GLOBAL FINANCIAL CRISES AND THE ERADICATION OF POVERTY AND HUNGER IN NIGERIA

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ABSTRACT

The global financial crisis is a lubricant to poverty especially in any developing economy. The Nigerian economy is associated with poverty, unemployment, unequal distribution of income and wealth, and diminishing food security which, leads to high crime levels, high mortality rates especially maternal and child deaths and even separation and divorce causing broken homes. The focus of this paper is to examine the government efforts toward eradicating poverty and hunger despite global economic meltdown. The methodology adopted for the study is survey of literature. The paper reveals that the policies and reforms formulated by Nigerian government in eradicating poverty and hunger are well channeled towards attaining their objectives. Rather, it is the implementation of the policies that are suffocated. What is left to be done is for government to establish an agency which should shoulder the responsibility of enforcing the implementation of the policies and reforms of eradicating poverty and hunger on the respective implementers.

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Introduction

The burden imposed on the African economies and societies by the current financial crises will be even more devastating in Africa because of the distorted macro-economic environment prevailing in Africa which encourages trading in money as opposed to lending for the transformation and increased production in agriculture and manufacturing and in promoting infrastructural development. Until the international community in general and Africa in particular ceases to make development hostage to finance (which is the root of the global financial crises) and instead make finance to serve development, the current economic meltdown, will become even more devastating in Africa Adedeji (2009).

Poverty is the state of being extremely poor and lacking the means to exist adequately. It is a condition of life which is so limited by malnutrition, illiteracy, disease, high infant mortality and low life expectancy as to be beneath any reasonable definition of human decency" (McNamara,1980:1). Apparently, poverty is itself a crisis that is habitual and it conveys the message of hardship difficult to deny because it speaks publicly on grounds of visible misery, persisting destitution, endemic hunger or starvation and visible malnutrition. As currently put, the international labor office estimated the number of destitute at 700million in the early seventies in the third world countries. Today, the World Bank estimate put the figure at 800million. This suggests, Brandt observes, that almost 40% of the people in the third world countries are surviving but only barely surviving with incomes judged insufficient to secure the basic necessities of life as cited in Akandimu, (2004).

Long before the current global economic crises, Africa has been in the news as a place ravaged by famine, diseases, wars and gross leadership failures. Although the depressing news about instability, hunger, and diseases persist, Africa has the potential to recover when the right investments are put into developing its human and natural resources. By now, we have recognized that Africans are ready and eager to tackle their own problems. Africans want more partners, investors and collaborators. They also need entrepreneurial skills and capital to create local capacity for solving local problems of hunger, poverty, diseases, and unemployment just to mention a few.

Too often in Nigeria, the debate on our economic policies is reduced to the wisdom or otherwise of inflation targeting or a small budget deficit. These are important issues that, no doubt, need prudent handling. But they are subsidiary matters. Our key priorities should be job creation, major improvements in education, health-care, the justice system, and serious rural transformation. Nigeria has put in much effort to see through these problems long before the present global crises.

Amidst all efforts to solve these problems, the global financial meltdown lured its head, and we know for sure that the global financial crisis is a lubricant to poverty especially in any developing economy.

Thousands of people in Nigeria are driven by poverty and hunger to sell their bodies and souls to live; thousands of people, wretched and living in misery and appalling squalor, struggle to earn just enough to keep themselves alive; willing to work and begging for a chance, yet starving, condemned to hunger, dirt and disease. In Nigeria, there is need to transform the systemic features of our persisting growth path that is reproducing the crises of our society - unemployment, poverty, hunger, inequality, skills shortages, and diminishing food security. These crises impact, in turn, on other major headaches, including crime levels and unsustainable household indebtedness.

This aim of this paper is to examine Nigeria's government efforts toward eradicating poverty and hunger despite global economic crises and analyze whether its policies are adequate or not, through survey of literature using content analysis.

REVIEW OF RELATED LITERATURE

The on-going global financial crisis (GFC) has cast a shadow over the global economy with world output and trade forecasted (by the IMF) to shrink in 2009. This is the first time such contraction has taken place since the end of the Second World War and represents a major challenge for policymakers apart from the immense hardship it is

inflicting on working households who are losing their jobs and/or their homes on an unprecedented scale and experiencing deep wealth loss (Jha, 2009).

In his own contribution, Bond (2008), opines that through the crises, extra-economic coercion has intensified, including gendered and environmental stresses. The result is a world economy that concentrates wealth and poverty in more extreme ways, geographically, and brings markets and the non-market spheres of society and nature together in a manner adverse to the latter.

There are some special characteristics of the current recession. Unlike recent episodes of recession this is not just a case of an asset bubble bursting with implications for some financial institutions and an accompanying contraction of demand which could be addressed by automatic stabilizers on the fiscal side and a monetary policy that cut interest rates. This recession is a far more complicated entity. First, there was an asset bubble caused by a glut of savings in the global economy and the US's inexhaustible appetite for debt. Thus the savings glut which led to low interest rates largely financed excessive US consumption not investment. This led to a substantial hike in asset prices (particularly home prices), aided and abetted by the commodities boom following strong growth performance in emerging economies and the development of complex financial instruments, e.g., derivatives, largely unregulated that raised asset prices particularly mortgage based loans to high levels (Jha, 2009).

When bad mortgage debt started being recalled (the subprime crisis) it was quickly realized that there was a general credit crisis following from the existence of vast sums of questionable (toxic) assets in the balance sheets of banks and other financial institutions. As a result, the collateral backing of many credit advances started being questioned and credit froze. Despite aggressive rate cutting by central banks in all the major countries, the cost of borrowing skyrocketed. This led to a collapse of demand and rising unemployment (Foster, 2006). Thus, as distinct from most recessions in the recent past the current deep recession represents a combination of many factors. First, it began as a crisis of debt and of asset price inflation. Second, it represents a regulatory crisis. The explosion of complex (and unregulated) financial instruments in a high debt environment exacerbated the crisis of debt. Following immediately from this and, third, it represents a massive imbalance in the global economy and a credit crunch. Fourth it represents a collapse of demand and, following from that rising unemployment. Finally, the rising unemployment exacerbates the debt crisis as people are unable to pay off debts (Gosh, 2008).

Hattingh (2008), also observed that indeed, in the mist of the global crisis, economic analysts have simply continued to drum on about the supposed innate virtue of unfettered free market fundamentalism. It is this unflinching faith in the 'free' market that has totally blinded them to the reality that Africa won't be affected. The reality is that every single economy in the world will be affected in some way or another. This is due to the fact that economies of every single country are now interconnected - through the spread of neo-liberal globalisation. Linked to this, all economies in the world, including Africa's, have been restructured through a process that has become known as financialisation. It is the financialisation of the global economy that has made the current global crisis possible, and it is the financialisation of African economies that makes it almost impossible for its countries to escape the fallout of the current global crisis. The Global economy is in deep recession even in Nigeria as observes Dafinone (2009).

According to Dafinone (2009), no real positive steps have been taken in resolving the issue of the global meltdown as the prevailing belief within the continent is that Africa will not be as affected when compared to other parts of the world. Recent economic history has, by three important events, shown this to be a fallacy. Three main events according to him which refutes those fallacies are the significant decline in the price of oil followed by the increasing volatility in its pricing, the significant loss of value in the equities quoted on the Nigerian stock exchange and the worsening in loss of the manufacturing base within the country.

The consequences of the global financial crisis on growth and development in Nigeria are enormous and widespread. The first point of impact is through the drop in the price of oil. This is followed by the fall in the share price of the stock market. The combined effect of these two led to the depreciation of the naira exchange rate. Further worsening the situation is the withdrawal of foreign portfolio investment (hedge funds) from the Nigerian market. As of January 2009, foreign portfolio investors have withdrawn some US$15 billion from the country's capital markets. Such massive withdrawals compound the crisis of confidence, which has further complicated the capital market recovery process. The transmission of these impacts to the real and financial sector will surely hamper growth and development of the Nigerian economy (Ajakaiye and Fakiyesi, 2009).

Nigeria's social status remains poor when compared with other developing countries, which is not very encouraging. As of 2006, it is estimated that about 43.1% of urban residents are poor while 63.8% of rural households are poor. In terms of vulnerability, a rough estimate claims that 87% of households in the country are vulnerable to poverty (Federal Office of Statistics, 2005). Five indicators which generally determine the standard of living are the ability to feed (hunger), the ability to find a place to live (shelter), the ability to remove ignorance (education), the ability to combat disease (health) and the ability to find gainful work (unemployment). In 1963 the Nigerian population was 35 million. By 1980 our population was estimated at 80 to 90 million. By 2005 the estimate is 140 million and is ever increasing (Nigerian Census, 2006). According to the renown scholar, Thomas Malthus, no country can improve the standard of living on a per capita basis if its population grows faster than the resources.

The Consequencies of the economic meltdown as obseves Dafinone (2009), can be categorized under fiscal, monetary and oil price volatility. Under the fiscal consequences, he mentioned loss of taxes and royalties to the Federation account, increasing social tensions as fewer funds are available for distribution, inability to pay pension liabilities for current and past service, and inability to meet the funding requirements of the various tiers of government.

Inability to sell adequate foreign exchange to the public sector, inflation due to exchange rate depreciation and the loss of foreign investment as lenders look to countries with better social and physical infrastructure were categorised under monetary consequences. Under the oil price volatility, Dafinone (2009), shows increases in difficulty of the Federal Government in fiscal planning and development, increases in the country's profile risk giving rise to increased interest costs on foreign loans to Nigeria. He maintains that the manufacturing base in Nigeria has been lost. That Increased unemployment in the manufacturing sector provides insignificant employment within the country, the people employed within the manufacturing sector pay personal income taxes, rates and levies to the states and local governments and the loss of people employed in manufacturing reduces the revenue profile of these tiers of government thus creating dependence on the centre.

In their own contribution, Ajakaiye and Fakiyesi, (2009) concludes that the findings from their study tend to confirm a priori expectations on the impact of negative oil price shocks on macroeconomic variables and poverty/household welfare in the Nigeria. Oil price shocks have had a stagflationary effect on the Nigerian economy; they slow down the rates of economic growth and increase the domestic price level. Also, they have reduced the level of domestic investment and worsened the government account and income position. Besides, the shocks, have increased the level of poverty and worsened household welfare over the period August 2008 to January 2009 and are expected to worsen them in 2010. In January-June 2009, for example, the 51.2% decrease in oil prices caused Nigerian GDP to fall by 4.3%, the domestic consumer price indices to rise by 14.8%, investment to decrease by 3.6%, current household income to fall by 4.0% and household consumption to fall by 2.9%, all in relation to the January-July 2008 base period value. There have been observations that the Nigerian economy is very vulnerable to oil price shocks (CBN, Various Isssues).

The impact of oil price shocks is felt to be more severe in Nigeria than in other countries in the region because of its almost total reliance on oil revenue to run its economy. The further implication of the above is the need for targeted assistance to the poor under conditions of declining oil export prices to enable them to mitigate adverse consequences. Generally, appropriate fiscal and monetary policy responses to oil prices shocks are crucial in order not to worsen the adverse effects of the shocks and to stimulate both domestic and foreign investment and hence boost growth significantly. At the end of their study, Ajakaiye and Fakiyesi, (2009) concludes in their results that adverse oil shocks have severe distributional consequences for the Nigerian economy. Household income is made up of wages, profits, transfers and other income. The results show an overall decrease in household income in Nigeria. For example, in 2008, a 12.2% adverse oil shock deteriorated the income of Nigerian households by 0.93% on average. Household incomes on the average in Nigeria they observed would fall by 5.07% in July-December 2009 under the cumulative 63.5% oil shock scenarios. It would decrease by 5.60% in 2010 if the oil shock is represented by a 69.5% increase over the base period.

Findings and Discussion

Social protection helps to ameliorate the damage to human capital development and labor productivity. In the past years, the government of Nigeria has introduced various reforms and initiatives aimed at improving Nigeria's social security system with good intentions. The objectives of the programmes generally are to assist the population who are poor to get out of poverty, especially when they are not able to carry out economic activities and also when economic activities that they engage in are not enough to provide their families with minimum subsistence. To protect the vulnerable against poverty when their economic activity is not enough to provide their families with minimum subsistence; to provide income support to the poorest; to increase pre-primary enrolment; to keep children in school; to promote regular attendance among poor students; to develop workplace skills and competencies; address employment needs; to provide income during illness, disability or retirement and to reduce damage to property. These programs include the establishment of the Rural Banking Programme, Concessionary Interest Rates, Agricultural Credit Guarantee Scheme, The Family Economic Advancement Programme, National Poverty Eradication Programme, and the Small and Medium Enterprise Equity Investment Scheme (Mahmoud, 2008).

Some other initiatives as indicated in the study of Ajakaiye and Fakiyesi, (2009) include Pension Reforms, Health Insurance, Virtual Poverty Funds (VPFs), Microcredit, Conditional Cash Transfers, etc. With the exception of the VPFs, these initiatives cover predominantly public sector workers, leaving a larger segment of Nigerians who are poor unprotected. Before the crisis, efforts of governments were committed to deepening social protection that deals with vulnerability and risks of the poor and the non-poor in the face of shocks at different stages of the lifecycle, from birth to old age. The challenges remain formidable and include the pervading poverty and high and growing unemployment, which has worsened with the retrenchment arising from the public sector reforms at different levels of government. In particular, the programmes of reforms undertaken not too long in Nigeria under the National and State Economic Empowerment and Development Strategies (NEEDS) and (SEEDS) include the following objectives:

1. Increase security, through helping households and communities sustain their livelihoods in the face of economic, political, environmental, health or other shocks as well as reducing the likelihood of such shocks occurring;

2. Contribute to equality through i) promoting levels of livelihood sufficiently to ensure enhanced equality of opportunity by allowing for all households to achieve basic education for their children, as well as standards of health and nutrition necessary for human development; and ii) raising the levels of consumption and livelihoods of the poorest;

3. Promote growth through i) ensuring that all households have the ability to provide for basic human development thus ensuring a skilled productive workforce; ii) reinforcing values of social solidarity, thereby contributing to levels of social cohesion necessary for long-term economic development; and iii) providing an environment where individuals and households are able to

adapt and change livelihood strategies without fear of calamity should such strategies fail. (NEEDS, 2007)

It is very clear that the successive administrations came up with different kinds of reforms in an attempt to address the crisis the Nigerian economy faced, but the implementation had been less than satisfactory. Frequent policy inconsistencies and reversals, lack of political will, corruption and appropriate value orientation hampered the judicious implementation of past reform programs.

The impact of the global financial crisis on vulnerable groups, including women and children, cannot be overemphasised. Government is continuing to appropriate N110 billion, the savings from Paris Club debt relief, for specific projects and programmes to support that attainment of the MDGs. In addition, the statutory allocation of Universal Basic Education increased from N30.48 billion in 2006 to N35.3 billion in 2007. This further increased to N39.7 billion in 2008 (National planning commission 2007 and 2008). This implies that an important element of social welfare, school feeding programmes and free education, will continue even in the midst of the global financial crisis.

Conclusion and Recommendation

The policies and reforms formulated by Nigerian government in eradicating poverty and hunger are well channeled towards attaining their objectives. Rather, it is the implementation of the policies that are suffocated. Key indicator in resolving problems is the will of the people to deal with and bear the necessary sacrifices based on the premise of hope. Governments need to be aware that the deepening cynics, based on unfulfilled promises, if allowed to destroy the hope of a better life may result in consequences that this nation may not wish to contemplate.

Based on the above findings and conclusions, the study recommends therefore that: Government must establish an agency which should shoulder the responsibility of enforcing the implementation of the policies and reforms of eradicating poverty and hunger on the respective implementers. Key priorities should be job creation, major improvements in education, health-care, the justice system, and serious rural transformation. These key priorities must be handled as integral components of a state-led industrial programme that transforms our excessively commodity-based export-dependent and capital-goods import-dependent growth path. The depletion of the country reserve has continued because of reduced export earnings, although the crude oil sale presents opportunities to rediscover business virtues that appear to have been forgotten in the good times. The crisis may also stimulate the redirection of energy towards reviving the potential of traditional sectors in the country. This may lead to increases in export earnings from other sectors aside from the oil sector and thus ensure that the country's revenue is secured in the face of shocks emanating from the oil and gas industry.

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