano.

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1990	<p>April :Eighth military coup – A group of junior military officers of the South-East origin in an unsuccessful coup to oust the Babangida regime announced the excision of six core Muslim States from the Federation; In the aftermath and after several arrests and trial by military tribunal, 69 officers were executed by firing squad</p> <p>Aug: Nigeria led the West African sub-Regional military intervention/ Peace keeping force, ECOWAS Monitoring Group (ECOMOG) to invade war-torn Liberia to ‘restore democracy’</p> <p>Nov: The Constitutional Rights Project (CRP) was formed: through public education, workshops and seminars the CRP sensitises the public on human rights issues</p> <p>Dec: Local government elections on Party basis</p> <p>Other developments:</p> <p>(1) A coalition of Pro-Democracy Organizations under the auspices of the Campaign for democracy (CD) called for a National Conference to resolve the ‘National Question’.</p> <p>(2) Six of existing court ouster laws (Decrees Nos. 3, 6, 9, 28, 29, and 36) were amended to extend the powers of the state over the Constitution</p>	<p>Attempted coup was very violent claiming the lives of three senior officers of the Babangida Administration and 69 of the alleged plotters</p> <p>The Local Government election was judged free, fair and inclusive. With the selective ban still in force, its openness was jeopardized</p>	<p>Executive/legislative functions still in the hands of AFRC. With more civilians in the FEC Civil Participation improved</p> <p>Although the 1989 Constitution was in force Constitutional Support was eroded by the existence of numerous ousters Decrees</p>	<p>Two events posed a threat to Potential Stability:</p> <p>(1)The veiled agenda of the coup-plotters resurrected the political North-South divide – indicative low level agreement on existing political order</p> <p>(2) Nigeria’s military participation in Liberia - it was unofficially believed that the 1995 abortive coup was planned by the first generation of ECOMOG soldiers who felt that charity ought to begin at home</p> <p>The increasing number of pro-democracy organizations and the calls for a Sovereign National Conference (SNC) were indicative of higher Democratic Struggle</p>	<p>Although the coup reminded one of the political differences among the stakeholders, the gains of MANSAs, DFRRI, and BLRW effects continue to help the people understand the need for a continued faith in democracy</p> <p>The military’s participation in Liberia to ‘restore democracy’ had an unintended impact: it became a self subtle blackmail into Commitment to democratic ideals</p>

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1991	<p>April/May: Muslim-Christian conflicts in Bauchi largely blamed as the aftermath of the 1990 military coup whose agenda seemed to have pitched the two dominant religions, the Christian South and the Muslims North against each other</p> <p>Aug :Creation of nine more States bringing the total to thirty</p> <p>Nov. Campaign for Democracy (CD) was proclaimed: conceived as a coalition of human rights and mass democratic organisations to rally Nigerians in a more concerted fight to protect human rights and democratise society through popular participation</p> <p>Nov: Under the auspices of the National Population Commission (NPC) and the technical support of MAMSA a successful national census was conducted in three days 27-29 Nov.</p> <p>Dec: Federal Capital moves to Abuja from Lagos</p> <p>Dec: Elections into State Executive and Legislative bodies on two-party basis</p> <p>Other developments:</p> <p>(1) Presidential system extended to the LGA administration to free it from political control from the States. LGs were further strengthened by the abolition of LG Service Commission which was run by States and LGs took full control over personnel matters.</p> <p>(2) Government sought collaboration with NGO's and promised easy access to donor funds but the gesture was not well received by the NGO's who suspected Government's real intention was to censor their activities (Gboyega,1997: 396-406)</p> <p>(3) Decree No 25 of 1987 was amended to lift the ban on former political office-holders who had not actually been convicted by any Court or Tribunal.</p>	<p>Coming 12 year after the 1979 elections, and six years into the corrective Babangida Regime, the State elections were not regular but they were fair, inclusive with less openness due to Party zoning formula selective ban</p>	<p>Coming in the last month of the year the Elections did not alter significantly the quality of both the Federal Executive and the Legislature from what they were in 1990.</p> <p>But separation of powers at the Local Government level improved the extension of the Presidential system</p> <p>The continued existence of Ouster Clauses undermined Constitutional Support for the Judiciary</p>	<p>Exploitation of religious riots by politicians reduces the potential for political stability</p> <p>Although the movement of Federal Capital to Abuja tended to reduced the pro-democracy pressure (democratic struggle) on the Federal Government, who can now ignore protests on account of increased physical distance from seat of power, the formation of CD produced added momentum to the organizational framework for democratic struggle.</p> <p>Furthermore, the amendment of Decree No. 25 allowed greater political activities</p>	<p>State creation and LG reforms increased Commitment to democratization and brought governance nearer to the masses</p>

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1992	<p>Jan: Presidential election shifted to 5 Dec 1992 and date of hand-over to civil rule to 2 Jan 1992</p> <p>March: Census returns announced, population put at 88.5 million; except for minor complaints from three States (Oyo, Imo and Abia) the Census figures were accepted by majority of political stakeholders</p> <p>May: SAP riots – National Association of Nigerian Students (NANS) calls a nationwide demonstration to demand the suspension of the implementation of Babangida’s Structural Adjustment Program and the convening of a National Conference to resolve the ‘National question’. In the attempt by anti-riot policemen to stop the demonstrations over twenty students lost their lives</p> <p>Jul: National Assembly Elections conducted nationwide</p> <p>Aug: Party Presidential Primaries produces presidential candidates</p> <p>Oct: AFRC annuls presidential primaries, dissolves Party Executive Committees and appoints caretaker committees in their place, insisting that money had played too much role in which candidates got their Party nod and this was contrary to the spirit of the Transition recommended by the Political Bureau</p> <p>Nov: Presidential election postponed to 12 June 1993 and date of hand-over shifted to 27 Aug. 1993</p> <p>Dec: National Assembly inaugurated</p> <p>Other developments: (1) Movement for National Reformation (MNR) was formed: an advertised political movement, the MNR was established to work for a truly Federal System in Nigeria as opposed to military system</p>	<p>Like State Assembly and Gubernatorial elections the National Assembly elections were adjudged free, fair inclusive but hardly open. A successful national population census helped to build strong framework for reliable future elections</p>	<p>While the executive remain basically the same at the Federal level as in 1991, elected chief executives took office at the State levels the diarchy now had a much more civil slant, improving Civil Participation in executive functions</p> <p>Although a Federal Legislature had been inaugurated with two Parties NRC (42%), SDP (58%) representation, the technical separation from the Executive as well as its Independent Functioning were still lacking as they were answerable to the highest ruling body – AFRC</p>	<p>The events of postponements of the presidential election, the re-emerged SAP riots, annulment of the Presidential Primaries all combined to pose threat to Political Stability. The threat however did not dampen Democratic Struggle as evidenced in the formation of more Pro-Democracy Organizations and the call for a Sovereign National Conference</p>	<p>Political Hope (Commitment) suffered a setback following the postponements of Presidential elections and the annulment of Presidential Primaries.</p> <p>But the reasons given by Government for the above actions coupled with the inauguration of the National Assembly was responsible for the survival of Commitment of the Regime to its own Transition Programme</p>

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1993	<p>Jan: Appointment of Transition Council (TC) headed by a civilian Ernest Shonekan (former Chairman of U A C) to replace the Federal Executive Council</p> <p>Jan: MAMSA-recommended 'Option A4' system of primary election (where contest for presidential party ticket started from the Ward level through LG level to State and finally Federal level) produces 286 Presidential Aspirants 215 of which were given approval by NEC to contest party primaries</p> <p>March: Two Parties nominate presidential candidates: Abiola (SDP), Tofa (NRC)</p> <p>May: Decree (Nos. 35, 43) empowers Government to proscribe existing and refuse registration of new Media Houses</p> <p>10 Jun: Justice Ikpeme of Abuja (seat of federal government) court in disregard of existing ouster clause denying it jurisdiction grants injunction brought by the unregistered Association for Better Nigeria (ABN) to stop the 12 June presidential election</p> <p>11 Jun: A Lagos High Court presided over by Justice Olugbani orders NEC to go ahead with the election following application by two registered voters in Lagos, a state known to be critical of Federal Government Transition Programme</p> <p>12 Jun: NEC ignores Abuja Court injunction and election holds. 24 hours later NEC begins release of election results with Abiola (SDP) taking a lead</p>	<p>MAMSA-recommended 'Option A4' proved positive for the electoral process as would be seen in the rating of the 12 June Elections</p> <p>12 June Presidential Election was adjudged free, inclusive and fair by both local and foreign observers in spite the confusing court orders that lowered the voter turnout to 37%.</p> <p>With the banning of political organizations and candidates its openness was poor.</p>	<p>The TC take-over of Federal Executive Council duties and the headship of National Defence and Security Council (NDSC) by a civilian improved Civil Participation in executive functions.</p> <p>Conflicting Court Orders especially along political and Regional biases showed the Judiciary was being dictated for by their political masters</p>	<p>Potential Stability worsened with the conflicting Court Orders that ran along political and Regional biases</p> <p>On the positive side was 'Option A4' which was applauded because it enhanced the role of the grassroots electorate in the Democratic Struggle</p>	<p>Government's tacit approval of destabilizing judicial manipulation and disregard for the electoral laws were indicative of something more serious than lack of Commitment - a Hidden Agenda in the form of a parallel 'transition from military to the military' was becoming evident</p> <p>Organizational Freedom suffered a setback following Decrees 35 and 43 and their application in the closure of Media Houses</p>

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1993ctd	<p>16 Jun; ABN secures another Abuja High Court injunction to stop the release of election results by NEC</p> <p>16 Jun: Two injunctions by a Benin (in Edo - another State critical of Federal Government Programme) and Lagos High Courts order NEC to release the entire results of the election, while a Jos (in Plateau - a State firmly under the Federal political influence just as Abuja) High Court threw out a similar application</p> <p>23 Jun; Decree (No 39) repeals all the Transition to Civil Rule Decrees, annuls the presidential election, suspends NEC and the entire transition programme</p> <p>Jul: A coalition of pro-democracy organizations under the umbrella of Campaign for Democracy (CD) mobilized millions of Nigerians to the streets in mass protests against the annulment, the military reacted, rolling out tanks and by the 4th day of the protests over 300 lives had been lost</p> <p>Jul: Abiola, acclaimed winner of the June 12 presidential election flees the country on self exile to the UK and USA ostensibly to garner international support for his mandate</p> <p>2-12 Aug: A second round of violent nationwide protests erupted, spreading to major cities outside the South west</p> <p>17 Aug: Military president addresses a joint session of the National Assembly and announced he will "step aside". A remark by the Senate President urging lawmakers to uphold democracy led to his removal a week later and replacement by a known military apologist, Ameh Ebitu.</p>			<p>Annulment of 12 June election deeply alienated southern intellectuals and politicians thus undermining the Potential for political Stability in the future without resolving issues of power sharing among Political Stakeholders.</p> <p>While Potential Stability suffered Democratic Struggle waxed stronger, receiving impetus from the concerted Pro-Democracy resistance and Abiola's new international crusade against anti-democratization</p> <p>Although there was no immediate results (in terms of a possible reversal of the annulment), to the protests against the annulment, pro-democracy groups, labour unions, university students and the masses vigorously challenged every undemocratic move of the Governments; the well coordinated strikes and protests by CD was indicative that the political environment still enabled the expression of Democratic Struggle;</p>	<p>The dismantling of the Transition Programme, annulment of the 12 June election, and the suspension of NEC greatly eroded Commitment to Democratization</p>

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1993ctd	<p>27 Aug: Under intense pressure from pro-democracy activists, the military Head of State, Ibrahim Babangida vacates office, appoints a caretaker Interim National Government (ING) composed of handpicked representatives from both parties and six members of the outgoing Babangida administration, to serve under the headship of a civilian, Ernest Shonekan, former chairman of the Transition Council. ING was given the mandate to organize a new election by 31 March 1994</p> <p>10 Sep: ING announces 19 Feb. 1994 as new date for fresh Presidential Election</p> <p>24 Sep: Abiola returns from a 54 day self exile allegedly on Abacha's invitation, and began a legal campaign against the ING</p> <p>Oct/Nov: The NLC embarks on a nationwide strike over ING's decision to remove petroleum subsidy and increase by 700% the pump price of petrol</p> <p>10 Nov: Lagos High Court declares ING illegal following Abiola's application</p> <p>18 Nov: Ninth military coup – The Lagos High Court ruling and NLC's confrontation with the ING provided Abacha the opportunity to topple the ING and forestall a rumoured bloody coup by junior officers over the handling of 12 June elections</p> <p>Other developments: (1) By the end of July the Government had closed down 4 Newspaper Houses for their critical views on the political situation in the country Media Rights Agenda (MRA) formed: An independent non-governmental organisation, MRA as response to the clampdown on the press following the annulment of the 12 June election. Its objectives were among others the protection of freedom of expression in Nigeria</p>	<p>Two Selectoral events of the last quarter of 1993 ironically were both well received by the people: First the ING represented a defeat albeit partial of the Military, second, the Abacha Regime was seen as a step towards validating 12 June Election</p> <p>Positive reception of the Abacha coup which toppled the ING had resulted from the perception that Abiola was behind the military take-over</p>	<p>In the shot-lived ING all three arms of the Government (Executive, Legislature, and Judiciary) were headed by civilians.</p> <p>After the coup which removed the ING, the Abacha's Provisional Ruling Council (PRC) retained legislative duties, but the expanded FEC was predominantly civilian. The inclusion of many SDP (the Party on which ticket Abiola had won the 12 June Presidential Election) stalwarts almost convinced political watchers that Abacha's was only a transition government holding brief for and to hand over power to the winner of 12 June election.</p>	<p>Not even the suspension of the Transition programme could slow down the increasing momentum for Democratic Struggle as new Pro-Democracy Organisations emerged The partial surrender in the action of the Head of State to 'step aside' on August 27 was a testimony of the effect of Democratic Struggle by other Political Stakeholders</p> <p>The overthrow of the ING was also attributed to the continuing Democratic Struggle</p>	<p>The continued clampdown on Media Houses negated Organizational Freedom</p> <p>Ironically Democratic Hope was rekindled by Abiola's apparent support for the overthrow of the ING by the military but this was short-lived</p>

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1994	<p>Jan: Abacha appoints Commission for Constitutional Conference (CCC) with responsibility to organize a National Constitutional Conference</p> <p>12 May; Selection into National Constitutional Conference (NCC)</p> <p>17 May: National democratic coalition (NADECO) issues ultimatum to the Abacha government to relinquish power by 31 May 1994</p> <p>Jun: Abiola proclaims himself president, arrested, charged with treason by the federal Government</p> <p>Jun: The Democratic Alternative (DA) formed in Lagos</p> <p>Jul; Constitutional Conference begins deliberations with NADECO vigorously campaigning for its boycott following indications that the Conference will not have 'sovereign powers'</p> <p>Jul/ Aug: Oil workers (NUPENG) begins nine weeks nationwide strike action (later joined by University workers and finally in August by NLC) against the imprisonment of Abiola and the annulment of the 12 June 1993 election</p> <p>8 Sep; New decrees with ouster clauses widened the arbitrary power of the Military Government, Justice minister and attorney general of the federation disclaimed the decrees and was sacked</p> <p>Dec: A new transition to civil rule announces 17 Jan as date for lifting of ban on political activities</p> <p>Other developments:</p> <ol style="list-style-type: none"> (1) Decree 12 of 1994 ousts courts to entertain legal challenges to military Decrees (2) Over 65 Ogoni people were detained without charges but in connection with murder and disturbance of public order as they protest degradation of their land by oil exploration (3) Obasanjo led a group of retired military officers under the Association for Democracy and Good Governance in a steady and vigorous opposition to the Abacha regime (4) National Democratic Coalition (NADECO) formed: a broad based of individuals and groups with the aim of actualisation of June 12 mandate and restoration of the National Assemblies proscribed by Gen. Abacha 	<p>197 out of 370 members of the CCC were Government nominees. The rest were selected by Ward delegates – a process largely opposed by political stakeholders nor did it enjoy the support of the masses.</p>	<p>Although the 1993 level of civil participation remained Abacha's unilateral decision not to grant sovereign powers to the NCC was indicative of declining level of consultation</p> <p>With growing number of court-ouster Decrees and against the backdrop of executive manipulations of the court processes in the period leading to the annulment, both constitutional support for and independence from the executive continue to decline</p> <p>Legislative function was as in 1993 still being performed by the PRC</p>	<p>After it was clear that Abacha's political agenda did not include the revalidation of 12 June election results tension increased with the clamour for a true federalism or even a confederation as it appeared the South may never be allowed to assume political leadership of the country – a worrisome source of potential instability.</p> <p>Actual level of crisis and instability increased with the nationwide strike</p> <p>Despite the increasing danger (with more people being hoarded into jail or forced into exile) of confronting Abacha, more Pro-Democracy Groups sprang up providing higher organizational frame work for democratic struggle. The activities of NADECO and NUPENG especially kept Democratic Struggle waxing</p> <p>A highly partisan national patriotic political movement, the DA was committed to the diversification of pro-democracy organizations to have presence in all the States of the Federation thereby improving the level of agreement (against military rule) among Political Stakeholders</p>	<p>Abiola's apparent approval of Abacha's take-over from the ING, in 1993 had raised the hope of revalidation of 12 June mandate. By 1994 this hope had evaporated, and in its place gross human rights violations as Abacha hoarded Abiola into prison and began to hunt his associates.</p> <p>While both organizational and individual freedoms continued to decline, the announcement of a new transition held afloat pronounce element of democratic hope</p>

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1995	<p>Feb: The United Democratic Alliance (UDA) was formed: a product of a year long efforts at organizing a people's oriented political platform the UDA urged for the pro-democracy campaign to move from resistance to actual seizure of power by people within Nigeria</p> <p>March: Journalists for Democratic Rights (JODER) was formed with the objective of the defence of press freedom, the fight for a democratic polity, and the networking of pro-democracy activities</p> <p>March: Tenth military coup uncovered: 43 people including Obasanjo former Head of State and his deputy Yaradua, Pro-Democracy activists, journalists who were believed to be critical of the Abacha regime were arrested, tried without legal representation, by secret military tribunal and sentenced to various terms ranging from life to death.</p> <p>Jul: Commonwealth Human Rights Initiative (CHRI) issues a Report condemning human rights abuses by the Abacha regime and urges international sanctions against it</p> <p>27 Jul: Constitutional Conference submits Report</p> <p>Sep: Federal government announces the creation of five new political parties</p> <p>Oct: Timetable for return to Civil Rule by 1 Oct 1998 announced</p> <p>Oct: Six more states and 138 Local governments created bringing the total to states and Local Government areas</p> <p>10 Nov: Ken-Saro Wiwa, President of Movement for the Survival of Ogoni People (MOSOP) an organization protesting the neglect and environmental degradation of their oil rich land by oil exploration, hanged with 8 others following death sentence by a tribunal in a politically motivated trial</p> <p>Nov: Nigeria expelled from the Commonwealth following the extra-judicial hanging of the 'Ogoni 9'</p> <p>Nov: Alfred Rewane, retired General and financier of NADECO shot dead by gunmen (then suspected) now confirmed to be government agents</p>		<p>The creation of more States and Local Governments meant improved civil participation in executive functions. Other than this the quality of governance in general remained very poor. The creation of political parties by government fiat underpinned its low level of consultation</p>	<p>Government's intolerance of dissent and clamp down on the opposition by brutal murder of leaders of Pro-Democracy activists did not dampen the level of democratic struggle: the critical print media (especially in the South West) was undaunted and in the continuing hunt for prominent editors, a number of them went underground publishing very damaging revelations and exposing Government's <i>modus operandi</i> in its war against the Opposition; the emergence of JODER united public and private Media against anti-democratic practices while the UAD's pro-active stance offered the required militancy in the democratic struggle</p>	<p>Gross human rights abuses by the military Government (especially in the judicial murder of Saro-Wiwa) took a toll on both Organizational and Individual Freedoms;</p> <p>State and Local Government creation, release of new Transition Programme as well as the Report of the CC resurrected the dying Commitment</p>

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1996	<p>Apr: Following the visit of a United Nations Mission on Human Rights, the military authorities released some political prisoners</p> <p>4 Jun: Alhaja Kudirat Abiola, wife of Abiola the acclaimed winner of 12 June 1993 presidential election is murdered in Lagos by (people then suspected but now confirmed to be) government agents</p> <p>Aug: Government appoints a 40 man panel to fashion out a politico-economy blueprint for the successful harnessing of and control of the nation's potential and to make Nigeria a world power by the year 2010</p> <p>1 Oct: Following the recommendation of a Committee set up in Dec. 1995 six new States were created bringing the total to 36 States; In addition 183 Local Government Areas were created</p> <p>5-7 Nov: Amnesty International (AI) Nigeria in a ten point demand for human rights reform in Nigeria called for the revocation of all military Decrees which encourage gross human rights violations, disregard for the rule of law and extra-judicial executions by the Abacha government especially in Ogoniland.</p> <p>Other developments: Between Dec. 1995 and May 1996 a large number of human rights activists, Student Union leaders, and journalists were detained solely in connection with their legitimate activities in defence of human rights (Amnesty International, 1996: 8-9);</p>		<p>Other than the creation of States and LGs which kept civil participation alive, the state of the executive, the legislature and the judiciary remained as in the previous year</p> <p>The appointment of the so-called 40 wise men was seen in many circles as a ploy by Abacha to distract the growing opposition. It therefore did not count as consultation</p>	<p>General political environment remained as of 1995. However the targeted killing of big wigs believed to be the financiers of the PDAs produced a lull in democratic struggle</p>	<p>The release of some political prisoners was to be a breather for individual freedoms but the murder of Abiola's wife and Rewane rubbished whatever gain the external pressure on Abacha was to produce.</p> <p>By creating more States and LGs the government kept democratic hope barely alive</p>

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1997	<p>May: The United Action for Democracy (UAD) was formed to unite the pro-democracy groups around a programme of action for addressing the new challenges thrown up by Gen. Abacha's self-succession bid. The action was to mobilize people to keep the military out of power, establish a Government of National Unity with Abiola as Head, and finally to convene a Sovereign National Conference</p> <p>Nov: The 40 man panel set up in Aug 1996 submits a Report dubbed Vision 2010; Fed Government adopts the Report and inaugurates a 40 man implementation committee, with himself as chairman, a move interpreted by many political watchers as a sign that the Head of State had no intention of vacating office</p> <p>Dec: State House of Assembly Elections held nationwide amidst a vigorous campaign for boycott by UAD</p> <p>8Dec: Major-Gen. Musa Yaradua, former Chief of Staff Supreme Headquarters dies in prison while serving a 25 year sentence for the alleged participation in the 1995 abortive coup against the Government of Gen. Sani Abacha. It was later revealed that Yaradua had died from a deadly injection by an army doctor attached to Abacha's special security unit</p> <p>13 Dec: Current Chief of General Staff (CGS) Gen. Diya, 2 IC in the Abacha Government narrowly escapes death from a bomb at the Presidential wing of Abuja International Airport. Sources close to the victim alleged complicity by men working directly under his boss, the Head of State.</p> <p>21Dec: Federal Government announces that 12 persons including Gen Diya had been arrested for planning a coup.</p> <p>Other developments: Between 1994 and 1997 Nigeria remained under indictment at the UN Commission on Human Rights (Agbakoba, 1999: 2).</p>	<p>In accordance with new transition timetable the State Assembly elections came as due. However under the threat of targeted killings, the campaign for boycott by UAD, and the now known Abacha's bid to succeed himself only pro-Abacha candidates felt safe to participate.</p> <p>The fairness, inclusiveness and openness of the election were therefore very poor</p>	<p>Abacha's chairmanship of the Vision 2010 implementation committee robbed it of any consultative qualities.</p> <p>The state of the executive, the legislature and the judiciary remained as in the previous year</p>	<p>With no improvements in other indicators of political environment UAD's sharper focus and in a concerted effort of all PADs under one umbrella broke the lull in democratic struggle</p>	<p>As government extends the target killing to its own constituency not even top government functionaries were guaranteed individual freedoms</p> <p>The State Assembly elections managed to commitment alive</p>

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1998	<p>19 Jan: Federal Government announces the liquidation of 26 distressed Banks. It was alleged by many that there was political undertones in the choice of Banks to be liquidated; some directors of the liquidated Banks were said to be sympathetic to the pro-democracy movement</p> <p>12 Feb: Traditional Rulers Forum an association of very powerful local Chiefs calls on the Head of State, Gen. Sani Abacha to contest the 1998 Presidential election, a move said to have been sponsored by the Head of State himself to stay put in power</p> <p>3 Mar: A series of arms twisting and official blackmail culminates in the 'Two-million-man rally' in support of Head of State, Gen. Sani Abacha's bid to succeed himself. The Abuja rally organized by two newly formed associations- National Council for Youth Association (NACYAN) and YEAA led by a little known Daniel Kanu (an Ibo) received full support of Government</p> <p>4 Mar: Championed by the UAD, a five-million-man counter rally organized by pro-democracy activists holds in Lagos to protest Abacha's self succession bid. The rally was quickly disrupted by the Police and the organizers were arrested and hoarded into detention</p> <p>23Mar: The Northern Elders Forum (NEF) – an umbrella association of prominent politicians, religious leaders, traditional rulers, retired army generals and academicians of Northern extraction - asks Gen. Abacha to consider the calls on him to contest the Presidential elections</p> <p>15 Apr: The UAD called out youths to confront pro-Abacha-for-President campaigners in Ibadan, the Oyo State capital In the ensuing city-wide riots that engulfed the former capital of Western Region the death toll ran into hundreds</p>		<p>In the first six months the state of the executive, the legislature and the judiciary remained as in the previous year.</p>	<p>Government's propaganda was yielding results: the manipulated elections of the previous year had produced party functionaries sympathetic to Abacha's agenda. By coercing support from the East (Ibo) to lead the 2-million man rally and by convincing the NEF to support his self-succession bid Abacha played an ethnic card that almost reduced the nationwide democratic struggle to an ethnic (Yoruba) agitation.</p>	<p>With the attack on the economic interests of the opposition the first six months of the year saw a dipping of both organizational and individual freedoms.</p>

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1998ctd	<p>16 Apr: The United Nigeria Congress Party (UNCP) becomes the first of the five political parties to adopt the Head of State, Gen. Sani Abacha as its presidential flagbearer at a special convention in Kaduna</p> <p>18 Apr: The other four political parties: DPN, CNC, GDM, and NCPN as their presidential candidate at their simultaneous special conventions</p> <p>22 Apr: Bomb blast at Evans square Lagos kills three and injured several others</p> <p>28 Apr: The Special Military Tribunal (SMT) set up to try suspects of the Dec. 1997 coup sentences Gens. Diya, Adisa, Olanrewaju (all of Yoruba extraction) and three others to death for treason</p> <p>1 May: UAD again confronts Abacha-for President campaigners. Violent protest erupts in Ibadan, protesters destroy several million-worth properties belonging to pro-Abacha-for-president campaigners.</p> <p>2 May: Two prominent leaders (Bola Ige, and Lam Adesina) of Afenifere, a politico-cultural organization and founding member of NADECO sympathetic to pro-democracy campaign and the revalidation of the annulled 12 June 1993 election are arrested by security agents in their States. 5 days later, the Oyo State military administrator declares both men 'prisoners of war'</p> <p>8 May: A group of 34 eminent Nigerians (G-34) led by second republic Vice President Dr Alex Ekwueme denounces the adoption Gen. Abacha as a consensus candidate by the five political parties</p> <p>20 May: Gen. Abacha tells foreign journalists that he may run for the presidential election but claims he had no plans to stay forever</p> <p>25 May: The Electoral Commission, NECOM rejects the all-party adoption of Gen. Abacha as presidential flag bearer</p>				

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1998ctd2	<p>8 June: Head of State, Gen Abacha dies of heart attack and is buried same day in his home State, Kano. A nation-wide jubilation erupts to greet the news of the death of the Head of State</p> <p>9 Jun: Chief of Defence Staff, Maj. General Abubarka is promoted to the rank of General and appointed Head of State by the PRC</p> <p>15 Jun: Sixteen political prisoners among them former Head of State, Gen. Olusegun Obasanjo jailed in 1995 regain freedom; 10 days later another seventeen detainees (jailed for prodemocracy activities) among them Olu Falae (one time Secretary to military Government), Alh. Rimi (Second republic Governor of Kano State), Sule Lamido and Frederick Fasuen (both chieftains of Afenifere) were freed.</p> <p>25 Jun: Abiola is moved from his detention center to a guest house in Abuja raising hope that the new Government may set him free</p> <p>28 May: Head of State, Abubarka holds a close-door meeting with NADECO chieftains Abraham Adesanya and Bola Ige later revealed to be a major consultation to broker a peaceful resolution of the political crisis</p> <p>29 Jun: UN Secretary-General, Kofi Anan, Nigerian-born Commonwealth Secretary-General, Emeka Anyaoku arrive Nigeria for talks with the head of State and other Stakeholders to help resolve the crisis</p> <p>31 Jun: Mems. Kofi Anan and Emeka Anyaoku meet with Chief M.K.O Abiola, unconfirmed sources said they had urged the latter to relinquish his acclaimed 12 June 1993 mandate in the interest of peace and stability of the nation</p> <p>7 Jul: Chief M.K.O Abiola, acclaimed winner of 12 June 1993 presidential election dies of cardiac arrest in Abuja while having a meeting with a combined team of Nigerian and United States official to end the political stalemate. His death was greeted by violent protests in the Southern part of the country</p>	<p>With the 'peaceful passing away of the Head of State, the selection of Abubarka as new Head of State, and the jubilant mood of the nation the power change resulting from the death of the head of State was well received.</p>	<p>In the second half of the year however the new government was highly consultative. The ailing Judiciary began to feel confident to pronounce judgement against the Federal government</p>	<p>The sudden death of the president in June widely credited to the pressures of the democratic struggle of the past years reversed the temporary lull and provided the natural tonic to kick-start democratic struggle again.</p>	<p>All that were to change in the second half of the year. Organisational freedom was revived as trade unions were restored and labour awarded overdue wage increases.</p>

Appendix 5A

DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1998ctd3	<p>9 Jul: PRC commutes to 25 years imprisonment the death sentences passed on Generals Diya, Adisa, and Olanrewaju by the SMT</p> <p>16 Jul: Secretary General of the Organization of African Unity (OAU), Dr Salim arrives Nigeria to consult with the Head of State on how to move the nation forward politically</p> <p>20 Jul: Federal Military Government dissolves all five political parties, cancel all elections held and releases new Transition Programme that will produce a democratically elected Government by May 29, 1999</p> <p>6 Aug: Head of State dissolves National Council of State and constitutes a new one, and repeal a number of Decrees that could hinder the enthronement of democracy</p> <p>11 Aug: Federal Military Government inaugurates a 14-member Independent Electoral Commission (INEC) with Hon. Justice Ephraim Akpata as Chairman</p> <p>Head of State signs new Decree giving legal backing to the restoration of freedom of the trade unions (NLC, NUPENG, PENGASSAN, and ASUU) banned by the Abacha regime</p> <p>23 Aug: Federal Military Government awards 600% wage increase to public sector workers who had for long been denied an opportunity to negotiate pay rise</p> <p>29 Aug: The G-34 transforms into a political party – Peoples Democratic Party</p> <p>7 Sep: The nineteen detained Ogoni youths regain their freedom on the orders of a Port Harcourt High Court</p> <p>8 Sep: Two other political parties, the All Peoples Party (APP) and Alliance for Democracy (AD) are launched in Abuja</p>				<p>The dissolution of the pro-Abacha political parties, the reconstitution of NCS, the inauguration of INEC; the formation of political parties by politicians themselves were indicative of improvement in commitment,</p>

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1998cld4	<p>9 Sep: Police announces the withdrawal of the treason charges against four Nigerian democracy activists forced into exile in 1996 among them Anthony Enahoro (the man who moved the motion for Nigerian independence on the floor of the House of Representative in 1959), and Prof. Wole Soyinka (Nigerian born literary Nobel price winner).</p> <p>5 Oct: Two-week registration of voters exercise begins nationwide</p> <p>6 Oct: NADECO chieftains, Dan Suleman, Bola Tinubu, Peter Obdua, and Tokumbo Afikuyomi return from exile to a tumultuous welcome by pro-democracy group all over the country</p> <p>14 Oct: Nobel Laureate Prof. Wole Soyinka returns to Nigeria from self exile in the United States</p> <p>19 Oct: INEC approves nine political parties out of 24 that submitted applications for registration but withholds final registration certificates pending the determination of the number of parties by the ARC</p> <p>20 Oct: Federal military Government inaugurates an 11 member Committee to harmonize divergent views on a new national minimum wage</p> <p>16 Nov: The Federal High Court in Lagos awards N2.5million damages to Obose Igiebor, daughter of Tell magazine's editor-in-chief, for unlawful and unconstitutional invasion of their residence by the Abacha Government security agents in 1997</p> <p>5 Dec: Local Government elections hold nationwide</p> <p>15 Dec: INEC issues certificate of registration to three political parties, AD, PDP and APP to contest the remaining elections of the transition programme</p> <p>21 Dec: Party primary elections hold to nominate candidates for the Gubernatorial and State Assembly elections slated for Jan. 9 1999</p>			<p>Twenty-four political parties in two months of inauguration of INEC indicated a very high level of democratic struggle</p>	<p>Individual freedom got a boost as political prisoners regain freedom; as treason charges against key PDA figures were withdrawn and exiled politician felt safe to return home.</p>

Appendix 5A

DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1999	<p>6 Jan: Following talks with labour and petroleum products marketers, Government announces new prices for petroleum products: increasing pump price of Petrol, Kerosene and Diesel</p> <p>9 Jan: Governorship and State Assembly elections hold nationwide with elections in Beyalsa State postponed due to the Niger Delta crisis</p> <p>19 Jan: Former American President, Jimmy Carter arrives Nigeria to hold talks with the Head of State, Gen. Abubarka on the democratization process</p> <p>13 –15 Feb: PDP and APP hold their conventions; Obasanjo and Onu emerge as respective presidential candidates of their Parties. The executive of AD adopts Olu Falae as the Party's presidential flag bearer</p> <p>20 Feb: National Assembly election hold nationwide except in Delta State (find reason)</p> <p>27 Feb: Presidential election holds between PDP's candidate, Olusegun Obasanjo and APP/AD consensus candidate Chief Olu Falae</p> <p>1 Mar: PDP presidential candidate, Olusegun Obasanjo is declared president-elect by the INEC.</p> <p>14 Mar: APP/AD candidate goes to court alleging electoral irregularities during the presidential election</p> <p>23 Mar: Federal military Government promulgates 14 new Decrees overriding existing anti-democratic laws</p> <p>6 Apr: NUPENG embarks on a strike action to protest the sacking of 3,000 of their members by Chevron's contracting firms</p> <p>13 Apr: NLC begins strike action in 28 States to press for the full implementation of the national minimum wage</p>	<p>Judging by media reports the Local Government, State and Federal elections were fairly free, fair and open. Its inclusiveness though was questionable as a large number of people in the Niger-Delta States could not participate due to violent demonstrations against environmental degradation by oil companies.</p> <p>The elections were also not regular judging by the fact the last elections took place in 1993.</p>	<p>Although the national assembly was elected in February the structure of the legislature remained the same as in 1998.</p> <p>By May, the three arms of government were in place with constitutional and technical separation between the executive and the legislature.</p> <p>Throughout 1999, both executives were highly consultative; a diarchy in the first half, by May civil participation was total</p>	<p>The political environment of 1998 continued to improve in all fronts: government by extensive consultation with labour averted a nation-wide strike that was to follow both the fuel price increase and the failure of State Governments to fully implement a national minimum wage.</p> <p>By the retirement of military officers known to have political interests, the Government was investing in potential stability as it intended for this to reduce the incidence of future military take-overs</p>	<p>Various indicators of democratic dividend improved. With successful transition commitment was at its record high in years.</p>

Appendix 5A

DATE	EVENT	EFFECT ON/ STATE OF LECTIVE PROCESS	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1999cid2	<p>5 May: Head of State, Gen. Abubarka signs new Constitution into law.</p> <p>14 May: NLC suspend strike action in 20 States following resumption of negotiations on phased implementation of the national minimum wage in these States</p> <p>17 May: Death rumour of the president-elect, Olusegun Obasanjo sparks off violent riots in Lagos</p> <p>17 May: Two military decrees promulgated to revoke 31 military decrees, including those which had suspended human rights provisions of the 1979 Constitution and removed the powers of the courts to challenge actions by the military government. Others were</p> <p>24 May: Lagos lawyer, Gani Fawehinmi sues Fed. Govt. over the new Constitution</p> <p>29 May: Obasanjo is sworn in as president and commander-in-chief of the Federal Republic of Nigeria</p> <p>4Jun: In political good gesture to remember the victims of anti-democratic governance, Governor of Lagos State, Bola Tinubu renames Louis Farrakhan Crescent after Walter Carrington former US Ambassador to Nigeria; Kingsway Road after Pa Alfred Rewane; and Oregun Road after Kudirat Abiola. In the same spirit on 7 June Federal Government renames a street each after late Chief M.K.O. Abiola and late Musa Yaradua</p> <p>8 Jun: Nigeria Labour Congress elects Adams Oshiomole as the president in the only election in many years without Government interference</p> <p>10 Jun: Federal Government retires 93 top military officers who had held political offices from 1985 to May 1999</p> <p>19 Jun: Federal Government approves the release of the remains of late Saro-Wiwa to his family for proper burial</p>		<p>With the promulgation of new Decrees that technically repealed many court ouster laws and the signing into law of the 1999 Constitution the support for the judiciary was well under way.</p>		<p>Various indicators of democratic dividend improved. With successful transition commitment was at its record high in years.</p> <p>A free and fair election without government intervention by the NLC, (the first in many years) set the tone for improved organizational freedom.</p> <p>The posthumous expression of individual human rights in the reburial of Ken Saro-Wiwa - the acclaimed Ogoni environmentalist underscored government commitment to democratic ideals</p>

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DATE	EVENT	EFFECT ON/ STATE OF POWER CHANGE	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
1999ctd3	<p>17 Jul: Violent clashes (blamed on disrespect for cultural differences) between Hausa and Yoruba communities in Shagamu claims hundred of lives. A retaliatory violence in Kano a week later (22 Jul) claimed even more lives. Federal Government responded by drafting Police to the areas and a Panel was set up to investigate the remote and immediate causes of the clashes</p> <p>21 Jul: Lagos State Governor, Bola Tinubu reinstates leader of Lagos State Council of Industrial Unions (COIU) Ayodele Akele who was sacked by the former Military Administrator of the State</p> <p>22 Jul: Speaker of the House of Representative, Salisu Ibrahim resigns from the House following after findings by the Police that he had falsified both his age and academic certificates to qualify to contest for the House election</p> <p>Dec: Senate President forced to resign on account of falsification of personal records</p>		<p>The forced resignations of the Speaker and the Senate President although blamed on falsification of personal records was in fact a sign that the legislature was gearing up for effective separation of powers</p>	<p>Violent clashes were indicative that although the a civil regime has been installed, the general political environment was stable yet.</p>	<p>Reinstatement of striking labour leaders was indicative of improving organizational freedom.</p>

Appendix 5A

YEAR	EVENT	EFFECT ON/ STATE OF LECTIVE PROCESS	EFFECT ON/ STATE OF GOVERNANCE	EFFECT ON/ STATE OF POLITICAL ENVIRONMENT	EFFECT ON/ STATE OF POLITICAL DIVIDEND
2000	<p>Jun: A Judicial Commission of inquiry headed by retired supreme court judge, Justice OPUTA instituted to investigate human rights violations that took place between 1984 and 1999, and make recommendations on how to redress the victims and prevent future occurrences.</p> <p>Oct: Mohammed Abacha, son of former head of state General Abacha, and four others, including senior security officials, are charged in connection with the murder in June 1996 of Kudirat Abiola.</p> <p>Oct: Major Mustafa, Abacha's security chief between 1993 and 1998 and an army doctor were charged in connection with the suspected murder in custody in December 1997 of retired Major-General Shehu Musa Yar'Adua, a prisoner of conscience and former deputy head of state.</p> <p>Nov., five senior armed forces and police officers were charged in connection with the attempted murder in February 1996 of Alex Ibru, a newspaper proprietor and former government minister.</p> <p>OTHER Dev.: Former military Heads of State President Ibrahim Babangida, and Buhari refuse to appear before the OPUTA Panel.</p>		That military officers were charged to civil courts for acts committed while in office gave hints of improving judicial function	<p>The OPUTA Panel as a truth and reconciliation process was expected to heal political wounds, but is doubtful if it did not in fact open the old wounds instead.</p> <p>The refusal of two past military leaders to appear before it was a sign that it may not achieve its intended objectives of correcting past miscarriages of justice</p>	

Notes: Columns 3 to 6 are author's analyses of the impacts of the events recorded in column 2.

Sources to Appendix 5A.

In addition to Newspaper reports, the events recorded in column 2 of Appendix 5A have been sourced the following publications.

1. Nigeria Handbook and Review, various years
2. Survey of Nigerian Affairs, various years
3. Kirk-Green and D. Rimer (1984: xi-xii)
4. Osaghae (1998: xvi-xxi).
5. Nigeria Year Book, various years
6. Ngeri-Nwagha, A., 1995: 454-471).
7. Fasokwu, L.. 1995. Nigeria: The Military and Political Leadership. Lagos: Polcom Press. P.17-29.
8. Tobi, N., 1992: 329-344).
9. Bassey (2000, Chapter 6).
10. Owasanoye, and Nwankwo (1999: 68-110).
11. Campaign for Democracy, 1998. A Special Report on Nigeria. Lagos: Panad Press. Chapter 5.

Appendix 5B Nigeria: Revenue allocation formula 1960-2000

YEAR	LEGAL BACKING	ALLOCATION AMONG TIERS OF GOVERNMENT				ALLOCATION OF \downarrow DPA AMONG STATES/REGIONS	
1960-1966	Section (147) of the 1959 Constitution; Section 140 (6) of the 1963 Constitution; Binns Revenue Commission of 1964	MRR \uparrow	ED \ddagger	XD \uparrow	MD \downarrow	North: 42% East: 30% West: 20% (28% from 1960-62) MidWest: 8% (from 1963). (above figures based on relative population - Rp)	
		\uparrow Drv: 50% FG: 15% \downarrow DPA: 35%	\uparrow Drv: 100%	\uparrow Drv: 100%	\uparrow Drv: 100%		
1967-1968	Decree No. 5 of 1967; Revenue Allocation Committee (Dina Commission) of 1967	MRR \uparrow	ED \ddagger	XD \uparrow	MD \downarrow	North (6 States): 42% equality of States (Eqs) East (3 States): 30% (Rp) West (2 States): 20% (Rp) Mid West (1 State): 8%	
		\uparrow Drv: 50% FG: 15% \downarrow DPA: 35%	\uparrow Drv: 100% FG: 0% \downarrow DPA: 0%	\uparrow Drv: 100% FG: 0% \downarrow DPA: 0%	\uparrow Drv: 100% FG: 0% \downarrow DPA: 0%		
1969-1971	Decree 13 of 1970; Off-shore Oil Revenue Decree 9 of 1971 (retrospective effect from 1969)	MRR \uparrow	ED \ddagger	XD \uparrow	MD \downarrow	\uparrow Drv: 0% Eqs: 50% Rp: 50%	
		\uparrow Drv: 45% FG: 5% \downarrow DPA: 50%	\uparrow Drv: 0% FG: 50% \downarrow DPA: 50%	\uparrow Drv: 87% FG: 0% \downarrow DPA: 13%	\uparrow Drv: 0% FG: 50% \downarrow DPA: 50%		
1972-1974	Amendment to Decree 9 of 1971	MRR \uparrow		ED \ddagger	XD \uparrow	MD \downarrow	\uparrow Drv: 0% Eqs: 50% Rp: 50%
		Off-shore	On-shore				
		\uparrow Drv: 0% FG: 100% \downarrow DPA: 0%	\uparrow Drv: 45% FG: 5% \downarrow DPA: 50%	\uparrow Drv: 0% FG: 50% \downarrow DPA: 50%	\uparrow Drv: 87% FG: 0% \downarrow DPA: 13%	\uparrow Drv: 0% FG: 50% \downarrow DPA: 50%	

Appendix 5B: Nigeria's Revenue Allocation Formula 1960-2000 2/3

YEAR	LEGAL BACKING	ALLOCATION AMONG TIERS OF GOVERNMENT					ALLOCATION OF ‡DPA AMONG STATES/REGIONS
		MRR†		ED‡	XD†	MD‡	
1975- 1976	Amendment to Decree 9 of 1971	Off-shore	On-shore	‡Drv: 0%	‡Drv: 0%	‡Drv: 0%	‡Drv: 0% Eqs: 50% Rp: 50%
		‡Drv: 0% FG: 0% ‡DPA:100%	‡Drv: 20% FG: 0% ‡DPA: 80%	FG: 50% ‡DPA: 50%	FG: 0% ‡DPA: 100%	FG: 0% ‡DPA: 100%	
1977- 1981	Technical Committee on Revenue Allocation (Aboyade Commission of 1977); Presidential Commission on Revenue Allocation (Okigbo Commission) of 1979	Federation Account (On-shore MMR + ED + XD† + MD‡)					‡Drv: 0% Eqs: 50% Rp: 50%
		FG: 60%	‡DPA (States): 30%	LGs: 10%			
1982- 1989	Revenue Act of 1981	Federation Account (On-shore MMR† + ED‡ + XD† + MD‡)					‡Drv: 10% Eqs: 35% Rp: 35% Dev: 13% Ref: 4% Ecof: 3%
		FG: 55%	‡DPA (States): 35%	LGs: 10%			

Appendix 5B: Nigeria's Revenue Allocation Formula 1960-2000 3/3

YEAR	LEGAL BACKING/COMMISSION	ALLOCATION AMONG TIERS OF GOVERNMENT	ALLOCATION OF †DPA AMONG STATES/REGIONS	
1990-1995	National Revenue Mobilization Allocation and Fiscal Commission of 1989 (Danjuma Commission)	Federation Account (MMR† + ED‡ + XD† + MD)	†Drv: 0% Eqs: 40% Rp: 30% Dev: 10% Ref: 10% Ecof: 0% Ldm: 10%	
		FG: 50%		5% SPF Allocation
		†DPA (States): 30%		Fed. Capital development: 1% Economic stabilization Fund: 0.5%
		LGs: 15%		Derivation (†Drv): 1% Development need (Dev): 1.5%
		SPF: 5%	Ecological Fund (Ecof): 1%	
1996-1999	Section 162(2) of the 1999 Constitution of the Federal Republic of Nigeria.	Federation Account (MMR† + ED‡ + XD† + MD)	ALLOCATION OF †DPA AMONG STATES/REGIONS	
		FG: 50%		5% SPF Allocation
		†DPA (States): 30%		Fed. Capital development: 1% Economic stabilization Fund: 0.5%
		LGs: 15%		Derivation (†Drv): 1% Development need (Dev): 1.5%
		SPF: 5%	Ecological Fund (Ecof): 1%	

Notes:

MRR† = revenue from mineral rent and royalty; ED‡ = revenue from excise duty; XD† = revenue from export duty; MD = revenue from import duty; FG = allocation to federal government; †DPA = allocation to distributable pool account from which State allocation is made; LGs = allocation to local government; †Drv = allocation on the basis of derivation; SPF = allocation to federal government administered special fund; Dev = allocation on the basis of development needs of a State; Eqs = allocation on the basis of equal responsibility of States; Rp = allocation on the basis of relative population of States; Ref = allocation on the basis of internal revenue effort of States; Ecof = allocation to ecological Fund to take care of ecological problems of oil producing areas; Ldm = allocation on the basis of land mass of States

Sources: In addition to the legal provisions and Reports of Revenue Allocation Commissions recorded in column 2, information have been sourced from the following: Oyovbaire (1985: 162-182), Ekpo (1994: 110-146), Olaniyi (2001), and Ikien and Brigg-Anigboh (1998).

Appendix 5C: Demand for and Creation of New States in Nigeria 1960-1997.

YEAR	NUMBR OF EXISTING STATES/REGIONS	DEMANDS FOR NEW STATES/REGIONS	NEW STATES/REGIONS CREATED	TOTAL NUMBER OF STATAES/REGIONS
1960	3		0	3
1963	3	10	1	4
1967	4	14	8	12
1976	12	32	7	19
1987	19	41	2	21
1991	21	46	9	30
1996-2000	30	72	6	36

Sources: *Report of Willink Commission of the Creation of Regions 1959;*
Report of Justice Ayo Irekefe Commission on State Creation 1976;
Report of Arthur Mbanefo Panel on State and Local Government Creation, and Boundary Adjustments 1996
National Broadcast by the Head of State of Nigeria, General Sani Abacha,
on the 36th Anniversary of Nigeria's Independence. 1 October.

Appendix 5D.1 Nigeria: Demand for State creation, derivationists agitations and revenue allocation as indicators of Tension Generation and Tension Alleviation 1960-2000

YEAR	Demand		Actual				Tension Generation.		Tension Alleviation		Average Tension		Average Tension (25ptscale)	
	State	Rev.	State	Revenue			State	Rev.	State	Rev.	Gen.	Allev.	Gen.	Allev.
				MMR*	MMR%	Wtd. Av.								
1960	10	50	3	50	0.088	4.400	0.700	0.912	0.300	0.088	0.806	0.194	20.150	4.850
1961	10	50	3	50	0.088	4.400	0.700	0.912	0.300	0.088	0.806	0.194	20.150	4.850
1962	10	50	3	50	0.088	4.400	0.700	0.912	0.300	0.088	0.806	0.194	20.150	4.850
1963	10	50	4	50	0.088	4.400	0.600	0.912	0.400	0.088	0.756	0.244	18.900	6.100
1964	10	50	4	50	0.088	4.400	0.600	0.912	0.400	0.088	0.756	0.244	18.900	6.100
1965	18	50	4	50	0.088	4.400	0.778	0.912	0.222	0.088	0.845	0.155	21.122	3.878
1966	18	50	4	50	0.088	4.400	0.778	0.912	0.222	0.088	0.845	0.155	21.122	3.878
1967	18	50	12	50	0.088	4.400	0.333	0.912	0.667	0.088	0.623	0.377	15.567	9.433
1968	18	50	12	50	0.088	4.400	0.333	0.912	0.667	0.088	0.623	0.377	15.567	9.433
1969	18	50	12	45	0.088	3.960	0.333	0.921	0.667	0.079	0.627	0.373	15.677	9.323
1970	18	50	12	45	0.263	11.835	0.333	0.763	0.667	0.237	0.548	0.452	13.708	11.292
1971	21	50	12	45	0.436	19.620	0.429	0.608	0.571	0.392	0.518	0.482	12.952	12.048
1972	21	50	12	25	0.544	13.600	0.429	0.728	0.571	0.272	0.578	0.422	14.457	10.543
1973	21	50	12	25	0.599	14.975	0.429	0.701	0.571	0.300	0.565	0.435	14.113	10.887
1974	21	50	12	25	0.821	20.525	0.429	0.590	0.571	0.411	0.509	0.491	12.726	12.274
1975	21	50	12	10	0.775	7.750	0.429	0.845	0.571	0.155	0.637	0.363	15.920	9.080
1976	32	50	19	10	0.793	7.930	0.406	0.841	0.594	0.159	0.624	0.376	15.596	9.404
1977	32	50	19	3.5	0.756	2.646	0.406	0.947	0.594	0.053	0.677	0.323	16.917	8.083
1978	32	50	19	3.5	0.631	2.209	0.406	0.956	0.594	0.044	0.681	0.319	17.026	7.974
1979	32	50	19	3.5	0.814	2.849	0.406	0.943	0.594	0.057	0.675	0.325	16.866	8.134
1980	32	50	19	3.5	0.796	2.786	0.406	0.944	0.594	0.056	0.675	0.325	16.882	8.118
1981	32	50	19	3.5	0.644	2.254	0.406	0.955	0.594	0.045	0.681	0.319	17.015	7.985
1982	32	50	19	3.5	0.683	2.391	0.406	0.952	0.594	0.048	0.679	0.321	16.981	8.020
1983	32	50	19	3.5	0.69	2.415	0.406	0.952	0.594	0.048	0.679	0.321	16.974	8.026
1984	32	50	19	3.5	0.735	2.573	0.406	0.949	0.594	0.051	0.677	0.323	16.935	8.065
1985	32	50	19	3.5	0.726	2.541	0.406	0.949	0.594	0.051	0.678	0.322	16.943	8.057
1986	32	50	19	3.5	0.644	2.254	0.406	0.955	0.594	0.045	0.681	0.319	17.015	7.985
1987	32	50	21	3.5	0.75	2.625	0.344	0.948	0.656	0.053	0.646	0.354	16.141	8.859
1988	41	50	21	3.5	0.719	2.517	0.488	0.950	0.512	0.050	0.719	0.281	17.968	7.032
1989	41	50	21	3.5	0.726	2.541	0.488	0.949	0.512	0.051	0.718	0.282	17.962	7.038
1990	41	50	21	1	0.733	0.733	0.488	0.985	0.512	0.015	0.737	0.263	18.414	6.586
1991	41	50	30	1	0.819	0.819	0.268	0.984	0.732	0.016	0.626	0.374	15.649	9.351
1992	46	50	30	1	0.862	0.862	0.348	0.983	0.652	0.017	0.665	0.335	16.632	8.368
1993	46	50	30	1	0.841	0.841	0.348	0.983	0.652	0.017	0.666	0.334	16.638	8.362
1994	46	50	30	1	0.793	0.793	0.348	0.984	0.652	0.016	0.666	0.334	16.650	8.350
1995	46	50	36	1	0.706	0.706	0.217	0.986	0.783	0.014	0.602	0.398	15.041	9.959
1996	46	50	36	13	0.71	9.230	0.217	0.815	0.783	0.185	0.516	0.484	12.910	12.090
1997	72	50	36	13	0.715	9.295	0.500	0.814	0.500	0.186	0.657	0.343	16.426	8.574
1998	72	50	36	13	0.625	8.125	0.500	0.838	0.500	0.163	0.669	0.331	16.719	8.281
1999	72	50	36	13	0.625	8.125	0.500	0.838	0.500	0.163	0.669	0.331	16.719	8.281
2000	72	50	36	13	0.625	8.125	0.500	0.838	0.500	0.163	0.669	0.331	16.719	8.281

Sources: Calculated by author from Appendices 5B, and 5C. Note: * as in Appendix 5B.

Appendix 5D.2 Nigeria: Regimes, constitutional/corrective terms and actual duration in office.

S/N	Regime/leadership	Constitutional/ corrective term	Actual period in office		
			Inside mandate	Outside mandate	Total
1	Prime Minister Tafawa Balewa: elected under parliamentary democracy	1960-1964	5	0	5
2	Prime Minister Tafawa Balewa: elected under parliamentary democracy (second term)	1965-1968	1	0	1
3	General Aguiyi Ironsi: selected by the invitation of the Senate President after the failure of the January 1966 coup	1966-1968	0	0	0
4	General Yakubu Gowon: selected following the counter coup of July 1966 (civil war)	1966-1970	4	1	5
5	General Yakubu Gowon: continued to oversee post war reconstruction (post civil war)	1971-1976	4	0	4
6	General Muritala Mohammed/ Obasanjo: Mohammed was selected following a successful coup, but was himself assassinated in an unsuccessful counter coup. His deputy, General Olusegun Obasanjo assumed office	1975-1979	4	0	4
7	President Shehu Shagari: elected under a presidential democracy	1980-1983	4	0	4
8	President Shehu Shagari: elected under a presidential democracy (second term)	1984-1987	0	0	0
9	General Buhari: selected following a successful coup	1984-1987	1	0	1
10	General Ibrahim Babangida: selected following a successful counter coup	1985-1987	2	6	8
11	Mr. Shonekan: selected to head the interim national government (ING) after Babangida vacated office following the stalemate in the 12 June elections	1993-1994	0	0	0
12	General Sani Abacha: selected following a successful coup	1993-1994	1	4	5
13	General Abdulsalami Abubakar: selected following the death in office of Gen. Sani Abacha	1998-1999	1	0	1
14	President Olusegun Obasanjo: elected under presidential democracy	2000-2003	??		

Source: Appendix 5A.

Appendix 5D.3 Nigeria: Civil war, state of emergency, and public sector industrial unrest as indicators of Crisis and Instability 1960-2000.

YR	Trade	Work	Workers	Worker	Civil	State of	Crisis &
	Disputes	Stoppages	involved	(1-10 scale)	War	Emergency	Instability
1960	0	0	0	0	0	0	0
1961	0	0	0	0	0	0	0
1962	0	0	0	0	0	15	15
1963	0	0	0	0	0	0	0
1964	0	0	0	0	0	0	0
1965	0	0	0	0	0	0	0
1966	0	0	0	0	0	15	15
1967	0	0	0	0	20	0	20
1968	0	0	0	0	20	0	20
1969	0	0	0	0	20	0	20
1970	165	44	14784	1	0	0	1
1971	296	165	77104	1	0	0	1
1972	196	64	52748	1	0	0	1
1973	173	60	33963	1	0	0	1
1974	338	129	62565	1	0	0	1
1975	775	346	107489	2	0	0	2
1976	230	125	52242	1	0	0	1
1977	172	93	59270	1	0	0	1
1978	142	78	105525	2	0	0	2
1979	155	755	204742	3	0	0	3
1980	355	265	221088	3	0	0	3
1981	258	234	323700	4	0	0	4
1982	341	253	2874721	12	0	0	12
1983	184	131	629177	7	0	0	7
1984	100	49	42046	1	0	0	1
1985	77	40	19907	1	0	0	1
1986	87	53	157165	2	0	0	2
1987	65	38	57097	1	0	0	1
1988	156	124	55620	1	0	0	1
1989	144	80	157342	2	0	0	2
1990	174	102	254540	3	0	0	3
1991	204	117	460471	5	0	0	5
1992	221	124	238324	3	0	0	3
1993	160	90	880224	8	0	0	8
1994	199	110	1541146	10	0	0	10
1995	46	26	193944	2	0	0	2
1996	114	101	1246119	10	0	0	10
1997	97	89	1128575	10	0	0	10
1998	115	108	1307007	10.000	0	0	10
1999	120	112	1182829	10.000	0	0	10
2000	102	98	1375902	10.000	0	0	10

Sources: Columns 2-3 from Central Bank of Nigeria Annual Abstract of Statistics, various years. Columns 4-8 calculated by author from information in Appendix 5A.

Appendix 5D.4 Nigeria: Growth of Human Rights Organisations(HROs) and Prodemocracy Activists (PDAs) 1960-2000.

YR	HROs	PDAs	Wt.Total	Total(25-point scale)
1960	1	0	5	0.694
1961	1	0	5	0.694
1962	1	0	5	0.694
1963	1	0	5	0.694
1964	1	0	5	0.694
1965	1	0	5	0.694
1966	1	0	5	0.694
1967	2	0	10	1.389
1968	2	0	10	1.389
1969	2	0	10	1.389
1970	2	0	10	1.389
1971	3	0	15	2.083
1972	3	0	15	2.083
1973	3	0	15	2.083
1974	3	0	15	2.083
1975	3	0	15	2.083
1976	3	0	15	2.083
1977	3	0	15	2.083
1978	3	0	15	2.083
1979	3	0	15	2.083
1980	3	0	15	2.083
1981	3	0	15	2.083
1982	3	0	15	2.083
1983	3	0	15	2.083
1984	4	0	20	2.778
1985	4	0	20	2.778
1986	5	0	25	3.472
1987	5	1	35	4.861
1988	6	2	50	6.944
1989	6	3	60	8.333
1990	9	5	95	13.194
1991	10	6	110	15.278
1992	12	7	130	18.056
1993	12	8	140	19.444
1994	12	10	160	22.222
1995	12	11	170	23.611
1996	12	11	170	23.611
1997	12	12	180	25.000
1998	12	12	180	25.000
1999	12	12	180	25.000
2000	12	12	180	25.000

Sources: Calculated by author from Appendix 5A, and Ngeri-Nwagha (1995).

Appendix 5E.1 Nigeria: Index of Power Change 1960-2000

POWER CHANGE									
	ELECTION					SELECTION			
YEAR	Regu.	Inclu.	Open	Fair	Total	Peace	Viol.	Total	GINC
	1	2	3	4	5=1+2+3+4	6	7	8=6-7	GINC=5+8
1960	21.000	10.000	21.000	12.000	64.000	0.000	0.000	0.000	64.000
1961	21.000	20.000	22.000	12.000	75.000	0.000	0.000	0.000	75.000
1962	19.000	16.000	19.000	10.000	64.000	0.000	0.000	0.000	64.000
1963	19.000	14.000	19.000	10.000	62.000	0.000	0.000	0.000	62.000
1964	20.000	5.000	17.000	5.000	47.000	0.000	0.000	0.000	47.000
1965	19.000	4.000	15.000	4.000	42.000	0.000	0.000	0.000	42.000
1966	0.000	0.000	0.000	0.000	0.000	5.000	10.000	-5.000	-5.000
1967	0.000	0.000	0.000	0.000	0.000	4.000	12.000	-8.000	-8.000
1968	0.000	0.000	0.000	0.000	0.000	3.000	17.000	-14.000	-14.000
1969	0.000	0.000	0.000	0.000	0.000	2.000	19.000	-17.000	-17.000
1970	0.000	0.000	0.000	0.000	0.000	12.000	4.000	8.000	8.000
1971	0.000	0.000	0.000	0.000	0.000	14.000	4.000	10.000	10.000
1972	0.000	0.000	0.000	0.000	0.000	15.000	3.000	12.000	12.000
1973	0.000	0.000	0.000	0.000	0.000	17.000	3.000	14.000	14.000
1974	0.000	0.000	0.000	0.000	0.000	14.000	5.000	9.000	9.000
1975	0.000	0.000	0.000	0.000	0.000	16.000	3.000	13.000	13.000
1976	0.000	0.000	0.000	0.000	0.000	15.000	5.000	10.000	10.000
1977	0.000	0.000	0.000	0.000	0.000	16.000	3.000	13.000	13.000
1978	0.000	0.000	0.000	0.000	0.000	16.000	3.000	13.000	13.000
1979	16.000	19.000	20.000	14.000	69.000	0.000	0.000	0.000	69.000
1980	16.000	19.000	19.000	18.000	72.000	0.000	0.000	0.000	72.000
1981	17.000	20.000	20.000	17.000	74.000	0.000	0.000	0.000	74.000
1982	16.000	19.000	20.000	17.000	72.000	0.000	0.000	0.000	72.000
1983	21.000	10.000	7.000	4.000	42.000	0.000	0.000	0.000	42.000
1984	0.000	0.000	0.000	0.000	0.000	9.000	3.000	6.000	6.000
1985	0.000	0.000	0.000	0.000	0.000	13.000	3.000	10.000	10.000
1986	0.000	0.000	0.000	0.000	0.000	14.000	3.000	11.000	11.000
1987	21.000	12.000	13.000	16.000	62.000	13.000	3.000	10.000	72.000
1988	19.000	13.000	13.000	16.000	61.000	0.000	0.000	0.000	61.000
1989	20.000	14.000	12.000	17.000	63.000	0.000	0.000	0.000	63.000
1990	20.000	15.000	9.000	16.000	60.000	0.000	5.000	-5.000	55.000
1991	17.000	13.000	10.000	18.000	58.000	0.000	0.000	0.000	58.000
1992	14.000	13.000	9.000	18.000	54.000	0.000	0.000	0.000	54.000
1993	0.000	0.000	0.000	0.000	0.000	13.000	2.000	11.000	11.000
1994	0.000	0.000	0.000	0.000	0.000	5.000	2.000	3.000	3.000
1995	0.000	0.000	0.000	0.000	0.000	5.000	2.000	3.000	3.000
1996	0.000	0.000	0.000	0.000	0.000	5.000	2.000	3.000	3.000
1997	0.000	0.000	0.000	0.000	0.000	5.000	2.000	3.000	3.000
1998	0.000	0.000	0.000	0.000	0.000	12.000	0.000	12.000	12.000
1999	14.000	10.000	15.000	17.000	56.000	0.000	0.000	0.000	56.000
2000	14.000	10.000	15.000	17.000	56.000	0.000	0.000	0.000	56.000

Note: Regu = regularity; Inclu = inclusiveness;
 Open = openness; Fair = fairness; Peace = peaceful;
 Viol = violence; GINC = index of power change.

Source: Author's construction based on appendix 5A (see Ch.5)

Appendix 5E.2 Nigeria: Index of Quality of Governance 1960-2000

QUALITY OF GOVERNANCE											
	EXECUTIVE QUALITY			LEGISLATIVE QUALITY			JUCIARY QUALITY				
YEAR	O-	Civi-		Leg-	Leg-		Con-	Jud-			
	Consult.	Part	Total	Ind	Ftn	Total	sport	Ind.	Total	Q/G	Q/G%
	1	2	3=1+2	4	5	6=4+5	7	8	9=7+8	10=3+6+9	11=10/150
1960	19.000	21.000	40.000	13.000	15.000	28.000	18.000	16.000	34.000	102.000	68.000
1961	20.000	21.000	41.000	13.000	14.000	27.000	18.000	16.000	34.000	102.000	68.000
1962	22.000	19.000	41.000	11.000	12.000	23.000	17.000	15.000	32.000	96.000	64.000
1963	23.000	18.000	41.000	11.000	12.000	23.000	19.000	17.000	36.000	100.000	66.667
1964	20.000	18.000	38.000	12.000	12.000	24.000	19.000	17.000	36.000	98.000	65.333
1965	18.000	18.000	36.000	12.000	12.000	24.000	19.000	17.000	36.000	96.000	64.000
1966	14.000	12.000	26.000	5.000	5.000	10.000	8.000	8.000	16.000	52.000	34.667
1967	14.000	14.000	28.000	5.000	5.000	10.000	7.000	8.000	15.000	53.000	35.333
1968	12.000	11.000	23.000	5.000	5.000	10.000	6.000	7.000	13.000	46.000	30.667
1969	12.000	11.000	23.000	5.000	5.000	10.000	6.000	7.000	13.000	46.000	30.667
1970	13.000	13.000	26.000	5.000	5.000	10.000	7.000	8.000	15.000	51.000	34.000
1971	13.000	11.000	24.000	5.000	5.000	10.000	7.000	8.000	15.000	49.000	32.667
1972	13.000	11.000	24.000	5.000	5.000	10.000	7.000	8.000	15.000	49.000	32.667
1973	9.000	11.000	20.000	5.000	5.000	10.000	7.000	8.000	15.000	45.000	30.000
1974	9.000	12.000	21.000	5.000	5.000	10.000	9.000	8.000	17.000	48.000	32.000
1975	9.000	13.000	22.000	5.000	5.000	10.000	7.000	8.000	15.000	47.000	31.333
1976	9.000	14.000	23.000	5.000	5.000	10.000	7.000	8.000	15.000	48.000	32.000
1977	11.000	15.000	26.000	5.000	5.000	10.000	7.000	8.000	15.000	51.000	34.000
1978	13.000	15.000	28.000	5.000	5.000	10.000	10.000	8.000	18.000	56.000	37.333
1979	17.000	20.000	37.000	15.000	15.000	30.000	15.000	15.000	30.000	97.000	64.667
1980	19.000	20.000	39.000	15.000	15.000	30.000	16.000	17.000	33.000	102.000	68.000
1981	16.000	20.000	36.000	15.000	15.000	30.000	16.000	19.000	35.000	101.000	67.333
1982	16.000	20.000	36.000	15.000	15.000	30.000	16.000	19.000	35.000	101.000	67.333
1983	14.000	20.000	34.000	15.000	15.000	30.000	16.000	19.000	35.000	99.000	66.000
1984	9.000	6.000	15.000	5.000	5.000	10.000	7.000	10.000	17.000	42.000	28.000
1985	12.000	8.000	20.000	5.000	5.000	10.000	9.000	10.000	19.000	49.000	32.667
1986	11.000	10.000	21.000	5.000	5.000	10.000	9.000	9.000	18.000	49.000	32.667
1987	11.000	10.000	21.000	5.000	5.000	10.000	7.000	9.000	16.000	47.000	31.333
1988	13.000	12.000	25.000	5.000	5.000	10.000	7.000	9.000	16.000	51.000	34.000
1989	13.000	12.000	25.000	5.000	5.000	10.000	9.000	9.000	18.000	53.000	35.333
1990	12.000	12.000	24.000	5.000	5.000	10.000	7.000	9.000	16.000	50.000	33.333
1991	12.000	14.000	26.000	5.000	5.000	10.000	6.000	9.000	15.000	51.000	34.000
1992	12.000	15.000	27.000	10.000	10.000	20.000	6.000	9.000	15.000	62.000	41.333
1993	12.000	15.000	27.000	10.000	10.000	20.000	6.000	5.000	11.000	58.000	38.667
1994	8.000	14.000	22.000	5.000	5.000	10.000	4.000	4.000	8.000	40.000	26.667
1995	7.000	15.000	22.000	5.000	5.000	10.000	4.000	4.000	8.000	40.000	26.667
1996	6.000	15.000	21.000	5.000	5.000	10.000	3.000	3.000	6.000	37.000	24.667
1997	4.000	11.000	15.000	5.000	5.000	10.000	3.000	3.000	6.000	31.000	20.667
1998	9.000	11.000	20.000	5.000	5.000	10.000	3.000	7.000	10.000	40.000	26.667
1999	17.000	21.000	38.000	15.000	15.000	30.000	16.000	12.000	28.000	96.000	64.000
2000	17.000	21.000	38.000	15.000	15.000	30.000	16.000	12.000	28.000	96.000	64.000

Note: Oconsult = consultation with opposition; Civipart = civil participation; Legind = legislative independence; LedFtn = legislative function; Consport = constitutional support; Judind = judiciary independence

Source: Author's construction based on appendix 5A (see Ch5)

Appendix 5E.3 Nigeria: Index of Political Environment 1960-2000

POLITICAL ENVIRONMENT										
	POTENTIAL STABILITY			ACTUAL STABILITY			DEMOCRATIC STRUGGLE			
YEAR	Tgen	Talv	Total	Lorder	Crlnst	TOTAL	Ofds	Acds	TOTAL	PIE
	1	2	3=2/1*25	4	5	6=4-5	7	8	9=7+8	10=3+6-9
1960	20.150	4.850	6.017	20.000	0.000	20.000	0.694	11.000	11.694	14.323
1961	20.150	4.850	6.017	20.000	0.000	20.000	0.694	10.000	10.694	15.323
1962	20.150	4.850	6.017	20.000	15.000	5.000	0.694	10.000	10.694	0.323
1963	18.900	6.100	8.069	20.000	0.000	20.000	0.694	13.000	13.694	14.375
1964	18.900	6.100	8.069	20.000	0.000	20.000	0.694	14.000	14.694	13.375
1965	21.122	3.878	4.590	5.000	0.000	5.000	0.694	16.000	16.694	-7.104
1966	21.122	3.878	4.590	0.000	15.000	-15.000	0.694	12.000	12.694	-23.104
1967	15.567	9.433	15.149	0.000	20.000	-20.000	1.389	8.000	9.389	-14.240
1968	15.567	9.433	15.149	0.000	20.000	-20.000	1.389	5.000	6.389	-11.240
1969	15.677	9.323	14.867	0.000	20.000	-20.000	1.389	4.000	5.389	-10.522
1970	13.708	11.292	20.594	0.000	1.000	-1.000	1.389	5.000	6.389	13.205
1971	12.952	12.048	23.255	9.000	1.000	8.000	2.083	8.000	10.083	21.172
1972	14.457	10.543	18.232	9.000	1.000	8.000	2.083	8.000	10.083	16.149
1973	14.113	10.887	19.285	9.000	1.000	8.000	2.083	9.000	11.083	16.202
1974	12.726	12.274	24.112	2.000	1.000	1.000	2.083	11.000	13.083	12.029
1975	15.920	9.080	14.259	0.000	2.000	-2.000	2.083	11.000	13.083	-0.824
1976	15.596	9.404	15.074	12.000	1.000	11.000	2.083	11.000	13.083	12.991
1977	16.971	8.083	11.907	12.000	1.000	11.000	2.083	12.000	14.083	8.824
1978	17.026	7.974	11.709	12.000	2.000	10.000	2.083	12.000	14.083	7.626
1979	16.866	8.134	12.057	12.000	3.000	9.000	2.083	12.000	14.083	6.974
1980	16.882	8.118	12.022	20.000	3.000	17.000	2.083	13.000	15.083	13.939
1981	17.015	7.985	11.732	20.000	4.000	16.000	2.083	14.000	16.083	11.649
1982	16.981	8.020	11.807	20.000	3.000	17.000	2.083	14.000	16.083	12.724
1983	16.974	8.026	11.821	20.000	7.000	13.000	2.083	14.000	16.083	8.738
1984	16.935	8.065	11.906	0.000	1.000	-1.000	2.778	9.000	11.778	-0.872
1985	16.943	8.057	11.888	0.000	1.000	-1.000	2.778	8.000	10.778	0.110
1986	17.015	7.985	11.732	9.000	2.000	7.000	3.472	12.000	15.472	3.260
1987	16.141	8.859	13.721	9.000	1.000	8.000	4.861	13.000	17.861	3.860
1988	17.968	7.032	9.784	3.000	1.000	2.000	6.944	14.000	20.944	-9.160
1989	17.962	7.038	9.796	3.000	2.000	1.000	8.333	14.000	22.333	-11.537
1990	18.414	6.586	8.942	3.000	3.000	0.000	13.194	15.000	28.194	-19.252
1991	15.649	9.351	14.939	3.000	5.000	-2.000	15.278	17.000	32.278	-19.339
1992	16.632	8.368	12.578	3.000	3.000	0.000	18.056	18.000	36.056	-23.478
1993	16.638	8.362	12.565	0.000	8.000	-8.000	19.444	21.000	40.444	-35.879
1994	16.650	8.350	12.538	9.000	10.000	-1.000	22.222	22.000	44.222	-32.684
1995	15.014	9.959	16.583	3.000	2.000	1.000	23.611	23.000	46.611	-29.028
1996	12.910	12.090	23.412	3.000	10.000	-7.000	23.611	23.000	46.611	-30.199
1997	16.426	8.574	13.049	3.000	10.000	-7.000	25.000	23.000	48.000	-41.951
1998	16.719	8.281	12.383	0.000	10.000	-10.000	25.000	23.000	48.000	-45.617
1999	18.750	6.250	8.333	12.000	10.000	2.000	25.000	17.000	42.000	-31.667
2000	18.750	6.250	8.333	20.000	10.000	10.000	25.000	14.000	39.000	-20.667

Note: Tgen = tension generation; Talv = tension alleviation; Lorder = law and order; Crlnst = crisis and instability; Ofds = organisational framework for democratic struggle; Acds = actual democratic struggle

Source: Author's construction based on appendix 5A (see Ch5)

Appendix 5E.4 Nigeria: Index of Democratic Dividend 1960-2000

DEMOCRATIC DIVIDEND							
	LIBERTY			DEMOCRATIC HOPE			
YEAR	Orgfree	Indfree	Total	Promt	Commit.	Total	
PIE							PID
Score	1	2	3=2+1	4	5	6=4+5	7=3+6
1960	20.000	16.000	36.000	16.000	17.000	33.000	69.000
1961	20.000	16.000	36.000	16.000	18.000	34.000	70.000
1962	16.000	14.000	30.000	16.000	18.000	34.000	64.000
1963	15.000	14.000	29.000	16.000	19.000	35.000	64.000
1964	15.000	12.000	27.000	15.000	19.000	34.000	61.000
1965	14.000	10.000	24.000	15.000	19.000	34.000	58.000
1966	8.000	9.000	17.000	9.000	5.000	14.000	31.000
1967	4.000	7.000	11.000	5.000	8.000	13.000	24.000
1968	4.000	7.000	11.000	5.000	8.000	13.000	24.000
1969	4.000	7.000	11.000	5.000	8.000	13.000	24.000
1970	10.000	8.000	18.000	14.000	10.000	24.000	42.000
1971	12.000	6.000	18.000	14.000	10.000	24.000	42.000
1972	13.000	6.000	19.000	15.000	11.000	26.000	45.000
1973	13.000	6.000	19.000	15.000	12.000	27.000	46.000
1974	13.000	6.000	19.000	8.000	10.000	18.000	37.000
1975	13.000	6.000	19.000	13.000	12.000	25.000	44.000
1976	13.000	6.000	19.000	13.000	16.000	29.000	48.000
1977	13.000	7.000	20.000	13.000	17.000	30.000	50.000
1978	15.000	9.000	24.000	13.000	19.000	32.000	56.000
1979	16.000	10.000	26.000	14.000	20.000	34.000	60.000
1980	20.000	16.000	36.000	14.000	20.000	34.000	70.000
1981	19.000	12.000	31.000	14.000	20.000	34.000	65.000
1982	19.000	12.000	31.000	14.000	19.000	33.000	64.000
1983	18.000	12.000	30.000	15.000	18.000	33.000	63.000
1984	12.000	8.000	20.000	4.000	8.000	12.000	32.000
1985	10.000	9.000	19.000	5.000	8.000	13.000	32.000
1986	8.000	9.000	17.000	5.000	10.000	15.000	32.000
1987	7.000	11.000	18.000	6.000	14.000	20.000	38.000
1988	7.000	11.000	18.000	6.000	15.000	21.000	39.000
1989	5.000	12.000	17.000	6.000	18.000	24.000	41.000
1990	5.000	12.000	17.000	6.000	19.000	25.000	42.000
1991	5.000	11.000	16.000	6.000	20.000	26.000	42.000
1992	6.000	11.000	17.000	6.000	15.000	21.000	38.000
1993	4.000	9.000	13.000	6.000	7.000	13.000	26.000
1994	3.000	4.000	7.000	6.000	4.000	10.000	17.000
1995	2.000	3.000	5.000	6.000	6.000	12.000	17.000
1996	2.000	4.000	6.000	6.000	6.000	12.000	18.000
1997	2.000	2.000	4.000	6.000	6.000	12.000	16.000
1998	12.000	14.000	26.000	10.000	12.000	22.000	48.000
1999	15.000	15.000	30.000	11.000	17.000	28.000	58.000
2000	15.000	15.000	30.000	11.000	17.000	28.000	58.000

Note: Orgfree = organisational freedom;
Indfree = individual freedom;
Promt = pronouncement; Commit = commitment.

Source: Author's construction based on appendix 5A (see Ch5)

Appendix 5E.5 Nigeria: Summary of Democratization Indices 1960-2000

YEAR	GINC	QIG	PIE	PID	DIN ₁	DIN ₂ **
	1	2	3	4	5=(1+2+3+4)/4	6=[1*2*3*4]*100 ⁻³
1960	64.000	68.000	14.323	69.000	53.831	4.301
1961	75.000	68.000	15.323	70.000	57.081	5.470
1962	64.000	64.000	0.323	64.000	48.081	0.085
1963	62.000	66.667	14.375	64.000	51.760	3.803
1964	47.000	65.333	13.375	61.000	46.677	2.505
1965	42.000	64.000	-7.104	58.000	39.224	-1.108
1966	-5.000	34.667	-23.104	31.000	9.391	0.124
1967	-8.000	35.333	-14.240	24.000	9.273	0.097
1968	-14.000	30.667	-11.240	24.000	7.357	0.116
1969	-17.000	30.667	-10.522	24.000	6.786	0.132
1970	8.000	34.000	13.205	42.000	24.301	0.151
1971	10.000	32.667	21.172	42.000	26.460	0.290
1972	12.000	32.667	16.149	45.000	26.454	0.285
1973	14.000	30.000	16.202	46.000	26.551	0.313
1974	9.000	32.000	12.029	37.000	22.507	0.128
1975	13.000	31.333	-0.824	44.000	21.877	-0.015
1976	10.000	32.000	12.991	48.000	25.748	0.200
1977	13.000	34.000	8.824	50.000	26.456	0.195
1978	13.000	37.333	7.626	56.000	28.490	0.207
1979	69.000	64.667	6.974	60.000	50.160	1.867
1980	72.000	68.000	13.939	70.000	55.985	4.777
1981	74.000	67.333	11.649	65.000	54.496	3.773
1982	72.000	67.333	12.724	64.000	54.014	3.948
1983	42.000	66.000	8.738	63.000	44.935	1.526
1984	6.000	28.000	-0.872	32.000	16.282	-0.005
1985	10.000	32.667	0.110	32.000	18.694	0.001
1986	11.000	32.667	3.260	32.000	19.732	0.037
1987	72.000	31.333	3.860	38.000	36.298	0.331
1988	61.000	34.000	-9.160	39.000	31.210	-0.741
1989	63.000	35.333	-11.537	41.000	31.949	-1.053
1990	55.000	33.333	-19.252	42.000	27.770	-1.482
1991	58.000	34.000	-19.339	42.000	28.665	-1.602
1992	54.000	41.333	-23.478	38.000	27.464	-1.991
1993	11.000	38.667	-35.879	26.000	9.947	-0.397
1994	3.000	26.667	-32.684	17.000	3.496	-0.044
1995	3.000	26.667	-29.028	17.000	4.410	-0.039
1996	3.000	24.667	-30.199	18.000	3.867	-0.040
1997	3.000	20.667	-41.951	16.000	-0.571	-0.042
1998	12.000	26.667	-45.617	48.000	10.262	-0.701
1999	56.000	64.000	-31.667	58.000	36.583	-6.583
2000	56.000	64.000	-20.667	58.000	39.333	-4.296

Source: Appendices 5E.1-5E.4

Note: GINC = index of Power Change; QIG = index of Quality of Governance;

PIE = index of Political Environment; PID = index of Democratic Dividend;

DIN₁ and DIN₂ are composite indexes of democratization in Nigeria.

**GINC, QIG, PIE, and PID are treated as percentages since the scale is 1-100. Following Equation 5.26.

$DIN_2 = [GINC/100*QIG/100*PIE/100*PID/100]*100 = [GINC*QIG*PIE*PID]*100^{-3}$

*Appendix 7A Gastil Rankings of Political freedom and Civil liberty for Nigeria
1972-2000*

YEAR	Original Index		Inverted Index		
	Political freedom	Civil liberty	Political freedom	Civil liberty	FHC Index
1970	na	na	na	na	na
1971	na	na	na	na	na
1972	6.00	4.00	14.29	42.86	28.5714
1973	6.00	4.00	14.29	42.86	28.5714
1974	6.00	4.00	14.29	42.86	28.5714
1975	6.00	5.00	14.29	28.57	21.4286
1976	6.00	4.00	14.29	42.86	28.5714
1977	5.00	4.00	28.57	42.86	35.7143
1978	5.00	3.00	28.57	57.14	42.8571
1979	2.00	3.00	71.43	57.14	64.2857
1980	2.00	3.00	71.43	57.14	64.2857
1981	2.00	3.00	71.43	57.14	64.2857
1982	2.00	3.00	71.43	57.14	64.2857
1983	2.00	3.00	71.43	57.14	64.2857
1984	7.00	5.00	0.00	28.57	14.2857
1985	7.00	5.00	0.00	28.57	14.2857
1986	7.00	5.00	0.00	28.57	14.2857
1987	6.00	5.00	14.29	28.57	21.4286
1988	5.00	5.00	28.57	28.57	28.5714
1989	6.00	5.00	14.29	28.57	21.4286
1990	5.00	5.00	28.57	28.57	28.5714
1991	5.00	4.00	28.57	42.86	35.7143
1992	5.00	4.00	28.57	42.86	35.7143
1993	7.00	5.00	0.00	28.57	14.2857
1994	7.00	6.00	0.00	14.29	7.1429
1995	7.00	7.00	0.00	0.00	0.0000
1996	7.00	6.00	0.00	14.29	7.1429
1997	7.00	6.00	0.00	14.29	7.1429
1998	6.00	4.00	14.29	42.86	28.5714
1999	4.00	3.00	42.86	57.14	50.0000
2000	4.00	4.00	42.86	42.86	42.8571

Source: *Freedom House (2001).*

Appendix 7B Nigeria: Export, import, and transfer payment as % of GDP (1970-1998).

YEAR	EXP/GDP	Tpmt/GDP	IMP/GDP	MC/GDP	MQ/GDP	MI/GDP
	<i>Xd</i>	<i>Tp</i>	<i>M</i>	<i>Mc</i>	<i>Mq</i>	<i>Mi</i>
1970	17.0148	0.4781	14.5358	5.5480	2.4579	5.4826
1971	19.6844	0.3820	16.4199	6.2718	2.3072	6.3585
1972	19.8965	0.3628	13.7356	5.1038	1.8701	5.4368
1973	20.7303	0.2444	11.1440	4.1435	1.5959	4.4711
1974	31.6685	0.1599	9.4943	3.5921	2.2062	3.0702
1975	22.8468	0.1491	17.2621	6.2819	2.3976	7.2407
1976	24.7316	0.1332	18.8607	5.9918	2.5050	9.0382
1977	23.3018	0.1421	21.6619	7.3685	2.3123	10.1108
1978	16.8065	0.1430	22.7574	8.1425	2.7156	9.9031
1979	25.1138	0.1564	17.3172	6.9637	2.7536	6.7324
1980	27.8999	0.2384	17.8876	6.7477	2.6353	7.1790
1981	21.7212	0.2183	25.3002	8.7229	3.4466	11.1689
1982	15.8703	0.0754	20.8290	7.6306	2.9119	8.8377
1983	13.1295	0.0352	15.5817	6.6238	2.5598	5.6235
1984	14.2875	0.0389	11.2852	4.2770	2.5110	4.0374
1985	16.1989	0.0428	9.7610	3.8977	2.1986	3.3369
1986	12.2088	0.0514	8.1898	2.8106	1.9022	3.1176
1987	27.8832	0.0283	16.4042	5.8680	3.6353	6.2706
1988	21.4762	0.0712	14.7654	4.4923	3.4754	6.1281
1989	22.2421	0.0631	11.8403	3.3712	3.2426	4.7433
1990	48.8824	0.0950	20.3374	6.2029	4.8606	8.2367
1991	37.5098	0.0842	26.8573	32.7479	6.7436	10.6353
1992	37.6978	0.0714	26.5386	8.8978	5.3567	11.2983
1993	31.3831	0.0739	23.8275	8.1153	4.0670	10.6643
1994	22.5216	0.0568	17.7923	5.9454	5.9196	5.0465
1995	48.0681	0.0529	38.1813	13.5269	12.5820	10.4251
1996	55.5692	0.0166	23.8745	10.0385	7.4811	5.5929
1997	42.8929	0.0439	27.0375	11.2766	8.0879	6.4888
1998	26.1666	0.0420	35.6600	12.1392	8.7005	6.9510

Notes:

Xd = Export as % of GDP; Tp = Transfer payments as % of GDP; M = Import; Mc = Import of Consumer goods as % of GDP; Mq = Import of capital goods as % of GDP; Mi = intermediate import as % of GDP.

Source: *Calculated from FOS Annual Abstract of Statistics; Central Bank of Nigeria Statistical Bulletin, various years.*

Appendix 7E.1 Nigeria: Gross domestic savings and its determinants 1970-2000 (N m)

YEAR	RGDS	InRGDS	RNDY	RD	DSR	RFDI
1970	565.000	6.3368	54148.803	3.000	0.596	10439.126
1971	948.100	6.8545	65707.000	3.000	0.607	13228.000
1972	2240.000	7.7142	69310.577	3.040	0.363	15106.731
1973	2820.000	7.9445	73763.087	3.000	0.280	11836.913
1974	5410.000	8.5960	82424.775	3.000	0.159	8162.613
1975	4760.000	8.4680	76891.651	3.000	0.152	8487.941
1976	7370.000	8.9052	85460.938	2.670	0.126	7613.932
1977	10300.000	9.2399	90712.063	2.830	0.078	7429.997
1978	8410.000	9.0372	84530.864	4.150	0.446	7069.630
1979	11940.000	9.3876	86822.833	4.470	0.424	6666.173
1980	16430.000	9.7069	90614.745	5.270	0.200	6843.289
1981	9760.000	9.1860	64981.111	5.720	1.022	5219.306
1982	7290.000	8.8943	64221.875	7.600	1.499	7313.587
1983	6190.000	8.7307	61466.199	7.410	2.337	6958.480
1984	7270.000	8.8915	57559.800	8.250	4.151	6418.300
1985	9140.000	9.1204	62838.846	9.120	5.758	6542.308
1986	8520.000	9.0502	60977.549	9.240	2.694	9130.980
1987	19200.000	9.8627	58364.379	13.090	0.898	6531.765
1988	21080.000	9.9561	72866.310	12.950	1.349	6063.743
1989	51890.000	10.8569	77819.695	14.680	0.781	4057.930
1990	84140.000	11.3402	84036.992	19.780	1.709	3624.904
1991	76590.000	11.2462	89724.825	14.920	1.104	3579.971
1992	129205.068	11.6972	88422.491	18.040	0.523	3641.523
1993	140813.230	11.5101	91686.143	23.240	0.239	9541.000
1994	188477.640	11.2595	90429.047	13.090	0.190	7839.756
1995	363904.160	12.1762	6206.702	13.530	0.082	6250.869
1996	822453.400	12.2520	101926.595	13.040	0.123	4672.647
1997	769473.240	13.0528	110612.539	n.a	0.077	4997.348
1998	674225.885	12.5841	116951.115	n.a	0.054	n.a
1999	616867.305	n.a	115131.620	n.a	0.050	n.a
2000	n.a	n.a	119693.735	n.a	0.205	n.a

Source: Calculated by author from Central Bank of Nigeria Statistical Bulletin various years, FOS Annual Abstract of Statistics, and Federal Ministry of Finance.

Appendix 7E.2 Nigeria: Gross domestic investment and its determinants 1970-2000 (₦ m)

YEAR	RGDI	lnRGDI	RD	CHGDP	DSR
1970	10124.870	9.223	7.000	5120.130	0.596
1971	15245.000	9.632	7.000	5120.130	0.607
1972	22403.846	10.017	7.000	7158.846	0.363
1973	18456.376	9.823	7.000	-3947.470	0.280
1974	15000.000	9.616	7.000	-3456.376	0.159
1975	21484.230	9.975	6.250	6484.230	0.152
1976	29329.427	10.286	6.250	7845.197	0.126
1977	27913.120	10.237	6.000	-1416.307	0.078
1978	24518.519	10.107	6.750	-3394.602	0.446
1979	20042.283	9.906	7.790	-4476.235	0.424
1980	21379.962	9.970	8.430	1337.679	0.200
1981	16416.667	9.706	8.920	-4963.296	1.022
1982	14116.848	9.555	9.540	-2299.819	1.499
1983	9847.953	9.195	9.980	-4268.895	2.337
1984	6060.000	8.709	10.240	-3787.953	4.151
1985	6240.385	8.739	9.430	180.385	5.758
1986	10794.118	9.287	9.960	4553.733	2.694
1987	9745.098	9.185	13.960	-1049.020	0.898
1988	10459.893	9.255	16.620	714.795	1.349
1989	12069.993	9.398	20.440	1610.100	0.781
1990	14494.616	9.582	25.300	2424.624	1.709
1991	16137.427	9.689	20.040	1642.811	1.104
1992	17102.787	9.747	24.760	965.360	0.523
1993	11499.724	9.350	31.650	-5603.063	0.239
1994	9484.833	9.157	20.480	-2014.892	0.190
1995	19539.349	9.880	20.230	10054.516	0.082
1996	6658.150	8.804	20.320	-12881.199	0.123
1997	5469.579	8.607	20.410	-1188.571	0.077
1998	-889.793	n.a	n.a	-6359.372	0.054
1999	n.a	n.a	n.a	n.a	0.050
2000	n.a	n.a	n.a	n.a	0.205

Source: Calculated by author from Central Bank of Nigeria Statistical Bulletin various years, FOS Annual Abstract of Statistics, and Federal Ministry of Finance.

*Appendix 7E.3 Nigeria: Real export and its determinanats
1970-2000(₦ m)*

YEAR	RX	InRX	ChWOP	IMA
1970	9213.319	9.128	0.814	0.722
1971	12934.000	9.468	0.803	1.049
1972	13790.385	9.532	0.865	1.225
1973	15291.275	9.635	1.028	1.380
1974	26102.703	10.170	2.097	1.512
1975	18276.438	9.813	1.958	1.199
1976	21976.237	9.998	2.108	1.390
1977	22397.124	10.017	2.225	1.403
1978	14973.827	9.614	2.157	1.270
1979	22910.782	10.039	2.951	1.544
1980	26817.958	10.197	3.030	1.385
1981	15310.139	9.636	3.108	0.962
1982	11150.000	9.319	3.113	0.862
1983	8774.854	9.080	3.071	0.825
1984	9088.000	9.115	3.090	0.930
1985	11270.000	9.330	3.206	1.000
1986	8745.098	9.076	3.373	0.978
1987	19843.529	9.896	4.305	0.884
1988	16680.642	9.722	4.219	0.953
1989	21582.725	9.980	4.905	1.092
1990	38168.149	10.550	5.250	1.151
1991	35536.667	10.478	5.288	1.201
1992	36794.958	10.513	5.816	1.199
1993	31252.871	10.350	5.927	1.246
1994	22844.701	10.036	5.848	1.211
1995	49772.848	10.815	7.231	1.242
1996	49910.180	10.818	7.416	1.290
1997	52245.432	10.864	7.353	1.330
1998	30790.611	10.335	6.959	1.300
1999	58080.379	10.970	n.a	n.a
2000	85637.171	11.358	n.a	n.a
Source: Calculated by author from Central Bank of Nigeria Statistical Bulletin various years, FOS Annual Abstract of Statistics, and Federal Ministry of Finance.				

Appendix 7E.4 Nigeria: Real foreign direct investment and its determinants 1970-2000 (N m)

YEAR	RFDI	InRFDI	INFS	RMA
1970	10439.126	9.253	82.275	548045.706
1971	13228.000	9.490	84.035	532591.992
1972	15106.731	9.623	82.643	543097.959
1973	11836.913	9.379	77.647	521289.130
1974	8162.613	9.007	101.919	544523.810
1975	8487.941	9.046	80.601	550582.152
1976	7613.932	8.938	78.888	545365.468
1977	7429.997	8.913	80.994	546012.117
1978	7069.630	8.864	96.506	548286.614
1979	6666.173	8.805	64.739	547579.663
1980	6843.289	8.831	65.866	548820.939
1981	5219.306	8.560	45.056	546040.541
1982	7313.587	8.897	69.973	545983.759
1983	6958.480	8.848	70.046	546619.394
1984	6418.300	8.767	60.983	545684.946
1985	6542.308	8.786	61.490	547088.000
1986	9130.980	9.119	68.502	547984.663
1987	6531.765	8.784	66.322	546684.389
1988	6063.743	8.710	64.155	555720.881
1989	4057.930	8.308	66.778	573175.824
1990	3624.904	8.196	58.461	573900.087
1991	3579.971	8.183	58.532	574396.336
1992	3641.523	8.200	58.643	593277.731
1993	9541.000	9.163	68.932	554895.666
1994	7839.756	8.967	61.773	574888.522
1995	6250.869	8.740	59.508	576006.441
1996	4672.647	8.449	55.728	573790.698
1997	4997.348	8.517	57.078	571210.526
1998	0.000	n.a	68.619	597069.231
1999	0.000	n.a	n.a	n.a
2000	0.000	n.a	n.a	n.a

Source: Calculated by author from Central Bank of Nigeria Statistical Bulletin various years, FOS Annual Abstract of Statistics, and Federal Ministry of Finance.

Appendix 7E.5 Nigeria: Real Government consumption and its determinants 1970-2000 (N m)

YEAR	RGovtCn	InRGovtCn	Lorder	Oil Rev	Defspend
1970	5931.322	8.688	0.000	1733.611	767.014
1971	6600.000	8.795	9.000	5101.000	382.200
1972	8076.923	8.997	9.000	7349.038	2043.125
1973	6577.181	8.791	9.000	6818.792	1381.443
1974	5900.901	8.683	2.000	16774.775	1298.784
1975	8300.186	9.024	0.000	15849.722	2341.818
1976	8415.365	9.038	12.000	17464.844	2057.161
1977	11232.463	9.327	12.000	17847.373	5041.679
1978	12341.975	9.421	12.000	11248.889	3221.235
1979	10320.719	9.242	12.000	18775.476	2893.235
1980	9548.204	9.164	20.000	23352.174	2493.762
1981	9193.056	9.126	20.000	11895.000	1583.750
1982	9260.870	9.134	20.000	10618.071	1528.533
1983	8759.064	9.078	20.000	8483.041	1275.088
1984	6925.000	8.843	0.000	8269.200	928.200
1985	7059.615	8.862	0.000	10503.558	938.077
1986	7341.176	8.901	9.000	7948.333	889.314
1987	4833.333	8.483	9.000	12435.948	529.346
1988	4948.128	8.507	3.000	10605.187	657.754
1989	3751.378	8.230	3.000	14568.317	471.817
1990	3983.571	8.290	3.000	24969.469	774.123
1991	3710.234	8.219	3.000	24171.462	706.199
1992	3627.161	8.196	3.000	29128.013	533.410
1993	3940.429	8.279	0.000	23157.486	661.671
1994	9812.639	9.191	9.000	17759.690	779.557
1995	6447.644	8.771	3.000	16992.021	472.906
1996	5453.541	8.604	3.000	14070.813	585.132
1997	6688.863	8.808	3.000	16230.962	644.498
1998	8345.140	9.029	0.000	9782.419	942.347
1999	9092.152	9.115	12.000	n.a	n.a
2000	6988.503	8.852	20.000	n.a	n.a

Source: Calculated by author from Central Bank of Nigeria Statistical Bulletin various years, FOS Annual Abstract of Statistics, and Federal Ministry of Finance.

Appendix 7E.6 Nigeria: Real Private consumption and its determinants 1970-2000 (N m)

YEAR	RPvtCn	RNDY
1970	38644.121	54148.803
1971	47807.000	65707.000
1972	45849.038	69310.577
1973	51414.094	73763.087
1974	50082.432	82424.775
1975	50792.208	76891.651
1976	53050.130	85460.938
1977	55947.168	90712.063
1978	60100.000	84530.864
1979	54815.433	86822.833
1980	59915.123	90614.745
1981	48004.306	64981.111
1982	49299.185	64221.875
1983	48487.836	61466.199
1984	47956.100	57559.800
1985	51986.538	62838.846
1986	55101.765	60977.549
1987	51195.294	58364.379
1988	60463.636	72866.310
1989	51685.592	77819.695
1990	53933.241	84036.992
1991	64991.199	89724.825
1992	71752.546	88422.491
1993	81398.571	91686.143
1994	76946.785	90429.047
1995	3492.042	6206.702
1996	90249.257	101926.595
1997	92661.994	110612.539
1998	115472.184	116951.115
1999	82686.37002	115131.620
2000	56794.38151	119693.735
Source: Calculated by author from Central Bank of Nigeria Statistical Bulletin various years, FOS Annual Abstract of Statistics, and Federal Ministry of Finance.		

*Appendix 7E.7 Nigeria: Real Capital flight and its determinants
1970-2000(₦m)*

YEAR	CapFt	InCapFt	InF	RER
1970	298.272	5.698	13.800	347.118
1971	773.536	6.651	15.600	310.425
1972	3587.168	8.185	3.200	314.423
1973	3429.762	8.140	5.400	317.374
1974	3261.586	8.090	13.400	353.626
1975	3972.203	8.287	33.900	288.006
1976	1375.513	7.227	21.200	266.756
1977	2934.206	7.984	15.400	222.412
1978	7462.960	8.918	16.600	207.973
1979	3544.373	8.173	11.800	203.848
1980	1380.774	7.230	9.900	228.618
1981	2213.322	7.702	20.900	213.684
1982	1335.981	7.197	7.700	202.401
1983	10652.886	9.274	23.200	166.230
1984	26487.564	10.184	39.600	124.642
1985	33430.171	10.417	5.500	100.000
1986	17629.853	9.777	5.400	47.813
1987	16899.153	9.735	10.200	12.775
1988	198014.885	12.196	38.300	7.535
1989	145120.454	11.885	40.900	3.599
1990	361487.525	12.798	7.500	3.000
1991	176532.183	12.081	13.000	2.183
1992	234736.379	12.366	44.500	0.891
1993	164474.224	12.011	57.200	0.466
1994	806714.144	13.601	57.000	0.291
1995	419744.748	12.947	72.800	0.042
1996	161956.400	11.995	29.300	0.038
1997	n.a	n.a	15.050	0.036
1998	n.a	n.a	7.900	0.032
1999	n.a	n.a	n.a	n.a
2000	n.a	n.a	n.a	n.a
Source: Calculated from Ajayi (2000), CBN Statistical Bulletin, and FOS Annual Abstract of Statistics				

*Appendix 7E.7 Nigeria: Real debt burden and its determinants
1970-2000 (N m)*

YEAR	RDSR	RER	Pvtl	Rfl
1970	0.596	347.118	0.629	6.000
1971	0.607	310.425	1.569	4.500
1972	0.363	314.423	2.033	6.100
1973	0.280	317.374	6.862	6.600
1974	0.159	353.626	6.638	4.400
1975	0.152	288.006	6.630	7.600
1976	0.126	266.756	6.460	8.500
1977	0.078	222.412	1.945	8.200
1978	0.446	207.973	20.749	10.100
1979	0.424	203.848	0.863	10.700
1980	0.200	228.618	5.957	10.600
1981	1.022	213.684	7.537	9.200
1982	1.499	202.401	31.914	10.000
1983	2.337	166.230	37.901	10.200
1984	4.151	124.642	48.465	9.800
1985	5.758	100.000	47.864	9.000
1986	2.694	47.813	36.322	9.000
1987	0.898	12.775	28.577	7.900
1988	1.349	7.535	36.220	7.600
1989	0.781	3.599	40.638	7.100
1990	1.709	3.000	36.655	6.600
1991	1.104	2.183	35.221	6.100
1992	0.523	0.891	23.933	4.600
1993	0.239	0.466	23.898	6.100
1994	0.190	0.291	22.741	6.300
1995	0.082	0.042	19.951	6.300
1996	0.123	0.038	15.339	6.300
1997	0.077	0.036	13.787	6.300
1998	0.054	0.032	12.882	6.300
1999	0.050	n.a	n.a	n.a
2000	n.a	n.a	n.a	n.a

Source: Calculated by author from Central Bank of Nigeria Statistical Bulletin various years, FOS Annual Abstract of Statistics, and Federal Ministry of Finance.

Appendix 8 Nigeria: Privatisation of Public Enterprises 1988-1989

S/No	COMPANY	SECTOR	SHARE SOLD (%)	AMT. SOLD (US\$M)	FOREIGN EXCHANGE REALISED	MODE OF SALE	BUYER(S)
1	Imprest Bakalori Plc	..	100.0	0.7	0.0	Public offer	Local investors
2	Nigerian Yeast & Alcohol Plc	Agribusiness	100.0	0.4	0.0	Public offer	Local investors
3	Cement Co. of Northern Nigeria Plc	Cement	70.0	9.1	0.0	Public offer	Local investors
4	Durbar Hotels Plc	Hotel	100.0	5.1	0.0	Public offer	Local investors
5	The United Nigeria Insurance Co.	Insurance	n.a	2.4	0.0	Public offer	Local investors
6	American International Insurance Co.	Insurance	n.a	0.9	0.0	Public offer	Local investors
7	Prestige Assurance Co.	Insurance	n.a	0.5	0.0	Public offer	Local investors
8	Royal Exchange Assurance Co.	Insurance	n.a	2.4	0.0	Public offer	Local investors
9	Sun Insurance Nigeria Plc.	Insurance	n.a	0.2	0.0	Public offer	Local investors
10	British American Insurance Co. (Nig)	Insurance	n.a	0.6	0.0	Public offer	Local investors
11	Crusader Insurance Co. (Nig)	Insurance	n.a	0.3	0.0	Public offer	Local investors
12	Guinea Insurance Co.	Insurance	n.a	0.2	0.0	Public offer	Local investors
13	Law Union and Rock Insurance Co.	Insurance	n.a	0.5	0.0	Public offer	Local investors
14	United Life Insurance Co.	Insurance	n.a	0.1	0.0	Public offer	Local investors
15	NEM Insurance Co.	Insurance	n.a	0.1	0.0	Public offer	Local investors
16	The Niger Insurance Co.	Insurance	n.a	1.2	0.0	Public offer	Local investors
17	West African Provincial Insurance Co.	Insurance	n.a	0.1	0.0	Public offer	Local investors
18	African Petroleum Plc	Petroleum	60.0	4.2	0.0	Public offer	Local investors
19	National Oil & Chemical Marketing Co. Plc	Petroleum	60.0	4.3	0.0	Public offer	Local investors
TOTAL				33.6	0.0		

Appendix 8 Nigeria: Privatisation of Public Enterprises 1990/91

S/No	COMPANY	SECTOR	SHARE SOLD (%)	AMT. SOLD (US\$M)	FOREX REALISED	MODE OF SALE	BUYER(S)
1	Okomu Oil Palm	Agribusiness	100.0	3.0	0.0	Public offer	Local investors
2	Flour mills of Nigeria Plc	Agribusiness	100.0	0.7	0.0	Public offer	Local investors
3	Aba Textile mills	Agribusiness	100.0	2.2	0.0	Public offer	Local investors
4	Ashaka Cement	Cement	100.0	5.0	0.0	Public offer	Local investors
5	Benue Cement	Cement	40.0	5.0	0.0	Public offer	Local investors
6	National Root Crop Production Co.	Agriculture	n.a	1.5	0.0	Public offer	Local investors
7	Nigerian National Fish Co. Ltd.	Fishing	n.a	12.6	0.0	Public offer	Local investors
8	Nigerian National Shrimps Co. Ltd.	Fishing	n.a	2.5	0.0	Public offer	Local investors
9	Nigerian Grains Production Ltd.	Grain production	n.a	3.2	0.0	Public offer	Local investors
10	Ayip Eku Oil Palm	Manufacturing	n.a	1.5	0.0	Public offer	Local investors
11	Unipetrol	Petroleum/ Petrochemicals	60.0	9.7	0.0	Public offer	Local investors
12	Central Water Transportation Co. Ltd.	River transportation	..	2.0	0.0	Public offer	Local investors
13	National Salt Company	Salt	..	1.0	0.0	Public offer	Local investors
14	National Cargo Handling Co.	Shipping	..	0.4	0.0	Management buy-out	Local investors
15	Nichemtex Industries Ltd.	Textiles	..	0.9	0.0	Private placement	Local investors
TOTAL				51.2	0.0		

Appendix 8 Nigeria: Privatisation of Public Enterprises 1992/94

S/No	COMPANY	SECTOR	SHARE SOLD (%)	AMT. SOLD (US\$M)	FOREX REALISED	MODE OF SALE	BUYER(S)
1	FSB International Bank Ltd.	Banking	..	4.9	0.0	Public offer	Local investors
2	NAL Merchant Bank	Banking	..	4.5	0.0	Public offer	Local investors
3	Merchant Bank of Africa	Banking	..	0.4	0.0	Private placement	Local investors
4	North Brewery Ltd.	Brewery	..	0.5	0.0	Private placement	Local investors
5	West African Distilleries	Distillery	..	0.1	0.0	Private placement	Local investors
6	Nigerian Engineering Construction Company	Engineering	60.0	1.4	0.0	Private placement	Local investors
7	Lagos Federal Palace Hotel	Hotel	100.0	50.0	0.0		Local investors
8	Tourist Co. of Nigeria	Hotel	..	49.8	0.0	Public offer	Local investors
9	New Nigerian Salt Co.	Salt	..	2.6	0.0	Private placement	Local investors
10	First Bank of Nigeria	Banking	..	6.5	0.0	Public offer	Local investors
11	Savannah Bank of Nigeria	Banking	..	2.4	0.0	Public offer	Local investors
12	Union Bank of Nigeria	Banking	..	7.4	0.0	Public offer	Local investors
13	International Merchant Bank (Nig)	Banking	..	4.1	0.0	Public offer	Local investors
14	Afribank Nigeria	Banking	..	12.2	0.0	Public offer	Local investors
15	United Bank for Africa	Banking	..	7.5	0.0	Public offer	Local investors
16	Allied Bank	Banking	..	0.7	0.0	Public offer	Local investors
17	NNPC oil field	Petroleum	5.0	500.0	500.0	Public offer	Foreign investor(ELF)
18	Motor Engineering Services Co.	Services/Auto	24.0	0.3	0.0	Direct placement	Local investors
19	Nigerian Beverage Production Co. Ltd.	Brewery	100.0	0.2	0.0	Direct placement	Local investors
20	Nigeria Food Co.	Food Processing	100.0	0.1	0.0	Direct placement	Local investors
TOTAL				655.6	500.0	Direct placement	Local investors

Sources: National Council on Privatisation, Bureau of Public Enterprises, and World Bank (2000).

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DETAILS OF AR(1) REGRESSIONS RUN ON EVIEW

Real Gross Domestic Savings

Dependent Variable: LNRGDS
Method: Least Squares
Date: 09/30/02 Time: 11:53
Sample(adjusted): 1971 1996
Included observations: 26 after adjusting endpoints
Convergence achieved after 10 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.38987	1.292062	8.815265	0.0000
RFDI	-8.56E-05	3.91E-05	-2.191901	0.0398
RD	0.058314	0.026400	2.208864	0.0384
DSR	-0.127205	0.079392	-1.602243	0.1240
AR(1)	0.889413	0.072098	12.33619	0.0000
R-squared	0.948426	Mean dependent var		9.687852
Adjusted R-squared	0.938603	S.D. dependent var		1.433224
S.E. of regression	0.355130	Akaike info criterion		0.938378
Sum squared resid	2.648469	Schwarz criterion		1.180319
Log likelihood	-7.198909	F-statistic		96.54644
Durbin-Watson stat	1.748531	Prob(F-statistic)		0.000000
Inverted AR Roots	.89			

Dependent Variable: LNRGDS
Method: Least Squares
Date: 09/30/02 Time: 11:59
Sample(adjusted): 1971 1996
Included observations: 26 after adjusting endpoints
Convergence achieved after 17 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.42495	1.398764	8.167886	0.0000
RFDI	-8.35E-05	4.54E-05	-1.840595	0.0806
RD	0.057597	0.027412	2.101155	0.0485
DSR	-0.122612	0.093224	-1.315239	0.2033
GINC	0.000405	0.004454	0.090843	0.9285
AR(1)	0.892915	0.076688	11.64354	0.0000
R-squared	0.948444	Mean dependent var		9.687852
Adjusted R-squared	0.935555	S.D. dependent var		1.433224
S.E. of regression	0.363837	Akaike info criterion		1.014954
Sum squared resid	2.647550	Schwarz criterion		1.305284
Log likelihood	-7.194396	F-statistic		73.58613
Durbin-Watson stat	1.738616	Prob(F-statistic)		0.000000
Inverted AR Roots	.89			

Real Gross Domestic Savings contd.

Dependent Variable: LNRGDS
Method: Least Squares
Date: 09/30/02 Time: 12:08
Sample(adjusted): 1971 1996
Included observations: 26 after adjusting endpoints
Convergence achieved after 14 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.35582	1.208023	9.400335	0.0000
RFDI	-8.70E-05	4.01E-05	-2.166630	0.0425
RD	0.060249	0.027326	2.204777	0.0393
DSR	-0.135310	0.084516	-1.601003	0.1251
QIG	-0.002285	0.007983	-0.286227	0.7776
AR(1)	0.881666	0.075162	11.73015	0.0000
R-squared	0.948612	Mean dependent var		9.687852
Adjusted R-squared	0.935766	S.D. dependent var		1.433224
S.E. of regression	0.363244	Akaike info criterion		1.011689
Sum squared resid	2.638922	Schwarz criterion		1.302019
Log likelihood	-7.151962	F-statistic		73.83980
Durbin-Watson stat	1.784060	Prob(F-statistic)		0.000000
Inverted AR Roots	.88			

Dependent Variable: LNRGDS
Method: Least Squares
Date: 09/30/02 Time: 12:10
Sample(adjusted): 1971 1996
Included observations: 26 after adjusting endpoints
Convergence achieved after 13 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.46291	0.399062	26.21874	0.0000
RFDI	-0.000157	3.98E-05	-3.959730	0.0008
RD	0.060448	0.027179	2.224056	0.0378
DSR	-0.210790	0.067997	-3.099985	0.0056
PIE	-0.039613	0.009625	-4.115770	0.0005
AR(1)	0.304664	0.167307	1.820985	0.0836
R-squared	0.949925	Mean dependent var		9.687852
Adjusted R-squared	0.937406	S.D. dependent var		1.433224
S.E. of regression	0.358576	Akaike info criterion		0.985823
Sum squared resid	2.571537	Schwarz criterion		1.276153
Log likelihood	-6.815695	F-statistic		75.87952
Durbin-Watson stat	1.876237	Prob(F-statistic)		0.000000
Inverted AR Roots	.30			

Real Gross Domestic Savings contd.

Dependent Variable: LNRGDS
Method: Least Squares
Date: 09/30/02 Time: 12:18
Sample(adjusted): 1971 1996
Included observations: 26 after adjusting endpoints
Convergence achieved after 19 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.22299	0.853250	13.15323	0.0000
RFDI	-9.51E-05	4.13E-05	-2.301285	0.0323
RD	0.065019	0.027273	2.383955	0.0271
DSR	-0.159080	0.086962	-1.829299	0.0823
PID	-0.007912	0.010144	-0.780009	0.4445
AR(1)	0.845037	0.086198	9.803494	0.0000
R-squared	0.949321	Mean dependent var		9.687852
Adjusted R-squared	0.936652	S.D. dependent var		1.433224
S.E. of regression	0.360729	Akaike info criterion		0.997796
Sum squared resid	2.602510	Schwarz criterion		1.288126
Log likelihood	-6.971342	F-statistic		74.92884
Durbin-Watson stat	1.759359	Prob(F-statistic)		0.000000
Inverted AR Roots	.85			

Dependent Variable: LNRGDS
Method: Least Squares
Date: 09/30/02 Time: 12:19
Sample(adjusted): 1971 1996
Included observations: 26 after adjusting endpoints
Convergence achieved after 19 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.32269	1.198299	9.448964	0.0000
RFDI	-8.83E-05	4.29E-05	-2.056392	0.0530
RD	0.059417	0.027280	2.178065	0.0415
DSR	-0.134435	0.092599	-1.451796	0.1621
DIN	-0.001353	0.009708	-0.139397	0.8905
AR(1)	0.881942	0.079629	11.07557	0.0000
R-squared	0.948459	Mean dependent var		9.687852
Adjusted R-squared	0.935573	S.D. dependent var		1.433224
S.E. of regression	0.363787	Akaike info criterion		1.014679
Sum squared resid	2.646823	Schwarz criterion		1.305009
Log likelihood	-7.190829	F-statistic		73.60742
Durbin-Watson stat	1.763682	Prob(F-statistic)		0.000000
Inverted AR Roots	.88			

Real Gross Domestic Investment

Dependent Variable: LNRGDI
Method: Least Squares
Date: 09/30/02 Time: 10:58
Sample(adjusted): 1971 1997
Included observations: 27 after adjusting endpoints
Convergence achieved after 14 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.566433	0.362995	26.35416	0.0000
CHGDP	3.47E-05	7.54E-06	4.601359	0.0001
DSR	-0.128311	0.054829	-2.340215	0.0283
AR(1)	0.857762	0.160670	5.338656	0.0000
R-squared	0.754949	Mean dependent var		9.533868
Adjusted R-squared	0.722986	S.D. dependent var		0.469906
S.E. of regression	0.247322	Akaike info criterion		0.179700
Sum squared resid	1.406864	Schwarz criterion		0.371675
Log likelihood	1.574055	F-statistic		23.61938
Durbin-Watson stat	1.087848	Prob(F-statistic)		0.000000
Inverted AR Roots	.86			

Dependent Variable: LNRGDI
Method: Least Squares
Date: 09/30/02 Time: 11:01
Sample(adjusted): 1971 1997
Included observations: 27 after adjusting endpoints
Convergence achieved after 15 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.525652	0.350518	27.17593	0.0000
CHGDP	3.49E-05	7.72E-06	4.516668	0.0002
DSR	-0.117626	0.060235	-1.952791	0.0637
GINC	0.001317	0.002745	0.479746	0.6361
AR(1)	0.847547	0.166568	5.088283	0.0000
R-squared	0.757530	Mean dependent var		9.533868
Adjusted R-squared	0.713445	S.D. dependent var		0.469906
S.E. of regression	0.251545	Akaike info criterion		0.243186
Sum squared resid	1.392047	Schwarz criterion		0.483156
Log likelihood	1.716990	F-statistic		17.18323
Durbin-Watson stat	1.103759	Prob(F-statistic)		0.000002
Inverted AR Roots	.85			

Real Gross Domestic Investment contd.

Dependent Variable: LNRGDI
 Method: Least Squares
 Date: 09/30/02 Time: 11:03
 Sample(adjusted): 1971 1997
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 59 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.336607	0.321158	29.07172	0.0000
CHGDP	3.51E-05	7.78E-06	4.518691	0.0002
DSR	-0.112209	0.056149	-1.998423	0.0582
QIG	0.006857	0.006105	1.123172	0.2735
AR(1)	0.802015	0.196193	4.087895	0.0005
R-squared	0.771022	Mean dependent var		9.533868
Adjusted R-squared	0.729389	S.D. dependent var		0.469906
S.E. of regression	0.244446	Akaike info criterion		0.185935
Sum squared resid	1.314590	Schwarz criterion		0.425905
Log likelihood	2.489875	F-statistic		18.51976
Durbin-Watson stat	1.019527	Prob(F-statistic)		0.000001
Inverted AR Roots	.80			

Dependent Variable: LNRGDI
 Method: Least Squares
 Date: 09/30/02 Time: 11:04
 Sample(adjusted): 1971 1997
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 14 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.756983	0.134508	72.53834	0.0000
CHGDP	3.53E-05	7.23E-06	4.880292	0.0001
DSR	-0.132206	0.048524	-2.724536	0.0124
PIE	0.015371	0.004893	3.141398	0.0047
AR(1)	0.655921	0.146347	4.481971	0.0002
R-squared	0.823429	Mean dependent var		9.533868
Adjusted R-squared	0.791326	S.D. dependent var		0.469906
S.E. of regression	0.214657	Akaike info criterion		-0.073971
Sum squared resid	1.013712	Schwarz criterion		0.165999
Log likelihood	5.998607	F-statistic		25.64902
Durbin-Watson stat	1.507938	Prob(F-statistic)		0.000000
Inverted AR Roots	.66			

Real Gross Domestic Investment contd.

Dependent Variable: LNRGDI
 Method: Least Squares
 Date: 09/30/02 Time: 11:05
 Sample(adjusted): 1971 1997
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 19 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.981404	0.228350	39.33168	0.0000
CHGDP	3.52E-05	7.75E-06	4.550600	0.0002
DSR	-0.116081	0.052799	-2.198564	0.0387
PID	0.016264	0.004834	3.364266	0.0028
AR(1)	0.578621	0.207523	2.788230	0.0107
R-squared	0.816934	Mean dependent var		9.533868
Adjusted R-squared	0.783649	S.D. dependent var		0.469906
S.E. of regression	0.218570	Akaike info criterion		-0.037844
Sum squared resid	1.051003	Schwarz criterion		0.202126
Log likelihood	5.510897	F-statistic		24.54380
Durbin-Watson stat	1.172333	Prob(F-statistic)		0.000000
Inverted AR Roots	.58			

Dependent Variable: LNRGDI
 Method: Least Squares
 Date: 09/30/02 Time: 11:06
 Sample(adjusted): 1971 1997
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 16 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.345799	0.231708	40.33442	0.0000
CHGDP	3.54E-05	7.74E-06	4.577927	0.0001
DSR	-0.099993	0.055928	-1.787897	0.0876
DIN	0.010308	0.005529	1.864292	0.0757
AR(1)	0.735826	0.175804	4.185495	0.0004
R-squared	0.784676	Mean dependent var		9.533868
Adjusted R-squared	0.745526	S.D. dependent var		0.469906
S.E. of regression	0.237046	Akaike info criterion		0.124452
Sum squared resid	1.236200	Schwarz criterion		0.364422
Log likelihood	3.319893	F-statistic		20.04290
Durbin-Watson stat	1.131952	Prob(F-statistic)		0.000000
Inverted AR Roots	.74			

Real Export Earnings

Dependent Variable: LNRX
 Method: Least Squares
 Date: 09/25/02 Time: 15:18
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.504843	0.348617	21.52745	0.0000
CHWOP	0.194698	0.031126	6.255142	0.0000
IMA	1.415589	0.274305	5.160630	0.0000
AR(1)	0.309880	0.200124	1.548441	0.1346
R-squared	0.842029	Mean dependent var		9.942674
Adjusted R-squared	0.822283	S.D. dependent var		0.527907
S.E. of regression	0.222547	Akaike info criterion		-0.035791
Sum squared resid	1.188655	Schwarz criterion		0.154524
Log likelihood	4.501068	F-statistic		42.64230
Durbin-Watson stat	1.937421	Prob(F-statistic)		0.000000
Inverted AR Roots	.31			

Dependent Variable: LNRX
 Method: Least Squares
 Date: 09/25/02 Time: 15:20
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.257555	0.371359	19.54323	0.0000
CHWOP	0.199563	0.033004	6.046696	0.0000
IMA	1.505582	0.287227	5.241775	0.0000
GINC	0.003839	0.002035	1.886173	0.0720
AR(1)	0.369894	0.209334	1.767005	0.0905
R-squared	0.864518	Mean dependent var		9.942674
Adjusted R-squared	0.840956	S.D. dependent var		0.527907
S.E. of regression	0.210531	Akaike info criterion		-0.117935
Sum squared resid	1.019436	Schwarz criterion		0.119959
Log likelihood	6.651092	F-statistic		36.69116
Durbin-Watson stat	2.074784	Prob(F-statistic)		0.000000
Inverted AR Roots	.37			

Real Export Earnings contd.

Dependent Variable: LNRX
 Method: Least Squares
 Date: 09/25/02 Time: 15:21
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.483201	0.424383	17.63312	0.0000
CHWOP	0.195720	0.033029	5.925600	0.0000
IMA	1.417526	0.283692	4.996700	0.0000
QIG	0.000398	0.004056	0.098130	0.9227
AR(1)	0.313580	0.204392	1.534208	0.1386
R-squared	0.842094	Mean dependent var		9.942674
Adjusted R-squared	0.814632	S.D. dependent var		0.527907
S.E. of regression	0.227287	Akaike info criterion		0.035230
Sum squared resid	1.188171	Schwarz criterion		0.273124
Log likelihood	4.506775	F-statistic		30.66400
Durbin-Watson stat	1.942329	Prob(F-statistic)		0.000000
Inverted AR Roots	.31			

Dependent Variable: LNRX
 Method: Least Squares
 Date: 09/25/02 Time: 15:24
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 12 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.168068	0.421079	17.02311	0.0000
CHWOP	0.320226	0.075057	4.266411	0.0003
IMA	1.329133	0.314936	4.220321	0.0003
PIE	0.012134	0.006439	1.884460	0.0722
AR(1)	0.477047	0.208391	2.289188	0.0316
R-squared	0.862462	Mean dependent var		9.942674
Adjusted R-squared	0.838542	S.D. dependent var		0.527907
S.E. of regression	0.212123	Akaike info criterion		-0.102871
Sum squared resid	1.034909	Schwarz criterion		0.135023
Log likelihood	6.440191	F-statistic		36.05661
Durbin-Watson stat	2.203327	Prob(F-statistic)		0.000000
Inverted AR Roots	.48			

Real Export Earnings contd.

Dependent Variable: LNRX
 Method: Least Squares
 Date: 09/25/02 Time: 15:25
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.411873	0.454445	16.30973	0.0000
CHWOP	0.200958	0.036529	5.501265	0.0000
IMA	1.421660	0.282620	5.030286	0.0000
PID	0.001449	0.004338	0.334060	0.7414
AR(1)	0.313625	0.205549	1.525790	0.1407
R-squared	0.842791	Mean dependent var		9.942674
Adjusted R-squared	0.815450	S.D. dependent var		0.527907
S.E. of regression	0.226785	Akaike info criterion		0.030807
Sum squared resid	1.182926	Schwarz criterion		0.268700
Log likelihood	4.568705	F-statistic		30.82543
Durbin-Watson stat	1.935103	Prob(F-statistic)		0.000000
Inverted AR Roots	.31			

Dependent Variable: LNRX
 Method: Least Squares
 Date: 09/25/02 Time: 15:26
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 8 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.188333	0.433954	16.56472	0.0000
CHWOP	0.224323	0.040225	5.576727	0.0000
IMA	1.444201	0.300453	4.806753	0.0001
DIN	0.006085	0.004396	1.384205	0.1796
AR(1)	0.392942	0.210060	1.870618	0.0742
R-squared	0.854176	Mean dependent var		9.942674
Adjusted R-squared	0.828816	S.D. dependent var		0.527907
S.E. of regression	0.218419	Akaike info criterion		-0.044374
Sum squared resid	1.097254	Schwarz criterion		0.193520
Log likelihood	5.621237	F-statistic		33.68121
Durbin-Watson stat	2.040841	Prob(F-statistic)		0.000000
Inverted AR Roots	.39			

Real Roreign Direct Investment

Dependent Variable: LNRFDI
 Method: Least Squares
 Date: 09/25/02 Time: 15:31
 Sample(adjusted): 1971 1997
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.69746	1.948799	8.054941	0.0000
INFS	0.007070	0.003698	1.911870	0.0684
RMA	-1.33E-05	3.41E-06	-3.906102	0.0007
AR(1)	0.542037	0.175558	3.087509	0.0052
R-squared	0.745649	Mean dependent var		8.818242
Adjusted R-squared	0.712473	S.D. dependent var		0.367687
S.E. of regression	0.197159	Akaike info criterion		-0.273657
Sum squared resid	0.894050	Schwarz criterion		-0.081681
Log likelihood	7.694367	F-statistic		22.47545
Durbin-Watson stat	1.842030	Prob(F-statistic)		0.000001
Inverted AR Roots	.54			

Dependent Variable: LNRFDI
 Method: Least Squares
 Date: 09/25/02 Time: 15:33
 Sample(adjusted): 1971 1997
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 6 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.95783	1.878116	8.496725	0.0000
INFS	0.005234	0.003769	1.388654	0.1788
RMA	-1.33E-05	3.22E-06	-4.142917	0.0004
GINC	-0.003456	0.001909	-1.810424	0.0839
AR(1)	0.430146	0.201962	2.129836	0.0446
R-squared	0.775938	Mean dependent var		8.818242
Adjusted R-squared	0.735199	S.D. dependent var		0.367687
S.E. of regression	0.189207	Akaike info criterion		-0.326372
Sum squared resid	0.787586	Schwarz criterion		-0.086402
Log likelihood	9.406021	F-statistic		19.04673
Durbin-Watson stat	1.777803	Prob(F-statistic)		0.000001
Inverted AR Roots	.43			

Real Foreign Direct Investment contd.

Dependent Variable: LNRFDI
 Method: Least Squares
 Date: 10/01/02 Time: 14:06
 Sample(adjusted): 1971 1997
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 8 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.72276	2.087838	7.530641	0.0000
INFS	0.007058	0.003799	1.857948	0.0766
RMA	-1.33E-05	3.57E-06	-3.738244	0.0011
QIG	-0.000233	0.004416	-0.052780	0.9584
AR(1)	0.537786	0.198173	2.713728	0.0127
R-squared	0.745681	Mean dependent var		8.818242
Adjusted R-squared	0.699442	S.D. dependent var		0.367687
S.E. of regression	0.201578	Akaike info criterion		-0.199709
Sum squared resid	0.893937	Schwarz criterion		0.040261
Log likelihood	7.696073	F-statistic		16.12642
Durbin-Watson stat	1.841315	Prob(F-statistic)		0.000003
Inverted AR Roots	.54			

Dependent Variable: LNRFDI
 Method: Least Squares
 Date: 09/25/02 Time: 15:36
 Sample(adjusted): 1971 1997
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.63889	2.177169	7.642441	0.0000
INFS	0.008230	0.003831	2.148109	0.0430
RMA	-1.52E-05	3.89E-06	-3.900243	0.0008
PIE	-0.004718	0.004319	-1.092376	0.2865
AR(1)	0.528112	0.192938	2.737217	0.0120
R-squared	0.758795	Mean dependent var		8.818242
Adjusted R-squared	0.714940	S.D. dependent var		0.367687
S.E. of regression	0.196312	Akaike info criterion		-0.252651
Sum squared resid	0.847842	Schwarz criterion		-0.012681
Log likelihood	8.410782	F-statistic		17.30221
Durbin-Watson stat	1.823635	Prob(F-statistic)		0.000002
Inverted AR Roots	.53			

Real Foreign Direct Investment contd.

Dependent Variable: LNRFDI
Method: Least Squares
Date: 09/25/02 Time: 15:39
Sample(adjusted): 1971 1997
Included observations: 27 after adjusting endpoints
Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.77089	2.214053	7.574747	0.0000
INFS	0.007650	0.003695	2.070173	0.0504
RMA	-1.49E-05	3.74E-06	-3.988304	0.0006
PID	-0.005399	0.004078	-1.323871	0.1991
AR(1)	0.418541	0.215682	1.940548	0.0652
R-squared	0.761171	Mean dependent var		8.818242
Adjusted R-squared	0.717748	S.D. dependent var		0.367687
S.E. of regression	0.195342	Akaike info criterion		-0.262551
Sum squared resid	0.839489	Schwarz criterion		-0.022581
Log likelihood	8.544436	F-statistic		17.52908
Durbin-Watson stat	1.882752	Prob(F-statistic)		0.000001
Inverted AR Roots	.42			

Dependent Variable: LNRFDI
Method: Least Squares
Date: 09/25/02 Time: 15:40
Sample(adjusted): 1971 1997
Included observations: 27 after adjusting endpoints
Convergence achieved after 6 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.56022	2.097168	7.896467	0.0000
INFS	0.006763	0.003679	1.838010	0.0796
RMA	-1.46E-05	3.57E-06	-4.078651	0.0005
DIN	-0.005296	0.003708	-1.428206	0.1673
AR(1)	0.441389	0.208046	2.121591	0.0454
R-squared	0.765153	Mean dependent var		8.818242
Adjusted R-squared	0.722453	S.D. dependent var		0.367687
S.E. of regression	0.193707	Akaike info criterion		-0.279362
Sum squared resid	0.825495	Schwarz criterion		-0.039392
Log likelihood	8.771387	F-statistic		17.91949
Durbin-Watson stat	1.820448	Prob(F-statistic)		0.000001
Inverted AR Roots	.44			

Real Government Consumption Expenditures

Dependent Variable: LNRGOVTCN
 Method: Least Squares
 Date: 09/30/02 Time: 10:37
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 11 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.818289	0.153482	57.45488	0.0000
LORDER	0.015253	0.006828	2.233979	0.0355
OILREV	-2.16E-05	8.14E-06	-2.650648	0.0143
DEFSPEND	0.000165	4.66E-05	3.544428	0.0017
AR(1)	0.479702	0.200254	2.395474	0.0251
R-squared	0.766911	Mean dependent var		8.822622
Adjusted R-squared	0.726374	S.D. dependent var		0.356765
S.E. of regression	0.186621	Akaike info criterion		-0.359042
Sum squared resid	0.801030	Schwarz criterion		-0.121148
Log likelihood	10.02658	F-statistic		18.91870
Durbin-Watson stat	1.930325	Prob(F-statistic)		0.000001
Inverted AR Roots	.48			

Dependent Variable: LNRGOVTCN
 Method: Least Squares
 Date: 09/30/02 Time: 10:40
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 13 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.797189	0.131866	66.71296	0.0000
LORDER	0.021932	0.007365	2.977828	0.0069
OILREV	-1.58E-05	7.54E-06	-2.092524	0.0481
DEFSPEND	0.000161	4.23E-05	3.807050	0.0010
GINC	-0.003822	0.001823	-2.096116	0.0478
AR(1)	0.330570	0.225215	1.467797	0.1563
R-squared	0.801251	Mean dependent var		8.822622
Adjusted R-squared	0.756080	S.D. dependent var		0.356765
S.E. of regression	0.176200	Akaike info criterion		-0.446988
Sum squared resid	0.683020	Schwarz criterion		-0.161515
Log likelihood	12.25783	F-statistic		17.73842
Durbin-Watson stat	1.853523	Prob(F-statistic)		0.000000
Inverted AR Roots	.33			

Real Government Consumption Expenditures contd.

Dependent Variable: LNRGOVTCN
 Method: Least Squares
 Date: 09/30/02 Time: 10:42
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 12 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.901789	0.189211	47.04695	0.0000
LORDER	0.019009	0.008376	2.269538	0.0334
OILREV	-1.99E-05	8.74E-06	-2.273670	0.0331
DEFSPEND	0.000165	4.72E-05	3.489641	0.0021
QIG	-0.003558	0.004676	-0.760738	0.4549
AR(1)	0.511328	0.209313	2.442892	0.0231
R-squared	0.772830	Mean dependent var		8.822622
Adjusted R-squared	0.721200	S.D. dependent var		0.356765
S.E. of regression	0.188377	Akaike info criterion		-0.313332
Sum squared resid	0.780691	Schwarz criterion		-0.027860
Log likelihood	10.38665	F-statistic		14.96872
Durbin-Watson stat	1.881431	Prob(F-statistic)		0.000002
Inverted AR Roots	.51			

Dependent Variable: LNRGOVTCN
 Method: Least Squares
 Date: 09/30/02 Time: 10:43
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 11 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.733390	0.141742	61.61465	0.0000
LORDER	0.022229	0.007828	2.839633	0.0095
OILREV	-2.50E-05	7.70E-06	-3.246743	0.0037
DEFSPEND	0.000196	4.61E-05	4.256195	0.0003
PIE	-0.005605	0.003285	-1.706567	0.1020
AR(1)	0.346033	0.224594	1.540705	0.1377
R-squared	0.790242	Mean dependent var		8.822622
Adjusted R-squared	0.742569	S.D. dependent var		0.356765
S.E. of regression	0.181014	Akaike info criterion		-0.393077
Sum squared resid	0.720852	Schwarz criterion		-0.107605
Log likelihood	11.50308	F-statistic		16.57653
Durbin-Watson stat	1.889077	Prob(F-statistic)		0.000001
Inverted AR Roots	.35			

Real Government Consumption Expenditures contd.

Dependent Variable: LNRGOVTCN
 Method: Least Squares
 Date: 09/30/02 Time: 10:45
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 13 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.931277	0.203823	43.81871	0.0000
LORDER	0.018835	0.008132	2.316104	0.0303
OILREV	-2.20E-05	8.03E-06	-2.738188	0.0120
DEFSPEND	0.000180	4.88E-05	3.698186	0.0013
PID	-0.003721	0.004318	-0.861763	0.3981
AR(1)	0.447721	0.218723	2.046979	0.0528
R-squared	0.774274	Mean dependent var		8.822622
Adjusted R-squared	0.722973	S.D. dependent var		0.356765
S.E. of regression	0.187777	Akaike info criterion		-0.319711
Sum squared resid	0.775726	Schwarz criterion		-0.034239
Log likelihood	10.47596	F-statistic		15.09267
Durbin-Watson stat	1.850659	Prob(F-statistic)		0.000002
Inverted AR Roots	.45			

Dependent Variable: LNRGOVTCN
 Method: Least Squares
 Date: 09/30/02 Time: 10:46
 Sample(adjusted): 1971 1998
 Included observations: 28 after adjusting endpoints
 Convergence achieved after 12 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.878691	0.137840	64.41319	0.0000
LORDER	0.026412	0.008560	3.085425	0.0054
OILREV	-1.89E-05	7.17E-06	-2.636913	0.0151
DEFSPEND	0.000184	4.17E-05	4.414810	0.0002
DIN	-0.008310	0.003951	-2.102960	0.0471
AR(1)	0.335747	0.232514	1.443986	0.1628
R-squared	0.801778	Mean dependent var		8.822622
Adjusted R-squared	0.756728	S.D. dependent var		0.356765
S.E. of regression	0.175966	Akaike info criterion		-0.449646
Sum squared resid	0.681206	Schwarz criterion		-0.164174
Log likelihood	12.29505	F-statistic		17.79736
Durbin-Watson stat	1.786747	Prob(F-statistic)		0.000000
Inverted AR Roots	.34			

Real Private Consumption Expenditures

Dependent Variable: RPVTCN
 Method: Least Squares
 Date: 09/25/02 Time: 16:02
 Sample(adjusted): 1971 2000
 Included observations: 30 after adjusting endpoints
 Convergence achieved after 12 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7414.578	8851.114	-0.837700	0.4096
RNDY	0.811325	0.086069	9.426467	0.0000
AR(1)	0.622814	0.206672	3.013536	0.0056
R-squared	0.760955	Mean dependent var		59477.71
Adjusted R-squared	0.743248	S.D. dependent var		19636.61
S.E. of regression	9950.017	Akaike info criterion		21.34318
Sum squared resid	2.67E+09	Schwarz criterion		21.48330
Log likelihood	-317.1476	F-statistic		42.97463
Durbin-Watson stat	1.356264	Prob(F-statistic)		0.000000
Inverted AR Roots	.62			

Dependent Variable: RPVTCN
 Method: Least Squares
 Date: 09/25/02 Time: 16:03
 Sample(adjusted): 1971 2000
 Included observations: 30 after adjusting endpoints
 Convergence achieved after 12 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2209.687	9049.409	-0.244180	0.8090
RNDY	0.814073	0.082739	9.838989	0.0000
GINC	-158.8778	90.68069	-1.752058	0.0916
AR(1)	0.633201	0.199332	3.176609	0.0038
R-squared	0.786494	Mean dependent var		59477.71
Adjusted R-squared	0.761859	S.D. dependent var		19636.61
S.E. of regression	9582.606	Akaike info criterion		21.29685
Sum squared resid	2.39E+09	Schwarz criterion		21.48368
Log likelihood	-315.4528	F-statistic		31.92553
Durbin-Watson stat	1.357995	Prob(F-statistic)		0.000000
Inverted AR Roots	.63			

Real Private Consumption Expenditures

Dependent Variable: RPVTCN
 Method: Least Squares
 Date: 09/25/02 Time: 16:04
 Sample(adjusted): 1971 2000
 Included observations: 30 after adjusting endpoints
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7136.286	9924.179	0.719081	0.4785
RNDY	0.817433	0.080894	10.10501	0.0000
QIG	-360.8513	155.6802	-2.317902	0.0286
AR(1)	0.594398	0.193738	3.068051	0.0050
R-squared	0.802272	Mean dependent var		59477.71
Adjusted R-squared	0.779457	S.D. dependent var		19636.61
S.E. of regression	9221.742	Akaike info criterion		21.22008
Sum squared resid	2.21E+09	Schwarz criterion		21.40691
Log likelihood	-314.3012	F-statistic		35.16459
Durbin-Watson stat	1.396608	Prob(F-statistic)		0.000000
Inverted AR Roots	.59			

Dependent Variable: RPVTCN
 Method: Least Squares
 Date: 09/25/02 Time: 16:05
 Sample(adjusted): 1971 2000
 Included observations: 30 after adjusting endpoints
 Convergence achieved after 27 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-40089.31	84535.76	-0.474229	0.6393
RNDY	0.838213	0.073634	11.38344	0.0000
PIE	-610.5768	249.2753	-2.449408	0.0214
AR(1)	0.936938	0.164328	5.701646	0.0000
R-squared	0.791326	Mean dependent var		59477.71
Adjusted R-squared	0.767249	S.D. dependent var		19636.61
S.E. of regression	9473.546	Akaike info criterion		21.27396
Sum squared resid	2.33E+09	Schwarz criterion		21.46079
Log likelihood	-315.1094	F-statistic		32.86551
Durbin-Watson stat	1.742625	Prob(F-statistic)		0.000000
Inverted AR Roots	.94			

Real Private Consumption Expenditures contd.

Dependent Variable: RPVTCN
 Method: Least Squares
 Date: 09/25/02 Time: 16:07
 Sample(adjusted): 1971 2000
 Included observations: 30 after adjusting endpoints
 Convergence achieved after 14 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7492.175	9867.735	0.759260	0.4545
RNDY	0.786771	0.089064	8.833746	0.0000
PID	-269.4945	163.8986	-1.644276	0.1122
AR(1)	0.349671	0.230747	1.515388	0.1417
R-squared	0.771770	Mean dependent var		59477.71
Adjusted R-squared	0.745435	S.D. dependent var		19636.61
S.E. of regression	9907.536	Akaike info criterion		21.36354
Sum squared resid	2.55E+09	Schwarz criterion		21.55037
Log likelihood	-316.4532	F-statistic		29.30665
Durbin-Watson stat	1.508975	Prob(F-statistic)		0.000000
Inverted AR Roots	.35			

Dependent Variable: RPVTCN
 Method: Least Squares
 Date: 09/25/02 Time: 16:09
 Sample(adjusted): 1971 2000
 Included observations: 30 after adjusting endpoints
 Convergence achieved after 11 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4904.033	9022.845	0.543513	0.5914
RNDY	0.794343	0.082987	9.571944	0.0000
DIN	-372.4538	166.9552	-2.230861	0.0345
AR(1)	0.519252	0.218840	2.372746	0.0253
R-squared	0.798021	Mean dependent var		59477.71
Adjusted R-squared	0.774716	S.D. dependent var		19636.61
S.E. of regression	9320.340	Akaike info criterion		21.24135
Sum squared resid	2.26E+09	Schwarz criterion		21.42818
Log likelihood	-314.6203	F-statistic		34.24213
Durbin-Watson stat	1.422555	Prob(F-statistic)		0.000000
Inverted AR Roots	.52			

Real Capital Flight

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 09/26/02 Time: 08:54
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 8 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.22309	0.556077	20.18261	0.0000
INF	0.019058	0.011349	1.679334	0.1072
RER	-0.013214	0.002380	-5.551030	0.0000
AR(1)	0.412682	0.190561	2.165618	0.0415
R-squared	0.869398	Mean dependent var		9.809740
Adjusted R-squared	0.851589	S.D. dependent var		2.166524
S.E. of regression	0.834636	Akaike info criterion		2.616996
Sum squared resid	15.32557	Schwarz criterion		2.810549
Log likelihood	-30.02094	F-statistic		48.81692
Durbin-Watson stat	1.945580	Prob(F-statistic)		0.000000
Inverted AR Roots	.41			

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 09/26/02 Time: 08:56
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.89358	0.637850	18.64638	0.0000
INF	0.014104	0.011365	1.240979	0.2283
RER	-0.014109	0.002185	-6.455659	0.0000
GINC	-0.013791	0.007670	-1.798110	0.0866
AR(1)	0.368768	0.198469	1.858066	0.0772
R-squared	0.886686	Mean dependent var		9.809740
Adjusted R-squared	0.865103	S.D. dependent var		2.166524
S.E. of regression	0.795728	Akaike info criterion		2.551923
Sum squared resid	13.29685	Schwarz criterion		2.793865
Log likelihood	-28.17500	F-statistic		41.08161
Durbin-Watson stat	1.962670	Prob(F-statistic)		0.000000
Inverted AR Roots	.37			

Real Capital Flight contd.

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 09/26/02 Time: 09:00
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.29294	0.701100	17.53378	0.0000
INF	0.019234	0.010772	1.785601	0.0886
RER	-0.012677	0.001811	-7.001122	0.0000
QIG	-0.030008	0.013695	-2.191190	0.0399
AR(1)	0.234900	0.206256	1.138878	0.2676
R-squared	0.890123	Mean dependent var		9.809740
Adjusted R-squared	0.869194	S.D. dependent var		2.166524
S.E. of regression	0.783569	Akaike info criterion		2.521125
Sum squared resid	12.89358	Schwarz criterion		2.763067
Log likelihood	-27.77463	F-statistic		42.53073
Durbin-Watson stat	2.053481	Prob(F-statistic)		0.000000
Inverted AR Roots	.23			

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 09/26/02 Time: 09:02
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.53495	0.443912	23.73208	0.0000
INF	0.002379	0.011381	0.209018	0.8364
RER	-0.006677	0.002550	-2.618686	0.0160
PIE	-0.070549	0.022263	-3.168884	0.0046
AR(1)	0.220580	0.212268	1.039162	0.3105
R-squared	0.912047	Mean dependent var		9.809740
Adjusted R-squared	0.895293	S.D. dependent var		2.166524
S.E. of regression	0.701052	Akaike info criterion		2.298573
Sum squared resid	10.32096	Schwarz criterion		2.540514
Log likelihood	-24.88145	F-statistic		54.44064
Durbin-Watson stat	1.842738	Prob(F-statistic)		0.000000
Inverted AR Roots	.22			

Real Capital Flight contd.

Dependent Variable: LNCAFFT
Method: Least Squares
Date: 09/26/02 Time: 09:08
Sample(adjusted): 1971 1996
Included observations: 26 after adjusting endpoints
Convergence achieved after 6 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.58525	0.842541	14.93725	0.0000
INF	0.013967	0.011246	1.241946	0.2279
RER	-0.011552	0.002072	-5.574076	0.0000
PID	-0.035117	0.017258	-2.034865	0.0547
AR(1)	0.276528	0.200454	1.379509	0.1823
R-squared	0.888975	Mean dependent var		9.809740
Adjusted R-squared	0.867827	S.D. dependent var		2.166524
S.E. of regression	0.787653	Akaike info criterion		2.531522
Sum squared resid	13.02833	Schwarz criterion		2.773464
Log likelihood	-27.90979	F-statistic		42.03655
Durbin-Watson stat	2.020248	Prob(F-statistic)		0.000000
Inverted AR Roots	.28			

Dependent Variable: LNCAFFT
Method: Least Squares
Date: 09/26/02 Time: 09:10
Sample(adjusted): 1971 1996
Included observations: 26 after adjusting endpoints
Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.29144	0.636228	19.31925	0.0000
INF	0.011686	0.010896	1.072539	0.2956
RER	-0.012360	0.001870	-6.609709	0.0000
DIN	-0.037076	0.014619	-2.536098	0.0192
AR(1)	0.291224	0.200233	1.454423	0.1606
R-squared	0.898581	Mean dependent var		9.809740
Adjusted R-squared	0.879263	S.D. dependent var		2.166524
S.E. of regression	0.752806	Akaike info criterion		2.441024
Sum squared resid	11.90107	Schwarz criterion		2.682966
Log likelihood	-26.73331	F-statistic		46.51549
Durbin-Watson stat	1.995573	Prob(F-statistic)		0.000000
Inverted AR Roots	.29			

Real Capital Flight contd. (After dropping *INF*)

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 09/26/02 Time: 08:58
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.84543	0.475809	24.89535	0.0000
RER	-0.014343	0.002692	-5.327728	0.0000
AR(1)	0.497845	0.176002	2.828632	0.0095
R-squared	0.853548	Mean dependent var		9.809740
Adjusted R-squared	0.840813	S.D. dependent var		2.166524
S.E. of regression	0.864405	Akaike info criterion		2.654616
Sum squared resid	17.18550	Schwarz criterion		2.799781
Log likelihood	-31.51001	F-statistic		67.02403
Durbin-Watson stat	1.865483	Prob(F-statistic)		0.000000
Inverted AR Roots	.50			

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 09/26/02 Time: 08:58
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.45352	0.476328	26.14483	0.0000
RER	-0.015100	0.002177	-6.937750	0.0000
GINC	-0.016465	0.007803	-2.110092	0.0465
AR(1)	0.410028	0.191611	2.139902	0.0437
R-squared	0.878269	Mean dependent var		9.809740
Adjusted R-squared	0.861669	S.D. dependent var		2.166524
S.E. of regression	0.805792	Akaike info criterion		2.546655
Sum squared resid	14.28460	Schwarz criterion		2.740208
Log likelihood	-29.10651	F-statistic		52.90880
Durbin-Watson stat	1.880042	Prob(F-statistic)		0.000000
Inverted AR Roots	.41			

Real Capital Flight contd. (After dropping INF)

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 10/01/02 Time: 14:13
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.98824	0.647967	20.04461	0.0000
RER	-0.013749	0.002047	-6.718072	0.0000
QIG	-0.032031	0.015595	-2.053954	0.0521
AR(1)	0.348622	0.193398	1.802612	0.0852
R-squared	0.874224	Mean dependent var		9.809740
Adjusted R-squared	0.857073	S.D. dependent var		2.166524
S.E. of regression	0.819069	Akaike info criterion		2.579341
Sum squared resid	14.75922	Schwarz criterion		2.772894
Log likelihood	-29.53143	F-statistic		50.97155
Durbin-Watson stat	1.967572	Prob(F-statistic)		0.000000
Inverted AR Roots	.35			

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 10/01/02 Time: 14:15
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 8 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.57254	0.401673	26.32127	0.0000
RER	-0.006585	0.002404	-2.739331	0.0120
PIE	-0.073044	0.017565	-4.158556	0.0004
AR(1)	0.209421	0.202185	1.035788	0.3116
R-squared	0.911864	Mean dependent var		9.809740
Adjusted R-squared	0.899846	S.D. dependent var		2.166524
S.E. of regression	0.685643	Akaike info criterion		2.223719
Sum squared resid	10.34234	Schwarz criterion		2.417272
Log likelihood	-24.90834	F-statistic		75.87174
Durbin-Watson stat	1.834215	Prob(F-statistic)		0.000000
Inverted AR Roots	.21			

Real Capital Flight contd. (After dropping INF)

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 09/26/02 Time: 09:09
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 7 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.27913	0.664951	19.97008	0.0000
RER	-0.012045	0.002148	-5.608711	0.0000
PID	-0.041983	0.017287	-2.428589	0.0238
AR(1)	0.312568	0.195420	1.599467	0.1240
R-squared	0.880821	Mean dependent var		9.809740
Adjusted R-squared	0.864570	S.D. dependent var		2.166524
S.E. of regression	0.797300	Akaike info criterion		2.525466
Sum squared resid	13.98511	Schwarz criterion		2.719019
Log likelihood	-28.83106	F-statistic		54.19888
Durbin-Watson stat	1.969786	Prob(F-statistic)		0.000000
Inverted AR Roots	.31			

Dependent Variable: LNCAFFT
 Method: Least Squares
 Date: 09/26/02 Time: 09:11
 Sample(adjusted): 1971 1996
 Included observations: 26 after adjusting endpoints
 Convergence achieved after 9 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.80179	0.443735	28.85010	0.0000
RER	-0.012903	0.001860	-6.936695	0.0000
DIN	-0.042704	0.014294	-2.987611	0.0068
AR(1)	0.317120	0.195099	1.625429	0.1183
R-squared	0.892931	Mean dependent var		9.809740
Adjusted R-squared	0.878330	S.D. dependent var		2.166524
S.E. of regression	0.755709	Akaike info criterion		2.418318
Sum squared resid	12.56412	Schwarz criterion		2.611872
Log likelihood	-27.43814	F-statistic		61.15809
Durbin-Watson stat	1.931471	Prob(F-statistic)		0.000000
Inverted AR Roots	.32			

Real Debt Burden

Dependent Variable: RDSR
 Method: Least Squares
 Date: 09/26/02 Time: 09:28
 Sample(adjusted): 1972 1998
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 11 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.428361	0.764628	-3.175874	0.0044
RER	0.003170	0.001844	1.718657	0.0997
PVTL	0.074451	0.014491	5.137871	0.0000
RFL(-1)	0.188413	0.098865	1.905752	0.0698
AR(1)	0.267282	0.202691	1.318670	0.2008
R-squared	0.764813	Mean dependent var		0.993202
Adjusted R-squared	0.722051	S.D. dependent var		1.362036
S.E. of regression	0.718077	Akaike info criterion		2.341095
Sum squared resid	11.34395	Schwarz criterion		2.581065
Log likelihood	-26.60479	F-statistic		17.88560
Durbin-Watson stat	1.965086	Prob(F-statistic)		0.000001
Inverted AR Roots	.27			

Dependent Variable: RDSR
 Method: Least Squares
 Date: 09/26/02 Time: 09:31
 Sample(adjusted): 1972 1998
 Included observations: 27 after adjusting endpoints
 Convergence achieved after 8 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.771859	0.548664	-5.052018	0.0001
RER	0.003330	0.001351	2.464121	0.0224
PVTL	0.079218	0.011618	6.818534	0.0000
RFL(-1)	0.275247	0.086191	3.193443	0.0044
GINC	-0.013946	0.005337	-2.613014	0.0162
AR(1)	-0.029770	0.217882	-0.136632	0.8926
R-squared	0.808264	Mean dependent var		0.993202
Adjusted R-squared	0.762613	S.D. dependent var		1.362036
S.E. of regression	0.663616	Akaike info criterion		2.210904
Sum squared resid	9.248110	Schwarz criterion		2.498868
Log likelihood	-23.84720	F-statistic		17.70517
Durbin-Watson stat	2.051253	Prob(F-statistic)		0.000001
Inverted AR Roots	-.03			

Real Debt Burden contd.

Dependent Variable: RDSR
Method: Least Squares
Date: 09/26/02 Time: 09:33
Sample(adjusted): 1972 1998
Included observations: 27 after adjusting endpoints
Convergence achieved after 10 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.400517	0.656491	-3.656587	0.0015
RER	0.003981	0.001619	2.459041	0.0227
PVTL	0.075377	0.013523	5.573995	0.0000
RFL(-1)	0.266862	0.109134	2.445282	0.0234
QIG	-0.019400	0.014104	-1.375520	0.1835
AR(1)	0.117189	0.217956	0.537675	0.5965
R-squared	0.780470	Mean dependent var		0.993202
Adjusted R-squared	0.728201	S.D. dependent var		1.362036
S.E. of regression	0.710088	Akaike info criterion		2.346274
Sum squared resid	10.58872	Schwarz criterion		2.634238
Log likelihood	-25.67470	F-statistic		14.93181
Durbin-Watson stat	2.019647	Prob(F-statistic)		0.000003
Inverted AR Roots	.12			

Dependent Variable: RDSR
Method: Least Squares
Date: 09/26/02 Time: 09:35
Sample(adjusted): 1972 1998
Included observations: 27 after adjusting endpoints
Convergence achieved after 173 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.071895	1.768414	-2.302569	0.0316
RER	0.007034	0.003947	1.782255	0.0892
PVTL	0.080331	0.015800	5.084192	0.0000
RFL(-1)	0.299879	0.149507	2.005783	0.0579
PIE	-0.029688	0.026946	-1.101732	0.2830
AR(1)	0.313588	0.241106	1.300625	0.2075
R-squared	0.782624	Mean dependent var		0.993202
Adjusted R-squared	0.730868	S.D. dependent var		1.362036
S.E. of regression	0.706595	Akaike info criterion		2.336413
Sum squared resid	10.48482	Schwarz criterion		2.624377
Log likelihood	-25.54158	F-statistic		15.12140
Durbin-Watson stat	2.026285	Prob(F-statistic)		0.000002
Inverted AR Roots	.31			

Real Debt Burden contd.

Dependent Variable: RDSR
Method: Least Squares
Date: 09/26/02 Time: 09:37
Sample(adjusted): 1972 1998
Included observations: 27 after adjusting endpoints
Convergence achieved after 8 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.279336	0.595127	-3.829998	0.0010
RER	0.005307	0.001621	3.273488	0.0036
PVTL	0.077054	0.012413	6.207616	0.0000
RFL(-1)	0.281450	0.095828	2.937029	0.0079
PID	-0.027985	0.013349	-2.096337	0.0483
AR(1)	0.038146	0.227329	0.167800	0.8683
R-squared	0.796696	Mean dependent var		0.993202
Adjusted R-squared	0.748291	S.D. dependent var		1.362036
S.E. of regression	0.683342	Akaike info criterion		2.269487
Sum squared resid	9.806078	Schwarz criterion		2.557451
Log likelihood	-24.63808	F-statistic		16.45876
Durbin-Watson stat	1.940377	Prob(F-statistic)		0.000001
Inverted AR Roots	.04			

Dependent Variable: RDSR
Method: Least Squares
Date: 09/26/02 Time: 09:38
Sample(adjusted): 1972 1998
Included observations: 27 after adjusting endpoints
Convergence achieved after 8 iterations

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.025856	0.571917	-5.290729	0.0000
RER	0.005276	0.001416	3.726026	0.0012
PVTL	0.080223	0.011527	6.959331	0.0000
RFL(-1)	0.326988	0.096086	3.403057	0.0027
DIN	-0.031759	0.011840	-2.682279	0.0139
AR(1)	-0.020837	0.216783	-0.096120	0.9243
R-squared	0.811681	Mean dependent var		0.993202
Adjusted R-squared	0.766844	S.D. dependent var		1.362036
S.E. of regression	0.657676	Akaike info criterion		2.192922
Sum squared resid	9.083298	Schwarz criterion		2.480886
Log likelihood	-23.60445	F-statistic		18.10263
Durbin-Watson stat	2.050278	Prob(F-statistic)		0.000001
Inverted AR Roots	-.02			

