

IMF pressure on Obasanjo

New government in Nigeria prepares austerity measures

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Olusegun Obasanjo, a retired general who was head of state under military rule in the 1970s, was sworn in as the newly elected president of Nigeria on May 29. The presidential election is supposedly the culmination of a transition to civilian government after 15 years of military rule. But the elections were democratic in name only. There were only two candidates for the post, Obasanjo representing the People's Democratic Party (PDP) and Olu Falae, a joint candidate for the All People's Party and the Alliance for Democracy. Only parties and candidates approved by the military were allowed to stand.

The move to nominally democratic governance in Nigeria and elsewhere is necessitated by the demands of the major imperialist powers and the transnational corporations that nepotism and corruption must be curbed in order to facilitate political stability and further open Africa to international investors. Africa is an important source of return on capital. A US Commerce Department report published last year explained that in 1996 investment in sub-Saharan Africa, for example, produced a 31 percent return as compared to 13 percent in the Asian-Pacific and 12 percent in Latin America.

According to the *Financial Times*, Nigeria faces its worst economic crisis since independence. Obasanjo inherits an economy wracked by corruption and crisis. A statement issued by Jubilee 2000 on May 28 estimates that during the 30 years of military rule in Nigeria, \$55 billion disappeared from government finances. At least \$10 billion had been stolen during the regime of General Sani Abacha, the military ruler who died in June last year and left an estimated fortune of between \$3 billion and \$6 billion.

Under General Abdulsalam Abubakar, Abacha's successor, the looting of the economy continued. Army chiefs were paid off with multi-million-dollar government contracts in order to smooth the transition to civilian rule. Nigeria's foreign reserves have dropped from \$7 billion at the end of last year to about \$3.3 billion. The economy is heading for a \$246 million deficit by the end of this year.

Obasanjo has called for the expulsion from government of military officers who have held political office over the last 15 years. Two days ago he carried out a purge of 29 senior army officers. Hundreds of millions of dollars were seized from the bank accounts of cronies of Abacha, including Mohamed Abdallah, the former military chief of staff. \$420 million worth of shares in Sierra Leone state petroleum refinery have been seized, as well as tens of millions of dollars in property, stocks and cash from Abacha's former aides and family.

Obasanjo has appointed Aliyu Mohammed, a retired general from the north of Nigeria, as his national security advisor. He has close connections with former military dictator Ibrahim Babangida, who played an important behind-the-scenes role in Obasanjo's election campaign. Joseph Sanusi, the managing director of one of Nigeria's largest commercial banks, has been appointed to head the Central Bank. While maintaining control of the oil portfolio himself, Obasanjo has appointed the outgoing secretary of OPEC, Rilwanu Lukman, to act as his special advisor.

Plans have been made to review the 1999 budget inherited from the former military government. Obasanjo has had discussions with the International Monetary Fund and has promised to rationalise

“bloated national institutions”, meaning that he must make substantial cuts. Federal and ministerial tender boards are to be revived and given wider powers to assess all contracts in order to encourage competitiveness and cut out the so-called “Nigerian factor” (backhanders), which can add 50 percent to the cost of contracts. An anti-corruption bill is to be brought before the National Assembly before the end of June.

The previous military government had made an agreement with the IMF to address the country's outstanding international debts. Two-thirds of this external debt is owed to the Paris Club of official creditors. This amounts to \$16 billion, of which \$5 billion is owed to Britain. The IMF had agreed to loan \$3 billion in February of this year, on the basis of a Nigerian pledge to push through privatisation plans and maintain interest payments on foreign debts.

IMF head Michel Camdessus went to Nigeria in March to see what progress had been made in implementing these demands. IMF officials are due to return to Nigeria in July to discuss the proposed loans and a two-month delay is expected. The IMF wants the new government to accept certain criteria, including a permanent monitoring mission at the ministry of finance and the central bank, and independent audits of the state-owned bank and the Nigerian National Petroleum Corporation, which is also state-owned.

Nigeria faces enormous economic and social problems, despite being the world's sixth largest oil exporting country. Under the impact of the collapse of oil prices and years of military rule, it has become the world's thirteenth poorest nation. Health, education and social service facilities are almost non-existent for the mass of the population. Agriculture has been all but destroyed. Even petrol has to be imported, because the country's oil refineries are in a state of disrepair. Unemployment is around 30 percent.

The Delta area, which produces 90 percent of Nigeria's hard-currency earnings, suffers grinding poverty and receives only 3 percent of the public revenues generated. Rivers have been polluted, farming disrupted and forests cut down, with no compensation from Shell, the company that produces half of Nigeria's 2 million barrels a day.

Opposition to the central government and to the oil companies has reached explosive proportions. At the

end of last year a group of ethnic Ijaw activists shut down 20 pumping stations, halving onshore output for two months. In February five people were killed at a jetty that militants were trying to close. Ethnic conflicts are also growing. Recently there have been violent clashes around the oil town of Warri between Ijaws and rival Itsekiris, with reports of over 200 people killed.

The PDP election campaign was conducted under the slogans of "Power to the People" and "Justice, Unity and Progress". Now youth, workers and students will be looking to the new administration to address their needs. The National Association of Nigerian Students (NANS) has issued a 10-point list of demands, which includes the implementation of a 20,000 naira bursary for students and a high-powered committee, including respected academics, to make a critical review of the education system.

In the last days of the military regime, many workers took strike action to demand an increase in the minimum wage. The Nigeria Labour Congress (NLC) suspended this after a month, with its president declaring that the minimum wage issue was a product of the military government and that the new government could not be held accountable. The demands of the IMF for privatisation and debt repayment mean that Obasanjo will have to push through massive cuts in state spending, including sacking civil servants and a possible devaluation of the naira.



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