FINANCIAL TIMES SURVEY

NIGERIA

■ How to survive one of the world's most difficult airports: Page 6

Friday May 26 1995

Adrift, divided, and indebted

General Sani Abacha has promised to put his country back on the path of economic reform and held out the prospect of a return to civilian rule. But the army's record of broken promises has all but destroyed its credibility, writes **Michael Holman,** Africa Editor

IN THIS SURVEY

- ☐ Politics; Education **Page 2**
- ☐ Economic review **Page 3**
- ☐ Budget; Stock exchange; Banking **Page 4**
- ☐ Agriculture, Rubber, Roses; Research **Page 5**
- ☐ A bus driver's day; Business guide **Page 6**
- ☐ Industry and French business **Page 7**
- ☐ Gas; Oil; Guiness; Tara Systems **Page 8**

Facing an uncertain future: although the oil and gas sector flourishes, Nigerians look back on three wasted decades with little confidence that the military regime will restore democracy or revive the economy Picture: Ashley Ashwood

Polarised by its politics and plundered by its leaders, Nigeria is gripped by its most serious crisis since Biafra, under its weakest government since independence in 1960.

Once again, its military leaders have promised to re-introduce a lapsed economic reform programme and return the country to civilian rule.

Once again, the World Bank and the International Monetary Fund (IMF), and Nigeria's creditors and trading partners, are asking themselves whether the soldiers really mean it.

No sooner had the military government launched a new economic initiative in the January budget than doubts set in.

Military regimes have run Nigeria for all but 10 of the 35 post-independence years, and the figures speak for themselves.

After 25 years of oil exports worth more than $210bn, the country's per capita income of $320 is no higher than it was before the oil boom, and its external debt has reached $37bn, including arrears.

The country's name has been tarnished by business scams and corruption, its citizens are accused by the US of playing an increasing role in the world's drugs trade, while its leaders cling to the delusion that Nigeria deserves a permanent seat on the UN Security Council.

Never has Nigeria's international standing been so low, or its government so unpopular at home. Over the past 18 months, two events in particular may have tipped the balance between recovery and decline: the annulment in June 1993 of the presidential election, and the 1994 budget that followed a few months later. The one dashed hopes for democracy, and the other reversed an already faltering structural adjustment programme.

Few Nigerians had any confidence that when General Sani Abacha seized power in November 1993, he would fulfil his promise of a return to civilian rule. Such credibility as the military enjoyed had been shattered in June when General Ibrahim Babangida, in power since 1985, rejected the poll for no good reason before stepping down and leaving control in the hands of an interim military council. So far their scepticism has been proved correct.

The man who won the election that should have marked a return to civilian rule, Chief Moshood Abiola, is in detention, and seriously ill. The Yoruba people of the west, who formed the bedrock of his support, are alienated and angry, deprived – as they see it – of the presidency by the Hausa-Fulani north, and its allies in the army.

In the crackdown that preceded and followed Chief Abiola's arrest last June, several newspapers have been closed, civil rights campaigners harassed and detained, and leading opposition politicians have gone into exile.

A coup in the making led to the arrest last March of some 150 suspects, and among the 30 or so still in detention or under house arrest is retired General Olusegun Obasanjo, Nigeria's leader from 1976 to 1979.

A government-sponsored constitutional conference was supposed to come up with a revised constitution and a new date for elections. Under pressure from the regime, it abandoned its target of a return to civilian rule in 1996, and so far General Abacha has refused to set a new date. Having reneged on democracy, he may be making more headway on the economic front, although most observers are sceptical.

It began with an extraordinary New Year's Eve visit to Washington, when a Nigerian delegation led by finance minister Anthony Ani arrived at the World Bank.

Bank staff, delighted and relieved that their largest client in Africa was apparently returning to the adjustment fold, gave up their weekend to help prepare the 1995 budget.

The result was a remarkable U-turn. In the New Year address that followed a fortnight later, General Abacha re-introduced a market-driven exchange rate – abandoned a year earlier in favour of an allocation system – relaxed foreign exchange controls, and announced government's intention to repeal a decree which restricts foreign ownership of Nigerian companies to between 40 and 60 per cent.

In theory at least, unaudited special oil accounts, ostensibly intended for designated projects but almost certainly used improperly, are now under Central Bank supervision, while oil receipts are being more closely monitored.

Together with last year's increase in domestic fuel prices, which substantially reduced a subsidy that encouraged smuggling to Nigeria's neighbours on a huge scale, these measures have proved enough to allow negotiations on a medium-term programme with the Bank and the Fund to resume.

It is still well short of what an agreement will require, however. Interest rates are capped at 21 per cent, half the rate of inflation, and the government has kept an official rate of N22 to the dollar – the market rate is around N80.

The official rate is intended mainly for debt servicing, but it is almost certainly being used for a wide range of non-essential services and purchases, mainly by the army.

An agreement is unlikely until these two issues are resolved, and even then, Nigeria has to establish a track record. This alone makes it unlikely that a formal IMF deal will be in place before next year, but in the meantime the government has undermined the impression of willingness to reform.

To the astonishment and dismay of the World Bank and western governments, the Nigerian authorities gave notice of their intention to reclaim a strategic stake in the country's four leading commercial banks.

Most observers believe that the motive is not, as officials claim, the need to ensure the probity and sound management of the main banks, a task for which the military regime is singularly unqualified. It stems, they suspect, from a reluctance to let go of the reins of economic power, for with that power goes patronage.

Should government go ahead in the face of public warnings from the World Bank and other creditors, the reform programme could well collapse.

Where General Abacha stands on this and other issues is difficult to determine: "There is a battle for the mind of Abacha," says one observer.

Yet even if the regime backs down on the bank issue, there will remain doubts about its commitment to a policy which requires rigorous fiscal discipline, transparency, and accountability.

Gone are the days, however. when economic criteria alone could determine the resumption of normal relations with the World Bank and the IMF.

The emergence of a pro-democracy lobby on Nigeria in the US adds a further condition. Led by the Washington-based TransAfrica pressure group which cut its teeth on the anti-apartheid campaign, and supported by President Nelson Mandela of South Africa, this lobby is insisting that political and economic reform must go hand in hand.

Whether General Abacha, a member of the military government since 1983, can meet these terms is questionable.

From his presidential redoubt in Abuja, the federal capital, he presides over what by all accounts is less a modern government than a medieval court. Supplicants and sycophants compete for attention with diplomats and executives, who carefully note who attends the general, who seems in favour, who is in disgrace, and who has his ear.

More often than not, they face lengthy waits, sometimes until the early hours of the morning, when the general does much of his business.

Competing for the general's attention in this unusual atmosphere are a group of infuential officials and advisers who support a populist doctrine of go-it-alone economic nationalism and who oppose the World Bank's strategy for recovery.

Impractical though such a policy is, these officials, thought to include Aminu Saleh, secretary to the government, argue that the price of reform is too high.

Between 1986, when Nigeria adopted the World Bank programme, and 1991 they point out, Nigeria's external debt grew from $23.5bn to $34.5bn. Net transfers over this period were persistently negative, according to the World Bank's own figures, averaging $2.1bn a year or 6.4 per cent of GDP.

This, say the critics of the World Bank, is incompatible with development.

The answer to the "economic nationalists" is that Nigeria has itself to blame. Loans have not been honestly and efficiently invested. Reforms have

Continued on page 8