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ISSN (Online): 2455-7838

SJIF Impact Factor (2017): 5.705

EPRA International Journal of

# Research & Development

(IJRD)

Monthly Peer Reviewed & Indexed  
International Online Journal

Volume: 3, Issue:5, May 2018



Published By :  
EPRA Journals

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## THE ECONOMIC COST OF ELECTIONS IN NIGERIA: ISSUES AND LESSONS

**Enyoghasim, Oguwuike Michael (Ph.D)**

Department of Economics and development Studies, Alex Ekwueme Federal University Ndufu-Alike, Ebonyi State, Nigeria

**Umoh Imaobong Anita (HSN)**

Bangor Business School, Bangor University, Bangor, Gwynedd, LL57 2DG, UK

### ABSTRACT

*Any post-mortem of concluded elections in Nigeria must zero in on the side effects it has had on the nation's economy. Apart from the effect on the Gross Domestic Product (GDP) and the Gross National Income, there are also accompanying social consequences. The social factor effect has a lot to do with the nature of the composition of the nation's workforce. We are aware of course that about 70 per cent of those actively engaged in work are in the informal sector of the economy. This means that purchasing power is dependent on what they are able to earn on a daily basis.*

*Earnings on a daily basis are of course disrupted to the detriment of those in the informal sector if the entire economy is shut down as a result of the restrictions on movement on Election days. Further up the scale the operators of small and medium enterprises (a veritable source of employment generation) have also decried the magnitude of financial loss they have incurred in the course of the three Saturdays and one Tuesday when the economy was virtually put on hold because of the elections. The debates will continue as to the magnitude of the financial loss accruing to the various sectors.*

*All manner of figures running into the billions of naira have been bandied about. However, not surprisingly for a country with a paucity of data all these figures are well nigh impossible to verify.*

*Neighboring Ghana and the Republic of South Africa do not have such encumbrances on election days.*

*In Ghana's case elections are held on Sundays, as a way of minimizing even further the overall economic cost. However, this will be untenable in Nigeria a country which has a powerful religious lobby. Something needs to be done in the long run to minimize the cost to economic activity of Election Day.*

*A very important starting point will be to see the political process as a continuous one. For example, even the vital pre-election day registration process must now be structured in such a way that the process is a continuous one involving the compulsory and information technology empowered registration of births and deaths. Over time we can envisage postal balloting and even eventually internet voting. All of this will take time. Nevertheless it is a journey we must embark upon straight away. The structures have to be put in place now. There must be a time framework during which we must work towards achieving the vital goal of minimizing the economic cost of operating and sustaining democracy.*

**KEYWORDS:** *Economic Cost, Election, Democracy and Electoral Commission*

**JEL Codes:** H<sub>5</sub>, H<sub>19</sub>

## INTRODUCTION

Every country which practices democracy must necessarily have a body properly constituted to conduct periodic elections to choose its leaders at the various levels of government. Nigeria is one of the democratic nations that have such arrangement in place. This paper therefore examines the issue of electoral management bodies in Nigeria.

### **The History of Electoral Commissions in Nigeria (1959-date)**

The history of election management bodies in Nigeria dates back to the colonial era, with the establishment of the then electoral commission of Nigeria (ECN). The ECN conducted the 1959 pre-independence general elections that ushered in Nigeria's first republic. Later the Tafawa Balewa administration set up the Federal Electoral Commission (FEC), headed by the late Mr. Eyo Esua, which conducted the 1964 and 1965 regional elections.

With the military coup d'état of 1966 and the assassination of Prime Minister Balewa and others, the FEC was dissolved by the Major-General Aguiyi Ironsi led Military administration. General Ironsi's administration lasted only six months before it was overthrown in yet another coup d'état in July 1966, after which General Yakubu Gowon took over from 1966 to 1979, Nigeria was under military rule.

In 1978, the military administration of General Olusegun Obasanjo established a new Federal Electoral Commission (FEC) with Chief Michael Ani as chairman. The FEC conducted the 1979 transitional elections, which brought in Nigeria's second republic, with Alhaji Shehu Shagari as the executive president of Nigeria. FEC was renamed the federal electoral commission (FEDECO) and headed by Justice Victor Ovie-Whiskey. FEDECO conducted the 1983 election that re-elected the civilian administration of Shagari.

The Shagari administration was overthrown by the military on the 31st of December

1983, by General Mohammadu Buhari; who was himself toppled 20 months later by

General Ibrahim Babagida. The Babagida administration in 1987 set up the National

Electoral Commission (NEC) with Prof. Eme .O. Awa as chairman. The NEC commenced the implementation of a political transition program. In 1989, Prof Humphrey Nwosu became the new NEC chairman. Against the backdrop of the electoral crises arising from the botched presidential election conducted on June 12, 1993, Nigeria's third republic was cut short. The June 12 crisis led to the exit of the Babangida government. An interim government, led by CHIEF Ernest Shonekan was set up, while Prof. Okon E. Uya was appointed Chairman of NEC.

On November 17, 1993, General Sani Abacha took over as the military Head of State, disbanded the NEC and replaced it in 1994 with the national electoral commission of Nigeria (NECON). The NECON had chief summons dagogo-Jack as Chairman. The NECON managed to conduct elections up to the national assembly. But General Abacha died in 1998 and with him went down the election management body as well as the political transition programme. Abacha's successor General Abdulsalam Abubakar through degree no 17 of 1998 established the Independent National Electoral Commission (INEC). Hon. Justice Ephraim Akpata was the first Chairman of INEC. The INEC conducted the 1998/99 general elections and ushered in Nigeria's fourth republic.

### **The Independent National Electoral Commission (INEC).**

At the national level is the Independent national electoral commission (INEC) established by Degree no.17 of 1998, now an act of the national assembly. It is also listed in section 153 of the 1999 constitution as one of the 14 federal executive bodies. Section 158 of the constitution confers on the commission its independence, by giving INEC the power to appoint and exercise disciplinary control over its staff. Section 197 205 of the constitution also provide for the establishment of a state Independent electoral commission (SIEC) for each state of the federation.

**Hajia Amina Bala Zakari** was appointed as the new Acting Chairman of the Independent National Electoral Commission (INEC) following the exit of Professor Attahiru Jega in 2015.

**Mahmood Yakubu** is a Nigerian academic and current Chairman of the Independent National Electoral Commission (INEC). His appointment was subject to approval by the Council of State, **Mahmood** was appointed to office by President Muhammadu Buhari on 21 October 2015, succeeding Amina Zakari, who served as acting chairman.

The "Manual for Election Officials 2015" spells out the duties of personnel involved in the conduct of elections in Nigeria. Apart from casting vote for the candidate in secret, to protect his/her choice and preference, all other aspects of the elections are conducted in the open, in line with specific procedures.

**Roll Call of INEC Chairmen in Nigeria.**

| <b>Names</b>                     | <b>Tenure</b>          |
|----------------------------------|------------------------|
| Hon. Justice Ephraim O.1. Akpata | 1998-2000              |
| Sir Abel I. Guobadia (KSA)       | 2000-2005              |
| Prof. Maurice Iwu                | 2005-2010              |
| Prof. Attahiru Jega              | 2010 to 2015           |
| Hajia Amina Bala Zakari          | 2015 (Acting Chairman) |
| Mahmood Yakubu                   | 2015 to date           |

**LITERATURE AND THEORETICAL UNDERPINNING**

**What the Economy Lost to Elections**

The 2011 elections have come and gone, with winners popping champagne and the losers still smarting from defeat. Undoubtedly, however, the elections have left a sour taste in the mouths of Nigerians who are still counting losses suffered as a result of curfew imposed from 10 pm on the eve of election to 6 am on election days and restriction of movement on Election Day as well as closure of the country’s borders.

For instance, Musa Ibrahim, a taxi driver in Ilorin, Kwara State, did not see any sense in not allowing people to move around during the elections. “My business was adversely affected because I live on daily earnings from this work. On the average, I lost about N3,000 on each day of the election and this is quite painful. That was why immediately the voting ended, I rushed out to see what I could still make to sustain my family. We have voted in times past and nobody imprisoned us,” a frustrated Ibrahim said. To make up for the lost time, Ibrahim and other transporters hike fares when they commence business after election hours.

Apart from artisans and petty traders, operators of eateries in Umuahia were also greatly affected by the restriction of movement on election days. Mr Biggs’, Crunches, lip licking and Bubbles all recorded losses. A staff of one of the eateries said that his company lost over N 100, 000 each election day due to the restriction of movement, which forced the eatery to shut its doors to customers. Though the eateries and other businesses eventually opened after voting hours, hardly did they realise as much sales as they would have had if there were no restriction.

To Tawakalitu Usman, a petty trader dealing in Fura, a local milk drink, the election days proved to be bad days for her business. “I lost well over ₦7, 000 daily on these days, and that is a lot of money. To minimise my losses, I opened my shop immediately the voting ended.” She counselled, “Voting or elections should not be planned to affect businesses.”

Tolani Iredele, a trader in Akute Market, Ogun State, who deals in provisions, was yet to recover from the losses she suffered during the elections. As far as she

is concerned, nothing compares with daily earnings, which she was deprived of for four election days. Abimbola Oyegbenro, managing director of PIC Computers, Computer Village. Ikeja. Lagos, thanked God the elections has come and gone because it almost crippled his business. “The election slashed my total income, I make an average of N50,000 daily from sales of computer and accessories. But in the last April 2015 general election I have lost about N 150,000 from my sales for the three Saturdays and Tuesday the federal government declared curfew and restricted movement.” What was particularly painful to him was a big business deal that coincided with the election. He said, “I imported some computer components and accessories from China and my client from Katsina who is supposed to come and pick them up has not come because of the restriction of movement on the day he was to come and post-election violence have wrecked everything. And these are goods worth hundreds of thousands of naira,” said Oyegbenro.

The client too will have some story to tell, like other businessmen in cities across the country. Oyegbenro is even lucky that he had cleared his consignment ahead of the elections. This is because the closure is not limited to restriction of movement within the country; the federal government also closed the borders at every election. The ministry of interior says that the closure and the restriction order form part of designs to ensure a hitch-free exercise. What that means is that while the exercise was going on there was no form of business transaction in the country, even as business across the border was frozen.

No company in the semi-formal sector depicts the despondency of the election days like Kamasco Nigeria Limited, a big consumer and general electronics store based on Ahmadu Bello Way, Kaduna. According to Joseph Panaki, the sales representative of the company, the election and the violence that followed it cost his shop over N10 million as it was forced to close down both on the election days and the violence it generated.

Adejohanson Ventures, an electronic store located on Ahmadu Bello Way, had its share of misery during the elections. According to Semi Azeez, its accountant, the store lost about N500, 000 each day it

closed during the elections. He added that the store was closed for more than seven days due to both the election and the violence that ensued. "The election has cost us a lot. Election should not make people to lose their businesses," said Azeez. In states like Kaduna and Bauchi where riots broke out after the presidential election, there was an added trouble. The curfew imposed to curtail the riots added further damage. According to Azeez, "The effect of the curfew has also been devastating on our businesses."

Sales also nosedived for Destiny Bookshop along Ahmadu Bello Way, Kaduna. "The election crisis has also affected us because we could not open. Then came the curfew, which has incapacitated our business. Everything has cost us about N10 million because I have two other bookshops in Kaduna," said Celestine Destiny, owner of the bookshop. In fact, Ahmadu Bello Way alone has over 70 stores, which specialise in goods ranging from electronics, furniture to home and offices. In the views of many residents, the elections may have cost the businesses on that street alone over N500 million,

The elections also took a huge toll on the capital market. After a sustained appreciation of crucial indices of the capital market since late last year, particularly with an 11 per cent leap in January, the indices began to drop steadily in April, giving investors concerns. For instance, the Nigerian Stock Exchange's all share index fell from 27,797.39 basis points recorded on January 25, 2011 to 24,733.38 in the first week of April, wiping off the earlier gains. Similarly, market capitalization fell from N8.885 trillion in January to N7.902 trillion in April 2011. A key reason for the downturn in activities of the capital market, analysts said, was the fact that many investors who doubled as politicians sold their stocks to raise money to fund their campaigns. A lot of investors were said to be sceptical about investing in the market, especially during the elections, following the uncertainties that may surround the outcome of the elections.

Experts, including Mike Iteboje, president, Chartered Institute of Stockbrokers, fear that the capital market might not witness meaningful activities long after the elections are concluded. Foreign investors are reportedly also watching and waiting to see how the elections would go and their impact on the economy, expressing fear that if something negative came up as a result of the elections, they might find it difficult to move their funds from the market.

Olufemi Awoyemi, managing director, Proshare Nigeria, was emphatic last week that the period of elections was a bad time for the Nigerian economy. Analysts at Meristem Nigeria, a securities firm, forecast that the downturn in the capital market might continue "well after the elections. They said apart from the fact that many investors sold their shares to fund their

campaigns; others had adopted a sit-and-watch attitude to know the direction that things would take.

Daniel Nkwocha, lecturer, Criminology, Imo State University, Owerri, also said that on the days the various elections were held, all business premises, offices and shops within the country were shut down, even as international flights were restricted, which resulted in heavy losses to operators in all the sectors of the economy. He hinted that an average of N90 million was lost by a single airline, while at the Lagos ports, a lot of money was lost to demurrage as about 1,500 containers could not be cleared.

It is almost impossible to correctly quantify in numerical terms the losses suffered by businessmen, government agencies and the economy generally while the country was shut down on election days. However, the Lagos Chamber of Commerce and Industry, LCCI, estimated that Nigeria lost N210 billion. The organisation figures that for each day of the election that the economy was shut down, losses totalling N70 billion were recorded in terms of output and income, mainly in the informal sector businesses, which depend on daily incomes. The calculation is that since the nation's gross domestic product, GDP, is \$173 billion, about N26 trillion, Nigeria would have lost N71 billion in one day.

Long before the elections, experts observed that government officials had jettisoned governance, relegating the problems of the country and the management of the economy to the background. For many months before the elections, the National Executive Council, NEC, presided over by the President Goodluck Jonathan, failed to meet regularly and when it met, no critical economic decisions were taken nor progress made. Public sector projects and contracts were not attended to. The President once castigated his ministers who often left their duty posts for campaign trips.

Indeed, the election dealt a heavy blow on the 2011 budget, which is yet to be passed, making Nigerians to doubt the performance of the budget if eventually passed. The budget may yet suffer more delay, as the President will be preoccupied with appointments and the task of forming a new government up till May. "This has implications for projects that should be executed to improve the investment environment as well as the welfare of the people because planning and productivity are affected in some segments of the private sector," observed Femi Deru, president, LCCI

The colossal cost of the elections to the economy has led to calls by Nigerians that President Jonathan must work with the national and state assemblies to restructure the economy because Nigeria cannot afford the current cost of elections to the economy.

Many Nigerians considered it absolutely unnecessary to declare election days work-free, Nigeria

is described in some quarters as a holiday nation. “Consciously or unconsciously, we push ourselves into celebrating more instead of working. This is not supposed to be so because it takes a heavy toll on the economy. As a nation in dire need of economic growth and development, Nigerians should work more especially since there are only two ways an economy thrives: from the services it renders and the products or goods it produces. “So, if we are not producing anything as was the case during the holidays for elections, and leaning on what other economies are giving us, it means we are losing and it is affecting the economy.

Oladapo Awosokanre, executive director, African Development and Advocacy Centre, AFRIDAC, United Kingdom, UK, who was in the country to monitor the elections, said it was quite unfortunate that the elections were carried out without consideration of its effect on the economy. It is quite unfortunate that we actually had to halt all commercial activities. Elsewhere, especially in the UK and the United States, US, elections are held while all commercial activities go side by side. That was why it was quite alarming when Attahiru Jega, chairman of the Independent National Electoral Commission, INEC, cancelled the April 2 election suggesting a postponement to Monday, the first working day of a week. I see that as quite unfortunate because the cost of losing so much money in the economy is not something that our leaders actually consider when they are doing things,” said Awosokanre.

According to him, election in the UK, which brought in David Cameron into power, people were able to cast their votes and at the same time carry on with their normal commercial activities, “because all you need to do in an election is to go to the polling booth at the appointed election hours, and vote accordingly. We do not have total clampdown like it operates in Nigeria.”

Yusuf Adamu, manager, Red Roses Restaurant, Kano, is of the view that Nigeria has not reached a level where emphasis is placed on time. “We have not yet come to the recognition that time is money. Restriction of movement during elections amounts to shutting down the economy because it leads to loss of man hours, which inflicts an incalculable damage to the economy,” he noted.

In countries like the UK, Adamu said businesses were allowed to go on while elections held between 8 am and 10 pm. “The time span usually allocated to the exercise allows everyone to vote at their own convenience without necessarily shutting down the economy. In our own case, the fear of rigging is the reason why this cannot be done for now.

Just like the UK and the US, elections in Ghana do not require restriction of movement and shutting down the economy. Adu Koranteng, a Ghanaian journalist, said the Ghanaian government did not declare a holiday during the presidential election in 2008. “We vote every 7th day of December in an election year,

businesses are not closed and people go and vote only to resume back to their work. So, the election does not shed anything from the economy apart from the money spent on it,” Koranteng said.

Chuks Okoroezi, Lagos-based businessman, advised the federal government to show more interest in the impact of restriction of movement on the economy during elections. “What government needs to do is to set up a study to find out exactly what the country loses each time movement is restricted to conduct an election, If we know that X billion is usually lost on a single day when movement is restricted, we would be able to say whether the economy can cope when this is done four times consecutively within a month in an election year. Otherwise, we may have to stagger the elections for different levels to hold in different years, so that we can give the economy time to recover before we inflict another damage to it by way of a fresh restriction of movement,” he argued.

Stevenson expressed optimism that with the increasing level of political consciousness demonstrated by Nigerians during the elections, the country would soon toe the line of its counterparts in the developed world, by embracing a voting pattern that would not necessitate shutting down the economy. “In the future, Nigerians would definitely go to vote while they are working with the level of political awareness now raised unlike in the past. Maybe technology would have been introduced where people can go in, slot in their cards, do their voting and go back to their offices or back home,” he stated.

Kola Jamodu, president, Manufacturers Association of Nigeria, MAN, however, believes that it is a price worth paying for an enduring democracy, which will promote a business-friendly environment through the election of capable hands. ‘MAN has a long- term view of Nigeria. So, we cannot be laying emphasis on short-term losses incurred during elections. Our members understand that our businesses would be better for it if the elections work out well and Nigeria becomes better entrenched in the comity of nations. If there is no Nigeria, there will be no MAN,” he said.

In his view, it was not out of place for INEC to restrict movement during elections; the ultimate target should be that in the future people would be able to vote online. Nkwocha also believes that if the elections at the end of the day produced credible leaders at all levels, it would more than make up for whatever the economy lost as a result of the temporary shut down.

The lessons for the federal government and Nigerians generally are to borrow a leaf from advanced countries and, perhaps, Ghana and refine the process of conducting elections without grounding the economy. The consensus is that the overriding objective of preventing rigging by restricting movement on election days would no longer justify the colossal losses to the economy.

## **THE PROJECTED COST OF THE ELECTION**

A breakdown of the N87.7 billion supplementary budget approved by the National Assembly in August 2014, which was obtained exclusively by THISDAY, showed that under its recurrent expenditure programme, the commission had budgeted N5, 449,315,100 for the review of the voter register. This followed the conclusion of the registration exercise.

Sources in INEC explained that under the review process, the commission will be addressing issues like incidents of multiple registration and other complaints from the various wards nationwide, among other issues. This is after voters may have verified their details on the registers that were displayed nationwide. The period for the display of the register started Monday, February 14 and ended on Friday, February 18.

Other items related to the voter registration exercise, that were budgeted for and were approved by the National Assembly, include voter education, involving the display of voter register across 774 local government areas of the federation at the cost of N222 million; personnel cost requirement and cost for registration of voters nationwide which was expected to have cost N1.08 billion; and training modules on the display of a preliminary voters' register estimated at N502.6 million.

A further breakdown of the INEC budget revealed that N3.7 billion was earmarked for logistics and transport during the entire process, while printing of the voter register at six zonal printing points was expected to cost N10.364 billion. All these expenses are classified as recurrent overheads in the budget of the commission.

Other recurrent expenses that were incurred by INEC for the April general election are logistics requirements for elections, voter registry requirement for election and operation requirement for election that were estimated at N2.030 billion, N268.2 million and N470.450 million respectively.

On the other hand, while cost of finance and accounts for the 2011 elections is estimated at N1.246 billion, cost of year 2010 bye-elections was put at N700 million.

The budget includes Servicom/RCS and GD put at N155.5 million, electoral hazard allowance - N64.8million while hotel accommodation for political appointees of INEC is expected to cost N222 million.

This brings the total recurrent expenditure of the electoral body to N25.8 billion.

Under its capital expenditure programme, the lion share of the capital budget was taken up by the

procurement of the Direct Data Capture machines and the software, which was estimated at N54.6 billion.

Although N54.6 billion was the budget for the purchase of DDC machines, sources said that the commission did not spend the entire amount, as the contract for the award of the biometric machines and software cost less than N50 billion.

This may have informed the decision of the National Assembly not to consider the request by INEC when it asked for another N6.6 billion though it was later approved for the one-week extension of the voter registration exercise.

In addition to the purchase of biometric machines, INEC budgeted N3 billion for the procurement of 150,000 transparent collapsible boxes, and N4 billion for utility vehicles.

This brought the capital expenditure budget to N61.9 billion while the grand total after the recurrent budget is added, amounted to N87.7 billion.

## **PROJECTED COST OF HUMAN/MANPOWER FOR THE ELECTION**

According to the commission's budget, the cost of the three sets of elections is N12 billion. Of this, the failed April 2 NASS election was put at about N4 billion. This only represents allowances payable to different levels of electoral staff. A breakdown shows that the 109 returning officers for the 109 senatorial districts in the country would be paid N35,000 each; 360 federal constituencies returning officers N30,000 each; 774 local government electoral officers N25,000 each; 9,000 supervising presiding officers N25,000 each; 11,973 ward collation officers N25,000 each; 119,973 presiding officers N9,000 each; and 261,673 assistant presiding officers N9,000 each. Conversely, the 2007 general election was much cheaper, even after factoring in the inflation rates. A source said that the 2007 election, including registration of voters, cost only about N38 billion. The source also said that when Jega assumed duty, there was N50 billion in the purse of the commission.

## **PROJECTED COST OF ELECTION EQUIPMENT**

Part of the reasons why the current exercise is so costly is the fact that perhaps being awash with funds, the commission was not prudent enough to consider the high cost of doing certain things in readiness for the elections. For instance, the contract for printing the ballot papers and result sheets was awarded to six different foreign companies promoted by influential Nigerians at the total cost of over N13 billion for 75 million ballot papers and accompanying result sheets for each of the elections. The names of the companies are: Tip 3, a Spanish company being promoted by Hashim Dikko; Graphic Inline, promoted by Sanni Lamido; Kalamazo, promoted by Dick Jackson, a Nigerian Briton

said to be married to a Nigerian lady from Kano; Areo-Vote, promoted by a man whose name was simply given as Yerima; San Farno, a German-Polish company promoted by Sanni Musa; and VI Solutions promoted by Yahaya Sanni.

Investigation showed that out of the six companies, San Farno, was responsible for the NASS election and could not deliver. The award of the contracts, according to sources, did not follow due process under the guise of security.

## **PRESENTATION OF ISSUES AND ANALYSIS OF THE ELECTIONS**

The 2011 general election marked a watershed in Nigeria's history. It comes immediately after Nigeria bids farewell to the first 50 years of political independence (and 96 years of existence as a country) and ushered in the set of leaders that will lay the foundation for the journey to the next 50 years. Like every other election all over the world, the 2011 elections in Nigeria were mainly about the economy. As Bill Clinton once said, it is the economy, stupid! Put differently, sound economics ought to be excellent politics. But, have we even realized this?

Our first 50 years had a chequered history as we struggled to forge a nation out of the disparate nationalities. The first few years of independence with the regional economies as the driving force saw spectacular growth of the economy. With oil came a new political economy based essentially on consumption- distributional politics rather than production. So far more than \$400 billion of oil rents have been spent with modest progress. We seem to be saddled with an oil resource curse and a political economy that emasculates the future. We have gone through series of development plans, programmes, visions, etc. On paper, some were far reaching. We have also had the courage to implement some radical reforms. But, without a holistic systemic change and commitment to sustain reforms, we often take three steps forward and four backwards.

It appears that the future is foggy and serious discussions about that future-the new Nigeria in the next 50 years has not begun. The debate so far is about who would make the ministerial list or so, and not about what they will offer. I am afraid that we have again conducted elections without any serious issues being canvassed and 'winners' have emerged. Our politics has degenerated. In the Second Republic, I recall the robust debates relating to the alternative ideologies and manifestoes of the five political parties during the 1978/79 elections. I remember listening to Obafemi Awolowo's speech in 1979 explaining how much it would cost to implement free education at all levels and free medical care, and how he would reconstruct public finance to squeeze out the money to implement them.

Not anymore! There are no alternative visions, no ideologies and no programmes that offer the voters clear choices about their future. Even my political party, the behemoth PDP, has no clear road map for the country. It has remained a platform to grab power, and I am not sure how many party members can coherently explain what their party stands for.

But Nigeria's future cannot be taken for granted. The challenges are herculean, and the next four years are critical. Given the population growth rate and if you believe the last census figures, there will be 161 million Nigerians this year, and 212 millions in 2020. By the time a child born this year turns 50 years in 2060, there will be 650 million Nigerians. At current GDP and population growth rates, Nigeria will still be a developing country in 2060 (below \$11,000 per capita income). At current rates, it will only be in 30 years time (2040) that Nigeria will attain the current South Africa's per capita income.

The tragedy is that the country has no implementable plan to steer a different outcome. Under the current political economy, the Vision 2020 will remain what it is-a beautiful dream! Neither the investment levels nor the productivity (given the decaying educational system and poor skills) required to realize Vision 2020 will happen.

For Nigeria to take a shot at 2020, the economy needs to be growing at about 14- 15% per annum (more than twice the current rates of 6-7%). Even with improved efficiency, this requires annual investment rates of more than 40% of GDP (higher than total earnings from oil). With the cessation of hostilities in the Niger Delta, and oil price rising to about \$79, external reserves ought to be growing. Rather, external reserves are depleting precariously to about \$36 billion currently, with weekly sales at the WDAS running into hundreds of millions of dollars. Private capital inflows have largely ceased. The capital market is comatose and capital flight is back with vengeance! With private saving rate of below 20%, public sector dis-saving (borrowing), and huge net capital flight, the numbers on the macro economy do not simply add up. Add to this the surfeit of liquidity and misalignment of basic prices and the conclusion is self evident: sooner or later, something will have to give!

As I ponder the future, I am deeply worried. As a consequence of deliberate choices made by public sector managers and the constitutional/structural bottlenecks, the economy cannot generate the required investment to secure prosperity for all. In spite of the heavy external debt of \$34 billion and oil prices ranging between \$25- \$50 during the Obasanjo's second term, we managed to grow the economy at about 6 -7% per annum (from average of 2.8% in the 1990s). We started saving for the rainy day when oil prices reached \$35 and by 2007, despite paying \$12 billion to write-off the Paris



Club debt in 2006, we had saved about \$22 billion as 'Excess Crude'

In the last few years, oil prices have averaged \$70 to \$85 per barrel. What has happened? We have spent the \$22 billion saved under Obasanjo, and now massively borrowing at an alarming rate (domestically and externally) during a period of unprecedented oil price boom, and yet the economy remains static at 6-7% growth rate. Recurrent expenditure of the public sector has more than doubled since 2004, leaving very little for investment. During the global financial crisis there was a deliberate decision to allow the Naira to depreciate as part of the strategies to mitigate the effects of the global crisis. Today, that effectively means that governments at all levels receive an Naira terms) about 27% more revenue from oil receipts than would otherwise. Indeed, but for this exchange rate change under this circumstance, there would not be more than 11 state governments that can still pay salaries on a consistent basis. With massive government borrowing during a boom and paradoxically very low levels of public investment, the private sector is stymied into a trap. Who has the strategy to unbind this trap?

Effectively, we are repeating the worst forms of the mistakes of the late 1970s to early 1980s: accumulated huge debts and raised government consumption to unsustainable levels during the oil boom which we could not sustain during the slump and hence led to the inevitable SAP. Sadly, we are going through the same cycle again, and if the current trend continues, we are doomed to a worst form of SAP in the future. God forbid! As it is, the economy and the future of hundreds of millions of Nigerians are hinged on a life support of a temporary oil boom. Our economy is still driven by the volatile primary commodity sector-oil, gas, and agriculture. With poverty incidence at about 50%, and urban youth unemployment at over 20%, we are sitting on a time bomb. The issue is not if the oil price will crash, but when. If oil price falls below \$40 tomorrow, the economy will come down on its knees, with catastrophic consequences. Surely, the oil price will sooner or later crash, but Nigeria has no contingency plan.

## **CONCLUSION AND RECOMMENDATION**

The good news is that Nigeria has all the potentials to be great. There are huge idle resources that can be put to productive use. With economy-wide capacity underutilization at about 60% and oil prices at unprecedented levels, broadly shared growth rate of about 15% is possible. Elected officers and political parties need to outline their visions of Nigeria in the next 50 years and HOW they intend to rapidly create a broadly shared and sustainable prosperity. Can fundamental results be achieved by tinkering with programmes or will major changes in the political

structure and Constitution be required? It is time the elected officers roll out their agenda, and HOW they intend to finance them! Nigerians will no longer be contented with a plethora of platitudes and wish-lists. Each elected officer must tell us how he/she intends to finance each programme, the deliverables and timelines. More specifically, we need to know where they stand on critical national issues, even if they have no concrete plans on them. This is a necessary element of a democratic process.

Below, we outline some of the issues/questions we need answers from the elected officers.

The first issue we need answers to is how the elected officers hope to reconstruct our public finance and put it back on the path of sustainability. How can they rein-in the obtuse and rapacious federal bureaucracy in particular, and the state bureaucracies, balance our budget during this period of oil boom, and yet spend at least 40% of the budget on capital expenditure as required by the Fiscal Responsibility Act? Personally, I am not convinced that we need more than 10 ministries and 10 ministers at the Federal level. They should explain to us their contingency plans in case oil price crashes tomorrow. Elected officers should also let us know their views on, and framework for, borrowing (when to borrow, for what, and how it will be paid back?). Without clarity on these issues, much of the talk about government providing power/electricity and infrastructure on a sustainable basis will remain a joke as funding will always remain a binding constraint. In other words, elected officers should tell us their plans to shrink the domain of the public sector to free resources to enlarge the domain of the private sector—to truly have a private sector-led, market economy. For example, according to Prof Charles Soludo that company profit tax rate should not be more than 10% (down from the current 30% plus education tax of another 2%) especially at a period of oil price boom, and where the businesses provide their own infrastructure. For businesses to expand and create jobs, the tax rate needs to go down significantly.

Second, Nigerians would like to know the plans of the elected officers for reconstructing our political structures to create the new Nigeria with a new sustainable prosperity. Currently, we are running unitary-federalism, with a plethora of fiscally unviable states as the 'federating units with the attendant wasteful duplication of bureaucracies all over the country. So far as everyone is spoilt with monthly allocations from oil rents, there is no incentive to recreate the prosperity engendered by the palm or cocoa plantations and groundnut pyramids of the old regions. Every village wants to become a state in so far as 'allocations continue to come from Abuja to pay salaries'. Nigeria's fiscal federalism seems to have its incentive system upside down, supporting a political economy based upon

consumption- distribution rather than production. Should this continue?

On specific sectorial issues, the questions are endless. Who has the strategy to achieve uninterrupted power supply over the 2011- 2015 period? Where is the strategy to ensure accurate population census with biometric data of every citizen? If the last census figure is correct, then Nigeria's population is exploding without any plans for the children of today and tomorrow. Are we happy with the rate of growth of our population or will someone have the courage to propose a robust population policy? What is the magic wand to ensure that we have a free, fair and transparent electoral system where only votes count and all votes are counted? What is the new strategy to fight corruption? Where is the sustainable plan for the Niger Delta and the long term strategy for environmental sustainability of locations amenable to natural resource extraction? Since our current university system is a road to nowhere and producing largely unemployable graduates, elected officers need to flesh out their plans to revolutionize the sector for Nigeria to join the 21st century.

It is estimated that Nigerians have their wealth running into tens of billions of dollars stashed away outside the country, and capital flight has resumed. Who has the plans to reverse the trend? The Financial System Strategy 2020 (FSS 2020) was designed to make Nigeria Africa's financial hub and an international financial centre by 2020. What is the commitment of the elected officers to make this happen? How will the elected officers address the various cries of marginalization by sections of the country, especially the South East? What are the plans for women and youths, as well as the physically challenged? How do we deal with huge but unrecognized national emergencies such as erosion and desertification?

Furthermore, the future depends on how we deal with the tripartite problems of poverty, urbanization, and unemployment. Elected officers need to spell out how they intend to solve the pervasive poverty in the North (averaging over 70% compared to average of less than 35% in the South). To create high value-adding jobs and reduce poverty in the medium term require more than quadrupling of productivity in agriculture as well as mainstreaming of large-scale commercial agriculture. We need to hear the plans of elected officers in this regard given the current irrigation level of less than 6%. More specifically, we need to hear from the elected officers how many jobs they can create over the four year period and the strategies to do so.

There is also the challenge of urbanization and urban renewal strategies. At about 5.3%, Nigeria's urbanization rate is one of the fastest in the world, with the attendant urban decay, slums and urban unemployment, poverty and crime. What is the plan to stem rural-urban migration? In the medium term, what special strategies for the renewal of mega cities like

Lagos, Port Harcourt, Aba/Onitsha, Abuja, and Kano which continue to receive the largest influx of youth population in search of non-existing opportunities? What are the strategies to provide safe drinking water to our population?

There are about 20 million housing deficit in Nigeria. What strategies do the elected officers have to unleash a housing boom and a mortgage system in Nigeria? Surely, this can create millions of jobs, and Nigerians need to know how.

Nigeria has one of the most inefficient ports in the world, and much worse than many other West African countries. What are the strategies to revolutionize our ports and ensure that importers clear customs in 12-24 hours over the next four years? Also where do the elected officers stand with respect to the proposed West African monetary union and common currency? Where do they stand with regards to the WTO and the Millennium Development Round, and the European Union's Economic Partnership Agreement (EPA) vis-a-vis the Everything but Arms initiative of the EU? What about the West African common tariffs vis-a-vis the plans for the manufacturing sector? If the elected officers believe that our foreign policy should focus largely on commercial diplomacy, how many missions abroad now make sense, and what kind of ambassadors do we need?

The questions and issues are legion. The next 4 years in particular and 50 years in general will make or break Nigeria. This year's election marks the beginning of the journey. The elected officers have a duty to lay a solid foundation for the future. As things are, that future cannot be guaranteed without a big struggle.

The world is watching, and Nigerians are waiting for answers. It is only when this questions are truly and honestly answered and elected officers give us the road map to changing Nigeria that the huge economic cost of 2011 and 2015 election can be justified.

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