The Political Economy of Economic Diversification in Nigeria

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ABSTRACT

As Africa's largest economy and its most populous country, over a decade of rapid economic growth in Nigeria contributed to the 'Africa Rising' narrative. However, like many African commodity exporters, this economic growth, billions of dollars in oil earnings and electoral democracy have not translated into a diversified and industrial economy. This study examines why the Nigerian economy remains so dependent on oil and is non-industrial, which I argue are economic and development outcomes of specific policy choices constrained by Nigeria's institutional configuration or the *political settlement*. In this endeavour, my central preoccupation is with the political processes of decision making which at any point in time favour one policy choice over the other in resource-rich and plural societies such as Nigeria, and the economic and development outcomes of these policy choices. I employ the political settlements analytical framework to unveil these political processes and the conditions they create in which certain policies are preferred over others. This entails an examination of the causal relationship within the three variables of 'constraints', 'policies' and 'economic and development outcomes'. I argue that understanding Nigeria's challenges of economic diversification requires an examination of its political settlement to identify *horizontal* (elite competition), *vertical* (societal agitations for resource redistribution) and *external* (oil shocks) constraints on a ruling coalition, and the specific economic policy responses each constraint generates. Essentially, my research explains how policy makers are constrained to pursue certain courses of action over others, and the outcomes of these policies on economic growth and the structural transformation of production, exports and government revenue. In the Nigerian context, the study also examines how sub-national and regional differentiation in the distribution of growth in states like Lagos and Kano affect future political processes and their policy outcomes. The thesis draws from multiple data sources, including economic data, semi-structured interviews with various stakeholders, documentary sources, and participant and non-participant observation.

CONTENTS

ACRONYMS AND ABBREVIATIONS

ABC	Alpha Beta Consulting
AC	Action Congress
ACN	Action Congress of Nigeria
AD	Alliance for Democracy
AfDB	African Development Bank
AG	Action Group
ANPP	All Nigeria Peoples' Party
APC	All Progressives' Congress
APGA	All Progressives' Grand Alliance
APP	All Peoples' Party
ASUU	Academic Staff Union of Universities
ATA	Agriculture Transformation Agenda
AUC	African Union Commission
BMPIU	Budget Monitoring and Price Intelligence Unit
BOT	Build, Operate and Transfer
BPE	Bureau for Public Enterprises
BRT	Bus Rapid Transport
CAN	Christian Association of Nigeria
CAR	Capital Adequacy Ratio
CBN	Central Bank of Nigeria
CDWA	Colonial Development and Welfare Act
CPC	Congress for Progressive Change
CTG	Cotton Textiles and Garment
DAWN	Development Agenda for Western Nigeria
DfID	Department for International Development
ECA	Excess Crude Account
EEG	Export Expansion Grant
EFCC	Economic and Financial Crimes Commission
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria

GDP	Gross Domestic Product
GSM	Global System Mobile
ICT	Information and Communications Technology
IFI	International Financial Institutions
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IOCs	International Oil Companies
IPP	Independent Power Project
ISI	Import Substitution Industrialisation
JNI	Jama'atul Nasril Islam
JV	Joint Venture
KACCIMA	Kano Chamber of Commerce, Industry, Mines and Agriculture
KANGIS	Kano Geographic Information System
KAROTA	Kano Road Transport Agency
LAMATA	Lagos Metropolitan Transport Authority
LASG	Lagos State Government
LASTMA	Lagos State Traffic Management Authority
LAWMA	Lagos Waste Management Agency
LCCI	Lagos Chamber of Commerce and Industry
LGA	Local Government Area
LIRS	Lagos Inland Revenue Service
LPO	Local Purchasing Order
MAN	Manufacturers' Association of Nigeria
MDA	Ministries Departments and Agencies
MEND	Movement for the Emancipation of the Niger-Delta
MSMEs	Micro, Small and Medium Scale Enterprises
MTN	Mobile Telecommunications Network
NACCIMA	National Association of Chambers of Commerce, Industries, Mines and Agriculture
NADECO	National Democratic Coalition
NANS	National Association of Nigerian Students
NBA	Nigerian Bar Association

NBS	Nigerian National Bureau of Statistics
NCNC	National Congress for Nigerian Citizens
NDDC	Niger-Delta Development Commission
NEEDS	National Economic Empowerment and Development Strategy
NEITI	Nigeria Extractive Industries Transparency Initiative
NEITI	Nigeria Extractive Industries Transparency Initiative
NGF	Nigerian Governors' Forum
NIE	New Institutional Economics
NIRP	National Industrial Revolution Plan
NITEL	Nigerian Telecommunications Limited
NLC	Nigerian Labour Congress
NMA	Nigerian Medical Association
NNPC	Nigeria National Petroleum Corporation
NPC	National Planning Commission
NPC	Northern Peoples' Congress
NRC	National Republican Convention
NSIA	Nigerian Sovereign Investment Authority
NURTW	National Union of Road Transport Workers
NV20:2020	Nigeria Vision 20:2020
ODA	Official Development Assistance
OPC	Oodua People's Congress
OPHI	Oxford Poverty and Human Development Initiative
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PPP	Public Private Partnership
PSC	Production Sharing Contract
RBI	Resource Based Industrialisation
RMAFC	Revenue Mobilisation and Allocation Fiscal Commission
SAA	Strategic Alliance Agreements
SAP	Structural Adjustment Programme
SDP	Social Democratic Party

SEZ	Special Economic Zone
SMEDAN	Small and Medium Scale Enterprises Development Agency of Nigeria
SMEs	Small and Medium Scale Enterprises
SOE	State-Owned Enterprise
SSA	Sub-Saharan Africa
SWF	Sovereign Wealth Fund
UAC	United African Company
UNIDO	United Nations Industrial Development Organisation
UPN	Unity Party of Nigeria
WDI	World Development Indicators
WTO	World Trade Organisation
YOUWIN	Youth Enterprise With Innovation in Nigeria

NIGERIAN LEADERS AND HEADS OF STATE SINCE INDEPENDENCE

Queen Elizabeth II was head of state from October 1, 1960 to the same date in 1963 and ruled with a governor-general and prime minister until a republic was declared in 1963.

First Republic (1963-1966)

Nnamdi AZIKIWE (president, ceremonial) Oct 1, 1963 to Jan 16, 1966 (overthrown)
Abubakar Tafawa Balewa (prime minister) Oct 1, 1963 to Jan 16, 1966 (assassinated)

Military rule (1966-1979)

General Johnson Thomas AGUIYI-IRONSI: Jan 16, 1966 to Jul 29, 1966 (overthrown).
General Yakubu GOWON: Jul 29, 1966 to Jul 29, 1975 (overthrown).
General Murtala MOHAMMED: Jul 29, 1975 to Feb 13, 1976 (assassinated).
General Olusegun OBASANJO: Feb 13, 1976 to Oct 1, 1979 (resigned).

Second republic (1979-1983)

Shehu SHAGARI: Oct 1, 1979 to Dec 31, 1983 (overthrown).

Military rule (1983-1993)

General Muhammadu BUHARI: Dec 31, 1983 to Aug 27, 1985 (overthrown).
General Ibrahim BABANGIDA: Aug 27, 1985 to Aug 26, 1993 (resigned).

Third republic (1993)

Ernest SHONEKAN: Aug 26, 1993 to Nov 17, 1993 (overthrown)

Military rule (1993-1999)

General Sani ABACHA: Nov 17, 1993 to Jun 8, 1998 (died in office).
General Abdulsalami ABUBAKAR: Jun 8, 1998 to May 29, 1999 (resigned).

Fourth republic (1999-present)

Olusegun OBASANJO: May 29, 1999 to May 29, 2007.
Umaru Musa YAR'ADUA: May 29, 2007 to May 5, 2010 (died in office).
Goodluck JONATHAN: May 5, 2010 to May 29, 2015.
Muhammadu BUHARI: May 29, 2014 to Present

NIGERIAN STATES BY GEO-POLITICAL REGION

North East:

Adamawa
Bauchi
Borno
Gombe
Taraba
Yobe

North Central (also known as Middle Belt):

Benue
Kogi
Kwara
Nasarawa
Niger
Plateau
Federal Capital Territory

North West:

Jigawa
Kaduna
Kano
Katsina
Kebbi
Sokoto
Zamfara

South East:

Abia
Anambra
Ebonyi
Enugu
Imo

South South:

Akwa Ibom
Cross River
Bayelsa
Rivers
Delta
Edo

South West:

Ekiti
Lagos
Ogun
Ondo
Osun
Oyo

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CHAPTER ONE: BACKGROUND AND ANALYTICAL FRAMEWORK

INTRODUCTION

Like other resource-rich African economies, Nigeria has witnessed rapid growth since the early 2000s without industrialisation. Unsurprisingly, the severe impact of the collapse of oil prices from mid-2014 revealed the salience of the oil sector's centrality to Nigeria's economy, the economy's vulnerability to global oil shocks and the persistence of widespread poverty. This is despite over a decade of economic reform, billions of dollars in oil earnings and electoral democracy. This thesis examines why the oil sector remains central to the Nigerian economy, why recent growth has not been driven or accompanied by industrialisation and why it is not translating into poverty reduction. I argue that the centrality of the oil sector in economic activity, the structural economic shifts toward services rather than manufacturing industry and the implications for human development, are economic and development outcomes of specific policy choices constrained by Nigeria's institutional configuration or the *political settlement*.

In proceeding, my central preoccupation is with the political processes of decision making which at any point in time favour one policy choice over the other in resource-rich and plural societies such as Nigeria, and the economic and development outcomes of these policy choices. To explore the causal relationship within the three variables of 'constraints', 'policies' and 'economic and development outcomes', that is how political processes create conditions in which certain policies are preferred over others, I employ the political settlements analytical framework to unveil the institutional configuration within which these political processes occur. This requires unveiling the historical evolution of, and the current distribution of power among different actors and interests; the constraints which pressure decision-makers to favour specific policy responses; the financial, human and intellectual resources at their disposal to effectively execute these policy preferences, and how the economic and developmental outcomes of these policy choices condition the future distribution of power and thereby future policy-making. By analysing the economic outcomes of policy choices, especially the shifts in a country's economic structure and their implications for the future distribution of power, the study makes a critical contribution to our understanding of the ongoing structural transformation without industrialisation in African countries, especially resource-producing ones.

In this chapter, I start by establishing the notion of ‘economic diversification’ as a foremost, yet elusive development goal for Nigeria’s leaders since independence in 1960 but especially since democratisation in 1999. I outline the study’s foundational assumptions about economic activity and the role of the state in facilitating the industrialisation process, the scope and boundaries of state participation in this process especially in coordinating a country’s factor endowments and correcting market failures, and the specific institutional capacity and political character necessary for this effective state to facilitate an industrial transition. I then present the *political settlement* as an analytical framework for a comprehensive understanding of the distribution of power in a society, and for understanding the relationship between a country’s institutional configuration and its economic performance, and I review existing literature to that effect.

In unveiling my analytical framework, I outline what I identify as the constituent elements of the political settlement: *elite bargains*, *wider coalitions with societal groups*, an *economic agenda* and *institutionalisation*; I explain how critical junctures, such as resource booms and busts, provide an opportunity for reform or change in the political settlement depending on the type of constraints they generate on a ruling coalition and I outline the probable policy outcomes of these constraints. I then present the study’s argument in full, that understanding Nigeria’s pattern of economic performance requires an examination of its political settlement to identify *horizontal* (elite competition), *vertical* (societal redistribution demands) and *external* (oil shocks) sources of instability and constraints on a ruling coalition, and the specific economic policy responses each constraint is likely to generate. Then I outline my intended contributions to the literature on ‘developmental’ states which include: providing a more sophisticated explanation of weak state capacity in developing countries especially resource-producing ones, a more elaborate use of the political settlements approach to explain the underlying drivers of governance, reform and resource management in resource rich developing countries and in furthering our understanding of the drivers and implications of the ongoing structural transformation without industrialisation in African countries. Finally, I present the chapter outline of the entire thesis.

THE PROBLEM: NIGERIA'S PERSISTENT DEPENDENCE ON OIL DESPITE REFORM AND GROWTH

Nigeria's sustained economic growth in the 21st century was no doubt one of the drivers of the 'Africa Rising' narrative. Along with a number of other rapidly growing African countries, since the early 2000s and in Nigeria's case, since democratisation in 1999, there was sustained annual economic growth averaging 7% until late 2014. This economic performance offset years of economic stagnation averaging less than 3% per annum in the 1990s (AfDB et al., 2012; IMF, 2012; Litwack et al., 2013). However, this growth has three critical features that are of interest to this study in their implications for Nigeria's overall economic development and structural transformation. First, it has been driven mostly by a commodity boom[2] and to a lesser extent, the services sectors (ECA and AUC, 2013; World Bank, 2013a) rather than manufacturing-based industrialisation. Second, it is largely an outcome of economic policies aimed at diversifying Nigeria's economy. Third, this growth has not been inclusive so far, given the slow pace in the attainment of poverty reduction, employment generation and the regional disparities in human development. These will be discussed progressively in this section.

The onset of large-scale commercial oil extraction in the 1970s was the inflection point in Nigeria's economic development trajectory. At independence in 1960, it was at similar stage of economic and human development with the now middle- and high-income developing countries such as South Korea, Malaysia and Indonesia. Since the 1970s, crude oil production has transformed the economy – that is, the production structure [Gross Domestic Product (GDP)], the government's revenue base and its export earnings, shaping Nigeria's economic growth and development trajectory. The primary development challenge for Nigeria since independence in 1960, has been transitioning from an

[2] Though other factors account for this growth such as rising domestic demand associated with rising incomes and urbanization, increasing public spending, trade and investment ties with emerging economies (ECA and AUC, 2013).

economic structure based on primary production in both agriculture and since the 1970s oil extraction, as key revenue and foreign exchange earners, to a more industrial economy.

Thus in this study, Nigeria's 'economic performance' is used interchangeably with 'economic development'. It refers to the extent to which the Nigerian economy is growing, diversifying and moving away from the predominance of primary commodity production (crude oil largely but to a lesser extent, primary agriculture) as a share of GDP, government and export revenues. I make a distinction between economic growth and economic development. Economic growth is the quantitative increase in economic output measured by increase in GDP. Economic development is a process of sustained economic growth, a shift in economic structures or *structural transformation* from low to higher productivity activities and a deeper process of social change (Lewis, 2007; Stiglitz et al., 2013). It is characterised by a declining share of agriculture in GDP and employment, diversification of growth drivers, shift of workers from low to high average productivity sectors, increases in efficiency and productivity, the rise of a modern industrial and service economy, urbanisation and a significant reduction in mortality (IMF, 2012; ECA and AUC, 2013). Thus the process of economic development has at its core (1) economic growth; (2) growth driven by non-oil sectors, particularly manufacturing, services and other industry; (3) a shift in the structure of the economy.

Economic development in Nigeria is the industrial upgrading from primary extraction to higher value industrial activity based on agro-industry, manufacturing, services and other industries by sustaining growth in these non-oil sectors. Addressing resource dependence generally and within the Nigerian context in particular has been through the notion of 'economic diversification'. The operational definition of *economic diversification* in this study therefore is the transformation of the economy away from dependence on primary production including crude oil extraction, mining, and agriculture to value addition in these activities. *Economic diversification* in Nigeria is thus synonymous with *economic development*. The task of this study is explaining how what are the persistent challenge of diversifying Nigeria's economy and how they are a result of specific economic policy choices within a certain institutional configuration.

Research Questions

These are the questions guiding this study:

1. Why has the Nigerian economy remained dependent on the oil sector remain despite years of economic reform and rapid economic growth?
2. Why has recent economic growth not been driven by industrialisation?
3. Why has recent growth not translated into poverty reduction?

The Etymology of 'Economic Diversification' as Nigeria's Foremost Economic Development Goal

Since independence in 1960, successive Nigerian regimes have sought to diversify the economy by catalysing industrialisation, notably since the first boom and bust cycle from 1973 and especially since the transition to democracy in 1999. Economic diversification is consequently a term whose meaning has evolved in parallel with Nigeria's revenue sources and development priorities. In the First and Second National Development Plans covering the 1962-68 and 1970-75 periods respectively, it meant 'modernising' agriculture and building a strong manufacturing and industrial sector in order to attain 'self-sustaining growth' with less dependence on primary production and external sources of finance, capital and capacity (FoN, 1961; FRN, 1966; FRN, 1970).

With the intensification of commercial oil production in the wake of the oil boom of the 1970's, crude oil took an increasingly larger share of GDP, as the oil and mining grew to 45.1% of GDP from 13.4%, while agriculture and manufacturing fell from 44.2% and 12.4% to 24.7% and 4.8% of GDP respectively by 1975 (FRN, 1975). Consequently, in the Third and Fourth National Development Plans covering the 1975-80 and the 1981-85 periods, a core goal was "…reduction in the dependence of the economy on a narrow range of activities" and specifically, "reducing dependence of the economy on oil as a source of public revenue and foreign exchange earnings…" (FRN, 1975; FRN, 1980:11-19).

This notion of 'economic diversification' has since been cemented in the lexicon of economic development in Nigeria. It is a staple feature in the inaugural speech of every President and in their policy pronouncements. Taking into account the Nigerian conceptualisation of economic diversification, it approximates to economic development. It is therefore measured in this study at two levels, national and sub-national economic diversification. At a national level, economic diversification refers to the extent to which the Nigerian economy is growing, diversifying and moving away from the predominance of primary commodity production (crude oil largely but to a lesser extent, primary agriculture) as a share of GDP, export earnings and government revenue. At the sub-national level, it refers to the extent to which Nigeria's 36 states derive their revenue from internal sources or internally generated revenue (IGR), rather than federal transfers, and the composition of the state GDPs.

Economic Diversification: the Prime Objective of Nigeria's Post-Military Economic Reforms

After the transition to electoral democracy in 1999, there was a return to economic planning which typified the post-colonial period, after the Structural Adjustment Programme (SAP) disruption of the 1980s and 1990s. There was a renewed emphasis on economic diversification as a pivotal policy priority. This is documented in the National Economic Empowerment and Development Strategy (NEEDS) agenda covering the 2004-2007 period and in the Nigeria Vision 20:2020 (NV 20:2020), the overarching framework[3] for successive governments' development priorities including Olusegun Obasanjo's NEEDS (2003-2007), Umaru Yar'adua's Seven-Point Agenda (2007-2010), Goodluck Jonathan's Transformation Agenda (2011-2015) (NPC, 2004; NPC, 2013a; NPC, 2013b). The NV20:2020 aims for a "…strong, diversified, sustainable and competitive economy…" by 2020 in its vision statement, identifies "…achieving significant progress in economic diversification" as one of its macroeconomic policy thrusts, and outlines the promotion of "…private sector-led non-oil growth to build the foundation for economic diversification" as one of the critical policy priorities (NPC, 2009:10; 2010:7). Muhammadu Buhari's (2015-present) government and the National Economic Recovery and Growth Plan (2017-2020) are also informed by the similar priorities. The broad policy thrusts of

[3] The Nigeria Vision 20:2020 is a blueprint which articulates Nigeria's economic growth and development strategies for the eleven-year period between 2009 and 2020, and is implemented using a series of medium term national development plans. It incorporated the key principles and thrusts of the NEEDS (2003-2007) unveiled earlier, and the Seven Point Agenda (2007 – 2011) and presently the Transformation Agenda (2011-2015), within a single, long term strategic planning perspective, or at least, these various governments have nominally committed to it. See NPC (2009:7).

development strategies since the transition to democracy in 1999 have focused[4] on macroeconomic reform, economic liberalisation and private sector development, economic growth, public-sector reform and transparency and social development. These reforms did not however, lead to the desired outcome of an industrial transition or exports and revenue diversification as is briefly discussed below.

Growth without Diversification: The Outcome of Nigeria's Post-Military Economic Reforms

Since the initiation of these post-military reforms, the production structure has been increasingly diversifying towards a service-oriented economy, while exports and government finances are dominated by oil rents. As discussed extensively in Chapter Four, by 2015, the oil and gas sector declined to just 6.4% of GDP from 48.9% in 2000, contributed 92.5% of export earnings and about 55.4% of government revenue. Services, including trade account for 59.5% of GDP, growing at an average of 12% between 1999 and 2009. Concurrently, the national poverty headcount ratio increased from 54.4% in 2004 to 69% in 2010 as did unemployment, from 12% in 2006 to 20% by 2009. There are also severe regional disparities between northern and southern states as is discussed in Chapters Four, Six and Seven.

The dependence on oil rents is also remarkably evident at the sub-national tiers of government. The diversification of state revenue sources which is measured in this study, by states' internally generated revenue (IGR) has similarly been dismal. With the exception of Lagos, the other thirty-five states have depended on federal revenue transfers – 70% comprised of oil rents – for more than 50% of their annual budget since the late 1970s with significant variation among them as is discussed in the sub-national analysis of Kano and Lagos in Chapters Six and Seven respectively. Thus, only one out of Nigeria's 36 states is relatively self-sufficient.

The concentration of growth in services has two other implications. First, it explains why the two other indicators of economic diversification, export earnings and government revenue, remain dependent on oil rents. Second, it has wider implications for poverty reduction, economic, and regional

[4] Aggregated from NPC (2004; 2009; 2010; 2013a); Gboyega et al. (2011); Okonjo-Iweala (2012) and El-Rufai (2013)

inequalities. My analysis in subsequent chapters attributes this pattern of economic performance to the fact that the market- and growth-enhancing institutional reforms within this democratic period unleashed the service economy but were not explicitly poverty-reducing. I find that the reason why these market- and growth-enhancing reforms engendered the growth of services rather than productive or tradeables sectors, and why they were not poverty-reducing are the specific political pressures which constrained Nigeria's leaders to pursue a specific set of reforms and policies which resulted in these economic and development outcomes. I thus argue that to identify the sources of these pressures we need to understand Nigeria's underlying institutional framework or the political settlement. Before launching into that discussion, it is essential to lay out this study's foundational assumptions on economic management, the balance in the role of the state and market forces in economic activity, the scope of state participation in facilitating industrial transition through industrial policies and the bureaucratic capacities required for an effective state intervention. This is especially relevant to understanding the process of coordinating resources to attain specific economic and development outcomes.

THE CONTESTED ROLE OF THE STATE IN FACILITATING ECONOMIC DEVELOPMENT

In this section, I outline the study's foundational assumptions about economic activity and the role of the state in facilitating this process. I discuss the centrality of the state in facilitating the industrialisation process, the scope and boundaries of state participation in this process especially in coordinating a country's factor endowments and correcting market failures, and the specific institutional capacity and political character necessary for this effective state to facilitate an industrial transition.

The Centrality of Industrialisation to Economic Development

Having already equated 'economic development' to 'economic diversification' and 'structural transformation' in resource-dependent countries, it is essential to explain why industrialisation is central to these processes.

Structural transformation entails a dynamic process of change in a country's endowment structure i.e. its human, physical, technological and entrepreneurial capital. This refers to the "creation of new industries at higher productivity levels and through a transfer of resources within those economies from lower-productivity activities to the higher-productivity activities"[5] (Rodrik, 2012:159). Industrialisation is an integral part of this structural transformation process, in which technological innovation characterises key economic activities and is diffused across society. Rodrik (2007:7-8) and Szirmai (2009) note that virtually all cases of high, rapid and sustained economic growth have been associated with industrialization especially growth in manufacturing production. This has been the case from early industrialisers in England and the USA, to late industrialisers in Germany, Japan and Italy, to late late industrialisers in East Asia. The industrial sector is thus, a key engine of growth in the economic development process (Kohli, 2004; Lall, 2005; Rodrik, 2007; Hesse, 2008). Chang (2010:88-101) underscores the significance of manufacturing-based industrialisation for poor countries, because "…it is a fantasy to think that developing countries can skip industrialisation and build prosperity on the basis of service industries".

It is worth noting that manufacturing-based industrialisation is just one of several drivers of economic transformation, and other pathways may yet exist. Industrialisation is an integrated process which entails a complementary process of agricultural productivity growth, and the development of non-agricultural employment opportunities in manufacturing and services (UNCTAD and UNIDO, 2011; Booth, 2015). Industry is generally regarded as consisting of manufacturing, mining, services and construction, or any economic activity that involves widespread application of technology. Yet the manufacturing sector is the component of industry that historically provided greater opportunities for sustained growth, employment and poverty reduction (see: UNCTAD and UNIDO, 2011:5; IMF, 2012; ECA and AUC, 2013; Rowden, 2013). This is due to the manufacturing sector's role in the diffusion of technological innovation to society (Lall, 2005; Gault and Zhang, 2010) and its high forward and backward linkages to other sectors (Hirschman, 1958 & 1977; UNCTAD and UNIDO, 2011). In sub-

[5] These are the tradeables sectors which are labour-intensive such as agriculture and manufacturing. The non-tradeables sectors are capital intensive, including oil, banking and finance, retail, construction, real estate, telecoms, hospitality and other services. It is the capital intensive non-tradeables sectors, arguably endogenous to the oil sector, which have been driving growth in Nigeria. See: CBN (2011), ECA & AUC (2013) and Mhango (2013).

Saharan Africa, the opportunity for industrialisation lies in keying into labour-intensive production processes in global value chains as East Asia goes into higher technology and more skills intensive production (AfDB, OECD, UNDP, 2014:15; Farooki & Kaplinsky, 2010; Kaplinsky &Morris, 2014).

The recent revolution in technology may provide other industrialisation pathways for Africa via services rather than manufacturing. Some studies drawing on recent experience of South Asia suggest that growth and economic transformation can be driven by services such as. Technology has enabled the tradeability of services across time and space, removing the need to supply them in person (Mishra et al., 2011; Ghani & O'Connell, 2014). The experiences of India, Pakistan, Nepal and Sri-Lanka also show that services generate labour productivity, employment and reduce poverty at comparable or even higher levels than manufacturing (Bosworth and Maertens, 2009; Ghani, 2009; Ghani & O'Connell, 2014). For African countries, growth and transformation opportunities may lie in the ability to trade and export services regionally or globally. There are studies on transport services, horticulture and mobile payments in Kenya (Khanna et al., 2016; Muchai and Kimuyu, 2017), healthcare in South Africa (Connell, 2006; Bhorat et al., 2016), and ICT industries in Egypt (Engman, 2010). The trade-offs of different transformation pathways are a subject of intense debate, and goes beyond the scope of this study[6].

Despite the importance of industrialisation to economic transformation, Nigeria like many African countries has remained pre-industrial while recording rapid growth rates. Growth-reducing structural change is taking place in Africa and Latin America because manufacturing is shrinking and informality is expanding unlike China, India, and Thailand, where labour is moving from low- to high-productivity activities (Rodrik, 2012: 163). This is partly attributed to what Rodrik (2015) refers as 'premature deindustrialisation' driven by globalization and labour-saving technological progress in manufacturing especially in East Asia. He argues thus, that the industrialisation route to economic transformation may no longer be available to the poorest countries in Africa. This may well, be the case, but the claim is contested as of now. Besides, there are critical internal factors which propel this

[6] A good source of recent theoretical literature and empirical studies on services-led industrialization in Africa is the 'Industries without Smokestacks' project by UNU-WIDER. See: https://www.wider.unu.edu/project/industries-without-smokestacks

'premature deindustrialisation' or which could undermine it, and this study investigates them in relation to Nigeria's economic performance. To that effect, scholars and policy makers are converging on the idea that Africa's failed industrial transition is a failure of effective government to 'facilitate' and 'coordinate' this process[7]. The nature, scope and efficiency of this government intervention, to support an economy's comparative advantage or attempt competitiveness in new industries for instance, remains under debate and is examined in greater detail below.

The Scope of State Intervention in Facilitating Economic Activity

Here, I outline some underlying assumptions on which this study is based, on the balance between the roles of the state and the market in the industrialisation process central to economic development. This touches on but does not delve deeply into extensive debates on whether economies should conform to or defy their comparative advantage in organising production and international trade. The position of Lin and Chang (2009:491-492), elaborated in an edited volume on industrial policy in Africa in Stiglitz et al. (2013), Stiglitz and Lin (2013) and Stiglitz, Lin and Patel (2013), and also in a report by the Economic Commission of Africa by (2016) is taken here. In summary, they posit that for a successful industrial transition to occur, economic activity should not deviate too far from a country's comparative advantage, and that this process cannot happen purely through market forces but requires some government intervention. Although, among these increasingly converging views on the state's role in industrialisation, there is considerable disagreement on how closely a country should conform to its comparative advantage. The debate between Lin and Chang (2009) is illustrative. Importantly, as Rodrik (2015) argues compellingly, the industrialisation route out of the poverty and low-income trap may no longer be available to African countries.

The question of whether countries' economic strategies should conform to their comparative advantage or defy it as an economic strategy has engaged economists for decades. This is whether countries should engage in production requiring inputs of the factor endowments they have in abundance[8] that is labour, capital, technology and natural resources, what they are good at (Hausmann

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[7] See for instance: Lin and Chang (2009:491); Stiglitz, Lin and Monga (2013); and ECA (2016)

[8] The theory of comparative advantage was initially proposed by David Ricardo in 1819 (see Ricardo, 1963). Heckscher and Ohlin (1991) expanded this to the factor endowment- based comparative advantage theory.

and Rodrik, 2003:605), or attempt to engage in heavy and technologically advanced industrial activity with scarce resources. Although either of these strategies informs a country's international trade patterns, it critically informs the nature and organisation of economic activity. This is because the optimal industrial structure is endogenous to the country's endowment structure (Lin in Lin and Chang, 2009:485-486). In poor countries, this will mean focusing on labour or resource-intensive types of production activities and services which they have in abundance to be competitive in domestic and international markets, rather than capital- or technology-intensive activities for which the factors are often scarce (Lin in Lin and Chang, 2009:486). In organising production and exchange based on comparative advantage, since the 1980s, mainstream economic theorists favoured a limited role for the state to enable unfettered markets as the route to economic prosperity[9]. In Africa, the seminal study by Bates (1981) argued that state intervention at the behest of bureaucratic, political and urban elites distorted market forces in agriculture to the detriment of peasant farmers.

In the 21st century however, international consensus is gradually shifting towards a stronger interventionist role for the state to facilitate an industrial transition. Stemming from the rapid economic ascent of East Asia and China on one hand, and the 2008 global financial crisis in the global North on the other, there were two interrelated realisations. First, the global financial crisis forced mainstream economists and policy makers led by the IMF, to begin rethinking fundamental assumptions about the supremacy of market forces[10]. In particular, frequent market failures indicated that market forces alone do not lead to Pareto-efficient outcomes and do not exist in a vacuum without policy (Stiglitz et al., 2013:2-7; Stiglitz, Lin and Monga, 2013:1). These market failures are often information externalities on opportunities in the market and the problems of coordinating improvements in education, financial and legal institutions, and infrastructure (Lin in Lin and Chang, 2009:484-485; Stiglitz et al., 2013:2-7).

[9] See for instance, Krugman (1987) and especially his popular 1996 essay: 'Ricardo's Difficult Idea'
[10] See these landmark publications by the IMF: the edited volume by Blanchard et al., (2012) **In the Wake of the Crisis: Leading Economists Reassess Economic Policy.** Cambridge: MIT Press; and most recently, the paper by IMF economists, Ostry, J. D., Loungani, P. and Furceri, D. (2016) Neoliberalism: Oversold? **Finance and Development,** 53(2):38-41

Second, some state intervention is increasingly being recognised as necessary for the poorest countries (and some rich countries too) to address these market failures, address technological gaps and move their human, capital and financial resources from low to high productivity sectors. This draws on the experience of East Asian and Chinese economies whose economic transformation was driven by 'activist' states compared to sub-Saharan Africa which experienced a decline in per capita income and deindustrialization, (World Bank, 1993; Stiglitz, 1996; Noman and Stiglitz, 2012; Stiglitz, Lin and Monga, 2013:7). Although this was also based on the works of 20th century economists and theorists such as Hirschman (1962) and Gerschenkron (1981) on the active guidance and participation of the state in 'late development' and 'late, late development'. This intervention could include subsidising the costs of innovation for firms, closing the knowledge and technological gap, institutional reform and infrastructure provision, to facilitate a transition from their comparative advantage in say extractive industries and primary agriculture, to developing competitiveness in new industries[11].

It is this ongoing shift in the global policy consensus which informed the Sustainable Development Goals (SDGs), now amenable to an 'activist' state in planning economic strategies[12] to address 'the root causes of poverty' unlike the wholly social development focus of its predecessor MDGs, without an economic development component.

This state intervention is often framed as 'industrial policy'. This is defined as any government policy which attempts to shape a country's economic structure through the sectoral allocation of human and physical resources and the selection of appropriate technology (Stiglitz et al., 2013:7-9; Stiglitz, Lin and Monga, 2013:1). There is now increasing acceptance of a new rationale for industrial policy by both developing and developed countries to drive this industrial upgrading. Even the governments of Donald Trump in the USA and Theresa May in the United Kingdom have both made policy pronouncements which amount to state intervention in trade, manufacturing and other economic sectors.

[11] Also known as 'latent comparative advantage': where a country has a comparative advantage in an industry that is competitive globally based on its endowment structure. However, due to high transaction costs and infrastructure constraints the industry is yet to become competitive for the country (Lin and Monga, 2013:36).
[12] Goal 9 of the 17 SDGs is 'Build Resilient Infrastructure, Promote Sustainable Industrialisation and Foster Innovation' and Goal 8 is 'Promote Inclusive and Sustainable Economic Growth, Employment and Decent Work for All'. See UNDP (2015)

This drive towards technological and industrial upgrading which involves risks and externalities entails the government to play a 'facilitating' or 'coordinating' role (Lin in Lin and Chang, 2009:492&500). This could range from making allocative decisions to the creation of a competitive and investor-friendly business environment.

State intervention to 'facilitate' or 'coordinate' economic activity has had very mixed results in transforming poor countries. While there have been a few successes in East Asia, industrial policies have been accompanied by economic crisis, the persistence of poverty and the 'middle income trap' in sub-Saharan Africa, Latin America and South Asia. Even in East Asia, the study by Studwell (2013) shows a divergence between the industrialised North East Asian countries such as Japan, Taiwan, South Korea, China, Hong Kong and Singapore and others such as Thailand, Indonesia, and Malaysia which are still middle income countries. Thus, in addition to the lingering debate about the relevance of state intervention, a more important question that arises is what distinguishes successful industrial policy from one prone to failure?

A facilitating state can embark on a range of activities to drive economic transformation. One option is to map economic strategies consistent with a country's changing or 'dynamic' comparative advantage[13] determined by the change in its endowment structure (CGD, 2008; Kohli, 2004:8; Lin and Monga, 2013:20; Stiglitz et al., 2013:16). This would ensure that investment is not targeted at the wrong industries or the construction of unsustainable 'white elephant projects' but at what a country is good at producing (Hausmann and Rodrik, 2003:605; Lin and Monga, 2013:29). Another option is to guide the adoption of appropriate technologies which involve the capital-labour ratio that is consistent with the country's factor endowments (Lynn, 2003:238-240). This might mean making deliberate choices on R&D and capital investments in techniques to maximise employment (labour and resource-intensive) rather than output (capital-intensive). Government policy will thus support the transfer of labour, capital and knowledge from low- to high-productivity sectors, increase productivity through learning, remove

[13] A country's comparative advantage is 'dynamic' when growth is sustained because its endowment structure is also transforming. Unless this is factored into an economic strategy, policymakers would be working with a 'static' comparative advantage which would condemn the economy to primary activity with minimal prospects of upgrading to higher productivity activities. See: Noman and Stiglitz (2012).

barriers to the emergence of firms, and enable them overcome externalities (Lin in Lin and Chang, 2009: 489&500; Stiglitz et al., 2013:12). Lastly, the government's ability to tie business support to export performance, it is argued, will weed out uncompetitive and poorly performing firms (Amsden, 1989; Studwell, 2013). These intervention measures have of course been criticised for simply picking winners, propping up failing firms, encouraging cronyism and pervasive rent-seeking. However, the actual evidence points to varied outcomes, and remain contested.

With Nigeria's endowments in oil, minerals, crop production, livestock, and a large population, economic transformation and diversification could both conform to comparative advantage in agriculture and minerals but also an industrial transition towards petrochemicals, agro-allied industry, mineral processing and services. It also means that in a federation as Nigeria, this 'facilitating' or 'coordinating' state formulates of effective policies at both national and sub-national government levels.

The 'Developmental State': the Institutional Foundations for Effective State Intervention

The ability of a state to play an effective facilitating role in industrial transition depends on its cohesion, organisation and authority, that is, its institutional foundation and political character. It needs to have the bureaucratic capacity but also the knowledge requirements to play a central role in the promotion of development and governing the markets (Noman and Stiglitz, 2012:4; Stiglitz et al., 2013:3). Midgal (1988:4) defines state capabilities to include capacities to penetrate society, regulate social relationships, extract resources and appropriate or use resources in determined ways. This effective state is also referred to in the wider literature as a 'developmental state'. Based on studies on the rise of Japan, South Korea, Taiwan, Singapore and Hong Kong, leading proponents[14] conceptualise a developmental state as one with a highly capable and coherent bureaucracy operating on rational-legal rules of meritocratic recruitment and internal cohesion, with close ties to but sufficiently autonomous of the business community to evade capture. For instance it can provide targeted subsidies without degenerating into distortionary protection which can institutionalise cronyism.

[14] These include Amsden (1987), Johnson (1982), Wade (1990), Evans (1995&1998), Leftwich (1995), Doner, Ritchie and Slater (2005) and Kohli (2004) among many others.

This institutional basis of the developmental state enables the effectiveness of its economic intervention in the market – whether facilitating and growth-orientated or distortionary and growth-retarding. However, more nuanced iterations of the ‘developmental state’ conceptualise the less stringent ‘developmentalist state’, such as Brazil, India, Thailand, Malaysia and Indonesia, in which only a few enclaves of the bureaucracy possess such cohesiveness, organisation and authority, in a sea of general institutional dysfunction (Kohli, 2004; Hertog, 2010; Noman and Stiglitz, 2012:4; Abah, 2012). For African states to be developmental or developmentalist in achieving sustained poverty-reducing growth, governance institutions would need to be ‘growth-enhancing’ and ‘transformative’ rather than just ‘market-enhancing’ and ‘restraining’ (Khan, 2012; Mkandawire, 2012). According to Kohli (2004:4), in Nigeria, as with many parts of Africa, an ineffective and corrupt state has lacked this bureaucratic capacity to act as an effective economic actor unlike its counterparts in Asia and parts of Latin America. This ‘developmental’ effectiveness in states with multi-tiered governments such as Nigeria, must be evident at both the national and sub-national levels of government.

A state’s political organisation and character are crucial determinants of this institutional capacity to be a ‘developmental’ or ‘activist’ economic actor. As many theorists have argued, a ‘developmental’ or activist state cannot be imposed from outside, but has to emerge from within the political economy of the country (Kohli, 2004; Khan, 2010; Khan, 2012; Mkandawire, 2012; Noman and Stiglitz, 2012; Gray and Whitfield, 2014). Relatedly, Doner (1992), Leftwich (1995) and Kang (2004:9) posit that understanding policy decisions requires an understanding of the political incentive structure within which actors make economic decisions, i.e. the political character of this ‘developmental state’.

To summarise, this study’s crucial assumptions about economic management are: (1) That economic activity in countries and their sub-national regions should conform to their respective comparative advantage with a view to transitioning to higher-productivity industries; (2) That national and sub-national governments have a critical role in facilitating this industrial transition by coordinating the country’s factor endowments and correcting market failures; (3) The effectiveness of state intervention in facilitating this industrial transition depends on its institutional, administrative and bureaucratic capacity; (4) A state's bureaucratic cohesion and capacity, are determined by its (national and sub-national) political character and organisation.

The next section reviews a number of main theoretical frameworks, and their shortcomings, put forward to explain the weak political organisation of African states undermining their bureaucratic capacities to effectively facilitate an industrial transition.

THE POLITICAL ECONOMY OF ECONOMIC DEVELOPMENT IN AFRICA

Understanding the institutional and political underpinnings of the failure of industrial transition of African countries has for decades been a central preoccupation of political scientists, economists, historians, political scientists and sociologists. This political character refers to the composition, orientation and priorities of its ruling elites, the socio-economic structure, and the balance of power among competing elites and societal groups. Understanding this political character requires a historical and sociological analysis of the state. Of the vast bodies of literature explaining the weak institutional foundations of Africa's economic challenges, I critique the four which are most relevant to this study. I then explain how the political settlements approach provides a more encompassing explanation of the failure of the industrial transition in African countries taking into account their recent economic performance.

First, the robust literature on the 'resource curse' explains why resource- and in particular, oil-rich countries suffer from lower than expected economic growth rates. The robust literature on the 'resource curse' explains why resource--rich countries have not benefitted from their oil and mineral resources[15]. It underscores the economic, political, social and environmental dimensions of the resource curse. The economic 'curse' operates through the mechanism of an over-valued exchange rate which makes imports cheaper, and exports of tradeable goods uncompetitive. The economic dimensions of the 'resource curse' are its enclave nature, weak economic growth and economic dependence on the mineral resource. The Dutch Disease strand argues that oil and mineral extraction crowd out tradeable non-oil

[15] For a useful review of this literature, see: GIZ (2016)

sectors, especially agriculture, manufacturing and industry, while services, retail, construction and other non-tradeables sectors grow faster (the Economist, 1977; Corden and Neary, 1982; Auty, 1993; Sachs and Warner, 1995; Collier, 2008). The political dimension of the 'resource curse' thesis posits minerals undermine good governance, political stability and democracy by inducing violent political competition and corruption to access resource rents (Auty, 1995; Karl, 1997; Sala-i-Martin and Subramanian, 2003; Ahmad and Singh, 2003; Ross, 2001, 2003 &2012; Collier, 2008; Ross, 2012). The resources also transform the state to a rentier state preoccupied with the consumption rather than the creation of wealth (Mahdavy 1970; Beblawi and Giacomi 1987).

There is an off-shoot policy orientated literature[16] focused on transparency and accountability initiatives to address corruption and governance challenges in extractives industries (Kolstad and Wiig 2009; Corrigan 2014; Short, 2016; GIZ, 2016). The social dimensions of the resource-curse thesis draw attention to rising income inequalities, poverty, human development challenges (such as Gylfason, 2001; Ross 2003 & 2007; Fum and Hodler, 2010) and environmental degradation (Maass, 2009, Aragon and Rud, 2012, Malakov, 2014) caused by mineral extraction. Ross (2008 & 2012) show that the resource curse undermines women's economic empowerment by narrowing opportunities for their entry into the labour force (low-wage manufacturing in particular). Within Nigeria, the work of Niger-Delta environmental activists such as Okonta and Douglas (2003) emphasise on the exploits of international oil companies in oil extraction, environmental pollution and marginalization of oil-producing communities in collusion with the Nigerian government and domestic political elites (Obi, 1999, 2010 & 2011; Nwajiaku-Dohu, 2012).

However, the rapid growth of resource-rich countries from the early 2000s, contradicts the slow-growth claims of resource-curse theories. Besides, they hardly acknowledged the underlying institutional underpinnings beyond the qualities of specific commodities or that the vicious scramble for political power often predated the onset of a resource windfall. With the exception of studies like Karl (1997) which correctly notes that when oil booms coincide with the initial stages of state building,

[16] See GIZ (2016:49) for a useful review of the policy literature on addressing the 'resource-curse'. It identifies three policy approaches to counter the resource-curse: transparency and accountability, barter deals and direct cash transfers.

then spending is substituted for authority or Soares de Oliveira's (2007:7-11;50) conception of the 'successful failed African state' whose institutional dereliction predates oil. The environmental scholars of the resource curse are similarly commodity-deterministic, in neglecting non-oil producing regions or the non-oil segments of the economy. Broadly, the resource curse thesis does not sufficiently account for variation among resource-rich countries or even within individual countries. This includes variation in outcomes in economic performance, governance and institutional capacities, human development and environmental standards in extractives. This variation is informed by factors such as regional location, between Gulf Arab countries and African countries for example, rents per capita, type and quality of oil and mineral resources etc. Di John (2009:6) argues in his study of Venezuela that oil abundance has coincided with both longrun rapid growth and stagnation over a 70 year period and 'resource curse' theories are unable to account for both.

The second set of theories posits that plural societies are vulnerable to poor economic development outcomes. Specifically, high ethnic fragmentation explains why countries choose public policies which are inimical to growth (Easterly and Levine, 1997; 1204; Alesina and Ferrara, 2004). The mechanism operates through the indirect effect of political rights and sub-optimal public policy choices, which are more redistributive and consumption orientated; they decrease investment, foster rent-seeking and increase the likelihood of civil war (Mauro, 1995; Collier, 2000:225; Montalvo and Reynal-Querol, 2005:318). To be more precise, certain types of diversity make it more difficult to form a consensus for growth-promoting public goods (Bangura, 2006:300; Easterly and Levine, 1997:1204&1207). Bangura (2006:300) is more nuanced in noting that the relevant issue is not the existence of diversity per se, but the types of diversity, which make certain policy choices more likely than others. However, most of these large-N cross-country studies identified correlations and did not explain the precise causal relationships between diversity and economic performance and the broader institutional context within which this occurs.

The third set of theories is the 'neopatrimonialism' approach. It emphasises on the inherently particularistic nature of African societies especially the prevalence of informal institutions, as the main obstacle to economic transformation (see: Callaghy, 1987; Clapham, 1996; Chabal & Daloz, 1999; Van de Walle, 2001; Sandbrook, 2005). It regards these informal institutions and the informal political and economic relations they engender as aberrations. The neopatrimonialism approach thus characterises the patron-client relations that occur outside formal Weberian administrative systems as hybridizations of formal rational-legal authority and as pathologies of Africa's inherently 'retrogressive' political culture. It is the clientelism[17] on which these patron-client relations are based, which variously undermines political stability, democratic consolidation and deprive African states of the administrative capacity of the East Asian states to facilitate the smooth operation of market activity in driving economic transformation. The 'neopatrimonial logic' in African countries is regarded as operating through the application of public office to private ends, low savings, obstruction of a capitalist class, expansionary monetary policy, and trade and industrial policies which encourage rent-seeking (summarised in Mkandawire, 2015).

However, neopatrimonialism's explanatory power is severely limited because both Weberian notions of formal authority and clientelism are *outcomes* of capitalist development and its distortion respectively, rather than its *precondition* (Gray and Whitfield, 2014:3). It is the different economic structures between developing and advanced capitalist countries that lead to the relative dominance of clientelist politics in the former, and their diminished role in the latter *(ibid)*. Consequently, as Khan (2010:28), Mkandawire (2015) and Gray & Whitfield (2014:2-3) point out, neopatrimonialism is unable to correctly assess the role of clientelism as a form of political mobilisation in developing countries with weak formal institutions, but especially to explain the vast differences in political stability and economic outcomes among these 'neopatrimonial' African countries. In particular, neopatrimonialism is unable to explain variation in growth among different industries or regions even within one economy as the case in Nigeria illustrates.

The fourth sets of theories, the 'developmental state', made significant strides in explaining variation in economic outcomes of developing countries with ostensibly clientelist political systems. These theories emphasised on the political organisation of the state which determines whether it is

[17] Stokes et al. (2013: 13) define political clientelism as a form of 'non-programmatic political mobilization' where individual benefits are conditional on the recipient returning the favour with a vote or other forms of political support (cited in Gray and Whitfield, 2014:1)

'activist' and 'developmental' or 'neopatrimonial' and 'predatory'[18]. Notably, Kohli (2004:8-23) stands out in his systematic definition of this political character of an 'activist' state to include the orientation of its leadership and the extent of its ties to business, whether it pursues specific growth-orientated goals or multiple competing and distributional goals, and the extent to which power is concentrated within its leadership or diffuse among competing groups in society. Based on these variables, Kohli posits that a state can be 'cohesive-capitalist' such as South Korea with growth-orientated policy objectives and sufficient concentrated power to penetrate society, a 'fragmented-multiclass' such as Brazil and India pursuing competing growth-orientated and distributional objectives but in which power is diffuse among multiple centres, or 'neopatrimonial' such as Nigeria, preoccupied with corrupt personal enrichment and appeasement of sectional interests whose power to penetrate society is undeveloped. Based on this typology, he classifies Nigeria, like many African countries, as neopatrimonial, whose weak and diffuse political character makes it incapable of pursuing a growth agenda and rather fulfils corrupt personal or sectional interests, unlike its developmental counterparts in other parts of the developing world.

While Kohli's (2004) study is a major theoretical advance, it doesn't account for within country variations in such 'neopatrimonial' contexts like Nigeria, where some growth-orientated economic policies have been attempted with considerable successes and failures across different industries. Kohli's and other such developmental-state explanations do not account for variations in institutional capacity across multiple tiers of government within the same country, between national and sub-national authorities and among different sub-national authorities, as is the case in Nigeria. Relatedly, Di John (2009:9) notes that different development strategies for stages of development over time (simple manufacturing vs. heavy industrialisation) affect the types of politics that are compatible with growth.

As I argue, since 1999, there have been significant variations in the capacity of the Nigerian state under successive governments, wavering between 'neopatrimonial' and 'fragmented multiclass' (discussed in Chapters Four and Five), and between state governments such as Lagos with relatively

[18] For a useful review and critique of the 'Developmental State' theory and its offshoots, see: Whitfield and Therkildsen (2011)

more institutional coherence than states like Kano without clear economic objectives amidst institutional fragmentation (discussed in Chapters Six and Seven). I attribute this variation in state capacity to specific pressures on ruling elites which constrain their choices of policy at any point in time. I employ the 'political settlements' framework to identify the constraints which account for these temporal and spatial variations in the Nigerian state's political organisation and thus I provide a more sophisticated explanation of the weak bureaucratic capacity to 'govern the market' in a so-called 'neopatrimonial' state.

To explain this variation in the political organisation within resource-rich, plural and 'neopatrimonial' societies, the *Political Settlements* framework is put forward as an analytical framework to understanding the distribution, mediation and mobilisation of political power, how political power informs the state's bureaucratic cohesion and capacity, the organisation of economic activity, and the economic and development outcomes in this configuration. Using the political settlements analytical framework enables the exploration of the causal relationship between the three variables of 'constraints', 'policy responses' and their 'economic and development outcomes'. In the next section I define the *political settlement* and outline the building blocks of this analytical framework. This analytical framework is then employed in the rest of the study in identifying and explaining the institutional and political underpinnings of the failure of industrial transition and consequently of economic diversification in Nigeria, as many other African countries despite economic reforms and their accompanying rapid growth outcomes within the 21st century.

THE ANALYTICAL FRAMEWORK: THE POLITICAL SETTLEMENT AS A SOCIETY'S INSTITUTIONAL CONFIGURATION

In this section, I define the political settlement, provide an operational conceptualisation of the term, and explain systematically, how the analytical framework enables the exploration of the causal relationship between three variables concerning this study, i.e. 'constraints', 'policy responses' and their 'economic and development outcomes'. The building blocks of this framework include an elaboration of 'political institutions' and why they matter for economic performance, identifying the actors and interests in a political settlement and its constituent elements, identifying critical junctures as opportunities for institutional persistence or change and identification of the constraints which generate specific economic policy responses.

Politics is the exercise of power, influence and authority, and the relations involved therein. As "the authoritative allocation of values in society" (Easton, 1953: 129) power relations are at the heart of politics, particularly at the governmental level. Thus the frameworks for the allocation and distribution of power, the *political institutions*, are particularly relevant. These political institutions -- which include both formal and informal ones – are, according to Acemoglu and Robinson (2006; 2012:208), the outcomes of social conflict among various social groups. The political institutions in turn determine the nature of economic institutions such as property rights regime, regulatory framework, and the extent of the state's participation in economic activity. Thus, political institutions determine whether economic activity is growth-enhancing or growth-retarding. Given the general weakness of formal political institutions in developing countries, informal political institutions are more critical to the actual or 'defacto' distribution and mediation of power. However, it is these informal frameworks and the informal political and economic relations they engender, especially in African countries, which are improperly described as an 'aberration' by frameworks such as neopatrimonialism.

Before proceeding further, it is important to make a clear distinction between institutional analysis using political settlements framework and the New Institutional Economics (NIE). The NIE based on the work of scholars like North (1990) focus on the quality of formal institutions. It posits that weak formal institutions – contractual, property rights, regulatory – increase transaction costs and undermine free markets and therefore economic transformation. Strong formal institutions or 'rules of the game' ensure the coordination and commitment of actors, support economic activity and create economic prosperity (Williamson, 1985; North, 1990). North et al. (2009) distinguish between Open-Access orders of advanced liberal democracies societies and Limited-Access orders of developing countries in how their openness and inclusiveness can drive or stifle economic transformation. Acemoglu and Robinson (2008; 2012) similarly make a distinction between inclusive and extractive institutions, which can enable or undermine economic prosperity respectively. Importantly, the formal institutions within inclusive or open-access orders reduce or eliminate rent-seeking opportunities prevalent in developing countries, inimical to efficiency, economic performance and economic transformation[19].

The political settlements analysis on the other hand introduces the concept of power and power relations into institutional analysis and economic performance. Theorists such as Leftwich (2000 &2009) and Mushtaq Khan (1995; 2000; 2010:48) in response to the NIE literature argue that the actual distribution of power determine institutions, and in developing countries, these power relations often align with informal rather than formal institutions. In a similar vein, Prezeworski (2004:529-30) posits that institutions are endogenous and must reflect the distribution of power in a society. This distribution of power is the political settlement, and it determines the quality and effectiveness of formal institutions. Importantly, it determines how economic privileges, resources or rents are allocated for productive or predatory purposes (Khan, 2000:24; Gray and Whitfield, 2014; Whitfield et al. 2015). Specifically, a salient counter-point to NIE is that since rents (seen to be characteristic of the distortion of formal institutions) were ubiquitous in all developing countries, not just stagnating ones, it is misleading to argue that economic success required the absence of rents (Khan, 2000:39). It is within this tradition of institutional analysis that this study is located. Although this study rightly employs the definitions of formal and informal institutions as aligning with 'dejure' and 'defacto' power respectively provided by Acemoglu and Robinson (2008 & 2012), it does not share their normative prescriptions for societies to teleologically move towards certain 'appropriate', inclusive, democratic and formal institutions.

Therefore, as a concept, the political settlement enables us understand the institutional configuration within which informal institutions can predominate and influence the operation of formal laws and institutions. As a phenomenon, the political settlement[20] is the underlying distribution of power in a society negotiated among a society's elite and other contending societal groups. A political settlement is a social order and an institutional structure, which determines how a society achieves a minimum level of political stability and economic performance for it to operate as a society (Khan,

[19] See also Krueger (1974) and Bhagwati (1982) for early iterations of rent-seeking on which a lot of NIE position on rents rests.

[20] There is an emerging literature on political settlements although as Parks and Cole (2010:3) note, there is no consensus on the definition. See for instance Leftwich and Hogg (2007); Leftwich (2009); Dijohn and Putzel (2009); VonDoepp (2009); Khan (2010); Parks and Cole (2010); Whitfield & Therkildsen (2011); Gray and Whitfield (2014); Booth (2015).

2010:20). Political settlements are at the core of the political processes in building formal political and economic institutions of governance, in solving or exacerbating collective action problems and in building effective or dysfunctional states. The political settlement informs frameworks for the allocation of economic resources and the mediation of economic activity.

There is an emerging literature on political settlements although as Parks and Cole (2010:3) note, there is no consensus on the definition. Earlier definitions focused on identifying the relevance of the distribution of power, and the centrality of politics more broadly to development processes and state institution building. Leftwich (2000) for instance discusses political settlements as the underlying driver of developmental states. DiJohn and Putzel (2009) equated political settlements with elite bargains or elite consensus. Khan (2000; 2010) made landmark advances in developing the framework further, elaborating on the centrality of rents, and making the vital causal link between political power and economic performance. Whitfield & Therkildsen (2011) and Gray and Whitfield (2011) and Whitfield et al. (2015) drawing on Khan's work, elaborate further on the distribution of power among bureaucrats, capitalists and the ruling elite as the determinant of successful industrial policy, and thus economic transformation. Brian Levy (2014) working largely within the NIE premise develops a typology of political settlements to explain how they determine service delivery. Country-cases of political settlements analyses include South Asia (Khan, 2010), Ghana (Whitfield, 2011), Rwanda (Golooba-Mutebi, 2012) and Tanzania (Gray, 2017), and notably the analyses of growth and decline in oil-rich Venezuela (Di John, 2009). Others in this emerging literature include Parks and Cole (2010), Laws (2012) Booth (2015) and a recent World Development Report on Governance by the World Bank (2017).

To employ the political settlement as an analytical concept requires a disaggregation of its constituent elements. This requires a sociological disaggregation of institutions as comprised of actors, groups, and their interests, understanding how these interests are expressed and an examination of the relations within and between them. Identifying actors, groups and their interests entails a brief examination of the historical-sociological processes of colonial and post-colonial class formation and the patterns of continuities therein. This disaggregation of the concepts is drawn from the political settlements literature, but also broadly from broader and complimentary political economy literature.

Elites, Interests and Groups in a Political Settlement

Mapping the actors, groups and interests in a political settlement requires a sociological exploration of the notions of class, status and power and how they interact to determine these actors, groups and interests in society. A useful starting point is the conceptualisation of society's division into the ruling class and the working class, defined by their rights and ownership to the means of production. Weber [1922 (1978: 302-307)] goes a step further than Marx, by including 'status' groups and parties, along with social classes as the major elements of social structure and the distribution of power in society.

Fundamentally, Weber's (ibid) use of consumption patterns and distinctive lifestyles as the defining features of status groups rather than the location of social classes in the production process as Marx[21] does is crucial to the Nigerian context. This is because the production processes at the core of economic activity, social relations and the emergence of social classes is distinct in Nigeria and much of sub-Saharan Africa. Economic activity in this context does not primarily revolve around a production process and the social relations of production, and the nature of 'exploitation' which underlie and determine the position of social groups do not neatly fit into this Marxist postulation. As an oil state, economic activity in Nigeria is predominantly extractive rather than productive, thus the classical Marxist assumption that the (ruling) elite is that group which controls the means of production is unhelpful (Soares de Oliveira, 2007:125). Furthermore, class relations in this context as Sklar (1979:537) argues, are determined by relations of power, not relations of production.

[21] There is no consensus on any of the core concepts of Marxist class analysis (Wright, 2005) while Weber's comments on class are also fragmentary (Breen, 2005). Theorists like Wright (2005) and Breen (2005) conduct their class analyses based on their specific stance with the tradition of these paradigms rather than as authoritative accounts.

Thus, identifying social groups in Nigeria is dependent on identifying their relations to political, social and economic power, how this power is expressed through Weberian modes of traditional, rational-legal and charismatic authority and how these coalesce into state power. According to Mills (1956:9) and Scott (2008) those who occupy and commandeer the most powerful positions in these structures of authority and domination are the elite[22] in any society. However, what distinguishes the elite from other privileged or wealthy social groups is their leading roles in command positions in society.

Understanding the processes of elite formation from class and status groups through relations of power provides a valuable insight into other social groups – unions, civil society, media, and interest groups – in existence and how the nature of social relations among them affects the nature of political and economic institutions. The Nigerian state as many of its contemporaries elsewhere is the ultimate embodiment of political power, a sphere where various forms of authority are expressed. It is as well uniquely, the main theatre of economic accumulation (Watts, 1987) and therefore the ultimate prize for domestic political struggle (Soares de Oliveira, 2007:20). The foundation for this dual function of a hulking state was laid right from the colonial era, before the oil boom of the 1970s, where it served as an instrument by the colonial administrators for the expropriation of economic surplus from small holder, rural agricultural producers (Shenton, 1986; Williams 1988; Watts, 1987: 63; Oculi, 1987). Since the emergence of an indigenous landed oligarchic elite was blocked by colonial policy in favour of smallholder production, the economic elite were those in control of the extractive bureaucratic-administrative apparatus[23] and the merchant business class, both in close proximity to the state. Therefore, while exploitation in the Marxist sense did occur, it was extractive rather than productive, and it took place within the ambit of state power rather than the production process. The creation of marketing boards between 1947 and 1949 further entrenched the extractive nature of the colonial and later the independent Nigerian state (Hawkins, 1958; Oculi, 1987; Falola and Heaton, 2008; Last, 2011).

[22] Scott (2008:33) also conceptualises elites within the context of their access to power. He classifies such elite into four categories based on the structures of domination: coercive elite (control over the means of violence) and inducing elite (economic power), a commanding elite (institutional hierarchies) and expert elite (professional expertise).
[23] For instance, the Northern Nigeria lands Committee mandate in 1907 blocked the emergence of land-lord agrarian capitalism. See Coleman (1958:354), Shenton (1986) and Watts (1987:61-74)

The state elite were also, in many cases economic elite because the distinction between the two spheres was blurred.

However, it should be noted here that there were distinct differences in the patterns of class formation in the colonial era between communities in southern and northern Nigeria. According to Sklar (1979:534), in southern Nigeria, class formation occurred within the context of modern social change – western education, urbanisation and growth of commerce – while in the North, modern class formation occurred within the context of a traditional and semi-feudal order of aristocratic birth and socio-political rank. The prior contact with western education, the pattern of colonial rule and a relatively flexible class structure in southern Nigeria meant that there was a higher concentration of the middle class there than in northern Nigeria. Thus trade unions, student groups, civil society and the press all had a more visible presence in the South than the North. Understanding these differences and their persistence over time is critical to understanding the differences in value orientation, the persistence of economic, political and social inequalities[24] and the contemporary differential economic fortunes of the North and the South as discussed in Chapters Three, Four, Six and Seven.

Despite the absence of a landed agrarian elite in Nigeria, during the colonial period there emerged a distinct business and economic class. There were traders some of whom emerged from merchant families in the pre-colonial era, transport, banking, insurance and other services providers, and much later industrialists. However, given the central role of the state in economic activity, this relatively autonomous business class was in close proximity[25] to the state. In many cases, there was a fluid movement between various political (public administrators, leading politicians and traditional authorities) and business elite (wealthy businessmen) (Sklar, 1979:537; Watts, 1987; Forrest, 1994: 27), a 'straddling'[26] of both political office and economic accumulation (Watts, 1987:81; Daloz, 2003) and

[24] Economic inequalities include differences in industrial and private sector development, media ownership, incomes, employment and economic activity. Political inequalities include distribution of bureaucratic appointments, composition of the army, the judiciary and other government institutions. Social inequalities include access to education opportunities and health care. See Stewart (2002) and Mustapha (2009:562)
[25] Forrest (1994:27) notes that these business elite were mostly involved in real estate, construction, and the direct provision of goods and services to government through government contracts rather than in industry.
[26] Daloz (2003:276) defines straddling strategies as situations where elites use a first position, mostly political in order to either obtain another one or to strengthen the original one which is economic or traditional.

a ‘fusion of elites’ (Sklar, 1979:537). This was particularly the case in northern Nigeria where the persistence of the traditional *emirate* system meant that dominant class formation involved the social and political coalescence of traditional rulers, administrative functionaries and businessmen (Sklar, 1979:534). The continuity of these broad patterns of class formation through to the oil boom era in the 1970s to this day is a pivotal factor in the fortunes of the regions and the differential impacts of economic policies, as is examined in Chapters Three, Four, Six and Seven. The one significant change during the oil boom period was the structural shift in the type of rents or earnings extracted from agricultural produce to crude oil. Thus it is ‘extraction’ rather than the Marxist conception of ‘exploitation’ which dominated post-independence economic activity in Nigeria.

The oil boom which led to an immense increase in government revenue from N108 million in 1962 to over N13 billion by 1979 only exacerbated these historic patterns of extraction and elite formation but did not create them. Thus the colonial mode of administration laid the foundation in which, Soares de Oliveira (2007:125) notes, the possession of “the means of administration is coterminous with the possession of the means of accumulation”. With oil revenues, the state became richer, more lucrative and commandeering it became more imperative. The orientation of the business elite which was already in close proximity to the state became more state-centred as economic activity revolved around an oil sector controlled by the state. Though structural adjustment of the 1980s was meant to provide greater opportunity to the private sector and the business elite, their focus chiefly was on ‘rent-seeking’ (Lewis, 1994). These patterns have subsisted through time and are still observable today in Nigeria.

Within the context of these continuities, social groups are thus defined in relation to those who possess political power i.e. those who exercise control over instruments of domination and can allocate resources. In oil rich states, Soares de Oliveira (2007:125) points out that elites are made up of a *governing* segment, i.e. those with political and decision-making power, and a *non-governing* segment, i.e. those with access to the governing segment and the ensuing economic and social opportunities.

Thus, I use the terms *ruling elite*[27] and *state elite* interchangeably in this study to refer to elite with decision-making power. These are distinct from the *political elite* which encompass influential groups without direct decision-making power. The ruling elite could also include those from other spheres such as a *bureaucratic elite* (senior officials in the military, judiciary and public service), *traditional* and *religious elite*, *economic* or *business elite* (those at the top hierarchy of the private sector and economic activity) and *professional elite* (experts in certain professions, media and civil society).

Constituent Elements of the Political Settlement

To employ the political settlement as an analytical concept requires a disaggregation of its constituent elements. This disaggregation of the concepts is drawn from the political settlements literature, but also broadly from broader and complimentary political economy literature.

In the developing world context, Lewis (2004; 2007) and Khan (2010) argue that a developmental or predatory political settlement is determined by the underlying *elite bargains* crafted among the state elite and between the state elite and the productive groups. Elite bargains are discrete events and agreements established between powerful actors that may occur during the longer-term. They are a particular feature of political settlements but are not the sum total of political settlements (Laws, 2012:29). According to Laws (2012:24-25), elite bargains, pacts, consensus or peace agreements help to capture the event dimension of political settlements, acting as markers to balance the tendency to reduce political settlements simply to ongoing processes or 'politics'. Since elite bargains are crafted by a range of state, political, bureaucratic, economic, professional and traditional elite, these actors involved are collectively referred to as a *ruling* or *governing coalition*. Typically, a political party, the military, the bureaucracy or elements of civil society serve as the organisational basis for fortifying this

[27] The challenge of providing a cohesive definition of the 'elite' is an age-old one in elite theory. For instance, Woods (1998:2101) and Keller (1979:201) contend that the term 'elite' is usually unproblematised. The term 'ruling elite' goes back to the concept of 'ruling class' in classical elite theories of Vilfredo Pareto and Gaetano Mosca which saw the dialectic conflict in society as that between the elite who hold power and those who seek power (Keller, 1979:11). Subsequent studies identified a 'power elite' (Mills, 1956), a 'governing elite' (Nadel, 1956) or a 'strategic elite' (Keller, 1979) as different from other privileged groups.

consensus around a policy regime (Lewis, 2007). For instance, Suharto's New Order Regime in Indonesia from 1966 until 1998 (Lewis, 2004; Leftwich, 2000), the Botwana Democratic Party since the 1960s and the Chinese Communist Party since 1949 are all governing coalitions which serve as the basis for consensus around governance and economic policy. The *elite bargain* is the first component of a political settlement.

While elites and negotiations between them are central to the political settlements, elites are part of wider coalitions and often have to respond to the interests of a non-elite support base (Laws, 2012:36). This is because political settlements are two-level games; they involve horizontal negotiations between contending elites, and vertical relations between elites and their followers (Khan, 2010; Laws, 2012:20). The nature of a political settlement is thus determined by the manner it incorporates and mediates competing group interests. These could be any of non-elite or non-governing elite groups such as civil society, youth associations, labour and trade unions, traditional and religious groups, professional associations and the media. *Wider coalitions with societal groups* is the second component of the political settlement.

The political and economic viability[28] of a political settlement is necessary to keep that institutional structure together. Khan (2010:21) notes that economic viability requires the political settlement to achieve sufficient economic performance to avoid an economic crisis. Therefore, a governing coalition is sustained by an economic policy regime principally determining the strategies of accumulation in society. The Chinese Communist Party's Five Year Plan, a social and economic blueprint mapping strategies for economic development, setting growth targets, and launching reforms is one such example. For this policy regime or development strategy to be effective, it requires a cooperative relationship between business and government through 'growth-coalitions' (Doner, 1992) or 'business-state coalitions' (Evans, 1992:165). The orientation of these business-state coalitions determines the growth-enhancing or extractive nature of the ensuing property rights regime, commitment guarantees to the business class, the investment priorities and strategies in productive

[28] The political viability is the context-specific minimum threshold of political stability needed to ensure that dissent or conflict do not reach a level where they unravel the core political and institutional arrangements which define the political settlement (Khan, 2010:21).

sectors, and physical and social infrastructure. When business-state coalitions are based on an inclusive, stable and collaborative alignment of interests of the political elite with that of the productive class, resources are mobilised towards growth-enhancing activity and the political settlement is developmental, with positive economic outcomes. When business-state coalitions are based on an exclusionary, fractious, and collusive alignment of state elites and the productive class, political settlements are transactional, extractive and they retard economic performance, often becoming predatory. For instance, Robinson (2009:25) suggests that successful industrial policy requires a political equilibrium that aligns the interests of the powerful with those of society. Saylor (2013:11) finds that the availability of credit to exporters in resource-rich states is determined by their membership of the ruling coalition[29]. An *economic agenda* is thus the third element of the political settlement.

Importantly, this framework for reconciling competing interests sets the 'rules of the game' and the enforcement mechanisms. These rules are institutionalised when they are formally recognised and codified in formal laws, such as the constitution. To be self-enforcing, these institutions must thus reflect the distribution of power in the society, otherewise they will not last (Pzereworski, 2004:529). Adherence to the 'rules of the game' is determined by the extent to which the distribution of benefits in the institutional structure is consistent with the distribution of power (Khan, 2010). Adherence to and enforcement of these rules in turn determine the overall stability and endurance of the political settlement. *Institutionalisation* is thus the fourth element.

Therefore, the components of a political settlement which determine its developmental or transactional orientation are: (1) elite bargains, (2) wider coalitions with societal groups, (3) economic agenda or consensus around an economic policy regime and, (4) institutionalisation or enforcement of the rules of the game.

[29] Saylor's (2013) analysis though is restricted to specific historical periods, not contemporary experiences. He compares Chile (1848–83), Argentina (1852–86), Colombia (1880–1905) and Nigeria (1945–66)

Critical Junctures: Explaining Persistence and Change in the Political Settlement

Having defined the political settlement as the sum-total of the formal and informal institutions in a society, mapped its key actors and interests, and outlined its constituent elements, it is now essential to explain *persistence* and *change* in a political settlement. These encompass how this institutional order emerges, what aspects of the institutional order are retained or transformed, under what conditions these processes occur, and their consequences for economic performance.

In developing country contexts such as Nigeria where formal political and economic institutions remain weak, significant decisions occur outside these formal frameworks, within informal institutions. Khan (2010:4-7) notes that this pattern of decision-making is characteristic of the 'clientelist' political settlement (in developing countries) in which the significant exercise of power is based on informal patron-client organizations unlike formal processes in the 'capitalist' political settlement (in advanced democracies). The real distribution of political power, and checks in its exercise occur not within *dejure* or formal political institutions, but within *defacto* or informal political institutions[30]. Since these informal frameworks of defacto power distribution are often transient, Acemoglu and Robinson (2009:679) note that any change in economic policies that relies purely on defacto political power is likely to be reversed in the future. Khan (2010:4) notes that if a political settlement ceases to be viable, discontinuous change can come about in the evolution of institutions or the organization of power. Therefore, rapid changes in the political settlement occur when conditions become unsustainable. At what stage does the political settlement become unviable?

Critical junctures are periods in a society where a constellation of economic, political and social conditions threaten to disrupt the existing order, often manifesting in economic crises, political instability or conflict. They are momentous because they exert independent and disruptive influence on the existing institutional order. Mahoney (2000:527) describes these conditions as 'contingent', the initial event that sets into motion the overall chain of reactions, usually unpredictable and unanticipated.

[30] Acemoglu and Robinson (2009: 676) identify two components of political power, *defacto* (obtained through the use of force or possession of resources) and *dejure* political power (allocated by formal political institutions).

These conditions can be both endogenous (such as elite conflict, wider social unrest and civil war) and exogenous (such as technological advancements, oil shocks in the global economy or the threat of external aggression) to the political settlement. These 'shocks' which modify the balance of (de facto) political power in society can lead to major changes in political institutions and therefore in economic institutions (Acemoglu and Robinson, 2009: 678). Change is therefore indicative of the deficiencies of the prevailing institutional framework in the face of endogenous and exogenous contingent factors generated by rapidly changing economic, political, social and external conditions.

I argue that the manner in which the ruling elites[31] of a particular society manage or respond to conditions at these historic junctures determine whether the institutional order is maintained, albeit in a significantly restructured manner (persistence), or whether it collapses and a new one emerges in its stead (change). According to Thelen (2003:211) "institutional survival is often strongly laced with elements of institutional transformation to bring institutions in line with changing conditions". As Robinson (2010) posits, the role of the ruling elite can explain the instances of institutional change. Their response determines whether the existing institutional framework is preserved leading to institutional *persistence*: how elites form around sets of institutions, persist and reproduce over time (ibid:18).

Therefore as a response to existential crises, ruling elites negotiate new elite pacts, redistribute more power to social groups in wider society or embark on rapid economic reforms and constitutional changes in order to contain or stave off the crises' worst effects. When the institutional order is retained with some modifications, it reflects what Robinson (2010:14) calls a shift in interests by 're-orienting elites'. Otherwise, the ruling elite is replaced in a coup, war or revolution, the entire institutional framework fragments and is replaced[32]. A new elite, the 'breaking elites'. emerges with specific interests and economic priorities (ibid: 15). The group with the most defacto power in this new political settlement will push for dejure political and therefore economic institutions favourable to its interests,

[31] The emphasis is on ruling or state elites, as opposed to economic and other non-ruling elites, because the latter control state apparatus and therefore massive resource revenues.
[32] Relatedly, Mahoney (2009:81-82) puts forward the concepts of 'institutional layering' and 'conversion' to explain how certain aspects of institutions persist and why some aspects change.

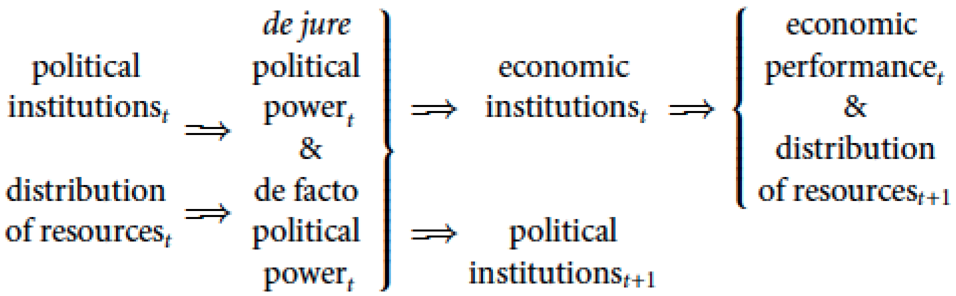
which could lead to the *persistence* of future institutions (Acemoglu and Robinson, 2009: 678; Robinson, 2010). Thus, the actions of the ruling elite at critical junctures determine whether an existing political settlement is maintained or whether a new one emerges.

What determines elites' specific response to crises, to retain or collapse the existing institutional order? I argue that elites' response to crises at critical junctures is determined by: 1) the *nature* of specific threats, 'benign', 'severe' or 'existential', these crises pose to them and; 2) their *capacity* to respond to these threats. In the first instance, ruling elites' degree of vulnerability (Whitfield and Therkildsen, 2011:19) to and perceptions of these threats informs their response. As Lewis (2007:16) points out, existential threats to rulers may impel them to adopt developmental goals as a survival strategy when faced with major challenges to stability including threats to security, domestic social order, or economic crises. Public office holders are motivated primarily by interest in domestic political survival and advancement (Whitfield and Therkildsen, 2011: 17). Second, ruling elites' capacity to embark on specific measures to stave-off a rapid or violent overthrow is determined by, as Whitfield and Therkildsen (2011:19) note, the degree of fragmentation or cohesion of the ruling coalition, and the resources including finance and technical competence they have access to. Thus, elites' degree of vulnerability to and perception of specific threats, their degree of cohesion/fragmentation and their resource base determine the specific problem-solving strategy to be pursued.

In the actual response to threats, elite preferences and behaviour are shaped by history or *path dependence*. Robinson (2010) argues that the preferences and behaviours of elites are path dependent i.e. they are heavily contingent on the institutional environment they inherited and the way previous elites had behaved. According to Nunn (2009) history could have permanent effects and lead to persistence, if it causes a movement from one equilibrium to another through shocks or path-dependence. Consequently, once a society gets onto a particular path it stays on it (Acemoglu and Robinson, 2009: 674). While shocks are exogenous, path dependence is a loop endogenous to the political settlement. Institutions and policy regimes develop along certain paths which become hard to alter due to a feedback loop (Mahoney, 2000:508; Pierson, 2004: 21-23). Therefore, elites' response to threats is determined by both the nature of the threats and their capacity to respond, while the actual preference for a certain course of action is conditioned by history or path dependence although shocks can cause elites to behave differently.

The next question is, how does this emerging or reformed institutional configuration at a critical juncture become growth-enhancing or growth-retarding, inclusive or exclusionary? The new distribution of power will determine the new economic institutions (regulatory, trade, taxation, property rights and investment regimes) and their growth-enhancing or predatory orientation. This is because economic institutions which arise in an equilibrium depend on the distribution of political power, while a key determinant of political power is the political institutions – constitution, legislative acts, decrees, conventions and electoral systems (Acemoglu and Robinson, 2009). The diagram below further illustrates this relationship. While in advanced democracies, these political institutions are formal democratic institutions such as the parliament, the civil service and the party system, which distribute *dejure* power, in many developing societies, these are largely informal institutions such as patron-client networks within the 'political settlement' which distribute defacto power, and which in turn determine formal political institutions.

Figure 1.1: The Relationship between Political Power and Institutions



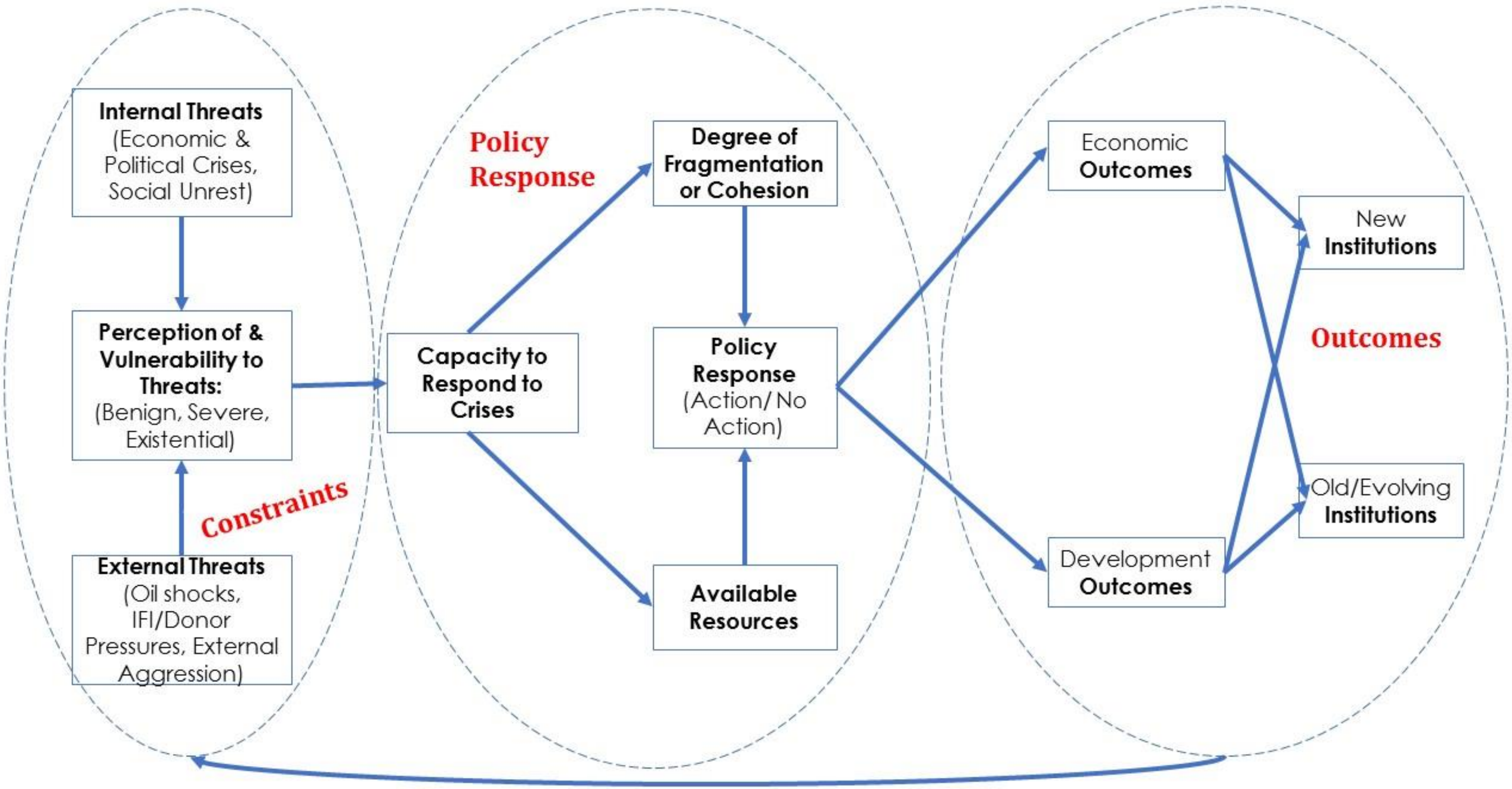
Source: Acemoglu and Robinson (2009) "Paths of economic and political development", In Barry R. Weingast and Donald Wittman, eds., **Oxford Handbook of Political Economy.** Oxford University Press: Oxford.

Critically, the boundary between economic and political institutions is not very clear-cut in the 'clientelist' political settlement in many developing societies. This is because the economic and political spheres are closely linked since the state is the main theatre of economic accumulation[33]. In Nigeria, the role of the state is further bolstered by the domination of oil rents in government revenue which crowds out other economic sectors and increases elite competition for access to state power. This fits with Karl's (1997:15) description of "an inextricable link between power and plenty in such mineral states" – where the state, not the private sector is the centre of accumulation, where access to rents becomes the primary object of rent-seeking behaviour and where economic rationality cannot be separated easily from political rationality and the logic of rent-seeking.

An understanding of critical junctures is crucial to the Nigerian case because given its sociological mix and the nature of contestation among societal groups, institutional change has more frequently occurred at critical junctures than through gradual evolution of the political settlement (discussed in Chapter Three). The ruling elite have frequently confronted disruptive political instability and economic crises by taking decisions to modify and preserve the prevailing institutional order or have been replaced through coups and other disruptive episodes. With the prominence of oil rents in the economy and the volatility of global oil prices, these contingent factors became increasingly exogenous, and some of the responses to crises have been path dependent. Therefore, critical junctures since the beginning of the oil boom in 1970 have resulted in the persistence of prior institutions by reorienting elites rather than complete ruptures, as is discussed in Chapter Three. As Karl (1997:15) posits, in 'petro-states' even critical junctures which are sufficient to alter development trajectories in other contexts do not have the same restructuring effect in these countries. Periods of huge windfalls exaggerate these characteristics, she argues. Shafer (1994:3) in a similar vein argues that a state's capacity to restructure[34] is dependent on how leading economic sectors affect the relative autonomy and capacity of the state vis-à-vis leading sector actors. The diagram below illustrates this relationship between critical junctures, decision-making and institutional change.

[33] Although Forrest (1994:246) makes a compelling point that the relationship between the state and society in Nigeria is nuanced. He notes that unlike Francophone African countries or Kenya with state-centric approaches to private accumulation, upward mobility and class formation, there have been non-state avenues for capital accumulation in Nigeria.
[34] Shafer (1994:2) defines 'restructuring' as the reallocation of resources and the reorientation of economic activity to decrease the risks and increase the gains from international engagement.

Figure 1.2: Critical Junctures and Institutional Change



Constraints for Institutional Reform at Critical Junctures

As discussed so far, crises at critical junctures create an opportunity for reconfiguring or changing the political settlement and the decisions taken at these junctures determine whether an existing political settlement is maintained in a restructured manner, or whether it collapses and is replaced. The decisions, which are ruling elites' policy responses to crises, are determined by the nature of the threats, their perceptions of those threats and their capacities, while their actual preference for a specific course of action is conditioned by history or path dependence. For this restructured or emergent political settlement to be stable, it needs to be politically and economically viable (Khan, 2010). Therefore, stabilising this restructured or emergent institutional framework requires economic reforms which will at a bare minimum sustain the political settlement by redistributing existing resources or at best transform society by generating new economic resources, otherwise a newly restructured or emergent political settlement focusing on pure extraction and predation is bound to collapse.

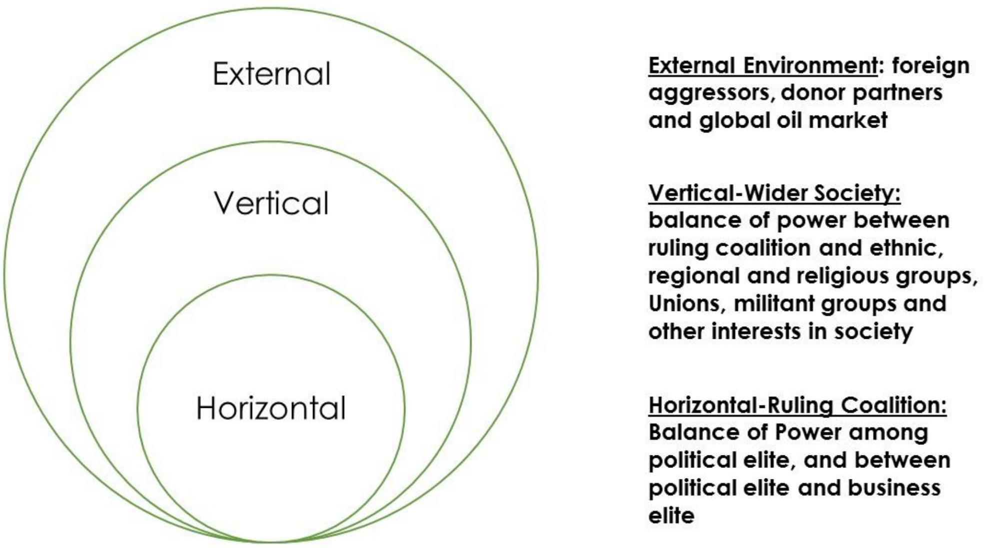
The question then is, how do responses to existential crises coalesce and result in reform policies by a 'reorienting' or 'breaking' ruling elite? The specific policy responses of a ruling elite to sustain the political settlement are determined by the: 1) the nature or sources of the threats, 2) the specific points within the ruling coalition most vulnerable to these threats, 3) the ruling coalition's degree of cohesion/fragmentation and 4) the financial and technological resources or rents at their disposal, and how these resources are deployed. I collectively refer to these as 'constraints' on a ruling coalition at a critical juncture.

Some references in the literature to how such constraints on ruling elites generate growth-enhancing or patronage distributional strategies are salient. One discussion is on growth coalitions between the state and the private sector[35]. This posits that the kind of state-business relations can create a growth coalition orientated towards productive economic accumulation for economic efficiency and performance outcomes. The second is Khan's (2000) thesis on the mobilisation of rents by ruling elites.

[35] There are several studies on growth coalitions involving the state and the private sector, see: Doner (1992) and Evans (1995). On how these growth coalitions account for variation in the performance across industries and countries, see: edited volume by Maxfield and Schneider (1997), Brautigam et al (2002), Kang (2004:7), Doner, Ritchie and Slater (2005:356) and Taylor (2007).

Although he identifies at least seven types of rents[36], it is politically organised transfers and the way they are allocated that have a structuring effect on institutions, create new economic classes and therefore affect economic performance (Khan, 2000:24-25). He identifies two types of politically organised resource transfers (p.38). The first type is instrumental in creating a future productive capitalist class through 'primitive accumulation' or it could result in massive theft. The second is to maintain political stability among emerging middle classes and other urban groups who can organise popular opposition during the process of 'primitive accumulation'. These insights on growth coalitions, the redistributive impact of rent-based transfers and their implications for growth and efficiency are relevant to analysing how constraints in the political settlement affect economic performance. Thus, the processes through which these four elements of constraints generate specific policy responses are illustrated in Figure 1.3 below. This occurs at three levels:

Figure 1.3. Sources of Constraints



Horizontal Level: Within the Ruling Coalition – This is dependent on the extent to which the ruling coalition is cohesive or fragmented. With a fragmented elite, the constraint comes from the threat of

[36] These are: monopoly rents, natural resource rents, rents based on transfers, Schumpeterian rents, rents for learning, and monitoring and management rents (p.24).

replacement or 'palace coup' by a powerful rival or excluded elite faction. Reforms are likely to focus on political inclusion or some form of pacification of excluded factions. With a relatively cohesive ruling coalition, the pressure comes from a relatively powerful business community pressuring the political elite to embark on growth-enhancing and sector-specific reform. Kang's (2004:7) study of South Korea under General Park Chung Hee describes the political and business elite in this balance of power as 'mutual hostages' where each exerts a constraining role on the other.

Vertical Level: In Wider Society – when broader societal actors and interests threaten the ruling coalition with social unrest from dissatisfaction with distribution of resources, this is likely to lead to more redistribution policies rather than growth-enhancing policies. The extent of the redistribution depends on whether threats are from the wider society (such as Victorian era London or the 2012 'Occupy' pro-fuel subsidy movement in Nigeria), or certain interests groups like unions (agitating for welfare reforms in Post-World War II Europe) or militant groups (militants in the oil-producing Niger Delta violently agitating for the redistribution of oil revenue).

External Level: From the External Environment – the external environment constrains ruling elites through the threat of external aggression as was the case in Singapore, Korea and Indonesia; the constraining influence of donors who finance a significant portion of state expenditure through development assistance; or shocks from the volatility of global commodity prices which provide the impetus for economic restructuring. Since Nigeria is a regional power in West Africa without a significant external threat (unlike South Korea, Indonesia, Singapore and the Asian Tigers) and oil earnings make foreign aid relatively inconsequential, this external window for reform has historically been global oil shocks.

The specific combination of constraints which exert the most pressure at any point in time determine the specific policy responses to managing these crises at critical junctures with attendant economic and development outcomes which could be: growth-enhancing or extractive-predatory economic restructuring, economic redistribution or widening inequalities, inclusive or exclusionary political reform. To that effect, the following permutations of constraints and policy outcomes are possible:

Scenario 1: If the constraint is generated from the outer core, the *external environment* through for instance oil shocks (given the centrality of oil rents to export earnings, state expenditure and economic accumulation in Nigeria) or the disruption of donor development assistance, restructuring will aim to increase and make more efficient, access to existing rents in the petroleum sector, or to generate new types of wealth from other economic sectors. This therefore leads to growth-enhancing economic reform. Sectors that are not restructured therefore are those that are too costly in resource allocation or require a lengthy time horizon, such as the manufacturing and solid minerals industries in Nigeria. These also include sectors that have few business interests willing to lobby for the costly reforms because they are more 'transactions-intensive'[37], and because they are not as directly beneficial to the elite as say the oil sector.

Scenario 2: When the constraint is generated from the middle core through *vertical* or *wider societal pressures*, political leaders and policy makers embark on some form of economic redistribution to stave off social unrest, rather than growth-enhancing reform. However, given the historic obstacles to collective action in Nigerian society, and oil's 'rentier effect' (Ross, 2001) in insulating the ruling elite from demands for accountability, these pressures are: (1) rarely broad-based but driven by specific societal actors with specific economic demands capable of disrupting the ruling elite's security or access to rents; (2) often lead to economic redistribution rather than political and economic restructuring.

Scenario 3: When the constraint is generated from the inner core, from within the ruling coalition, it leads to political reforms for greater inclusion, representation or pacification of the rival elite faction. This political change restructures the existing political order by modifying the composition of the ruling elites through constitutional reform, electoral transition, or a military coup as Chapter Three shows in Nigeria over time, or even a revolution. In addition, an organised and cohesive business elite within the ruling coalition can pressure the political elite within this coalition for sector-specific extractive or growth-enhancing policy.

[37] According to Gelb (2011:67), these sectors are transaction intensive because they are more dependent on strong contract enforcement, a rule of law, generally strong business environment, and generally stronger institutions. Therefore in extreme cases of institutional breakdown, economies are likely to retreat back into subsistence farming and enclave mineral production.

However, it is important to note that other cores may exert some marginal constraining influence even when only one core appears to have the dominant influence. For instance, oil shocks often affect exchange rates, have an inflationary effect on the prices of basic commodities, contributing to job losses and operating in consonance with either the middle core, by affecting living standards of unions and other societal groups, and or the inner core, by reducing the economic rents available for capture by the ruling coalition. Thus, operating through all cores, the external constraint could lead to growth-enhancing reform, economic redistribution and political reform.

To summarise, using the political settlements analytical framework enables the exploration of the causal relationship between three variables, 'constraints', 'policy responses' and their 'economic and development outcomes'.

THE ARGUMENT, PROPOSITIONS AND CONTRIBUTIONS TO THE LITERATURE

In aggregating the full argument of this study, I briefly discuss attempts to manage tensions of elite competition as the backdrop to the electoral transition in 1999. Then I employ the analytical framework to outline the sources of crises and how they constrained the ruling coalition to pursue institutional reform with ostensible economic diversification objectives. I outline a number of propositions and finally, I enumerate the contributions of the study to relevant literature.

The Argument: External Constraints as the Drivers of Economic Reform in Nigeria's Post-Military Political Settlement

As Africa's largest oil producer, its most populous country and its largest economy, and as a multi-ethnic and multi-religious country, Nigeria is vulnerable to numerous pressures, the conceptualisation of which could enhance our understanding of similar resource-rich economies in Africa and beyond. Using the political settlements framework, this study identifies Nigeria's three main sources of constraints as: horizontal elite competition, vertical societal redistribution demands and external oil shocks. As I explain below, attempts to manage historic tensions of horizontal elite competition provided the political basis of the electoral transition in 1999, external oil shocks constrained the ruling coalition to embark on economic reforms in the 2000s, while vertical societal pressures remained largely unaddressed.

Horizontal elite competition has been a decisive influence on Nigeria's political stability. Attaining a stable political foundation for the transformation of Nigeria's economy has been the defining feature of the country's political settlement since its independence from colonial rule in 1960. Nigeria's leaders recognised the imperative of managing the tensions of competitive ethnicity, regionalism and to an increasing extent religion, for political stability (Mustapha, 2006). The tensions of ethnic mobilization and contestation generated by Nigeria's tripolar ethnic and bicommunal religious structure[38] resulted in a perennial 'fear of domination' among its regions, religions and ethnic groups which clouded any sense of national unity even before the attainment of independence in 1960 (Coleman, 1958; Falola and Heaton, 2008:165). This 'fear' was driven by the political and socio-economic inequalities among the regions. In the early post-independence years, the ruling elites in the predominantly Hausa and Fulani northern region feared domination by the educationally advanced southerners in the civil service, the army and educational institutions. The southern regions on the other hand feared the North's political domination in parliament, the federal cabinet and the army which it was able to secure using its higher population numbers (Dudley, 1982: 61-73; Falola and Heaton, 2008:202). The crises created by these tensions are regarded as the causes of the first military incursion into politics and the 1967-1970 Civil War, which disrupted Nigeria's fledgling state-led industrialisation trajectory as discussed in Chapter Three.

There have been various efforts to manage these persistent tensions of tripodal horizontal ethnic mobilisation and their pernicious effects on political stability and economic development. These include formal institutions and government policy to achieve ethno-regional representation through federalism

[38] Out of over 400 ethnic groups, the Hausa and Fulani of the north, the Yoruba of the south-west and the Igbo of the south-east are the numerically and politically majority groups. The tripodal regional administrative set-up of the colonial period and the tendency of many minority groups to cluster –politically, linguistically and culturally – around the big three reinforced their dominance. This has given Nigeria a tripolar ethnic structure, and it forms the main context for ethnic mobilization and contestation (Mustapha, 2006:160 and Oyovbaire, 1983:8). This tripolar structure also overlaps with its bicommunal religious structure consisting of a predominantly Christian population in the South and a predominantly Muslim population in the North. See: Adamolekun and Kincaid (1991:177) and Mustapha (2006).

and a bicameral legislature; the Federal Character affirmative action in public education, the civil service and the federal cabinet; and pan-ethnic majoritarian rules in the electoral system (Dudley, 1982; Oyovbaire, 1983:24; Adamolekun and Kincaid, 1991; Mustapha, 2006: 169-174).

Critically, informal elite bargains and power-sharing agreements among regional political elites sought to expediently manage horizontal elite competition in the pursuit of national power. In the most recent reincarnation of democratic rule from 1999, the 'zoning' principle of power rotation within the Peoples' Democratic Party - PDP (the ruling party from 1999 until 2015), signified a seminal elite consensus at reconciling competing regional elite interests. This power-sharing consensus entailed the periodic rotation of party and public elective offices, particularly the presidential seat between the North and the South (PDP Constitution, 2012:8). Across the presidencies of Olusegun Obasanjo, Umaru Yar'adua and Goodluck Jonathan, zoning sought to complement formal policies (such as Federal Character) for managing these historic tensions and to provide the requisite political stability that had eluded Nigeria for so long and undermined its economic development. Since it's unravelling at the executive-presidential level, first with Obasanjo's unsuccessful attempt at running for a third term in 2006, Yar'adua's death in his third year in office in 2010, Jonathan's defiance of power-rotation to the North to run for office in 2011 and finally with the PDP's defeat in the March 2015 presidential elections[39] and Muhammadu Buhari's ascendancy to the presidency, zoning is yet to be replaced with a comparable overarching framework for accommodating competing elites' interests over presidential power, as discussed in Chapter Four.

While the zoning elite bargain and its formal institutional-policy counterparts such as Federal Character affirmative action in the public service aimed to address horizontal elite competition (and broadened the elite recruitment), they did not comprehensively address underlying *vertical* societal redistribution demands and *external* oil shocks, explained below.

After independence in 1960, rising incomes, population growth and political institutionalisation empowered various societal groups with *vertical* distributional demands from the government. These

[39] Owen and Usman (2015) analyse how the gradual fragmentation of the PDP across these three presidencies majorly contributed to its defeat in the 2015 elections.

include trade and labour unions under the umbrella organisations of the Nigerian Labour Congress (NLC) and the Trade Union Congress (TUC), student associations especially the National Association of Nigerian Students (NANS), the media, professional associations and civil society advocating for improved social welfare. From the 1980s, these groups became more vocal and politicised in challenging austerity and declining living standards of the structural adjustment period, and in the pro-democracy movement against the military regimes of the 1990s. Since the transition in 1999, their distributional demands have remained largely unaddressed and vested in wage increases, government employment and in particular, expensive fuel subsidies. Concurrently, religious groups such as the Jama'atul Nasril Islam (JNI) and the Christian Association of Nigeria (CAN); ethnic associations, Islamist movements, regional militant groups such as Oodua People's Congress (OPC) and in the oil-producing Niger Delta have emerged as vocal politicised actors with distributional demands expressed in contesting political appointments, distribution of oil revenue or challenging the state's authority. In the absence of comprehensive social welfare services, these distributional pressures have neither been comprehensively addressed nor placated despite huge inflows oil revenue, discussed in Chapter Four.

Worth noting is that the *external* pressures of oil shocks predate the first oil boom of the 1970s, to the time when the country first became reliant on agriculture and mineral commodity exports after World War II. These commodity exports were the main source of foreign exchange and government revenue which supported a nascent ISI strategy, which were then substituted for oil exports in the 1970s. Since the first oil crunch of the 1980s, the policy responses, such as structural adjustment from 1986, have unsuccessfully aimed to diversify this oil-dependent exports and revenue base[40]. Global oil boom and bust cycles have often led to fiscal, debt and economic crises, such as in the 1980s which preceded structural adjustment, in the 1990s which preceded the accumulation of odious debt under the military, in the early 2000s which preceded significant economic reforms, and since mid-2014 collapsing global oil prices have engendered yet another fiscal crisis. Therefore, in the context of this dependence, global oil market volatilities have destabilising effects on the balance of trade, government revenue, fiscal

[40] See Forrest (1994 & 1995) for the structural origins of the economic crises, edited volume by Olukoshi (1993) and Lubeck and Watts (1994) on the structural adjustment as a response to the 1980s economic crisis; and Lewis (1994) on the political distortions which undermined some of the objectives of structural adjustment.

expenditure, the local economy, but crucially the horizontal-elite and vertical-societal groups whose agenda is largely informed by the distribution of these oil rents.

In addition to external-oil shocks, horizontal-elite and vertical-societal pressures are also driven by sub-national economic and political phenomena. This is because Nigeria is a federation comprised of a central government (federal government) and thirty-six component states[41], each with political and fiscal autonomy to make laws, formulate economic policy and implement these within their domain. As is discussed in Chapter Three, incremental state creation from the three post-independence regions in 1966 to thirty-six states by 1996 was a political tool of nation building to mitigate the destructive competitiveness of the three large regions, alongside affirmative policies such as federal character and informal power rotation. Since the transition in 1999, the role, status and contribution of these component states to national economic activity and competitive politics in the political settlement became increasingly salient. Certain key states towered above others on account of their size, population, resource endowments, or historical significance as regional political capitals or commercial centres. To that effect, the oil-producing states in the Niger-Delta are notable for the oil extracted and the revenue they receive. Lagos state in the South is Nigeria's commercial capital, which constitutes 60% of economic activity and is the centre of Nigeria's service economy. Kano is Nigeria's most-populous state, its third largest economy, the economic centre of the North and an agro-allied industrial hub. Lagos and Kano are of particular interest to this study because they are crucial to understanding Nigeria's economic diversification towards services and the failure of its industrial transition.

The cohesion or fragmentation of sub-national political settlements are just as important to this configuration, in informing the nature and effectiveness of national and state-level economic policies and their economic and development outcomes within these states. As the analysis in Chapter Six shows, in Lagos, the cohesion of its ruling coalition informed by the stability and hegemony of former governor Bola Tinubu's political machinery and economic agenda since 1999 engendered the expansion of the service economy in Lagos, poverty reduction and improved quality of governance. By contrast

[41] There is a third tier, the local government. However, its powers and resources are largely residual of state governments. See: the 1999 Constitution of the Federal Republic of Nigeria.

in Kano, as I discuss in Chapter Seven, political fragmentation, frequent alternations of ruling parties and discontinuities of successive political machineries undermined the articulation of any viable and sustained economic agenda. Even though between 2011 and 2015, the administration of Governor Rabiu Musa Kwankwaso attempted some institutional reforms, the political fragmentation undermined their sustainability, and ultimately underlined the failure of Kano's industrial transition and concentration of poverty. The individual economic and development performance of these states in turn contributes to the overall national profile of an economy diversifying towards services rather than manufacturing industry and of regional disparities in economic expansion, poverty and unemployment.

With this in mind, this is a summary of the study's full argument.

Within this institutional framework, Nigeria's three main constraints have each necessitated specific types of economic policy responses, which in turn produce different economic and development outcomes. To be precise, using the political settlements framework enables us identify Nigeria's three main sources of constraints, and the policy responses. These are: (1) *Horizontal* elite competition by the political elite along ethnic, religious and regional lines over the distribution of economic rent and access to state power which supervises this distribution, moderated by *elite bargains*; (2) *Vertical* agitation by *wider societal groups* for redistribution of the economic rent; (3) The impact of a volatile *external* economic rent (oil is the main source of export and government revenue) on both elite competition and societal redistribution demands, and the resulting *economic agenda* to mitigate these economic crises. Nigeria's evolving political settlements have historically produced formal and informal institutions (*institutionalisation*) to mediate new horizontal distribution of state power for new allocation formulas of state-controlled oil rent. Since the 1980s, vertical-societal pressures have led to distributional policies such as subsidies on fuel and higher education. By contrast, there have been inadequate economic strategies to address the external constraints; to diversify away from volatile oil rents. Thus, oil shocks, which are exogenous to the political settlement, have destabilising consequences on this *horizontal* elite competition and *vertical* societal demands for redistribution of oil rents.

Propositions

To present the argument more coherently, the following propositions explain these causal mechanisms among the three variables of 'constraints', 'policy responses' and 'economic and development outcomes':

1. Diversifying the economy becomes an ad-hoc priority only when the *external* environment threatens both the ruling coalition's and society's access to oil rents. Consequently, economic reforms for effective economic diversification to generate non-oil economic wealth are a reaction to an *external* constraint, while *horizontal* and *vertical* constraints result in new revenue allocation formulas, inclusive political reforms (e.g. affirmative action, power rotation and 'zoning'), social welfare and other policies which simply redistribute existing rent.

2. The effectiveness of ruling elites' response to these constraints is determined by first the *nature of specific threats* these crises pose to them, and second, their *capacity* to respond based on their degree of cohesion or fragmentation, technical competence and their financial resources.

3. Based on the varying nature of these *constraints* and the *capacity* of Nigeria's ruling elites, since the transition to democracy in 1999, specific economic policy responses to this external constraint have engendered an expansion of Nigeria's GDP towards non-oil sectors such as telecommunications and services while unresolved *horizontal* and *vertical* constraints generated immense distributional pressures on the oil sector.
4. Recent economic reforms and non-oil growth have widened Nigeria's regional disparities by aligning with the services-orientated endowment structure of southern states like Lagos whilst undermining the agro-industrial endowment structure of northern states like Kano. These disparities will affect future political processes and their policy outcomes.

Contributions to the Literature

This study contributes to a vast body of literature on the institutional foundation and political character of 'effective' or 'developmental' states by providing a deeper explanation of weak state capacities in developing countries. It extends the emerging literature on political settlements to Nigeria.

There has been very little political settlements analyses on Nigeria although academic and policy studies on Nigeria have touched on some aspects of political economy from a historical or comparative perspective (for instance Forrest, 1995; Lewis 2007; Okonjo-Iweala, 2012 and Le Van, 2015). In particular, by introducing a sub-national dimension in highlighting the variation in sub-national state capacities between Lagos and Kano states in Nigeria, it provides a deeper analysis of state capacity in African and resource-rich country contexts. This goes beyond ahistorical analyses of recent literature attributing improving governance in Lagos state due to taxation, which has strengthened vertical accountability and an emerging social contract (LeBas and Cheeseman, 2013). Such studies do not take into account the configuration of power, the endowment structure and how these impose constraints on Lagos ruling elites to be reform orientated.

Thus the political settlements for Nigeria highlights the different sub-national political economies existing within one national political economy, but their integration and complementarity. I also demonstrate a more elaborate use of the political settlements approach and I employ it in providing a more robust explanation of the underlying drivers of governance, reform and resource management in resource rich developing countries especially during resource booms and busts, but specifically in explaining the causal relationship between constraints, policy responses and economic and development outcomes. Lastly, by analysing the economic outcomes of policy choices especially the shifts in a country's economic structure and their implications for future distribution of power, the study makes a critical contribution to our understanding of the drivers and implications of the ongoing structural transformation without industrialisation in African countries, especially resource-producing ones.

CHAPTER TWO: METHODOLOGY

INTRODUCTION

According to (Maxwell, 2013:100) “methods are the means to answering research questions”. This is an apt description of the contents of this chapter: the means employed to address the central questions of this study. In outlining these methods, I provide a brief recap of the central preoccupation of this study through a process of elimination in explaining the areas which are not its main focus. Then I explain the research design and how this was informed by the paradigm of institutionalism and how it in turn informed the direction of the interdisciplinary literature review across political science, economics, sociology and history. I also explain how both the research design and paradigm defined the kinds of primary and secondary data to address the research questions, the data collection strategy, and the analysis of the data under the broad rubric of process-tracing. Finally, I discuss the challenges encountered across all these stages of the research, how I mitigated them and which of them constituted limitations.

RESEARCH FOCUS

The central puzzle of my research is why Nigeria remains dependent on oil and why its recent growth and structural transformation have not been driven by and have not resulted in industrialisation. I argue that this dependence on oil, failure of industrial transition and persistent poverty are outcomes of specific economic policy choices, i.e. the actions or inactions of political leaders and decision makers. In proceeding, my central preoccupation is with the underlying political processes of decision-making which at any point in time favour one policy choice over the other. The specific research questions thus are:

4. Why has the Nigerian economy remained dependent on the oil sector despite years of economic reform and rapid economic growth?
5. Why has Nigeria’s economic growth not been driven by industrialisation?

6. Why has Nigeria's growth not translated into poverty reduction?

In proceeding with this analysis, it is imperative to carve the contours of the study by clearly identifying the areas which are not the subject of my research. Firstly, the study's subject matter is on economic policies and decision-making in key sectors such as the oil and gas, governance and institutional reforms, ICT and manufacturing, and some of their outcomes. It is not intended to be a comprehensive assessment of individual economic policies in all economic sectors such as agriculture, which has been largely omitted from the analysis. To that effect, the study does not attempt to make normative statements about the characteristics of these policy choices as 'good', 'bad', 'right' or 'misguided'.

Secondly, this study is not a detailed assessment of individual Nigerian governments or regimes at the national or sub-national levels in their composition or democratic credentials. Rather it is an assessment of decision-making processes of policies critical to the central question of economic development and diversification, and their economic and development outcomes. Thirdly, this research is not an analysis of the quality or strength of Nigeria's democracy in its elections, political representation and political participation. Although political transitions, through elections or military coups are referred to at different points in the study, this is rather to identify junctures at which actors and their interests change, at which critical economic policies are introduced or discontinued, at which such transitions shape decision-making processes and are in turn shaped by the economic and development outcomes of prior decisions or path-dependencies. Relatedly, although concepts such as resource-curse, ethnicity and inequalities are important cross-cutting themes in this study, they are not the central areas of focus.

In scope, Nigeria is the case study with a broad aim of theorising about other African, resource-rich and developing countries. The research does not directly assess the political underpinnings of decision-making and reform in other African or developing countries, although the findings have significant implications for these other countries, and useful examples are drawn from elsewhere to illuminate key arguments. There are also within-case comparisons of two sub-national authorities in Nigeria in two major non-oil economic hubs, Lagos in the South and Kano in the North. Since the study is an assessment of diversification towards non-oil sectors such as manufacturing and services, the study does not extensively cover the oil-producing Niger-Delta.

Having explained what this study does not cover, it is imperative to summarise the study's central focus. The thesis explains the how and why of decision-making; why one policy choice is selected over others at any point in time within a specific institutional configuration. Specifically, the study identifies and explains the constraints which make the selection of certain policy choices more probable than others. Consequently, it identifies and assesses some of the economic and development outcomes of these policy choices, how these outcomes affect future distribution of power in this institutional configuration, and how these future power relations constrain future decision-making processes. In short, the study identifies and explains the link between the distribution of power, public policy and economic performance. The period of focus is the 'Fourth Republic', from 1999 when democracy was restored to date, although there is a strong historical dimension to this analysis. This is because the roots of major outcomes often rest fundamentally with causal processes found well in the past (Mahoney and Villegas, 2009:74).

RESEARCH DESIGN

Having articulated the puzzle this study attempts to unravel and the research questions guiding the direction of this endeavour, the next step is to explain the research design. From the onset, I adopted a qualitative approach to answering economic questions of growth and economic transformation. This included embedding the research in an appropriate paradigm and in relevant literature, identifying the data needed to address the research questions, outlining a data collection and analysis strategy, identifying probable challenges at all stages, acknowledging limitations and mitigating them, and being inductive and iterative at all stages of the process. The elements of this research design are outlined and explained below.

PHILOSOPHICAL PARADIGM AND LITERATURE REVIEW

The institutional approach stirred my interest in asking questions about the political underpinnings of economic dependence on the extractive sector in Nigeria. This study thus draws inspiration from the institutional approach, based on three of its prominent perspectives, identified by Hall and Taylor (1996) as historical, sociological and rational-choice institutionalism. I borrowed eclectically from these institutional approaches in defining the orientation and scope of the study, case-study selection, historical analysis and theory-building. It was also a paradigm that my research could contribute to, while employing the political settlements analytical framework which I adapt, build on and operationalise in analysing the political processes of decision-making, policy choices and their economic and development outcomes in Nigeria. This choice was also driven by, as Gerring (2007:57) notes, the quality and quantity of data currently available and that could realistically be obtained.

Within this paradigm of institutionalism, the study adopted an eclectic and iterative approach to theory-building in Chapter One. As Bates et al. (1998:11) posit, this approach to theory-building is a "…problem-driven (process), motivated by a desire to account for particular events and outcomes". The constituent building blocks of theory include the review of relevant literature primarily on institutional change and persistence and the causal relationship with economic development, traversing literature on governance, state-business relations, the role of the state in facilitating industrial transition and specifically on political settlements. I also reviewed literature on important themes relevant to the thesis, but which were insufficient to address my research questions. These include the various resource-curse theories, neopatrimonialism, ethnic pluralism and developmental state theories.

The influence of sociological institutionalism is evident in the unveiling, identification and analysis of actors, interests and groups[42]. This required a review of sociological literature on class and elite formation broadly (such as: Mills, 1956; Weber, 1978; Breen, 2005; Wright, 2005; Scott, 2008) and in post-colonial African contexts (such as: Sklar, 1979; Williams, 1988; Shenton, 1986; Watts, 1987; Forrest, 1994; Lubeck and Watts, 1994; Daloz, 2003; Last, 2011) to smoothen my conceptual

[42] Bates (2009:176) describes them as those "with preferences and expectations who can make choices but who also face constraints".

building blocks. Within the Nigerian institutional configuration, these include political, economic, traditional and religious elites, and interest groups. On the other hand, I employ elements of rational-choice approach in what Bates et al. (2000:696-697) refer to as 'analytic narratives' to develop systematic analyses based on comparative and historical case studies to generate hypotheses applicable to a larger set of cases, and to "discipline the empirical analysis" as Scharpf (1997:31) notes. The game theoretical elements are valuable "when used to explain the forces that constrain human behaviour" (Bates, 2009:178), and in this case, in explaining why one policy choice is preferred over others.

The case-study approach, known for its critical analysis of small-N comparative studies to illuminate a larger class of issues is an influence of historical institutionalism (Thelen, 1999; Gerring, 2007:20). To that effect, the 'depth of analysis' of my research covers both a single case study and two comparative within-case studies. In the first instance, the focus is on the politics of policy choices to diversify Nigeria's economy by examining the causal relationship between the variables of 'constraints', 'policy' and 'economic and developmental outcomes' and their temporal variation historically, but especially since democratisation in 1999. In the comparative within-case analyses, the study drills deeper to the sub-national level to examine this causal relationship which engendered the economic expansion of Lagos in the South vis-à-vis the failed industrial transition of Kano in the North, and the spatial variation of 'outcomes' of economic expansion, revenue dependence and human development. The two states represent what Gerring (2007:89) describes as 'extreme' cases to illustrate spatial variation. Thus the study explores the causal relationship between the national and sub-national tiers of governments, i.e. how the national-level institutional configuration and economic performance influences state-level institutions and economies, and vice versa. To that effect, Lagos with its 'policy' choices can be categorised as what Gerring (2007:89) describes as a 'deviant' case in comparison to the national case, and to Kano.

The influence of historical institutionalism, which emphasises "how institutions emerge from, and are embedded in concrete temporal processes" (Pierson, 2004; Nunn, 2009; Thelen, 1999:371) is also evident in the scope of the study, which principally focuses on Nigeria's Fourth Republic, from 1999 to date. Yet it is situated within the larger context of Nigeria's post-independence history which I have divided into periods: the ‘post-independence’ period from independence in 1960 to the end of the Civil War in 1970; the ‘military’ period from 1970 to 1998; and the ‘democratic period’, from the 1999 electoral transition onwards. As Collier (2011:824) explains, the descriptive component of process tracing begins not with observing change or sequence, but rather with taking good snapshots at a series of events or specific moments, to characterize key steps in the process, for a systematic analysis of change and sequence.

ECONOMIC INDICATORS

As discussed in Chapter One, ‘economic diversification’ approximates to economic development. It is therefore measured in this study at two levels, national and sub-national. At a national level, economic diversification refers to the extent to which the Nigerian economy is growing, diversifying and moving away from the predominance of primary commodity production (crude oil largely but to a lesser extent, primary agriculture) as a share of GDP, government and export revenues. The indicators for national economic diversification are GDP, export earnings and government revenue. At the sub-national level, it refers to the extent to which Nigeria’s 36 states derive their revenue from internal sources or internally generated revenue (IGR), rather than federal transfers. The economic indicators for the sub-national analyses in Chapters Six and Seven are thus state GDPs and IGRs.

DATA COLLECTION

The qualitative approach of this study informs the method data collection and analysis. Although this qualitative method often relies on quantitative information (Collier, 2011:825; Collier, Brady, and Seawright, 2010). Therefore, I relied on written and verbal descriptive information as well as numerical information. These qualitative data were collected from primary sources in the field and secondary sources, using collection methods such as stakeholder analysis, interviews, focus group discussions, participant observation, field notes and content analysis of published material. I outline below, the processes of data collection in this study such as identification of sources, sampling and actual collection methods.

Secondary Sources

The distinction between primary and secondary sources is not so clear-cut. For instance, Mahoney and Villegas (2009:86) define primary sources to include government documents, diaries, bulletins and newspapers that describe past events at roughly the time they were occurring. I adapt this categorisation and therefore restrict my definition of secondary sources to published studies, existing literature, and third-party published reports and data by multilateral agencies, the private sector and think-tanks. Secondary data was collected through content and statistical analyses of textual and numerical information from these sources.

Primary Sources

I adopt an expansive definition to include existing published and fieldwork sources. These include archived documents; bulletins, reports and databases of government Ministries, Departments and Agencies (MDAs) encountered in the field; media reports of local and international publications; memoirs and autobiographies; minutes of meetings within government agencies and political parties; as well as interviews and discussions in the field. Primary data was collected on fieldwork in Nigeria. This required a detailed fieldwork strategy explained in greater detail below. Overall, I spent six months in Nigeria: 3 months in Abuja, 1 month in Lagos, 1 month in Kano and a few weeks in Kaduna in the North. I conducted 99 interviews, including via telephone, in London and in other parts of the UK.

Sampling Method and Access to Target Respondents

In this predominantly qualitative study, I employed purposeful selection sampling method or theoretical sampling, to select my targets and respondents. This method is described by Maxwell (2013) as one in which settings, persons or activities are selected deliberately to provide information that is relevant to research questions and goals. Purposeful selection is also useful in establishing particular comparisons to illuminate the differences between settings and individuals (Light, Singer & Willett, 1990; Maxwell, 2013:97-98). Using a theoretical sampling strategy, which may be carried out through a ‘snowball’ process, the interviewer seeks out respondents who seem likely to epitomize the analytic criteria in which he or she is interested (Spradley 1979; Holstein and Gubrium 1995).

My respondents were overwhelmingly high profile elites. This is the key demographic to provide critical insights into the decision-making processes behind policy choices either as decision-makers, or as private sector allies, beneficiaries or losers of such processes, or as advisors, experts and observers. Nevertheless, to mitigate the risk of an excessively elitist bias, I included respondents in the media, youth groups and civil society to integrate non-elitist or alternative views on policy and its underlying political processes. To that effect, primary data were collected through semi-structured interviews, participant observations, a field journal and a memo on my thoughts and experiences in the field.

The interviews covered key serving and former officials in government Ministries Departments and Agencies (MDAs) such as the Presidency at the national level and state government houses at the sub-national level; relevant ministries such as the Ministry of Finance; the Central Bank; country offices of multilateral agencies; executives at oil companies, telecoms, banks, manufacturing firms, shopping malls, tech start-ups and other private sector organizations; the major political parties; select committees of the National Assembly; business associations such as Manufacturers' Association of Nigeria (MAN) and National Association of the Chambers of Commerce, Industries, Mines and Agriculture (NACCIMA); think-tanks and academics; religious umbrella bodies; media, political analysts, bloggers and select members of the diplomatic community. A more comprehensive list is provided in Appendix I.

Since my target respondents were mostly high profile, I had to consider the best strategies to access these individuals. This required access to key informants close to the individuals and elite networks by attending events and conferences, as well as my own contacts. For instance, I attended numerous high profile events in London frequented by Nigerian policy and business elites at Chatham House, the House of Commons, the Royal African Society, investment summits, among many others. Meeting political and business elites at such relatively neutral platforms facilitated access to them and levelled the asymmetrical power relations that would otherwise be tilted in their favour. As Odendahl and Shaw (2001:312) note, social status is important to elites because people, regardless of their status, like to converse with others with whom they feel comfortable. To that effect, I found that having a public profile as an analyst or as a public commentator was often helpful in facilitating access and in somewhat levelling the asymmetric power relationship because they had prior knowledge of one's intellectual capacity and credibility. For example, a Western diplomat I met at a cocktail reception in Abuja who had read an article I had written for the African Arguments blog, was happy to speak to me and connect me with other contacts.

Being a female researcher in a mostly male-dominated environment, I found that male respondents (only five of the 99 people I interviewed are female) regarded me as 'non-threatening', were generally paternalistic and willing to help with contacts or resources. There was a sense that many respondents saw my research as a 'national duty' and felt obliged to assist, while others who had PhDs or who were technocrats provided access out of a sense of 'kinship' felt with a fellow PhD. For instance, not a few respondents said to me: "…I am being frank with you only because you are... [Nigerian]" My field experience contrasts Arendell's (1997) findings that the interview can become a proving ground for masculinity and a site for the exercise of male definitions and dominance.

In some cases, there were referrals from interviewees, and even suggestions of potential respondents that I hadn't initially considered. Often, one respondent is located who fulfils the theoretical criteria, then that person helps to locate others through their social networks (Kvale and Brinkmann, 2009). For instance, a senior bureaucrat at the Ministry of Finance recommended several individuals at other relevant MDAs. Relatedly, Johnson (2001:110) makes the crucial point that many research projects have been "made" by the researcher finding that rare, reflective inside informant who seems to know just about everything that seems to be important and has thought about it and reflected on it before they ever meet an ethnographer or does an in-depth interview. Indeed, in Kano, an astute economist provided invaluable insights, access to secondary data and contact details of state cabinet commissioners, industrialists, and business associations.

Interview Formats

I employed several interview formats which were generally open ended, semi-structured and in-depth[43]. These included in person interviews which were the majority (92), telephone interviews (4), one focus group discussion in Lagos, and semi-formal and informal discussions (3). There was non-participant observation at conferences, public lectures, seminars and political gatherings such as the ruling party APCs Convention, the annual meeting of Catholic Bishops, the Christian Association of Nigeria (CAN) prayer session and a public lecture featuring former governor of Lagos state, Bola Tinubu, Professor Larry Diamond of Stanford University and other academics in Lagos. There was also participant observation at two events: as a media consultant at the World Economic Forum (WEF) on Africa in April 2014, and as a participant in the DfID's Voices for Change Workshop on Gender which provided access to young journalists and bloggers with whom I had a focus group discussion.

All interview formats were based on 10 guiding questions, drawn from my research questions, which I adapted to the person being interviewed at any one time. The interviews lasted for about an hour on average although a few lasted for more than 2 hours. There was one interview session per respondent due to time and logistical constrictions, although a few respondents gave me more than one interview**.** The interview questions evolved from generic to more specific, the longer I stayed in the field. As Odendahl and Shaw (2001:310) and Kvale and Brinkmann (2009) note, as the interviews progress, the interviewer must remain flexible and attentive to the patterns that may emerge and become more adept at asking questions.

Research Relationships

I considered the direction of research relationships with respondents in furthering my research goals in the most ethical manner. I reflected on permutations of respondents' perceptions of my research, how this would influence their interview responses, what relationships to establish with them and the possible impacts on my research output. In particular, I had to address the critical question of having a fair and balanced exchange between an early career researcher and a busy respondent with

[43] See Johnson (2001) on 'in-depth' interviews.

competing demands on their time. As Odendahl and Shaw (2001:311) note, to obtain information from respondents, it helps if the researcher can offer something in exchange that will be of practical use to their organisation. Johnson (2001:109) describes this as 'complementary reciprocity'.

With high profile individuals, so much depended on their personal generosity, their appreciation of the importance of research, and a sense of responsibility to facilitate this. Often, the prospect of documenting their involvement and perspective in certain processes incentivised them to agree to participate. As Rubin & Rubin (1995: 103) note "at a basic level, people like to talk about themselves: they enjoy the sociability of a long discussion and are pleased that somebody is interested in them…" As a researcher, I had very little to offer directly to respondents except a longer professional relationship, in terms of exchanging information about jobs and fellowships, academic opportunities, publications etc. For example, I provided some respondents interested in pursuing advanced degrees with advice on institutions, courses of study and application processes. A few respondents wanted me to befriend their children, relatives or friends within the same age bracket or with similar research interests or made open job offers.

DATA ANALYSIS

The data analysis phase of this research was conducted under the broad rubric of process-tracing. Collier (2011:823-4) defines process tracing as the systematic examination of diagnostic evidence selected and analysed in light of research questions and hypotheses. It is an analytic tool for tracing links between possible causes and observed outcomes by drawing descriptive and causal inferences from diagnostic pieces of evidence— often part of a temporal sequence of events or phenomena – and gaining insight into causal mechanisms (George and Bennett, 2005:6-7; Collier, 2011:823-4). The three main components of process-tracing include the evidence on which process tracing is based also known as 'Causal-Process-Observations' (Collier, Brady and Seawright, 2010, Collier, 2011:823), careful description which analyzes trajectories of change and causation (Mahoney, 2010:125-31) and sequences of independent, intervening and dependent variables. Thus causal analysis not only involves establishing an association between explanatory variables and an outcome variable, but also entails identifying the intervening mechanisms that link explanatory variables with the outcome variable (Mahoney and Villegas, 2009:77).

In this study, employing process tracing meant that my data on economic growth, sectoral growth patterns, export earnings, revenue dependence on resource rents and human development patterns are the evidence. Accounting for the decision-making processes which birthed economic reforms and policies are the descriptions. And the ‘constraints’ on ruling coalitions, ‘policy preferences’ and ‘economic and development outcomes’ are the variables.

The actual analysis was an inductive and iterative process. Right from the literature review stage, I adapted and built on the conceptual framework of political settlements, which enabled me identify data that could be interpreted as ‘diagnostic’ or meriting analytical attention as Collier (2011:824) posits. Thus, even from the field, I started sorting some of my data. I kept detailed notes of each interview, in addition to audio clips. My field memo was the basis for further discussion, reflection and categorisation of information. It documented the learning and ‘re-socialization’ process (Shaw, Emerson and Fretz, 1995:13). For instance, based on field data, I identified key developments in the economy, and noted some emerging trends in the two sub-national cases, Kano and Lagos. The memo enabled me refine my interview questions, rethink my research questions, and start sketching the study’s empirical chapters.

Upon my return from the field in September 2014, the process of analysing the data was iterative, simultaneously involving transcribing, coding, writing my findings and more data collection. I began with sorting the data based on the interview notes and the preliminary analysis in memo format. I also began to transcribe some of the interviews, code them into themes such as economy, oil sector, industry and industrialisation, ICT, PDP, APC, religion, societal groups, elite bargains, economic agenda, public financial management, governance reforms etc. I also sorted and analysed economic data obtained from MDAs in the field or databases of multilateral agencies and research institutes.

Concurrently, I engaged with other literature both as primary and secondary information. This included literature for the historical chapter and content analysis of published material such as memoirs, and reports by the media, MDAs, bilateral and multilateral agencies, private sector and NGOs. Sometimes the purpose was to 'triangulate' or verify data I had obtained from other sources, as Greene (2007:100) notes, for accuracy, convergence and correspondence. When there was no convergence, then the resulting "empirical puzzle" as Cook (1985) notes required further examination and analysis often leading to unexpected insights. This also included theoretical literature to refine the theoretical building blocks of my political settlements analytical framework in light of my findings.

Lastly, this data analysis process also entailed continuous data collection. I conducted several high profile interviews with government ministers, CEOs of Nigerian banks, and the managing director of a major IOC via telephone. It was often easier to organise the interviews in the UK, where high profile respondents were more relaxed, than in Nigeria. For instance, I had unsuccessfully tried to interview the Minister of Industry Trade and Investment in Nigeria throughout my six-month stay, but his aides cancelled my appointments with him at the last minute. I eventually met him on a flight to London, and was able to schedule the interview at the margins of an investor meeting he was attending. This continuous data collection also entailed obtaining economic data from the NBS principally, over a two-year period. I received the last tranche of sub-national economic data in June 2016.

Several tools were employed in this iterative and simultaneous process of transcribing, coding, writing and data collection. For the secondary information, I made extensive use of online reference management software, Refworks. For the quantitative economic data, I employed descriptive statistical methods to analyse and present this data, such as bar charts, pie charts, line graphs and complete tables with all the data referenced in the Appendix section.

Overall, the analysis was an inductive and iterative process which involved identifying emergent themes and patterns, reviewing the research questions, generating propositions and refining my analytical framework in light of the research findings. I was analysing data, writing the thesis chapters, and refining my theory simultaneously.

CHALLENGES ENCOUNTERED AND THE LIMITATIONS OF THE STUDY

Here, I discuss challenges that I encountered which did not affect the outcome of my thesis, the limitations of the study in terms of the gap between my initial objectives and actual output, and the phenomena which affected the direction and scope of my thesis.

Research Design

In framing my research focus and questions, the principal challenge was to concisely identify the relevant variables and to define the scope of the study and the specific literature I would be contributing to. At the onset, several analytical concepts which were my theoretical building blocks were remarkably slippery to define, operationalise and measure. These included political institutions, elite bargains, coalitions, political settlement, economic performance and economic diversification. This was largely because my research subject-matter in institutions, governance, developmental state and economic diversification, is embedded in a widely researched area, the 'politics of economic development in Africa', and in about four disciplines: political science, economics, sociology and history. Consequently, the breadth and depth of the existing literature to engage with was immense.

Overcoming this challenge of analytical precision required extensive interdisciplinary literature review of the huge bodies of research across the social science disciplines. As Mahoney and Villegas (2009:74) astutely point out, comparative analysts "…have developed explanations that cross the full gamut of theoretical orientations in the field… [and] cannot therefore delimit historical analysis by subject matter or theoretical orientation". They also add that excellent studies in comparative politics reflect a deep reading of the secondary literature, to master a vast historiography covering a large range of topics and time periods (p.83). Therefore, I mitigated the potential limitation of this inter-disciplinarity by being theoretically grounded in my institutional approach to addressing these economic and sociological questions of the underlying political processes of structural transformation.

There were some challenges in the case study selection. Regarding the sub-national analyses in particular, the ideal would have been to select at least one state in each of the six geopolitical zones in Nigeria for a holistic comparison. However the time and other resources limitations of this study which made such a large scale comparative analysis difficult restricted the study to two states only, Kano and Lagos. The diversity of Nigeria's states in ethnic and religious composition, population, economic structure, political culture and other such attributes, means that these two states are not entirely representative of the rest of the country, neither are they similar to one another to permit direct comparisons. They are, using Gerring's (2007:89) typology, 'extremes'.

Data Collection

The challenges I encountered in the process of data collection can be broadly classified in three. These are: access to respondents, data availability and quality and resource constrictions. I overcame most of these challenges, while others transmuted into limitations for the thesis as is explained below.

There were instances in which I had difficulty accessing respondents. This is a common problem encountered by researchers targeting elite respondents (Cochrane, 1998 and Odendahl & Shaw, 2001). One reason was that my target respondents were mostly elites at the highest levels of politics, policy-making, the private sector, and within interest groups. In some cases, I could not obtain the individuals' contact details. In a few cases, the individuals never responded to emails or calls. Fewer still cancelled appointments and never rescheduled. Often, the problem was not with the respondents themselves, but with 'gatekeepers', aides managing their schedules. I overcame this problem in several instances by finding a way to contact the individual directly. In two instances such as with the two former Lagos state governors, their personal assistants were unhelpful obstacles even though the two governors had each personally promised me an interview. Where my persistence did not yield results, I gave up on the particular individual and switched to an alternative, where possible. These challenges were not so insurmountable that they became limitations to my thesis because I could access similar information from elsewhere.

Relatedly, there were challenges encountered in the process of interviewing these high profile respondents. Since these individuals often occupy sensitive positions, access to them and the duration and quality of interviews were contingent on trust and the balance of power relations. I found that such access depends largely on their respect of my authority as a researcher. Otherwise, they provided curt, unhelpful and standard line responses. In addition to establishing one's credibility through the institutional affiliation (Odendahl and Shaw, 2001:307), I found it helpful to present oneself as a passionate individual who actually cares (beyond just research) about the subject matter. Sometimes I was 'opportunistic, flexible and intuitive' as described by Odendahl and Shaw (2001:311), in playing off my positionality – nationality, gender and perception of 'youth' – or presented some information I knew strategically to engage with respondents. My positionality in terms of gender, age and economic status (Madge 1993, in Momsen, 2006 and Arendell, 1997) and the power asymmetry between the researcher and the respondent (Cochrane, 1998: Kvale and Brinkmann, 2009) was neither a significant challenge nor a limitation. Most respondents respected me as a researcher and were professional, although in a few cases, being identified as a Nigerian and from a specific region, gave me better access to sensitive information and in a few instances, was perhaps obstructive.

Regarding the availability of and access to numerical data, there were challenges which in some instances became limitations to the entire study. Primarily, some data were outdated, inconsistent or unavailable. Despite recent strides in improving data and official documentation in Nigeria, I was confronted by the general poor record-keeping culture in government institutions especially at the sub-national level. For instance, data on population in Nigeria is outdated while current estimates are wildly divergent, there is neither year-on-year data on the poverty head count ratio nor on sub-national GDP growth. At the sub-national level, data on revenue, expenditure, and GDP are very poor, inconsistent, not adjusted for inflation and just glaringly unreliable. Consequently, there were interesting research themes I could not explore in greater detail, such as changes in sub-national poverty headcount ratio or extensive assessments of sub-national revenue and expenditure because of insufficient and inconsistent data.

Lastly, I experienced challenges of resources constraints to collect all the data I had planned to, in the fast-paced and rapidly changing political environment of Nigeria. In retrospect, a research assistant would have eased this stress tremendously for the almost 100 interviews I conducted in total, although this could have inadvertently obstructed the critical trust-building process with the respondents. There were also immense logistics of travel, accommodation, security and abrupt change of plans, and some of the opportunity costs these presented which were rather challenging. There were also significant financial constraints in the logistics of communications, accommodation and transportation. These logistical challenges were not insurmountable and did not constitute significant limitations on my research.

Data Analysis

The series of challenges I experienced during the data analysis process can be categorised into three groups: the quality of data, the exclusion of a few strands of analysis from the thesis due to time, data and resource constrictions, and positionality.

In the first place, the quality of economic data created immense problems during the analysis process. As mentioned already, the quality of numerical data especially at the sub-national levels was quite poor and in some cases, quite dubious, affecting its integrity[44]. For instance, while synthesising the GDP figures obtained from one of the two states of focus, I found major discrepancies between figures provided by the state's bureau of statistics which had overstated the share of manufacturing in GDP by over 22 percentage points, and the figures from the NBS for the same year. The state government had strong incentives to overstate the share of manufacturing in its GDP to claim the sector's expansion was an outcome of its governance reforms. I resolved this problem by making use of the figures provided by the NBS which is a more neutral entity. However, even with the figures from the national agency for aggregates of national economic indicators, there were often discrepancies, missing values, or frequent revisions. Sometimes, different exchange rates are used for data of different years which distort the values of the figures, making year-on-year comparisons difficult. Luckily, this did not undermine my research because there were ways of rectifying the data, using other sources, or by using averages or percentages for year-on-year comparisons.

In this process of obtaining accurate data, there were painful delays spanning months awaiting responses to my data requests. Specifically, I had to revise some of my findings after the NBS released

[44] See Jerven, M. (2013) for an extensive assessment of challenges of working with African economic development statistics.

the revised GDP figures in April 2014[45] from the year 2010, which were markedly different from previous estimates, included new economic sectors and significantly increased the GDP. Consequently, I revised my research questions in light of this new development and tailored my findings accordingly, although it reinforced my core arguments about the patterns of economic growth and diversification. As at the time of writing this in July 2016, I learnt that the NBS had just released the retroactive revised GDP figures for the period 1980 to date. I am unable to utilise these figures for the thesis because I would need to carefully study the methodology employed by the NBS and any likely limitations or critiques by independent reviewers.

Secondly, due to time, word-count and data constrictions, I was unable to include three important strands of analyses in the thesis. The first is a historical mapping of the roots of economic inequalities especially the regional differentiation in educational attainment between the North and the South, in the historical analysis in Chapter Three. This would provide a more elaborate explanation of the origins of the present horizontal and regional inequalities in the country. Although I did make considerable reference to historic educational inequalities in Chapter Three, a more elaborate discussion with comprehensive statistics would be better. The second omission is the absence of firm-level case studies on one technology and one manufacturing firm in the sub-national analyses in Chapters Six (Lagos) and Seven (Kano) respectively. This would further bring to life the arguments about an emerging service economy in the former and the failure of industrial transition in the latter as components of the bigger picture on Nigeria's economic diversification challenges. Thirdly, these sub-national analyses should ideally include elaborate analyses of each state's political settlement. However, due to time, word-count and data constrictions, I provided a detailed overview instead, reserving the full analyses for future related projects and publications. In all three cases of omissions, severe time and word count limitations undermined this initial plan. However, since these omissions do not undermine my core arguments or the evidence presented, I intend to address this gap in future post-thesis publications.

45 Rebasing/ re-benchmarking of the national account series (GDP) is the process of replacing an old base year used to compile volume measures of GDP with a new and more recent base year or price structure (NBS, 2014a).

Regarding the challenges emanating from my positionality, I was aware of my own biases as a researcher, as a Nigerian, and as a public intellectual actively involved in commenting on political and economic developments, and the challenges of detaching oneself from this turbulent political and security climate. There was also a risk of sympathising or aligning with the views of (high-profile) respondents on the constraints informing their choices, how they were misunderstood by the public or just viewing things from their perspectives. On this subject, Parry (1998) and Cochrane (1998) highlight the ethical dilemmas faced by the researcher who wishes to critique a group of people with whom a somewhat unexpected social relationship has been formed in the research process. To mitigate this challenge, I ensured that I let my data and evidence guide the direction of my research, rather than superimposing my preconceived notions.

CHAPTER THREE: THE HISTORICAL AND INSTITUTIONAL FOUNDATION OF RESOURCE DEPENDENCE IN NIGERIA

INTRODUCTION

In this chapter, I present the origins of constraints to decision-making which incrementally birthed the current oil-dependent and non-industrial economic structure of Nigeria from the colonial period until the end of military rule in 1999. This historical analysis presents the origins of the main dialectics of Nigerian society which are horizontal-elite competition on the basis of ethnic, regional and religious rivalries, vertical-societal redistribution demands and external shocks on the economy. Using the political settlements framework, this chapter shows how these three constraints have produced specific economic policy responses since the colonial period, which have led to and exacerbated the economic dependence on primary commodities especially oil. The historical analysis here is the groundwork for the discussion of Nigeria's current political settlement, economic performance and the deployment of resources or rents by the ruling elite during crises in subsequent chapters.

The analysis first starts with an overview of the changing nature of the country's economic structure from a reliance on primary commodity exports to crude oil, and changes in the ownership structure from foreign domination to indigenous enterprises. The chapter then unveils the evolving political settlement – the elite bargains, the wider coalitions with societal groups, the economic agenda and institutionalisation – to identify the fault-lines and pressures on ruling elites. Finally the last section discusses how these pressures, uncovered by the political settlement analysis, constrained successive ruling elites at critical junctures towards specific economic and political reforms to address impending crises, leading to abrupt disruptions or continuities of the existing institutional order.

To be systematic, the analysis in each section covers these distinct time periods namely, the Colonial Period (1914 to 1960), the Post-Independence Period (1960 to 1966) and the Military Period (1966 to 1999).

FROM COMMODITIES TO OIL: A HISTORY OF NIGERIA'S ECONOMIC TRANSITION

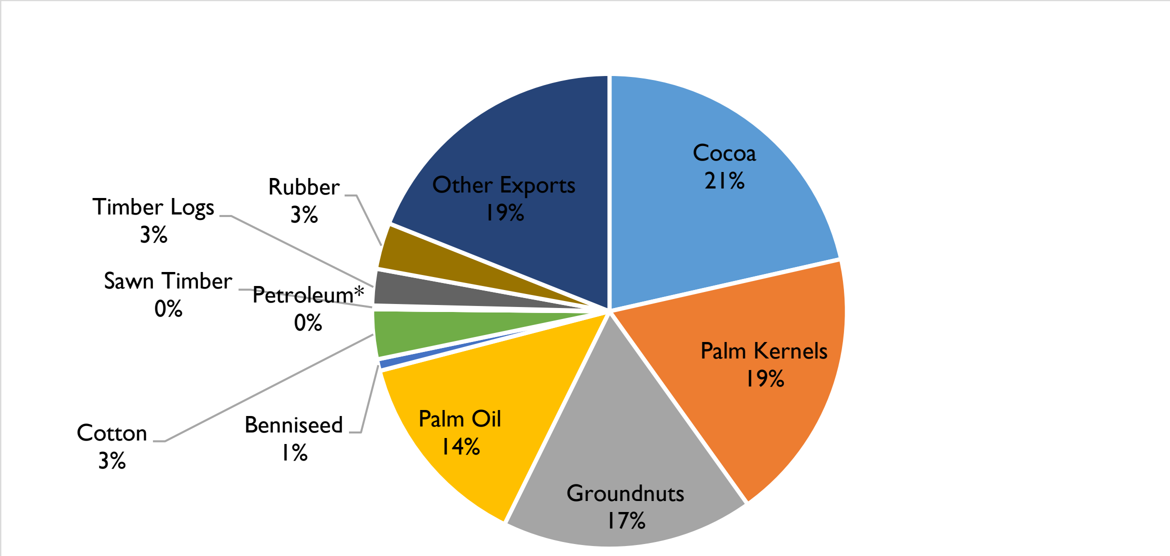
This section lays out the economic structure of Nigeria from colonial rule until democratisation in 1999. It is an overview of the economic transition from export orientated agriculture and mining to crude oil, highlighting key economic activities, growth drivers and the ownership structure in these sectors. To illustrate this economic transition, the indicators used here include national GDP, export earnings, and government revenue. I include a brief discussion of the changing ownership structure in key economic sectors as well, relevant for understanding Nigeria's economic structure, performance and business coalitions. The tables for the data presented here, and the rest of the study, are included in Appendix II.

Changes in Nigeria's Economic Structure and Growth Drivers

Nigeria transitioned from an agrarian economy, to intermittent episodes of modernisation in industry in the immediate post-independence period, to an oil economy from the 1970s onwards. From the political unification of colonial Nigeria in 1914 until independence in 1960, the backbone of the economy was export trade in primary commodities such as cocoa, palm oil, cotton, rubber, groundnuts, and mineral extraction. Production relied on peasant cultivators and labourers working the mines, with foreign trading monopolies, such as the United African Company (UAC), controlling exports (Williams, 1974; Falola, 1996:4). The lucrative mining industry, such as tin in the Plateau and coal in Enugu, was controlled by the government and big business (Perham, 1948) and colonial export-oriented agriculture was a success story (Helleiner, 1966; Ekundare, 1973: 112; Falola, 1996:4).

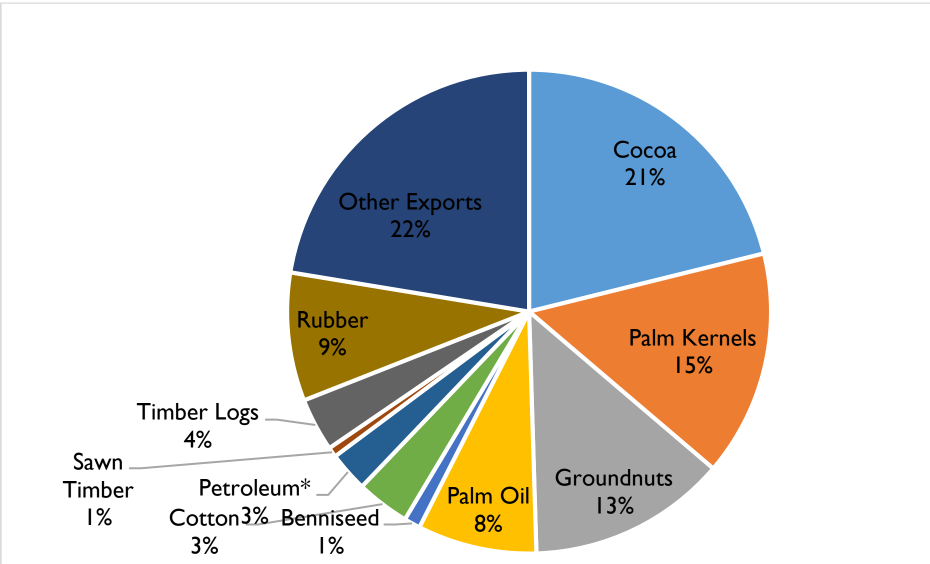
At independence in 1960, Nigeria was fundamentally an agrarian society, whose economy was based on small-scale and export agriculture, mineral extraction, and a nascent services sector in trade. Seven major commodities in 1950 accounted for more than 70% of total exports. These were cocoa, palm kernels, groundnuts, rubber, palm oil, timber and tin as Figures 3.1 and 3.2 illustrate. By 1960, oil accounted for 3% of exports as Figure 3.2 shows. Even in these early days, the government envisaged that "by 1967, petroleum is likely to have displaced cocoa as the single most important source of foreign exchange"[46].

Figure 3.1: Major Export Commodities, 1950



Source: National Development Plan, 1962-1968, p.11

Figure 3.2: Major Export Commodities, 1960

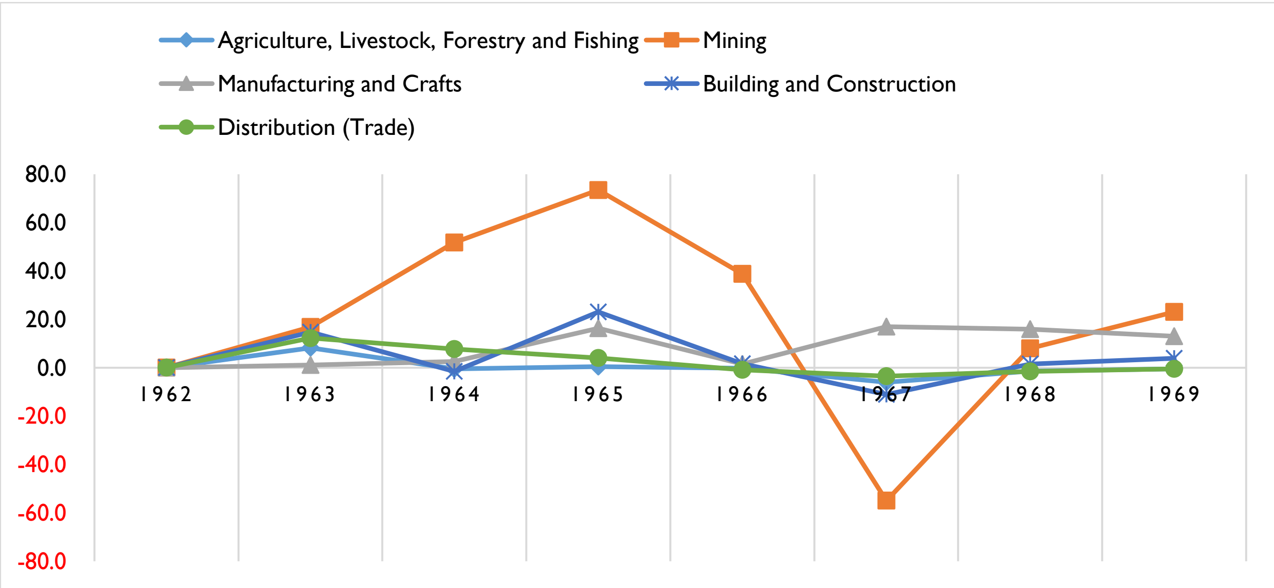


Source: National Development Plan, 1962-1968, p.11

46 Nigeria, Federal Ministry of Economic Development, (First) National Development Plan (1962:38) referred to in the rest of the document as the 'First Plan'

In the first few years of independence, there were evident structural shifts towards industry. Although in 1960, agriculture accounted for 56.7% of GDP and (manufacturing) industry was only 1.3% despite its rapid rate of growth (First Plan, 1962: 14-15), however as Table 2 (Appendix II) shows, agriculture grew to 61.2% of GDP in 1962 and then declined steadily to 53% in 1969. There was a bourgeoning industrial expansion in response to public investments. Growth was higher than the anticipated 4% per annum[47]. The economy showed signs of structural changes associated with the early stages of a growing and dynamic economy; the prime movers generating growth were shifting to intensive industrial activities, expansion of food production and a streamlined set of public policies (Schatz, 1977:9; Second Plan, 1970:17&137). In particular, growth was accompanied by considerable expansion in manufacturing, mining, and building and construction as Figure 3.3 (Table 2, Appendix II) shows. Agriculture on the other hand contracted between 1964 and 1969, by up to 6% in 1967 (ibid). Crude oil production, which began in the 1950s grew steadily, constituting 25.8% of total exports by 1962 and 42.5% by 1969.

Figure 3.3: Growth Rate (%) of Key Economic Sectors, 1962-1969



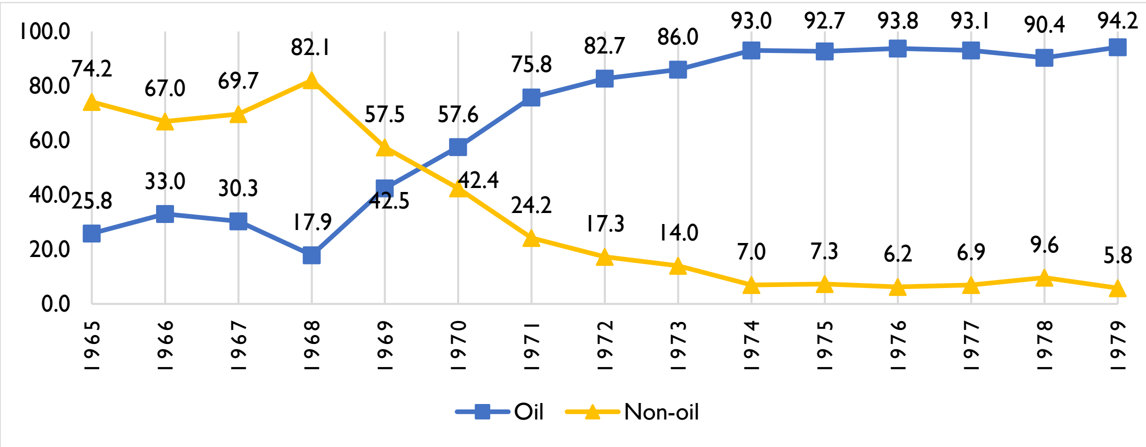
Source: FRN (1970) Second National Development Plan 1970-74

[47] FRN (1970) Second National Development Plan, thereafter referred to as Second Plan.

By the mid-1960s GDP growth began to slow down partly as a result of the structural defects of the Import Substitution Industrialisation (ISI). The quick succession of military coups and the Civil War compounded the structural deficiencies and disrupted the pace of growth. Growth resumed at the end of the Civil War in 1970. Real GDP in 1971, the first post-war fiscal year was 30.5% above the average for 1963-66 (Second Plan, 1970: 50; Second Plan First Progress Report, p.10; Schatz, 1977:24). This post-war economic boom was underlined by a growth in oil production, which had commenced in the 1950s. The contribution of oil to GDP was enabled by a rise in global oil prices from 1973[48] and nationalisation by the government which increased its ownership share of the oil companies from 35% to 55% as with other OPEC member states. To that effect, Schatz (1977:26) argues that the economy's growth was not nearly as good as it appeared to be because the fortuitous oil boom provided most of the increase in GDP[49].

The increase in oil export earnings from N4.9 billion in 1975 to N11.2 billion in 1979 as illustrated in Figure 3.4 (Table 3, Appendix II), led to a rise in fiscal revenue from N5.5 billion in 1975 to N15.2 billion in 1980 as Figure 3.5 shows (Table 4, Appendix II).

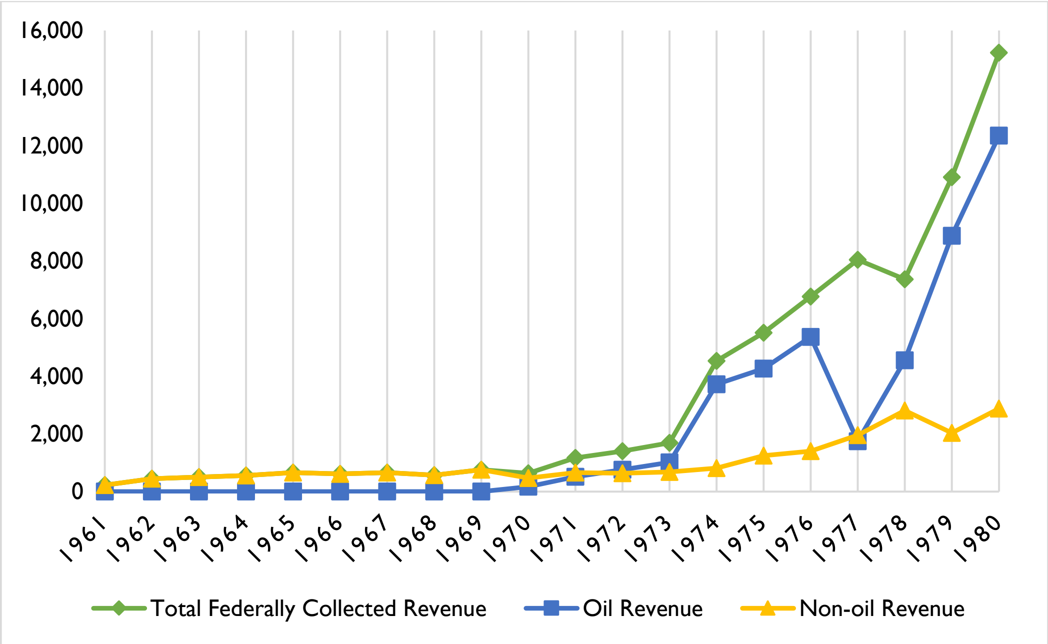
Figure 3.4: Disaggregation of Exports (%), 1965-1979



Source: FRN (1970), 1970-74, p.23; FRN (1980), 1981-1985 and World Development Indicators (2015)

48 The price of Nigeria's crude oil rose from less than $4 a barrel in early 1973 to $12 by year's end after the Arab embargo was lifted, $14 by 1979 and $35 by 1981 (EIA, 2000).
49 Excluding oil, GDP expansion was 7.5% (instead of 18.4%) in 1971, 0% (instead of 7.3%) in 1972, 6.2% (instead of 9.5%) in 1973 and 8.9% (instead of 9.7%) in 1974.

Figure 3.5: Disaggregation of Federal Government Revenue (N millions), 1960-1980

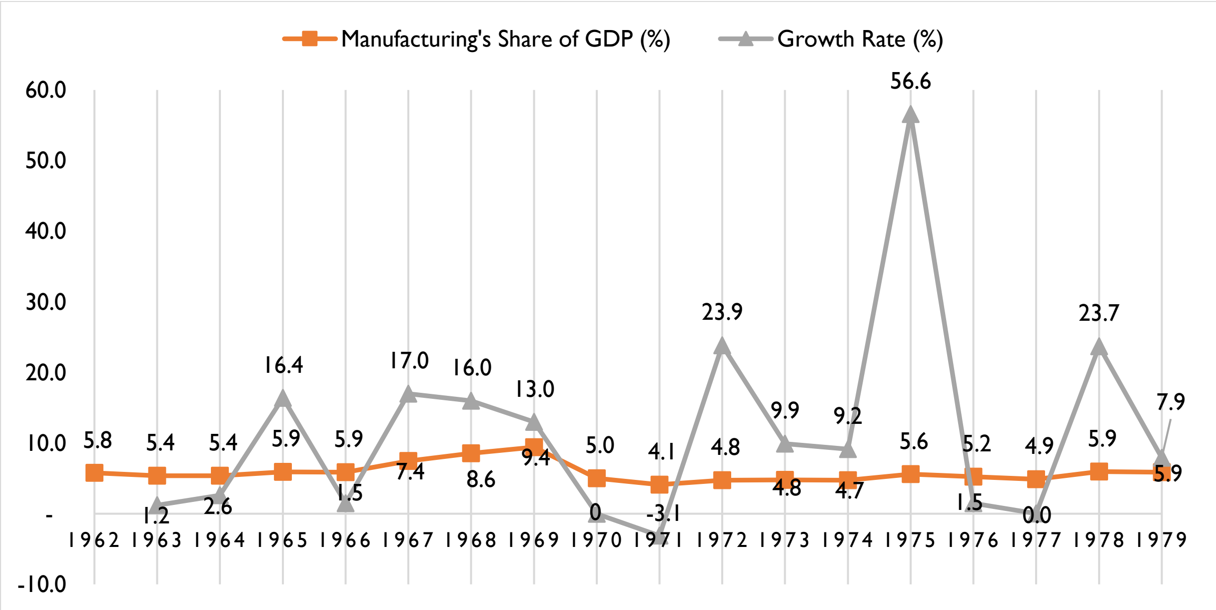


Source: 2008 Central Bank of Nigeria (CBN) Statistical Bulletin

Oil rents provided foreign exchange to finance public investments in infrastructure and inputs in the manufacturing sector. It enabled the country to strengthen the ISI begun in the 1960s. As stated in official documents, “the development strategy of the government [is] to utilise the resources from oil to develop the productive capacity of the economy and thus permanently improve the standard of living of the people…to create the economic and social infrastructure necessary for self-sustaining growth…a radical transformation of the economy” (FRN, Third Plan, 1975: 8 & 28-29). Thus, the investment ratio increased from the projected 18.2% to 19.2% in 1972 and from 16.8% to 19.6% in 1973. Significantly, public investments crowded out private investment as the major source of capital formation, indicating the heavy footprint of the state in the economy. Between 1970 and 1974, the ratio of private to public investment was 58:42, and public capital formation in the Third Plan to cover 1975-1980 was two-thirds of the total (FRN, 1975:10; Schatz, 1977:45).

With the exception of agriculture, the key economic sectors including manufacturing, building and construction, trade and distribution grew in absolute terms as Table 6 (Appendix II) shows. Starting from a small base, manufacturing grew at more than 10% per annum since 1960 and remained constant in the post-Civil War period as Figure 3.6 (ibid) below shows. Although manufacturing grew in absolute terms during the petroleum boom, its growth was volatile. Furthermore, its share of GDP was lower than the 15-20% in other developing country peers and the 16% envisaged by the government (Third Plan, 1975: 47).

Figure 3.6: Manufacturing Sector's Share of GDP and Growth Rate, 1962-1979



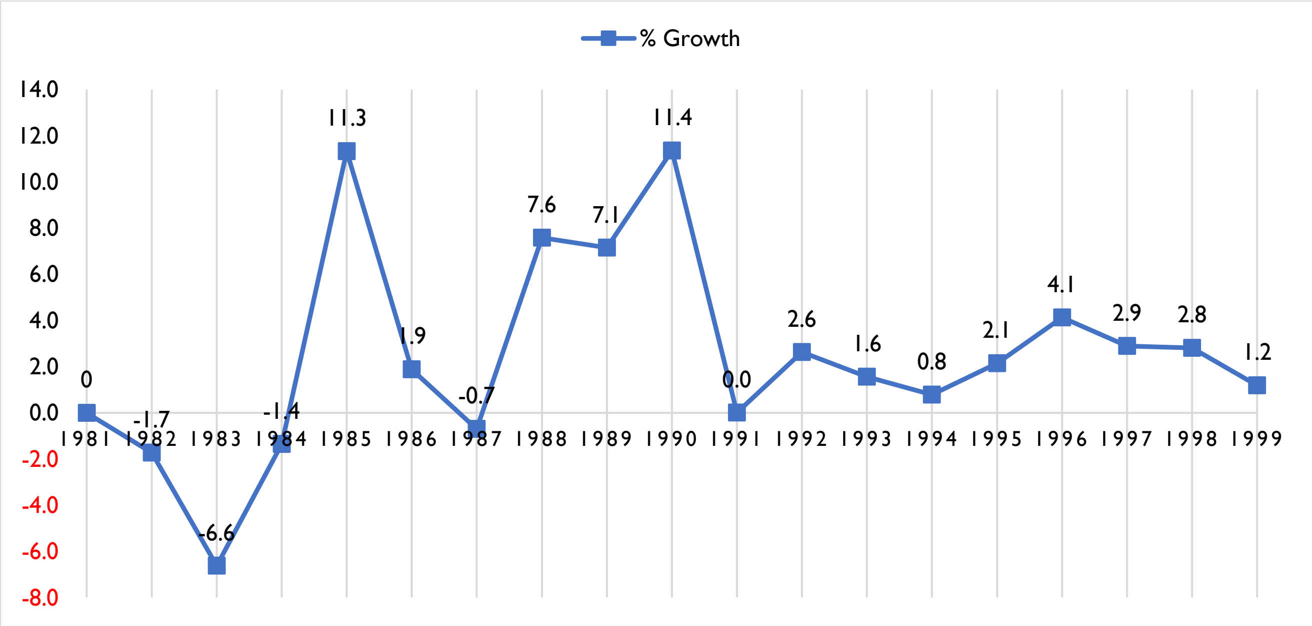
Source: FRN (1970) Second National Development Plan 1970-74; FRN (1975) Third National Development Plan 1975-80 and FRN (1981) Fourth National Development Plan 1981-85 (p.15)

While the government attributed manufacturing's low contribution to GDP to the rapid growth of the oil sector, the real problem was the nature of the ISI. The World Bank described the manufacturing sector as insular, technically backward and lacking incentives to improve quality or efficiency, growing not by increasing efficiency, but by the extensive injection of petroleum-driven capital (Lubeck and Watts, 1994). According to Olukoshi (1993:3) there was very low local value addition despite the sector's expansion; there were few forward and backward linkages between the manufacturing sector and the rest of the economy; and there was a concentration of industries in light manufacturing and the consumer goods sub-sectors, while intermediate and heavy goods industries were notably missing. The oil sector however engendered the expansion of government services and the public sector. As Table 5 (Appendix II) shows, the construction sector's share of GDP almost doubled in five years, from 5.8% in 1972 to 10.9% in 1977, while public administration and defense spending almost tripled, from 4.5% in 1972 to 12.1% in 1977 (Zartman and Schatz, 1983:15).

Public investments fuelled by oil rents crowded out private investments in the productive sectors, in true 'Dutch Disease' fashion. Forrest (1995:159) however disputes the Dutch Disease thesis, which he argues, cannot neatly capture the loss of macroeconomic control, the external indebtedness, the public sector expansion and the numerous unproductive state projects. Forrest (1994:41) notes that while the oil boom in the 1970s altered the incentives and opportunities for private accumulation and led to public sector expansion, this scarcely conflicted with strategies of private capital accumulation. There was a growth of import trading, distribution, construction and in contracting, and a proliferation of commission agents because the oil boom increased profitability in commerce and the service economy, at the expense of small-scale industries in which many Nigerians were engaged. The volume of oil rents led to an appreciation of the Naira, which made imports cheaper, expanded the individual and industrial consumption of foreign goods and affected agriculture and manufacturing.

The deficiencies of the agriculture and the productive sectors in general and the ISI underpinning them were laid bare when global oil prices crashed in the early 1980s. Nigeria's oil earnings fell dramatically from a peak of N13.6 billion in 1980 to N8.36 billion in 1982 (Table 7, Appendix II), triggering a major economic crisis. About 50% of manufacturing firms stopped production for some time (Olukoshi, 1993: 3; Yahaya, 1993:17), and total exports almost halved, from N14.1 billion in 1980 to N8.9 billion in 1986 (Table 7, ibid). To manage the crisis, a Structural Adjustment Programme (SAP) from 1986 entailed a sharp currency devaluation and deflationary fiscal measures, making capital- and import-intensive industries less competitive (Forrest, 1994:244-45). Consequently, SAP undermined investment undertaken under oil-boom conditions such as light manufacturing, assembly of electrical goods and capital-intensive large-scale farming that heavily relied upon imported technology. Though structural adjustment revived some minimal economic productivity, it generally failed to stimulate significant recovery of the productive sectors within a broader context of low oil prices of $18 a barrel until the early 2000s. Within this period, the economy stagnated as Figure 3.7 below (Table 9, ibid) shows, while the productive sectors actually contracted, until the early 2000s. Growth was at an average of just 2.6% a year for the better part of 1982 to 2000.

Figure 3.7: Annual GDP Growth Rate (%) 1982-1999



Source: Nigeria Bureau of Statistics Data

From Foreign Domination to Indigenous Enterprise: The Ownership Structure of Nigeria's Key Economic Sectors

The ownership structure of key economic sectors is important to understanding the historical trajectory of Nigeria's economic structure, performance and business coalitions. This evolved from foreign domination in the colonial period, to nationalisation and direct state participation in the immediate post-independence period, and attempts at economic liberalisation under SAP.

For most of its colonial history and the immediate post-independence years, foreigners dominated the Nigerian economy. In the early colonial period, the leading sectors were held by European multinationals such as UAC and John Holt, and later, Levantine and Asian businesses entered commerce, retail and light manufacturing. Through colonial discriminatory policies in granting licenses, tax breaks and the sole rights to import and distribute consumer goods, foreign capital was favoured at the expense of indigenous enterprises (Falola, 1996). There were few indigenous entrepreneurs anyways. With the exception of a handful of large-scale merchants involved in West African trade (Biersteker, 1987), indigenous business generally occupied the lowest rung of the economic hierarchy as petty traders, low-wage earners, mine labourers, small-scale producers. Partly spurred by growing nationalistic demands, the colonial state began to promote indigenous economic inclusion from the late 1940s. Specifically, the 'Nigerianisation' of business enterprises in 1956 required multinationals to increase Nigerian personnel, to use Nigerian materials in production, and to bar foreigners from certain aspects of distributive trade (Hoogvelt, 1979; Biersteker, 1987:258). Although the indigenous business class was also able to make greater inroads into transport, distribution and commerce, Nigerian private capital was generally small scale, fragmented and regional in outlook (Schatz, 1977:3; Forrest, 1994). It was not until after independence that significant legislation and measures, such as the Expatriate Quota Allocation Board in 1968, were made.

From 1960, the newly independent government sought to explicitly promote indigenous participation in industries "outside agriculture, wholesale and retail trade and road transport" (First Plan, 1962), to break down the monopolistic domination of the import trade by foreign multinationals. Yet, as Nigerians assumed greater political control, there was a sober realisation of the lack of indigenous financial, technical, and managerial expertise to drive modern economic development. To address these deficits of the indigenous private sector, state-owned enterprises (SOEs) were established as instruments of promoting national development (Schatz, 1977:5; Nigeria, First Plan, 1962; Second Plan, 1970:75). Concurrently, foreign-owned enterprises transitioned to manufacturing, heavy industry and other higher value activities.

A series of post-independence nationalisation and indigenisation policies transformed the economy's ownership structure. According to Schatz (1977:22), from 1970 after the Civil War, an assertive expression of nationalism to be freed from dependence upon foreign investors led to the nationalisation of entire industries. This was attained through the Nigerian Enterprises Promotion Decrees of 1972 and 1977 which sought to radically increase Nigerian participation and ownership in the economy[50]. A crucial element of this policy was the nationalisation of the oil industry, where government acquired at least 55% ownership stake in the oil companies, petrochemicals and heavy industry (FRN, 1970:145-146; Gowon, 1970:3). Biersteker (1987) makes the important point that indegenisation provided a basis for both local private accumulation and the state's direct participation in the economy. It provided investment opportunities for Nigeria's economic elite emerging from the oil boom. To that effect, some entrepreneurs such as Mrs Bisoye Tejuoso who made strides in the commodities' trade or occupied middle-ranking positions in multinational firms transitioned to become industrialists in their own right. Thus, state participation in the economy was underscored by the government's business assistance programmes to local firms to create protected niches, as well as the establishment of SOEs in the oil sector and other key industries.

In 1977, a second iteration of the indigenisation decree was promulgated, aimed at extending the policy but also at addressing the salient distributional concerns undermining its legitimacy. Notably, it sought to attain a "Socialisation of Indigenisation" to dilute the severe concentration of ownership which had been the "unintended" result of the first decree (Hoogvelt, 1979). The economic boom that followed the post-Civil War period increased income and urban-rural inequalities (due to the Udoji public sector wage increases of 1974-75 and declining agricultural output), rather than promote even development, fair distribution of industries and the reduction of income disparities as the Third Development Plan envisaged (Gowon, 1970:3; FRN, 1974:27; Schatz, 1977:30-31). These inequalities were thus exacerbated by the Indegenisation policy's empowerment of a handful of businessmen.

In addition, Forrest (1994: 38) notes that sectionalist and individual advantage combined to undermine the nationalist legitimacy of indigenisation. Of the decree's numerous lapses, the one which generated the most objections was that it favoured Lagos and the western-Yoruba states where most of the people capable of taking advantage of indigenisation resided (Forrest, 1994:38). The Yorubas, in their proximity to Lagos, Nigeria's commercial nerve-centre, and their head start in education and the

[50] This law decreed a transfer of businesses within the competence of indigenous expertise (small-scale industry, services and retail trade in Schedule) and it required a minimum Nigerian interest of 40% equity in enterprises which were technologically or organisationally more complex, where joint ownership was still considered necessary (large-scale light manufacturing, trade and services in Schedule). There was also Nigeriansation of technical and managerial positions in heavy and capital intensive industry (Third Plan, 17; Schatz, 1977, 59; Hoogevelt, 1979).

professions were naturally positioned to take advantage of the opportunities to join the boards of foreign companies and SOEs, and thus patronise the Lagos Stock Exchange (Forrest, 1994:250). This was in stark contrast to Eastern-Igbo businessmen disempowered by the Civil War or the northerners who had been educationally disadvantaged during colonial rule. Consequently, share transfers created a windfall for southern-Yoruba investors (Lewis, 1994: 443; Biersteker, 1987). This widened regional economic differentiation, initiated by the uneven distribution of infrastructure and access to Western education during colonial rule[51]. SAP market reforms from 1986 also perpetuated these disparities in the regional concentration of capital and entrepreneurship in the Yoruba-West, where the businessmen were positioned to take advantage of opportunities provided by liberalisation and privatisation, like indigenisation a decade earlier.

Despite spirited efforts at indigenisation, there was a reliance on foreign firms in technology- and capital-intensive economic activity for at least four reasons. First, foreign entrepreneurs had an unrivalled capacity to innovate (Schatz, 1977:41) while local entrepreneurs lacked this technical capacity. Second, disillusionment with indigenous capitalists and the poor performance of SOEs led to a reliance, yet again, on foreign enterprises. However, foreign firms were constrained by government pressures to Nigerianise middle- and upper-level staff, and to make minority holdings available to government and stockholders (ibid:7). Third many foreign firms used various strategies to retain managerial control and ensure the indigenisation programme did not alter control of their operations. This included the dispersal of shares, use of technical service agreements, negotiation of exemptions, two-company strategy and fronting (Hoogvelt, 1979; Biersteker, 1987). Four, the persistent mercantile disposition of Nigeria’s business class which seemed more interested in short-term profits reinforced foreign domination in strategic sectors. In particular, the oil boom reinforced this mercantile orientation of the emerging economic elite around the oil industry, the public sector, and commerce rather than an industrial orientation. This affected the government’s industrialisation programme as foreign corporations were more capable of re-investment and growth than the few 'big' men who demanded

[51] In the early colonial period, the concentration of new services in the administrative centres or in areas where mineral and agricultural commodities were available generated unequal development among the regions, within the provinces and between urban and rural areas (Falola, 1996). This asymmetry would have significant future consequences – since commodities were transported directly from a production enclave, building an integrated economy was difficult.

large dividends to be diverted into their more immediately profitable commercial ventures (Hoogvelt, 1979).

This inertia of Nigeria's new industrial elite paved way for the participation of Asian and Levantine capital into key economic sectors following divestment by older European firms and later, privatisation under structural adjustment. For instance, Indian enterprises expanded form textile trading into textiles manufacturing, established supermarkets, and ventured into commodity trading and currency speculation. (Forrest, 1994:52). For these reasons therefore, foreign capital continued to make headway in the Nigerian economy. By 1995, the Nigeria Investment Promotion Council (NIPC) Act rolled back the nationalist bent of indigenisation by allowing for 100% foreign ownership in firms except for industries strategic to national security such as the military and the oil sector (U.S. Department of State, 2015).

Despite the shortcomings of the Indigenisation policy, it engendered indigenous capital accumulation from 1970 albeit with significant regional variation. In Kano, Kaduna, and especially Lagos and the south-western states, there was growth in local enterprises and increase in industrial investment through the 1970s and into the 1980s (Forrest, 1994:43). Even in the eastern commercial centres of Aba and Onitsha where the Civil War had interrupted the growth of local enterprises and set back accumulation, there was an increase in industrial investment at the end of the 1970s (*ibid*). In newly created state capitals like Sokoto and Makurdi where local private capital was too weak to undertake investment, industrial initiatives were undertaken by state governments supported by investment agencies like Nigerian Industrial Development Bank, the Nigerian Bank for Commerce and Industry and the New Nigeria Development Corporation (Forrest, 1994:43).

NIGERIA'S POLITICAL SETTLEMENT: ELITE COMPETITION, DISTRIBUTIONAL PRESSURES AND EXTERNAL SHOCKS

This section analyses the evolution of Nigeria's underlying institutional framework within which the policies which engendered the economy's production and ownership structure outlined in the previous section, were formulated. Using the political settlements approach, I analyse evolution of

Nigeria's institutional framework in the 'colonial' period, the 'post-independence' period and the 'military' period. I unveil the changing nature of elite competition for power through successive elite bargains, the demands of wider societal interest groups, the changing national economic priorities and the institutionalisation of these changing power and economic structures.

Elite Bargains

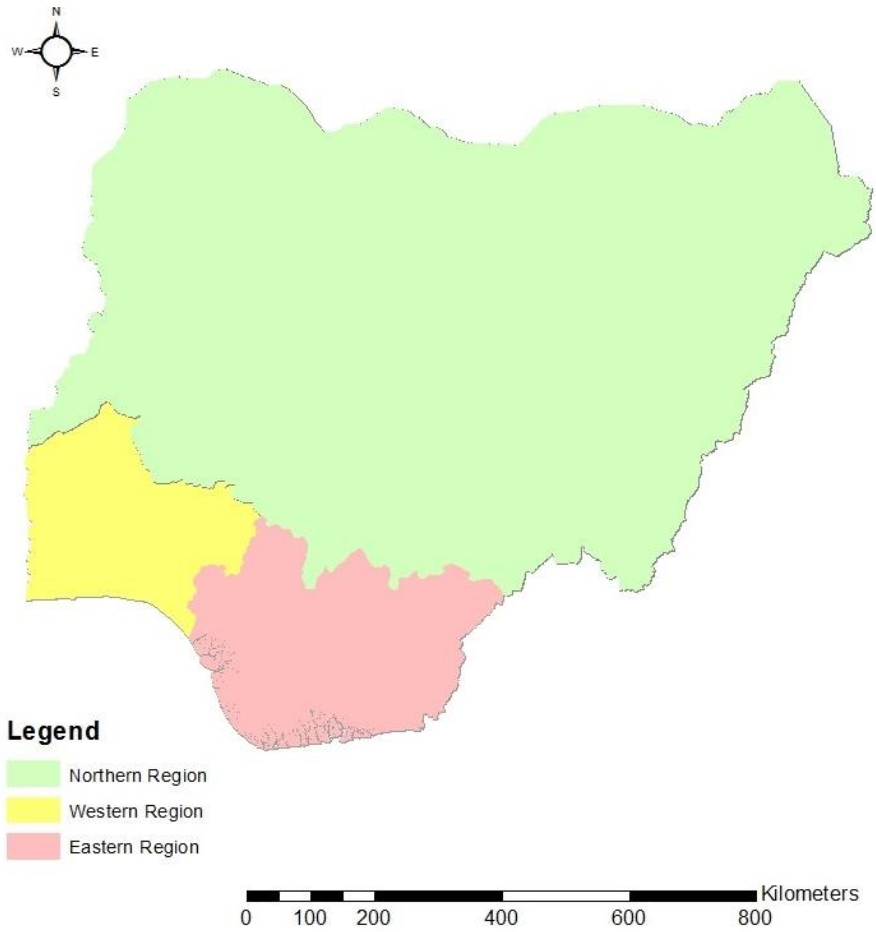
In Nigeria, elite bargains have historically been underlined by negotiations, consensus building, and intense brinkmanship by regional and later military elites to manage competitive ethnicity, religion and regionalism.

In the colonial period, an incremental process of negotiated political autonomy to regional elites eventually led to independence. The differentiation in the patterns of elite formation between northern and southern Nigeria had immense implications for the stability of elite bargains. Colonial rule met a hierarchical empire in northern Nigeria in which entry into the ruling and bureaucratic class relied on class and lineage rather than Western education, as in the eastern and western regions. The incorporation of the traditional emirate in the colonial administration through Indirect Rule, which preserved the authority of the Muslim Sultan, Emirs and Obas in the West (Dudley, 1982; Coleman, 1963; Falola and Heaton, 2008) reinforced this hierarchy – which had the Fulani aristocrats and Hausa nobility at the top, the free commoners or *Talakawas*, and an underclass of mostly ethnic-minorities. Since emirate officials were integrated into the colonial state, there was comparatively less agitation for political inclusion than in the South. Indigenous merchants consisting of aristocratic trading families were also closely tied to the emirate system, while craftsmen and peasants who never transformed into capitalist producers remained powerless as a socio-economic class (Ezera, 1964:94; Williams, 1974; Shenton, 1986). Even as access to western education was expanding in the South, it was largely restricted in the mainly Muslim North because of its association with proselytization by Christian missionaries. With the rigid class distinctions, this restriction hindered the emergence of a 'middle class', occupying lower professional, clerical and business positions unlike in the East and West (Coleman, 1963:53; Ezera, 1964:94). Overall, nationalist movements comprised of increasingly educated and economically empowered Nigerians demanded for more inclusion in political institutions and the economy of the colonial state.

As the colonial state made incremental political and economic concessions to Nigerians, the regionally differentiated process of elite formation had major implications for the dialectic of ensuing elite competition. The MacPherson constitution of 1951 in particular marked the start of a full-scale swing toward regionalism in which the region became the principal arena of politics (Dudley, 1982:52). Incremental political autonomy culminated in political independence in a tripodal regional federalism whereby the three regions were governed by three main political parties, the National Congress for Nigerian Citizens (NCNC) in the East, the Northern Peoples' Congress (NPC) in the North and the Action Group (AG) in the West. However, the underlying tensions between the North and the South, and between Yorubas in the West and Igbos in the East, due to disparities in educational advancement, geographic size and population, and also the perceptions by southerners that colonial administrators favoured the northerners[52] strained relations. The foundation for inter-regional and inter-ethnic rivalry was built out of this social and economic imbalance of the regions.

Figure: Map of Colonial Nigeria with the Three Regions

[52] British colonial administrators and intellectuals often expressed 'admiration' for the administratively advanced Muslim emirates in the North, which they regarded as more 'cultured' and suited to leadership. For instance, Lugard (1922:210) wrote: "Their traditions of rule, their monotheistic religion, and their intelligence enable them to appreciate more readily than the negro population the wider objects of British policy, while their close touch with the masses…mark them out as destined to play -an important part in… the development of the tropics." John Mackintosh, former Labour MP similarly noted that "many features of Hausa culture give it dignity, status, and prestige: a comparatively rich historical tradition; a distinctive architecture; the pomp and splendour of its ruling class…" (1966:44)



Political independence in 1960 was an outcome of several negotiations by regional elites and colonial administrators at constitutional conferences in the late 1950s. The fragile independence consensus which was only sustained by a collective disdain for the colonial rulers among regional elites quickly unravelled after their departure. The regional rivalries and fears of economic and political domination underlining them were not resolved[53] by the nationalists at this time. The North used its numerical advantage in the parliament to stave-off economic domination by the more educationally advanced South in the economy and the civil service, and the southerners resented the northern political domination they felt entitled to on account of their educational advancement.

Regional security concerns, within the context of falling regional export revenue from commodities vis-à-vis budgetary surpluses of the central government heightened regional elite

[53] The greatest fear of most Nigerians in the 1960s was that their region would become "dominated" by another which would use the political system to enrich themselves at the expense of others (Falola and Heaton, 2008:165). The grievances of minority groups, who were agitating for the creation of more regions were not addressed at the 1958 London conference which preceded independence because the political elite were too eager to attain independence (Dudley, 1982:57).

competition for access to the central government, straining this precarious balance of power. For instance, the eastern NCNC found itself an increasing 'irrelevant' partner in the national ruling coalition because the major partner the northern NPC had a working majority in the Parliament (Dudley, 1982:62). Tensions reached boiling point with attempts by both the NCNC and the AG to contain the NPC's national political power which had tilted the distribution of federal spending in favour of the North. The NCNC's attempt to alter the representational ratio between the North and the South in the 1962 census resulted in competitive population inflation by the regions. Allegations of plans by the AG to topple the NPC-led government to alter this regional balance of power undermined the 1964 general elections and led to a constitutional crisis (Dudley, 1982).

This simmering political instability finally erupted in a violent overthrow of the coalition government by a military junta in January 1966 and collapsed the political settlement by 1967. The assassination of the Prime Minister, Sir Abubakar Tafawa Balewa and other high ranking northern and western political and military officials by eastern-Igbo military officers further decimated the already fragile trust among regional elites. The violent counter-coup by a group of northern military officers overthrew the new military government of General Aguiyi Ironsi, an easterner whose handling of affairs confirmed the perceived sectionalist orientation of the coup (Dudley, 1982:80), the pogroms of Igbo military officers and civilians resident in the northern region, the secession of the eastern region from Nigeria and finally the outbreak of Civil War in 1967 all indicated the collapse of Nigeria's First Republic. A fractious elite bargain forged by naïve enthusiasm over independence, ushered self-rule amidst increasing instability such that by 1967 the political settlement had fragmented and collapsed.

Although the first military coup in January 1966 ushered a lengthy military era, it was the counter-coup of July 1966 which laid the foundation for an elite consensus which would determine the distribution of power until democratisation in 1999. The elimination of the highest echelons of the First Republic's ruling civilian and military leaders by the January 1966 coup, and the transformation of the country's governance structure from a regional federation to a unitary system by General Ironsi did two things of significance. First, it usurped the regional federalism of the First Republic of strong regions in favour of a system in which the central government became exceedingly powerful. Mustapha

(2004:32) notes that Ironsi's Unification Decree 34 of 1966 was the first effort, albeit irredeemably disastrous, at reforming the country's crisis ridden governance in which the regions were the institutional backbone of the contending ethno-regional forces, and a major obstacle for a national identity. In August 1966, Yakubu Gowon repealed the Unification decree[54].

Second, a new crop of political actors emerged in the highest echelons of power and forged the ensuing elite consensus. Key participants in the July 1966 counter-coup – such as Second-Lt. Mohammed Sani Abacha, Lt. Ibrahim Babangida, Lt. Muhammadu Buhari, Major Theophilus Danjuma, Lt. Colonel Murtala Mohammed, Lt. Colonel Olusegun Obasanjo etc. – would influence the political, military and economic life of the country as heads of state, ministers, political office holders, businessmen and even run for elections for decades onwards. The emerging elite consensus was forged by a mostly (multi-ethnic and multi-religious) northern military political class alongside their western-Yoruba counterparts who organised the counter-coup and fought a Civil War to prevent the mostly Igbo-Eastern 'Biafra' region from seceding. After the defeat of the Biafran secessionists, their reintegration[55] back into the federation by 1970 was within the framework of a tacit consensus to exclude them from strategic positions of military power and political authority until years after democratisation. Although Alex Ekwueme, an Igbo, was vice president in the brief democratic transition between 1979 and 1983[56], there was a national atmosphere of distrust of Igbos after the violent Igbo-led January 1966 coup and the Civil War[57]. In addition, groups like the Ijaws, the Urhobos, the Ogonis and others in the oil producing region of the Niger-Delta which was then under the umbrella of

[54] In his inaugural speech, Gowon stated "…we cannot…continue in this wise, as the basis of trust and confidence in our unitary system of government has not been able to stand the test of time" (in Siollun, 2009:231).
[55] Under Gowon's 'No Victor No Vanquished' policy, there was a general amnesty for all 'Biafran' fighters and Igbo soldiers, some Igbo civilians who fled to Biafra were also reinstated to the jobs they had held before the Civil War, Biafra was not asked to pay compensation to the government, and Gowon also refused to award medals to his own soldiers who fought in the Civil War as "there could be no victory in a war between brothers" (Siollun, 2009:167-168).
[56] This was confirmed by Ekwueme himself: "Definitely, my involvement in government… certainly gave some level of re-assurance to my people that they were now truly part of Nigeria and not a disgraced or conquered people. See: Ajani (2009)
[57] According to Siollun (2013:128), the highest rank that Igbos could hope to achieve was brigadier. Under Goodluck Jonathan's administration, for the first time, there was an Igbo Chief of Army Staff, Lieutenant General Onyabor Azubuike Ihejirika from 2010 to 2014.

the Eastern Region never acquiesced to Igbo political domination, and therefore sought to reintegrate back into the Nigerian federation[58].

These two factors influenced the emergence of political and economic elites, in their orientation, and also in shaping the nature of future governance consensus for decades.

On this basis, the post-war reconstruction proceeded energetically, enabled by some political and economic developments which initially consolidated this elite bargain but increasingly destabilised it over time. Politically, although the federation was restored, it was with a strong central government and weaker states created out of the previous three regions. This federal government centralised the management of revenue generation and distribution, thereby engendering a centripetal-orientated political competition. In addition, the federal government's post-war reconstruction initiatives, starting with Gowon's Nine Point transition programme in 1970, including the creation of new states out of the old regional structure, and reorganisation of the armed forces aimed to promote national unity and blunt regional rivalries (Bennett and Kirk-Greene, 1978).

On the economic front, the oil boom from 1973 increased the revenue available to the government to finance this elaborate reconstruction, reconciliation, and industrialisation agenda. However, large volumes of oil rents flowing to a centralised military government on an ambitious development agenda transformed the orientation and aspiration of political elites, as Karl (1997) posits on oil booms. The whole of society, not excluding the military, aspired to have access to the levers of an oil-rich government. Oil revenues controlled by the military government transformed the direction of the underlying elite consensus – from safeguarding the country's territorial integrity, fostering national unity and mediating a democratic transition, to one in which the military elite sought to retain power for itself, becoming increasingly distrustful of democracy in the process.

The transformation of the military's psyche to aspire for positions in state institutions which oversaw this oil wealth factionalised the military vertically along class lines, and horizontally along

[58] For instance, Ken Saro-Wiwa, the environmental activist of Ogoni ethnicity from the oil-producing Niger-Delta worked for the Federal Government during the Civil War.

ethnic, religious and regional lines. According to Siollun (2013:120) "military rule created a schism within the military itself, between officers in the government and those left behind to attend to…military duties". Military regimes were thus alternations of one dominant faction of the military at any given time. This was in line with Geddes' (1999:135) thesis that, palace coups are a way of changing leadership while maintaining the regime itself. Furthermore, since coups were usually supported by businessmen, politicians and media tycoons, military regimes were highly unstable due to the risk of counter-coups by excluded officers and their civilian backers. As former military ruler, General Ibrahim Babangida explained (interview in Maier, 2000:59): "we couldn't have done it without collaborators in the civil society…in the media… among people who have the means". Thus, between 1966 and 1999, there were six military coups and three attempted/aborted coups.

Over time, the core of the elite consensus forged in the wake of the counter-coup in July 1966 was fractured by recurring political and economic crises. Specifically, the northerners in the ruling military elite were pitched against their southern counterparts; even among the northerners there were tensions between the mostly Muslim 'core northerners' (mostly Hausa, Fulani, Kanuri and Nupe) and the mostly Christian 'northern minorities', although these distinctions were not so clear-cut. For instance, General Babangida, accused towards the latter part of his regime (1985-1993) of favouring 'Core' and 'Muslim' 'Northerners' is a northern ethnic minority of Gwari descent. Buhari's regime (1983-1985) in particular was regarded as having a pro-northern bias. Although the successor regime under Babangida initially tried to assuage these fears by increasing the representation of junior army officers in the Armed Forces Ruling Council (AFRC) or the federal executive, and by ensuring government agencies were ethnically balanced away from the Hausas and Fulanis (Forrest, 1995). However, the same suspicion trailed the second-half of his regime after a cabinet reshuffle following a violent coup attempt in April 1990 by northern and southern minorities, thereby shifting the balance of power back towards the Muslim northerners. Additionally, a simmering threat of religious polarisation boiled over by 1986 when the Babangida administration made Nigeria a member of the Organisation of the Islamic Conference (OIC) to the consternation of many southern non-Muslims[59].

These pressures on the elite consensus were magnified by latent regional fears of domination which were never addressed in the first place. These tensions crystallised in the annulment by Babangida's military regime of the 1993 presidential elections, won by a Yoruba businessman, Moshood Kashimawo Abiola, eroding the Yoruba-west's belief in the viability of the Nigerian nation-state. Against the backdrop of a prevailing belief that the country may not have survived the Civil War against the Igbo Biafra enclave without the Yoruba-West's support for the largely northern Federal Government[60], Yoruba intellectual and political leaders interpreted the annulment as an attempt by northerners to perpetually prevent a Yoruba presidency. For instance, speaking on behalf of the Yoruba traditional rulers, the traditional ruler, Okunade Sijuwade the Ooni of Ife threatened Yoruba secession and promised that "if our son [Abiola] is not declared winner of the election, the Yorubas as a whole are ready to pull out of Nigeria" (in Siollun, 2013: 247).

Concurrently, there were rumblings of dissidence by the oil-producing Niger-Delta in the south against predominantly northern military rulers over the region's environmental devastation and underdevelopment. The Niger-Delta's violent uprising demanded the right to a fair share of the oil wealth produced by their ancestral land fuelled by a grievance over the region's economic and political 'marginalisation' despite its support for the Nigerian state during the Civil War[61], and despite being the backbone of the Nigerian economy. The Eastern-Igbo elite also harboured its own grievance, a latent resentment over the losses suffered during the Civil War, the humiliation of defeat, reintegration back into Nigeria, and perceived marginalisation from the highest echelons of military and political authority. These regional grievances pitched these diverse southern elites, media and civil society against northern

[59] See Dudley (1982) and Siollun (2013) for the religious tensions which preceded and succeeded the decision on joining the OIC.

[60] See de St. Jorre (1972) on alliances in the Nigerian Civil War

[61] The minorities in the Niger-Delta, which was then part of the Eastern Region were not in support of the secessionist cause, as they felt their fate would be worse in an Igbo-dominated Biafra. The Niger-Delta accounted for half of the Eastern Region's total landmass, contained 95% of its oil reserves, all of its ports, and rich agricultural and fishing resources. Consequently, the Niger-Delta's pioneering environmental activists such as Isaac Boro and Ken Saro-Wiwa fought or served the federal government during the War (Maier, 2000: 84-85; de St. Jorre, 1972: 116).

military elites and their southern collaborators, who, according to Maier (2000:155) were generally blamed for squandering and enjoying all the benefits of Nigeria's oil wealth. These regional grievances destabilised the intra-military elite consensus which had held Nigeria together to overcome the tribulations of the violent coups and the Civil War of the bloody 1960s.

Although attempts were made to patch the fractured elite consensus, the instability only degenerated. Under pressure by pro-democracy activists in civil society, an enraged Yoruba elite, and an unsupportive global community, General Ibrahim Babangida handed over power to an interim civilian administration on 26 August 1993 to organise fresh elections. This interim government was however short lived, as it was quickly usurped by another military junta in November 1993, headed by General Sani Abacha, the Chief of Defense in Babangida's administration. Abacha's regime was so repressive in countering dissent by pro-democracy movements, execution of Niger-Delta environmental activists, and economic mismanagement, that it further destabilised the country against the backdrop of low international oil prices at $18 per barrel. The elite consensus fragmented, as Abacha made headway in transforming to civilian presidency. When General Abacha died mysteriously on 8 June 1998, this eased some of these tensions, and the successor regime headed by Abdulsalam Abubakar placed Nigeria on a certain path toward democratisation.

Abdulsalam Abubakar's transition government's democratisation agenda was underlined by a new elite pact which sought to placate the Yoruba-western grievance by ensuring that the major political parties all presented Yoruba candidates to run for the presidency. Consequently, the two main contenders, Olusegun Obasanjo on the People's Democratic Party's (PDP) platform and Olu Falae for the All People's Party (APP) owed their nominations largely to their Yoruba ethnicity (Maier, 2000: 28). As a founding member of the PDP explained to me[62], Yoruba elites proposed a power rotation arrangement to pave way for a president of Yoruba ethnicity with a clear understanding that power would be expected to shift to the North after one term of four years. This was loosely based on a 'zoning' power-sharing agreement formulated by the defunct National Party of Nigeria (NPN), the ruling party

[62] Interview, Abuja, Nigeria, 14 April 2014

in 1979-1983[63]. This gentlemen's agreement was acquiesced to by the military and civilian elite, and articulated in the PDP's constitution, the ruling party from the transition until March 2015. In addition, since the major actors to this consensus served in previous military regimes, the transition allowed for many military officers to transmute to civilian politicians. For example, the first civilian president in 1999 Olusegun Obasanjo, was a former military head of state (1976-1979), and part of the cadre of officers who forged the post- Civil War elite consensus. Thus, this 'zoning' power-sharing consensus between the North and the South involving key actors in the previous military regimes was the condition on which Nigeria's political elite agreed to end military rule on terms they dictated. This is not surprising because as Geddes (1999:136) posits, military governments are more likely to step down before conditions reach crisis point and thus are likely to negotiate orderly transitions.

It is worth noting that the placation of the Yoruba-West's political grievance over the 1993 annulment in this new elite pact critically determined the nature of the constitution adopted for the new democratic dispensation. The 1999 constitution was an amended version of the 20 year old 1979 constitution, and signified a repudiation of the more recent draft constitution produced under the Abacha regime in 1995, which was better equipped to address the regional rivalries that consistently undermined political stability since independence. Critical provisions in the discarded Abacha constitution such as the diffusion of federal executive power, the rotation of principal offices at the executive and state level among six geopolitical regions, reducing 'winner takes all' through proportional representation in the federal and state cabinets, and elimination of incumbency and its abuse to the electoral process would have mitigated competition for power, invidious regional rivalries, and fear of regional domination. This draft constitution was jettisoned because the Yoruba-west had largely boycotted the drafting process. As former vice president (1979-1983), Alex Ekwueme and member of the 1994-1995 National Constitutional Conference explained[64], the reservations about the legitimacy and authenticity of the

[63] According to Mustapha (2004:18-19) the ruling NPN from 1979 to 1983, sought to bring all political 'heavyweights' across the country under its umbrella to constitute a 'natural party' of government. The party introduced a 'zoning' system aimed at cementing the alliance of these regional elites from across the country.
[64] See: Ekwueme (2005)

1995 Draft Constitution emanated mostly from south-western Nigeria, which had officially boycotted the constitutional conference and was not prepared to accept that anything good could come out of it.

Wider Coalitions with Societal Groups

Societal groups in Nigeria have historically included productive groups such as merchants, farmers and petty traders; civil society including labour, trade and student unions; the media; and ethnic associations. Here, I provide an overview of the changing nature of these groups' within the prevailing political settlement, from agitation for inclusion in the Colonial period to distributional concerns in the Military period. The analysis identifies both economic and non-economic groups and their interests, as the groundwork for analysing their actual influence on policy in subsequent chapters.

In the Colonial period, an incremental process of economic and political inclusion empowered hitherto weak and marginalised groups to challenge the domination of colonial rulers and traders. In addition to discriminatory colonial policies excluding locals from the commodities' trade, there was no entrenched landowning class because capitalist agriculture was obstructed by a political alliance between the colonial government and the traditional authorities (Coleman, 1963:59; Williams, 1988; Forrest, 1994:19). Wage labourers, artisans, petty traders, and an emerging merchant class, were unorganised and weak. Although Indirect Rule enabled northern emirs and some southern obas retain their political power, other groups across a broad spectrum remained marginal to the power structures of the colonial state.

A more developmentalist orientation by the colonial state from the 1920s improved human development which enabled the emergence of trade unions, political parties, and interest groups. Expanded access to education and health services engendered the emergence of a generation of educated Nigerians who were beneficiaries of 'Africanisation' of the lower- to mid-tiers of hospitals, schools and the public service. Merchants and other economic groups benefitted from the colonial administrators' relaxation of the discriminatory restrictions in the commodities' trade. As Dudley (1982:51) notes, before the emergence of political parties in the 1940s, it was these indigenous economic groups which featured prominently on the political scene, exerting pressure on the colonial authorities. For instance, the Lagos market women were the main mass base of Nigeria's oldest political organisation, the Nigerian National Democratic Party (NNDP) established in 1923 (Coleman, 1963:86).

Ethnic and regional interest groups emerged in conditions enabled by colonial constitutional developments and the ensuing regional-federalist government structure. Cultural associations such as the *Egbe Omo Oduduwa* in the West and the *Jam'iyar Mutanen Arewa* in the North, morphed into major political parties, the AG and the NPC respectively. The MacPherson Constitution of 1951, which provided for the election and appointment of members into central and (Eastern, Northern and Western) regional legislatures and executive councils facilitated the process of political party formation (Dudley, 1982:45).

Thus, these grassroots cultural movements, alongside the professional cadre of teachers, medical personnel, clerks, students and traders, in strategic positions in the colonial administration and the economy constituted the pro-independence nationalist movements. The leaders of these organisations constituted the post-colonial political leaders, administrators, businessmen and professionals.

These economic and political groups which had challenged colonial rule were further empowered after independence. The establishment of the first-generation of universities between 1948 and 1965[65] produced a critical cohort of graduates who joined public service, the 'technocrats', and the professions. A business elite comprised those in commerce, real estate, construction, industry, provision of goods and services to government and often closely tied to the governing political parties were further empowered through the allocation of patronage, i.e. loans, contracts, bank credits and buying-agent licenses for commodity exports (Osoba, 1977: 370-71; Forrest, 1994:27).

The coups of 1966, and the thirty-month Civil War which eliminated some of the country's premier political elites, transformed the military to a ruling elite, and transformed other societal groups,

[65] Five Universities were established in this period following the recommendation of the Ashby Commission set up by the British Colonial Government, including the University of Ibadan, University of Nigeria Nsukka and Ahmadu Bello University, Zaria (U.S Diplomatic Mission to Nigeria, 2015). A second generation of universities was established between 1970 and 1985, to meet the manpower needs of the post-Civil War reconstruction and industrialisation drive. A shift in orientation from broad based university education to specialized education motivated the birth of the third generation universities in the 1990s, focused on technology and agriculture (Nwagwu and Agarin, 2008).

their interests and patterns of mobilisation. In the military period from 1966, the demands of fighting the Civil War increased the size of the army from 10,000 in 1966 to over 200,000 in 1970 due to enlistments to fight the war (Gelb and Bienen, 1988:234-235; Bennett and Kirk-Greene, 1978) and their longevity in political power empowered them as actors beyond their national security roles. The armed forces' involvement in politics ingrained in the psyche of lower-ranking officers, the aspiration to emulate their superiors to aim for political power, implanting a firm 'coup-plotting' spirit in them[66]. This aspirational effect was reinforced by the rapid promotions of military officers; appointments to cabinet and ambassadorial positions and the consequent opportunities for material enrichment. These opportunities for enrichment diversified the political elite and also introduced a 'second generation' of a nouveau riche economic class consisting of serving and retired millionaire officers. This is in addition to the existing wealthy civilian-political, bureaucratic, business, professional and the traditional ruler classes. The changing social structure in which the armed forces became direct stakeholders in politics and the economy was consolidated by a shift in the economic base towards oil in the 1970s, the volume of oil earnings flowing into weak and unaccountable administrative structures, and by the military rulers' longevity in political power beyond the contingency of protecting Nigeria's territorial integrity during the turbulent 1960s.

Within a changing social structure engendered by the oil boom, vertical-societal redistributional issues and political representation became more salient than the horizontal-elite competition and sectarianism which had defined the First Republic. The welfare programmes embarked on by the post-independence civilian and military governments, the disbursements of the oil windfall proceeds from 1973 through public sector wage increases, public investments, business assistance programmes and indigenisation policies which enabled private accumulation among the bureaucratic, professional and business elites (Forrest, 1994:38) in commanding heights of the economy empowered many Nigerians. However, income redistribution issues were hardly at the forefront of public policy. There was no strong pressure from below to deal with equity issues either in rural-urban or class terms. As (Bienen,

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[66] This increased the likelihood of counter-coups for every regime. Within Ibrahim Babangida's eight-year regime alone, from 1985 to 1993, there were two counter-coup attempts (Siollun, 2013).

1983:102) explains, peasant farmers and trade unions were not strong enough to advocate for income redistribution, while those in the urban informal sector did not constitute an effective force for radical change. As Nnoli (1978:289) argues, there was no “progressive alliance” of the “rural and urban poor majority”. However, widening economic inequalities of the oil boom made the political mobilisation of ethnicity more difficult to employ in the Second Republic (1979-1983), and class cleavage emerged more explicitly as the manifest basis of political division (Sklar, 1967:6&1981; Diamond, 1983:74). While economically empowered urban Nigerians acquired a political voice, this rising political voice did not translate into actual political participation. Notably, the limited participation of students, civil servants and trade unions in the democratic transition managed by the Mohammed/Obasanjo military regime from between 1976 and 1979 meant that leadership in the new parties fell to old-guard career politicians and businessmen from the First Republic (Falola and Heaton, 2008: 201).

The economic crises of the 1980s provided an outlet for these empowered professionals, unions and civil society to contest their political marginalisation. The crash in global oil prices in 1983 – shortly after the 1979 democratic transition – hit hard an economy wholly permeated by oil rents as the primary foreign exchange earner. The inability of President Shagari’s civilian government to effectively manage the economic crisis culminated in another military intervention in 1983. Yet, the new military regime headed by General Muhammadu Buhari further alienated wider society with its harsh anti-corruption drive. State governors, ministers and many prominent politicians were jailed on corruption charges; the Nigerian Medical Association and other professional associations were proscribed; the infamous Decree No. 4 ‘Public Officers’ Protection Against False Accusation’ criminalised critical journalism, and the regime’s perceived ethnic and religious lop-sidedness in favour of northern Muslims, all gave it a draconian and regional flair (Forrest, 1995:96; Siollun, 2013). The regime’s loss of its initial mass appeal created the momentum for a palace coup in August 1985 with wide support from the media and civil society.

The new regime headed by General Ibrahim Babangida initiated far reaching economic reforms to manage the crisis, changing the relative economic power of wider societal groups. By taking a more consultative approach to crisis management, Babangida’s regime at the onset, secured broad-based support from professional groups which lost incomes under Buhari, ethnic groups which argued Buhari had a pro-northern bias, the business community and the political elite many of whom had been jailed. In a national debate, an IMF loan was roundly rejected in favour of a ‘home-grown’ SAP. On one hand, market reforms introduced new players into the non-oil economy. For instance, the relaxation of banking and foreign exchange controls in 1986 led to the tripling of banks, from 40 to 120 over the next five years (Lewis, 1994:445). On the other hand, the failure of reforms to generate a supply response from the productive sector reinforced the rent-seeking orientation of the business class (ibid: 441). These rent-seeking activities included ancillary services in the oil sector, government contracts, import-export trade and speculation in commodities, real estate, currency and financial markets. Some of these emerging bankers, business men, even those engaged in speculative activity, would constitute the private sector that would respond to market-reforms in the Fourth Republic from 1999, discussed in Chapters Four and Five. Specifically, southern, especially Yoruba-western economic interests which benefitted greatly from the SAP market-reforms initially supported Babangida’s regime. As Lubeck and Watts (1994:211) posit, SAP privileged the more competitive cultural capital and industrial location of the southern elite by reducing state economic involvement and institutionalising market forces, thereby undermining the competitive advantage of the northern elite[67].

Within this context of rent-seeking that pervaded the regime’s attempt to transition to a market-driven economy, concurrent austerity measures profoundly antagonised societal groups. In particular, currency devaluation, retrenchments in the public service, cuts in social spending and trade liberalisation weakened the nascent middle class. GDP per capita declined from $840.5 in 1980 to $571.7 in 1991, the percentage of the population subsisting below $1.25 a day, rose from 54.1% in 1984 to 61.9% in 1992 (WDI, 2015), while tertiary institutions and professionals suffered from serious brain drain. Yet, a relatively small group of banks, speculators, government officials and importers prospered

[67] Lubeck and Watts (1994:211) note that the northern elite, comprised of aristocratic-origin mostly Muslim civil servants, generals, merchants, industrialists and commercial farmers is a power bloc, which exercised dominance over the state apparatus since independence, at least until the transition in 1999. However, this bloc’s technical and educational limitations relative to their better-educated and economically advantaged Christian, southern Nigerian rivals, made them unable to compete effectively in an open market.

(Maier, 2000:65). The squeezed middle represented by a vibrant media and unions[68], aware of their deteriorating standard of living, took a militant position against austerity. This is in line with Khan's (2000:38) about urban middle class groups opposing redistribution to business groups during the process of primitive accumulation.

Empowered by the new crop of university graduates embracing radical left-wing ideas of the Cold War period, civil society radically opposed the very 'home-grown' SAP they had once cheered. They were enraged further by the perceived inconsistency and opacity of the military regime in managing the economic crisis, cronyism, and favouritism to businessmen, bribery and co-option of journalists and repression of civil society, such as the Civil Liberties Organisation and the Constitutional Rights Project. The annulment of the 1993 presidential elections sparked widespread protests by the Campaign for Democracy (CD), the NLC, the National Association of Nigerian Students (NANS) and other labour unions and civil rights organisations, engulfing the country in its worst political crisis since the Civil War (Forrest, 1995:110; Siollun, 2013:247-48). The annulment radically alienated Babangida's regime from the now-militant and organised civil society, and completely eroded its broad-based support.

The agitations against austerity and the aborted civilian transition set the tone for the antagonistic relations between a radicalised civil society, weakened productive groups, and the autocratic military rulers, pervaded until democratisation in 1999. This military-society antagonism escalated under General Sani Abacha's regime which discarded any pretentions of civility by harshly repressing dissent to his authoritarian rule[69]. In particular, a deep grievance simmered within a largely Yoruba elite and civil society over the persecution of Moshood Abiola, winner of the annulled 1993 elections. This foreclosed any opportunity for forging alliances with broad segments of society.

[68] Yahaya (1994) sees the complex relationship between the state and trade unions in Nigeria as one defined by corporatism, in which unions while in a subordinate position to the state, possess significant autonomy.
[69] Notable instances include the sacking of the executive council National Union of Petroleum and Natural Gas Workers (NUPENG), the Petroleum and Natural Gas Senior Staff Association (PENGASSAN), and the NLC; the closure of three newspapers: the Punch, Concord group and The Guardian; the arrest and intimidation of civil society and political leaders such as Nobel laureate Professor Wole Soyinka, Brigadier Lawan Gwadabe, General Obasanjo (rtd), his former deputy, General Musa Yar'Adua, and others over an alleged coup plot in 1995 and the execution of Ken Saro-Wiwa and other Ogoni activists in November 1995. See: Idachaba (2001).

Notably, the boycott of the 1994-1995 National Constitutional Conference, by key segments of civil society under the aegis of NADECO[70] led by the aggrieved Yoruba-west, detached much of civil society from the political processes which birthed the democratic transition. The profound influence of the Yoruba-west in Nigeria's civil society, the professions and media stemmed from their historic educational and economic advantages and ethnic homogeneity in the Western region. Even after General Abacha's mysterious death in June 1998, when a concrete path towards democratisation had been carved, and an elite consensus had emerged for a Yoruba, Christian, southern president, the fallout of the antagonistic relations in previous military regimes meant that much of civil society distrusted the transition process. As noted by a member of one of the transition political parties, civil society's boycott of the transition process in 1998 reinforced the elite-driven consensus at the heart of Nigeria's democratic process and concurrently narrowed the space for civil society's influence[71].

Thus, by the time of the electoral transition, the very unions and civil society groups which had been key to decolonisation and in challenging military rule remained vocal but disempowered. The military elite shaped and drove the transition process, along with civilian politicians and some economic elite, as will be discussed below.

Economic Agenda

In Nigeria, successive economic policy agenda evolved from the laissez-faire and later interventionist orientation of colonial rule, a state-led capitalist approach in the early post-independence and the post-Civil War military regimes, a brief pivot towards a market economy and finally a 'mixed-economy' by democratisation in 1999.

Colonial rule adopted a largely laissez-faire approach to economic management with a brief pivot towards developmentalism in its latter years. At the onset, the economic agenda was defined by the 'dual-mandate' philosophy of colonialism as articulated by Nigeria's first Governor General, Lord Frederick Lugard (1922:617) as follows:

[70] National Democratic Coalition (NADECO) was formed on 15 May 1994 to press for the revalidation of the June 12, 1993 presidential election (Idachaba, 2001).
[71] Interview, Abuja, Nigeria, 30 April 2014

> Let it be admitted at the outset that European brains, capital, and energy… never will be, expended in developing the resources of Africa from motives of pure philanthropy; that Europe is in Africa for the mutual benefit of her own industrial classes, and of the native races in their progress to a higher plane…

In reality, Britain's extractive economic interests were prioritised above the development of the colony. Even the political unification of the North and South in 1914 centralised administration for the purpose of fiscal sustainability (Falola, 1996: 3). The colonial state ignored all issues unrelated to its objectives even if they were critical to economic and social development until demands by indigenous business for economic inclusion and fiscal administrative pressures led to a paradigm shift towards a more interventionist strategy through skeletal development planning. Under the framework of the Colonial Development and Welfare Act (CDWA) of 1945[72] the state was required to develop ten year development plans[73] to guide allocation of the CDWA funds. This resulted in the 'Ten-Year Plan of Development and Welfare for Nigeria 1946'. These plans sought to achieve minimum economic growth in the export trade to ensure the objectives of colonial rule were maintained. They constituted a series of projects which were not co-ordinated with any overall economic target for investment or industrialisation[74] (First National Plan, 1962:6), rather emphasising on improving social welfare, health services and limited agricultural productivity. Although there were efforts to establish light manufacturing industries from the 1930s, Williams (1974:9) argues that it was a deliberate strategy by British firms to withdraw from merchant trading in defending their imperial markets from Japanese and Eastern competition.

At independence, a state-directed development strategy envisioned to provide the springboard for an industrial economy and accelerate the pace of social development. Thus in the First Development Plan from 1962 to 1968, the government aimed "to stimulate the establishment and growth of industries…"[75] with a target of 4% growth per annum, annual public investment of 15% of GDP,

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[72] According to the first Preliminary Statement on Development Planning in Nigeria, "the forms of development referred to so far are all calculated to… provide those physical facilities which may be regarded as the minimum necessary for the general improvement of the country and its population" Nigeria Colonial Government (1945:3-5).
[73] See Falola (1996) for a review of colonial development plans.
[74] For instance, the Nigeria Colonial Government (1945:3-5) stated that: "it is not assumed…that Nigeria will become an industrial country as with its large population and area a great deal of its future must rest in agricultural development… and the improvement of village industries".
[75] First National Development Plan 1962-68 (p.60).

economic modernisation, macro-economic stability, social development and equitable income distribution (First Plan, 1962:23-24). Industrialisation was to be attained through import-substitution[76], in which local manufacturing aimed to satisfy local demand and replace imports. Foreign exchange earnings from agriculture and mineral exports financed the importation of capital inputs for manufacturing industries, and investments in infrastructure and welfare. Table 12 (Appendix II) illustrates this increase in capital expenditure. In the 1955-61 colonial plan, trade and industry accounted for 2.9% of expenditure, and in the 1962-68 post-independence plan, it was 13.4%. Furthermore, each region, through the regional development production boards carried out development work with funds provided by the marketing boards (Hawkins, 1958:56). Until the oil boom of the 1970s injected substantial capital and compelled some innovations in planning, this post-independence development plan was modelled after the colonial predecessors (Falola, 1996).

The Second Development Plan brought to life by Yakubu Gowon's military regime after the Civil War in 1970, reflected the underlying elite consensus to foster national unity and the post-war reconstruction. This vision consolidated the ISI strategy of the 1960s. The government allocated the largest portion of development funds to agriculture, industry, transportation, manpower development, defense and public utilities such as electricity and communication to generate the necessary impetus for growth (Gowon, 1970:2). These developmental imperatives of a military regime driven by an underlying consensus to foster national unity, transformed the administrative structure towards a more centralised federation with a powerful centre and weaker regions. For instance, the Land Use Decree of 1978 transferred control of land and mineral rights away from local communities to states and federal governments, increased the power of the state, and also set the federal government on a future collision course with the oil-producing Niger-Delta (Maier, 2000: 15). There was consequently, a stronger role for the state in fostering growth and in nurturing the productive sector.

The oil boom of the 1970s had a dramatic influence on the scope and investment priorities of this post-war economic agenda. The oil windfall earnings compelled several innovations in national

[76] Nigeria, Federal Ministry of Economic Development (1962:6)

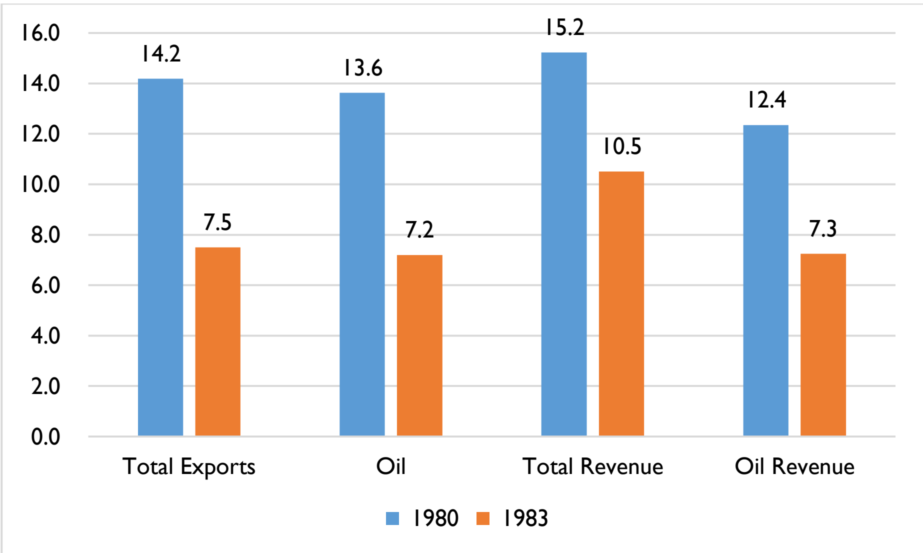
planning (Falola, 1996) underscoring the expansion of the state's role in the economy. There were two notable impacts of national planning on the economy.

First, the oil boom provided more revenue to finance a wider scope of ISI than agriculture and mineral exports, and thus enabled direct state participation in the economy. For instance, attempts at developing large-scale agrarian plantations involved the establishment of SOEs such as the Nigerian Agricultural Bank, direct land acquisition and the establishment of farms, poultry and dairy ranches by government agencies (Oculi, 1987:178). As discussed in previous sections, oil earnings enabled the government to embark on nationalisation and indigenisation of commanding heights of the economy in line with the trend in other oil exporters. While manufacturing industry grew in response to all this stimulus, it was still under 10% of GDP, and according to Olukoshi (1993) it was dominated by light manufacturing, rather than intermediate and heavy industries. There were very limited backward and forward linkages between a manufacturing sector which relied on foreign inputs and the local economy (Olukoshi, 1994). However, private investments in industry increased as well. According to Forrest (1994:243) some of the privately acquired oil wealth was channelled into more productive forms of investment in industry, and investments abroad provided hard-currency to finance business at home. Therefore, the state's role in the economy was ambiguous, and from 1976, the state officially proclaimed a 'mixed economy' of socialist leaning in certain areas of the economy whilst permitting individual initiative and ownership in other areas (FRN, 1976).

Second, an increasing emphasis on the improvement of social welfare as well as industrial expansion widened the scope of public spending to unsustainable levels. Partly spurred by rising inequalities, there was a shift towards more explicit welfare objectives of building a "just, egalitarian society", "more even distribution of income", reduction of unemployment, and rural-urban income disparities (Gowon, 1970:2; Third Plan, 1975: 27-31) in the Third Development Plan from 1975. The government prioritised "…those sectors which directly affect the welfare of the ordinary citizen…" (Third Plan, 1975:8, 27&29). Public expenditure targeted education, health, housing, roads, rural electrification, water supply, irrigation systems, and other public goods, and wage increase for civil servants under the Udoji Scheme, all with a view to accelerating social development. However, rising public spending, led to an expansion of the public sector. For instance, the number of public enterprises expanded from about 250 in 1970, to more than 800 within a decade (Lewis, 1994: 443).

When it became disconcertingly apparent by the late 1970s that the economy – industrial expansion, agriculture, public and private investments – had become severely dependent on oil rents, efforts to address this dependence were futile until the global oil shock of the 1980s. For instance, in the Fourth Development Plan (1980:52) monetary and fiscal policies were directed at "reducing the over-dependence on the oil sector as a source of public revenue". Thus, when global crude prices collapsed in 1983, it was inevitable that the Nigerian economy would be plunged into crisis. This is because oil rents financed imports of industrial inputs, social expenditure and the state's direct participation in the economy through SOEs. In particular, since the state's role as the major economic actor was enabled by oil rents, the oil sector was thus a major driver of growth generally and non-oil growth was endogenous to the oil sector.

Figure 3.8: Sudden Decline in Exports and Fiscal Revenue between 1980 and 1983 (N billions)



Source: Central Bank of Nigeria Database

As Figure 3.8 (Table 7) shows, total exports fell from N14.2 billion in 1980 to N7.5 billion in 1983, and of this, crude oil which constituted 96% of total exports declined by almost 50%, from N13.6 billion in 1980 to N7.2 billion in 1983. Total federal government revenue fell from N15.2 billion in

1980 to N10.5 billion in 1983, and of this, oil earnings which constituted 81.1% of revenue declined by over 40% from N12.35 billion in 1980 to N7.25 billion in 1983 as Table 8 (Appendix II) shows. Consequently, the economy contracted by 1.7% in 1982 and 6.6% in 1983 as Table 9 (ibid) shows. In the context of the economic transition towards the oil sector, it was difficult to augment declining oil rents with non-oil revenue.

Critically, as Forrest (1995:157) notes, the expansion of state expenditure during the oil boom undermined an already weak administrative capacity of the public sector, making the management of a crisis-beleaguered economy more difficult. Even from 1978, Nigeria risked sliding into a debt crisis due to loans taken on the prodding of international private bankers. Thus, public debt grew from N4.6 billion in 1979 to N22.2 billion in 1983, there were huge budget deficits, inflation rose by 40% in 1984; external reserves fell by more than 50% in 1982 and by 1984, could not support up to two months of imports (Olukoshi, 1993: 3; Yahaya, 1993:17). Successive governments sought to address the roots of this crisis.

From January 1986, General Ibrahim Babangida's military regime embarked on SAP which transformed the basis and the scope of development planning in Nigeria. The SAP sought to restructure the basis of industrial accumulation, from the state-led ISI to a market-driven economy to address the oil crisis and to correct the structural deficiencies of import substitution. As such, the regime embarked on what Olukoshi (1993:72) describes as the most "far reaching economic programme to be implemented in… the post-colonial period". In the short term, austerity measures sought to stabilise the economy and manage the debt crisis through currency devaluation from $1.50 to the Naira in 1983 to about $0.5 to the Naira in 1993, and a reduction of public spending, subsidies and resizing the public sector. In the long-term, SAP sought to drive the transition to a market economy by moving to a floating exchange rate, trade liberalisation and the elimination of import licenses, privatisation and commercialisation of SOEs, and the general encouragement of private and foreign investments.

These market reforms aimed to strengthen private sector participation in the productive sectors and increase efficiency in the public sector. To an extent then, SAP mitigated some of the worst effects of the economic crisis. For instance, some of the price distortions, rigidities and biases against agriculture were reversed through the abolition of the marketing boards, while import bans spurred backward linkages in select large-scale textiles manufacturing, food processing and brewing[77] (Lubeck and Watts, 1994; Forrest, 1994). Growth was restored from -0.7% in 1986 to an average of 8.7% per annum between 1987 and 1990, before it declined sharply in 1990 and then stagnated at an average of 1.5% until the early 2000s as Table 9 (Appendix II) shows.

Despite SAP's accurate diagnosis of Nigeria's structural economic problems – an overvalued currency, imported food and manufacturing inputs, and an overextended state industrial sector – it failed to provide the expected stimulus to the productive sectors[78]. Lewis's (1997:437-438) compelling thesis[79] attributes this stalled economic transformation to the structural incapacity of the Nigerian state to provide real inducements for productive activity: a poor institutional environment to elicit a significant supply response from the private sector; and a poor political environment to support productive capitalism. These two factors encouraged infrequent and distortionary government intervention which undermined the reform programme. There was essentially, a failed take-off of the market economy. SAP's fiscal conservatism also depressed demand due to social expenditure cuts, reduction of subsidies, wage freezes and other austerity measures to plug budget deficits and reduce external debt (Lubeck and Watts, 1994:206). The sluggish economic recovery, the inconsistencies in market reforms due to political pressures for intervention and the brief rise of oil prices in the early 1990s all reinforced the dependence on the oil sector. By 1995, crude oil accounted for 97.6% of exports, and 70.6% of government revenue as Tables 7 and 8 respectively show (Appendix II). Non-oil

[77] By 1990 according to a MAN (Manufacturers Association of Nigeria) study, 78% of raw materials in the food and beverage sector were being locally sourced while before SAP, Nigerian manufacturers imported over 75% of their raw materials. However, the intermediate goods sector suffered. By 1993, the automobile industry which hitherto assembled over 100,000 vehicles was operating at only 10% capacity (Lubeck and Watts, 1994:223). Interestingly, the food and beverage sector is one of the few manufacturing sub-sectors in industry that remains competitive today.

[78] The limited gains in manufacturing and agriculture were rolled back in the 1990s. Agriculture in particular was affected by historic-structural factors, the detailed analysis of which goes beyond the scope of this study. Williams (1988) and Oculi (1987) for example, identify the inability of peasant producers to transform into capitalist producers, colonial policy's encouragement of peasantry and its unwillingness to encourage capitalist agriculture, and the part-time commitment of the few indigenous capitalist farmers, all inhibited the emergence of a large-scale farming. Zartman and Schatz (1983:15) note that successive rhetorical emphases on agriculture had in practice little effect, such as the Green Revolution and Operation Feed the Nation of the early 1970s.

[79] Others attribute SAP's failure to the global economic recession of the 1980s, its external imposition, its prescription of 'unsuitable' market reforms, and the limited agency of African governments in the entire process. There is a robust critique by African scholars which goes beyond the scope of this study. See for instance the edited volume by Mkandawire and Soludo (2003). A separate but useful position is the argument by Shafer (1994) that the state's institutional capacity to successfully restructure is determined by the attributes of its leading sector(s).

growth and productivity which had improved slightly during the early SAP period in the late 1980s generally stagnated and in certain sectors, declined. As Table 11 shows, by 1995 manufacturing was 4% of GDP, much lower than the average of 6% during the early SAP days, building and construction was 1.3%, mining was 0.2% while agriculture was 40%. Although SAP's market reforms to an extent liberalised the opportunities for domestic accumulation, the Nigerian state remained central to the general process of capital accumulation.

The hardship experienced by civil servants, students and wider society in contrast to connected and prosperous business interests and political elites amidst the government's distortionary intervention on one hand and austerity on the other, undermined SAP's legitimacy. This tension was underlined by the wide perception within civil society, media and intelligentsia that SAP was a repackaged version of the IMF's stabilisation prescriptions, despite the government's claims that it was a home-grown programme "produced by Nigerians for Nigerians"[80]. This was also underlined by the perception that SAP had been reduced to an exclusive and externally-imposed technocratic affair. Consequently, this alienation of wider society from the processes of economic reform created an intense distrust for liberal economic policies, particularly those supported by Bretton Woods Institutions, which has persisted in the Nigerian psyche.

The alienation of wider society from Babangida's economic reform programme, was exacerbated by the fallout of the political crisis of the annulment of the presidential elections in 1993 and by General Abacha's brutal suppression of political opposition. SAP's failure to rejuvenate the economy within a global climate of low oil prices in the 1990s necessitated the envisioning of a new economic strategy to address the persisting structural problems obstructing industrialisation. Against this backdrop, in November 1997, Abacha's regime unveiled an economic blueprint, the Nigeria Vision 2010. The major objectives were diversifying the economy away from oil through industrialisation, acceleration of human and social development, institutional reform and a transition to one of the world's top 20 economies by the year 2010 (Nigeria Vision 2010 Committee). Although Vision 2010 was the

[80] General Babangida is perceived to have introduced the IMF conditions through the back door; it was designed by World Bank economist, Dr. Kalu Idika Kalu. Apparently, even Babangida and some senior officers in the regime did not fully understand what SAP entailed before implementing it (Siollun, 2013:176-177).

outcome of a consultative process and it outlined practical steps for Nigeria's economic transformation, the boycott of the process by an aggrieved, largely Yoruba intelligentsia over the 1993 annulment of the presidential elections undermined its legitimacy.

Thus, in discarding the Vision 2010 economic blueprint as well as Abacha's draft constitution, the elite consensus for the electoral transition after Abacha's death in June 1998, reflected a collective resolve to appease aggrieved sections of the country, by dissociating from any process produced by a 'stolen mandate'. As a founding member of the PDP and a member of the transition government explained to me[81]: "by the time he [Abacha] died, the General had become something of a pariah leading those who succeeded him to treat his legacy with open contempt." When a new civilian administration was sworn in after 16 years of military rule on 29 May 1999, the development planning process had gone full cycle – as with the early colonial period, there was neither an economic agenda in place nor was there an explicit articulation of a broad national economic vision.

Institutionalisation

Political settlements are also defined by the parameters within which actors operate, the rules which mediate and regulate economic activity and political competition. In Nigeria, the process of institutionalisation evolved from one in which successive colonial constitutions entrenched regional differentiations, to one in which the constitutions midwifed by successive military regimes to foster national unity successfully blunted the regional, religious and ethnic cleavages underlying political competition and economic activity in Nigeria.

During colonial rule, institution building, embodied in successive constitutional processes enabled regionalism as the basis for political mobilisation and competition. After the first constitution unveiled by Sir Hugh Clifford introduced the elective principle in 1923, a new constitution under Sir Arthur Richard in 1946 laid the groundwork for regional and ethnic political mobilisation by creating regional councils as the basis for representation. As Mustapha (2004:iv) highlights, colonial

[81] Interview, Abuja Nigeria, May 2014

administrative regionalism consolidated the link between ethnic distinctiveness and administrative boundaries – Hausa and Fulani in the north, Igbo in the east and the Yoruba in the west, while the ethnic minorities in each region were forced to accommodate themselves the best they could. This regional differentiation was perpetuated by the British (Coleman, 1963:53; Ezera, 1964; Nnoli, 1978) both as a 'divide and rule' tactic, but also for the more pragmatic reason of rallying Nigeria's hundreds of ethnic groups into more encompassing regional identities.

From 1945, these regional identities deepened the country's regional 'fragmentation' in three ways. First, cultural associations in each region transmuted into political parties, becoming the nucleus of political activity in each region right into the post-independence period. This was enabled by the MacPherson constitution of 1951 which paved way for the emergence of political parties, by allowing for elected representatives. Thus, the *Egbe Omo Oduduwa* in the Western region and the *Jammiyar Mutanen Arewa* in the Northern region became the ruling parties, AG in the West and the NPC in the North respectively, while the NCNC contained elements of the Igbo Union in the East. Second, the incremental nature of constitutional developments set the precedent for the consensual nature of institution building based on this tripodal structure. Significantly, the clustering of party politics around regional identities after 1951 meant that the negotiations that preceded subsequent iterations of constitutions were geared towards both national political autonomy and a balance of power among the three regions in political representation and resource distribution. The balancing of these twin goals became paramount in view of the regions' relative economic, educational and demographic strengths and weaknesses. Third, as Falola and Heaton (2008:155) note, this tripodal-regional structure bequeathed by the constitutions of the 1950s further undermined the development of a unified national consciousness by determining that access to power at the national level was to be derived from holding power at the regional level.

The independence constitution at 1960 and the 1962 federal constitution were a reflection of the inherently unstable colonial regional balance of power arrangements. As Sklar (1981) rightly notes, the federal government of the First Republic (1960-66) was erected upon a foundation of domineering regional power. The constitution embodied the underlying elite consensus which emerged in the constitutional conferences in Lagos and London, in which regional elites agreed to independence on the basis of relative autonomy. Some important provisions included a regional quota system in the army and the civil service, a form of affirmative action to ensure fair representation of educationally 'backward' regions, especially the North. In addition, the North based on its population, had more representatives in the federal legislature: 174 members more than the East (73), West (62) and Lagos (3) combined (Dudley, 1982:58). These provisions skewed the balance of power in favour of the North – whose NPC was the major partner in the ruling coalition with the eastern NCNC – dominated parliament by virtue of its geographic size and population, and received the most federal resources. These highly contested provisions were initially accepted, partly in acknowledgement of the need for equity, but mainly because the North was able to enforce them using its numerical strength and bargaining position [82] during the constitutional conferences – where the eagerness to attain independence foreclosed a sobering assessment of the implications. As Dudley (1982: 58) describes, "so overwhelming was the imagery of 'the platter of gold' that principles were freely conceded before the seemingly pragmatic consideration that independence was worth any price".

The regional frictions over the asymmetry of power distribution in the independence constitution spiralled into political crisis. The spheres of contestations included resource allocation, population numbers especially a shambolic census in 1963, the federal elections of 1964 and the ensuing constitutional crisis[83], all of which irredeemably fragmented the fragile elite consensus. The violent military coup of January 1966 indicated a total collapse of the independence political settlement with the suspension of the constitution by the military junta and the descent into Civil War by 1967.

The 1966 coups and the aftermath of the Civil War undermined the role of the constitution as the final arbiter of power in favour of the more informal and defacto elite bargains. Military rule was

[82] Representatives of the northern region realising their region's acute educational disadvantage, and fearing southern economic domination, tried to slow down the process of independence at the 1950s constitutional conference, with according to Forrest (1995:22), British cooperation, and only agreed to it, after securing these concessions.

[83] In the 1964 elections, a coalition between the eastern NCNC and the western AG, called the United Progressive Grand Alliance (UPGA) lost the elections to the Nigerian National Alliance (NNA) a coalition of the northern NPC and a breakaway faction of the AG, the NNDP. Having failed to alter the regional balance of power through the 1963 Census, the President, Nnamdi Azikiwe leader of the NCNC refused to accede to the request of Prime Minister Sir Abubakar Tafawa Balewa of the NNA to be reappointed as the head of government. This created a brief but severe constitutional crisis, which despite being eventually resolved, revealed the deep cracks in the body politic, contributing to the collapse of the First Republic. See Dudley (1982:67-73)

not beholden to the constitution – military rulers ruled by decrees and edicts (Siollun, 2013). A military government's power is typically *defacto*, derived from their appropriation of political authority structures and instruments of violence, rather than formal or *dejure* constitutional rules. Therefore, at any given time, they could suspend all or parts of the constitution, eliminate checks and balances by suspending the legislature and generally remain unaccountable. The Supreme Military Council (SMC) and later, the Armed Forces Ruling Council (AFRC) from 1986, comprising largely military officers and some civilian politicians, was the final decision-making authority (Dudley, 1982:91). This symbiosis of the military rulers with civilian technocrats in the policy process reinforced the centralisation of power to the centre that began with Ironsi's Unification decree after the first coup in January 1966. This centralisation was emboldened by post-war reconstruction exigencies. In particular, by revising the revenue allocation process to become a tool for financing development programmes, the federal government had an enlarged allocative role, receiving more revenue than the constituent units (Dudley, 1982:257).

This widening gap between formal *dejure* constitutional rules and the *defacto* military elite consensus was indicative of the idealistic attempts by the military to impose its vision for a united Nigeria to mitigate the visceral ethnic and regional competition of the bloody 1960s and to provide cohesion for the task of post-war economic reconstruction. Yet, this vision reflected neither the fragmentation of Nigerian society broadly, nor within the military itself as successive palace coups indicated. Thus, several efforts to restore the constitution ended in futility. For instance, the 1979 constitution provided for an American presidential system with a three-tiered federal structure to eliminate the regional animosities of the parliamentary-style First Republic. The Federal Character principle sought to ensure broad regional representation in the federal public service. The multi-party system sought to encourage consensus and political parties with a national as opposed to ethnic or regional character (FRN, 1976). These were all derailed partly due to the crises that trailed the re-election of the civilian president Shehu Shagari in 1983, the deterioration of governance[84] and the debt

[84] Joseph (1987) analyses the elections of the 1979 and 1983 elections through the prism of 'prebendalism', the intense struggle between opposing ethno-clientelist groups, to control and exploit the offices of the state.

and oil crises. Importantly, there was no firm agreement on democratic transition within a factionalised military which had become too used to coup plotting and direct participation in governance such that the idea of a permanent diarchy, a joint civilian and military government, was even suggested[85]. During Shagari's civilian administration for instance, a coup was already hatched before a reason for it emerged[86].

The uncertainty after Abacha's death an(Bienen, 1983:102)d the simmering tensions over the annulment of the presidential elections in 1993 which threatened to boil over into chaos prompted an elite consensus for a realistic democratic transition in 1998 and an accompanying constitution. According to former vice president Alex Ekwueme:

> Before Abacha's death, 'The Constitution of the Federal Republic of Nigeria 1995' had been finalised [at the 1994-1995 National Constitutional Conference] and was to… come into effect on October 1, 1998. This constitution introduced some fundamental changes to Nigeria's previous presidential constitutions (1979 and 1989) based on experience garnered over almost four decades of Nigeria's independence, all calculated to conduce to a stable Nigerian polity within which all Nigerians could truly feel a sense of belonging...

These fundamental changes in the 1995 constitution were meant to mitigate the perennial regional rivalries and fear of domination which undermined cohesion. They included the diffusion of federal executive power, the rotation of principal executive offices, reducing 'winner takes all' through proportional representation in the federal and state cabinets, and elimination of the abuse of incumbency in the electoral process with a one-year single term (Ekwueme, 2005). For instance, to diffuse federal executive power, six principal offices were proposed: the office of the President, Vice President, Prime Minister, Deputy Prime Minister, President of the Senate and Speaker of the House of Representatives. On power rotation, the constitution grouped the 36 states in six geopolitical zones and proposed three senatorial districts in each state, with provisions that office of president and governor would rotate among the six geopolitical regions and the three senatorial districts in each state respectively. This principle of rotation was to be implemented over a transition period of 30 years during which it was

[85] According to Siollun (2013:225), many military and civilian Nigerians argued that diarchy should be a permanent political solution as it would disincentivise future coups.
[86] Shortly after the presidential election of 1979, some military officers tried to persuade head of state Olusegun Obasanjo not to hand over to president-elect Shagari. There were several attempts to topple Shagari until they eventually succeeded See: The Nigerian Voice (2013)

expected that at the national level each of the six geopolitical zones would have filled the offices of President, Vice President, Prime Minister, Deputy Prime Minister, President of the Senate and Speaker at the House of Representatives for a term of five years each. Ekwueme adds:

> Thereafter, the cry of 'marginalisation' would have been a thing of the past. The 30-year period would have been used to... promote state level and national integration at all levels, following which all positions could then be filled on the basis of merit and competence in the true democratic spirit.

Proportional representation was meant to dilute the potency of the 'winner takes all' tendency. Therefore, the provision in the draft constitution was for an all-party government with ministers drawn from all political parties with at least 10% of the seats or the total votes cast at the national legislative election. The recurring controversy as to which geopolitical region should present the next president would have been narrowed down to manageable proportions, according to Ekwueme.

It is instructive that the constitution which facilitated the transition in 1999 was a slightly amended version of the 1979 constitution rather than this draft proposed under the Abacha administration. As Ekwueme opines:

> [With] Abacha's untimely death in June 1998, 'the Constitution of the Federal Republic of Nigeria 1995' was never promulgated… Nigeria therefore lost the benefit of some of its well-thought out provisions which were intended to promote justice, equity, and national unity in the process of transforming Nigeria from a country of many ethnic nationalities into a modern nation-state within a 'transition period' of 30 years.

Thus, the military elite consensus which underpinned the process of democratisation settled for a modified version of the 1979 constitution whilst jettisoning the draft 1995 constitution which had explicit provisions to address the contentious ethnic, regional and religious dialectics of power distribution in Nigeria.

CONSTRAINTS: EXPLAINING PERSISTENCE AND CHANGE IN NIGERIA'S POLITICAL SETTLEMENT AT CRITICAL JUNCTURES

Having laid out the historical evolution of Nigeria's political settlement, I now identify the specific constraints, the conditions and processes, which have led to the emergence of an institutional order emerges or when aspects of this order are retained or modified. From the analysis so far Nigeria's political settlement changed significantly at critical junctures. In such a 'clientelist political settlement' where dejure formal institutions remain weak, institutional change is catalysed by crises within the realm of defacto or informal institutions.

Based on the evidence presented so far, I argue that decisions made by successive ruling elites at critical junctures of political and economic crises restructured or transformed the underlying political settlement. The specific economic policy responses to these crises produced specific economic development outcomes, that is, increasing oil dependence and undermining industriaisation. The extent to which these economic outcomes were characterised by growth or decline, and to which the benefits of growth were horizontally distributed among elites on a regional, religious or ethnic basis or vertically among interest groups determined the stability of the political settlement and its vulnerability to future crisis.

In what follows, I identify these critical junctures and the specific constraints on the ruling elite, the policy responses to address these political and economic crises, the economic development outcomes of these policy responses and their influence on an emergent or modified institutional framework. To avoid repetition, I only identify these critical junctures historically and the reforms that emanated from them without going into too much detail. I rely on Mahoney's (2000:507-508) approach to identifying path dependence by tracing a given outcome back to a particular set of historical events, and showing how these events are unpredictable contingent occurrences that cannot be explained on the basis of prior historical conditions. These critical junctures are as follows:

- Colonial Developmentalism after World War II: 1946
- The Struggle for Survival in the Immediate Post-Independence Period: 1960
- Post-War Reconstruction of Yakubu Gowon's Military Regime: 1970
- The Failed Reforms of Ibrahim Babangida's Military Regime: 1986
- Abdulsalam Abubakar's Transition Regime: 1998

Colonial Developmentalism after World War II: 1946

In the last two decades of colonial rule, horizontal-elite, vertical-societal and external constraints led to important political and economic reforms which modified the underlying political settlement. As discussed already, vertical-societal pressures included the agitations for better terms of trade for indigenous business in relation to their foreign counterparts; improvements in wages and welfare for labourers and the administrative cadre; and an expansion of health and educational services while horizontal-elite pressures demanded greater political inclusion in colonial administration. These demands were enabled by population growth, the emergence of newspapers such as Nnamdi Azikiwe's West African Pilot, general strikes by trade and labour unions, nationalist movements and political parties such as the NYM, NNDP and NCNC. It became apparent to the colonial administrators that these pressures risked degenerating into social uprising.

Externally, there were three main contingencies. First, Britain's precarious financial position after World War II reduced external funding to the colonies thereby requiring self-sufficiency. Second, the emergence of the Labour Party as a dynamic force in British politics, and its "repudiation of imperialism" contributed to social and political reforms in the colonies (Attlee, 1939:4; Ezera, 1954:43). Third, the Atlantic Charter which declared its "respect [for] the right of all peoples to choose the form of government under which they will live", and the United States' vocal advocacy for self-determination for all peoples of the world (The Atlantic Charter, 1941; Ezera, 1964:40) set the pace for political inclusion of indigenous people across colonial territories.

Collectively, these internal and external pressures[87] constrained the colonial administrators to make political and economic concessions to mitigate social uprising, financial insolvency and international excoriation. Politically, the new constitution mediated by Sir Richard in 1946 expanded indigenous parliamentary representation based on the three administrative regions, an administrative structure which persisted beyond colonial rule. Economically, the notion of development planning was introduced in line with the CDWA provision, and the Ten-Year Plans guided public spending. Economic planning broadened the participation of the indigenous business, improved human

[87] Ezera (1964:39-63) catalogues in detail, how these external and internal influences led to political reform, constitutional changes and the emergence of the 1946 Richards Constitution.

development and was the basis on which future development plans, after independence were modelled. Economic institutions such as the marketing boards laid the groundwork for financing the post-independence ISI strategy.

However, the colonial state only granted a limited number of concessions without compromising the core of its principles. These reforms were limited to ensure people's aspirations for change were controlled to prevent widespread resistance (Falola, 1996:12-37). This is consistent with Robinson's (2010) description of pressures for reform having a 'reorienting' effect on colonial administrators who made limited adjustments to maintain existing institutions. As these concessions empowered indigenous political and economic actors, they incrementally altered and undermined the very basis of the colonial state and led to greater agitations for full political independence by 1960.

The Struggle for Survival in the Immediate Post-Independence Period: 1960

Shortly after independence, the country was at a critical juncture where major political and economic policy reforms were made in response to three main existential imperatives. First, there was a collective disdain for colonial rule which propelled regional leaders to ensure the new nation-state survived despite their conspicuous ethnic, religious and regional differences. Second, there was a need to ensure the country's economic self-sufficiency as an independent entity. Third, the three regions, now acutely aware of their relative weaknesses were spurred to empower themselves for relevance in the intense political and economic competition that ensued.

These threats to the country's survival collectively, and to the individual regions constrained national and regional ruling elites towards specific policy responses. At the national level, efforts to consolidate national unity by the NPC/NCNC coalition government led to a quota system to ensure the most educationally disadvantaged region was not marginalised in the public service and the armed forces. To attain economic self-sufficiency, a robust national development plan outlined the country's economic philosophy, ISI and focused on using public investments for reducing foreign dependence, building an industrial economy and improving human welfare. Concurrently, regional development plans outlined each region's philosophy, aspirations and economic and social development strategies in relation to their resource endowments. Politically, the 1962 constitution embodied these national and regional aspirations.

However, invidious competition among the regions for national power in parliamentary representation, public service employment, and for the advantages of population numbers strained the nation-building process. The post-independence political settlement increasingly became incapable of managing competing horizontal-elite interests. These tensions generated severe political crises which resulted in the succession of violent coups of 1966, the collapse of the First Republic and eventually the Civil War from 1967 to 1970.

Post-War Reconstruction of Yakubu Gowon's Military Regime: 1970

General Yakubu Gowon's regime was constrained by several existential threats which prompted extraordinary efforts at nation-building for the country's survival. In particular, it presided over a divided country on the brink of collapse, and a citizenry traumatised by the bloody coups of 1966 and the 1967-1970 Civil War. Consequently, in October 1970, the regime unveiled a nine-point transition programme for restoring national unity under the banner of 'Rehabilitation, Reconstruction and Reconciliation'. Politically, the administrative regions were replaced with 12 federating states to mitigate sectarian political mobilisation of the First Republic. The National Youth Service Corps, a mandatory national service targeting graduates of tertiary institutions, was meant to foster national integration and national unity, to erode the centrifugal dynamic that regional competition engendered.

On the economic front, the military rulers' efforts to place the country back on a track of economic self-sufficiency and industrialisation led to the restoration of national planning. The implementation of the Second and Third National Development Plans between 1970 and 1979 provided the framework for public investments and social spending. This post-war reconstruction was aided by the oil boom from 1973 which gave the regime the resources to pursue its ambitious development plans. Consequently, the oil boom provided a fiscal stimulus to growth which averaged 7.7% between 1970 and 1979 – manufacturing industry thrived, key transport, education and health infrastructure were built and social spending increased. Since the constitution, the legislature, political parties and other dejure formal political institutions were proscribed, defacto informal institutions prevailed in which the military government centralised absolute power in the process of promoting a united and cohesive Nigeria.

Key decisions taken in this period would persist to strongly influence long-term institutional development in at least four ways. First, the process of state creation became an expedient strategy for addressing competing redistribution demands by ethnic, regional and religious groups. Second, the centralisation of allocative and decision-making power in the federal government strengthened it politically and economically at the expense of the constituent units. Third Gowon's ascension to power through a coup in 1966, and his replacement by a (palace) military coup in 1976 further politicised the military entrenching their direct participation in governance and militarised the political system by weakening the influence of non-military actors (civil society). Four, oil rents had what Karl (1997:7) describes as a 'structuring effect' on emerging institutions by "petrolizing" the policy environment. This is where dependence on a primary export commodity shapes social classes, regime types, state institutions, the framework for decision-making and the decision calculus of policy makers. In such a situation, when booms coincide with the initial stages of state building, spending becomes the primary mechanism of 'stateness' as money is substituted for authority - such choices persist over time and make building administrative authority more difficult (ibid:41).

Therefore at this critical juncture of post-war institution building, oil rents financed the expansion of the public sector, the scope and powers of the Federal Government, intensified competition for access to state power and militarised the political system. Economic institutions therefore reflected this movement towards centralisation as the state became a major player in the economy and took new responsibilities for economic management through import substitution, nationalisation and the establishment of SOEs in virtually all major economic sectors. Thus, this trend toward administrative and financial centralisation fragmented political authority (Forrest, 1995:3). Things only worsened under the civilian government from 1979 which lacked the coherence and discipline[88] of the military to

[88] Forrest (1995:90) makes the pertinent point that due to the military's unitary organisation, centralised power, the threat of coercion, military governments in Nigeria have generally been associated with the capacity to undertake economic and political reform. This is because they could insulate executive authority more effectively against distributive pressures, although they eventually fell to the same political and economic decay of their civilian counterparts.

pursue economic reform. Economic management and the policy process were exposed to the political pressures of distributive demands, competition for rents and party patronage of electoral politics.

The Failed Reforms of Ibrahim Babangida's Military Regime: 1986

General Ibrahim Babangida came to power in a coup in December 1985, amidst a spiralling economic crisis caused by external pressures: the collapse of global oil prices, poor economic management and the structural deficiencies of the statist ISI. The regime also sought to address horizontal-elite and vertical-societal tensions incubated in the Buhari regime's delay in outlining a democratic transition timetable, its draconian approach to fighting corruption, and its antagonisation of the political elite and civil society. The policy response by the Babangida regime to this economic crisis was the SAP market reforms. This was an alliance among international, state and private capital to institutionalise conditions that will enable Nigeria 'grow' its way out of economic crisis (Lubeck and Watts, 1994: 213). The policy response to the political crisis was an elaborate democratic transition programme which entailed a new constitution, a two-party system, and further creation of states.

While structural adjustment mitigated some of the worst effects of the economic crisis, partially enabled by a rise in global oil prices from 1990, it failed to generate a supply-side response from the productive sector. Privatisation, economic liberalisation and other market reforms brought new players into the economy in shipping, oil-services, financial and other services sectors, which lay the ground works for vibrant private sector activity in the post-military period from 1999. For instance, Forrest (1994:243) notes that a strong advance in the banking sector, unparalleled in other sub-Saharan African countries was evident from the 1980s, encouraged by high profits, more relaxed conditions for entry, and the prospect of access to foreign exchange.

Importantly, liberalisation sowed the seeds for the gradual loss of economic power by the northern political elite, consolidated by their loss of political power much later at democratisation 1999. This is because the comparatively economic weaker northern elite must have a strong state sector in order to create a comparable business class, to ensure regional parity and to reproduce their hegemony over the state (Lubeck and Watts, 1994: 210).

Abdulsalam Abubakar's Transition Military Regime: 1998

General Abdulsalam Abubakar became head of state to a caretaker military regime at a critical juncture in June 1998 immediately after General Sani Abacha's mysterious death. Abubakar's regime was constrained by horizontal-elite and vertical-societal pressures from the fallout of the annulment of the 1993 elections, Abacha's repression of political opposition in his quest to transmute into a civilian president had fragmented the political elite and alienated the media, unions and wider society. These risked erupting into social unrest. Abacha's economic mismanagement, corruption and odious debts within a climate of consistently low global oil prices greatly stymied growth and left the country economically vulnerable. Extensive human rights violations, such as the hasty trial and execution of Ogoni environmental activist, Ken Saro-Wiwa in 1994, left the regime internationally isolated.

Abacha's death thus was an opportunity to chart a new course for the country with a definitive democratic transition whose key elements defined the emergent post-military political settlement from 1999 in several ways. First, unlike previous critical junctures where the decisions taken to mitigate crises included a clear economic direction, the regime outlined the transition timetable and produced a constitution as the legal framework for the new democratic order without a coherent economic strategy. Second, because Abubakar's caretaker role was the outcome of a consensus within the largely military political elite, a distrustful civil society based on prior experiences with predecessor military regimes largely boycotted the transition process. Third, this boycott further consolidated the unchecked political dominance of the military- and their civilian-elite collaborators after democratisation. Fourth, the transition constitution was a revised version of the 1979 constitution rather than the draft produced by Abacha's robust conference in 1994-5 which was more equipped to address contentious regional fears and rivalries. Five, the democratisation elite consensus enabled the emergence of a Christian president from the Yoruba-West as an appeasement over the 1993 presidential elections. This appeased of the Yoruba-West, who had the strongest grievances against Abacha may explain why the 1995 draft constitution and the Vision 2010 economic agenda, both outcomes of robust consultation were discarded from the transition process. It was on the basis of this emergent political settlement that Nigeria democratised in 1999.

CONCLUSION

So far I have presented what I argue to be the causal relationship within the three variables of constraints, policy responses and economic outcomes. The relationship incrementally birthing an unstable institutional order from the end of colonial rule until the electoral transition in 1999 with an oil-dependent economic structure. In particular, I have shown how horizontal-elite, vertical-societal and external-economic pressures constrained successive Nigerian ruling coalitions towards specific 'policy responses' to crises at critical junctures thereby producing and exacerbating an oil-dependent and non-industrial 'economic structure'. The chapter concludes on the note that despite several institutional reforms, the dialectics and fault-lines in the political settlement which generate disruptive economic and political crises were not sustainably addressed by the various policy reforms. To that effect, political reforms such as federal character, state creation and the negotiation of new constitutions did not sustainably manage invidious horizontal-elite competition. Neither were there comprehensive welfare policies and politically organised transfers to address the redistribution demands of workers, unions and other urban interest groups. Nor was the vulnerability to external commodity and oil shocks addressed by import substitution and later, an attempted transition to a market-economy. Rather, the political settlement remained highly vulnerable to destabilising crises in the form of illiberal and often violent political transitions, social unrest and global commodity shocks. These crises coalesced into constraints which pressured the ruling elite to opt for democratisation by 1999 without necessarily addressing the underlying causes.

CHAPTER FOUR: ECONOMIC DIVERSIFICATION AND POLITICAL FRAGMENTATION IN NIGERIA'S POST-MILITARY POLITICAL SETTLEMENT

INTRODUCTION

In this chapter, I outline the constraints to decision-making since the end of military rule in 1999. These have resulted in a relatively diversified but non-industrial economic structure, with rising poverty and regional inequalities, and in which exports and government revenue are still oil-dependent. This analysis here identifies the actors, interests and pressures underlining the changing nature of constraints on the ruling elite, that is, horizontal-elite competition, vertical-societal redistribution demands and the external shocks on the economy. By unveiling this evolving political settlement since 1999, I explore the causal relationship among the three variables of constraints, the resulting policy responses and their economic and developmental outcomes. The discussion here provides the context, for a deeper analysis in Chapter 5 on how constraints on the ruling elites informed the deployment of resources/rents towards public procurement, telecoms and oil sector reforms. The changing economic structure and the changing political settlement as presented in this chapter frames the subsequent analysis of specific reforms in the next chapter.

The first section lays out Nigeria's economic development trajectory since 1999. It shows the diversification of GDP from oil and agriculture to services, the persistence of oil rents as the main source of economic rent in exports and government revenue, and the inequalities in the distribution of economic growth benefits. Using the political settlements approach, I then present the evolving post-military institutional framework since 1999. This includes the *elite bargain* assessing the evolution of horizontal-elite competition over a changing source of economic rent and the power over its allocation; the displacement of trade unions, and other established *wider societal groups* by religious and violent militant movements; the *economic agenda* encapsulating the ruling coalitions' priorities in the organisation of economic activity and their specific growth or redistribution policy responses to external and vertical-distributional constraints; and *institutionalisation* of the emerging rules mediating and regulating this horizontal-elite and vertical-societal competition over power and resources.

To be systematic, the periodisation in each section covers the three civilian administrations since the democratic transition, that is, the Olusegun Obasanjo Administration (1999 to 2007), the Umaru Yar'adua Administration (2007 to 2010) and the Goodluck Jonathan Administration (2010 to 2015). I only make brief references to Muhammadu Buhari's administration (2015-present), which is two years in power at the time of writing. As with the rest of the study, more detailed version of the data employed here, where necessary, is provided in Appendix II.

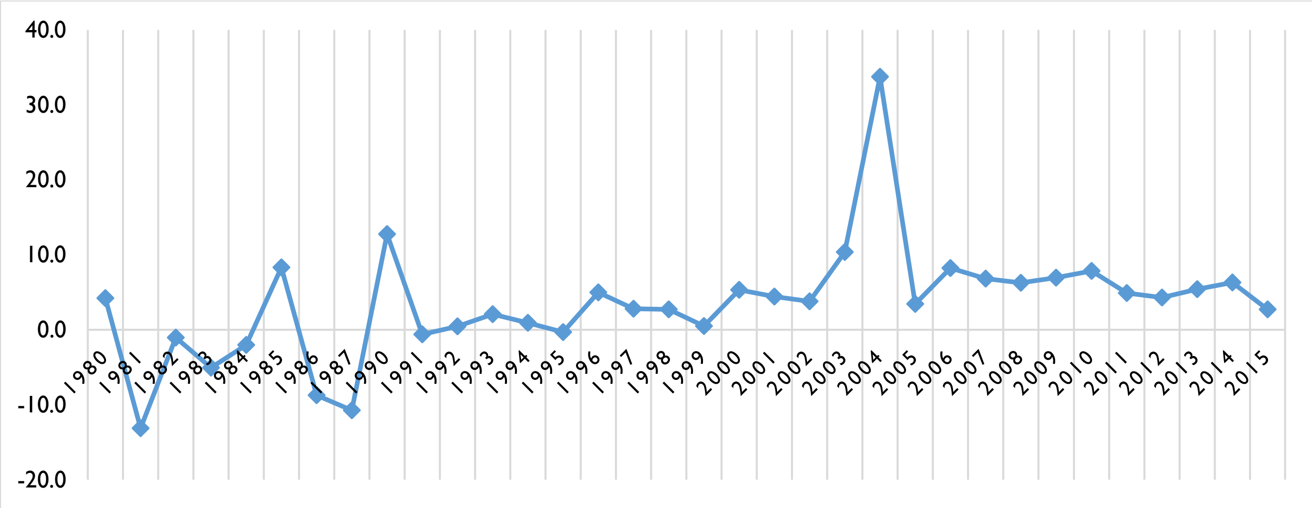
FROM OIL TO SERVICES: NIGERIA'S NON-INDUSTRIAL ECONOMIC TRANSITION

This section lays out the economic development trajectory of Nigeria from democratisation in 1999. It establishes the extent to which the economy – in GDP, exports and government revenue – is dependent on oil. It also traces the path of economic change from a largely oil-dominated economy to one in which services increasingly account for economic activity.

Within over a decade, Nigeria recorded sustained economic growth averaging 7% (AfDB et al., 2012; IMF, 2012; Litwack, 2013) and 5% from 2010 to 2013 and a corresponding increase in per capita income as Figure 4.1 illustrates. This economic growth offset years of economic decline and stagnation averaging about 1.5% between 1983 and 1999. In April 2014, Nigeria became Africa's largest economy, and the 26th largest economy in the world after a review of baseline GDP figures[89]. The GDP in 2014 using this new series is N81 trillion or $521.8 billion.

[89] Rebasing is a statistical upgrade of the base year of national account series (GDP) with a more recent price structure. This revised method captures 46 activity sectors in the economy rather than 33 previously (NBS 2014a). For the period, 1999 to 2010, data from the pre-revision figures will be used, while the revised figures cover 2010 to 2014. Rebasing makes direct comparisons with pre-rebasing figures difficult since they measure economic data differently (Leke et al., 2014).

Figure 4.1: GDP Growth (%) 1980-2015



Source: World Bank (2015) World Development Indicators

This contemporary growth has three critical features that are of interest to this study. One, it was initially driven by a commodity boom[90] (ECA and AUC, 2013) and increasingly by emerging services sectors (World Bank, 2013) such as information and telecommunications (ICT), trade, banking and financial services, entertainment and the informal economy as will be examined in this chapter. Two, these specific sectors driving growth have implications for overall structural economic transformation, revenue generation and export activity. Three, this growth is unequally distributed *vertically* (growth has not translated into significant poverty reduction and employment generation) and *horizontally* and *spatially*, (the distribution of economic growth cleaves to the country's historic regional, concentrated in the urban, mostly southern coastal regions). The disparities of this growth in turn constrain decision makers to embark on specific policies. These features of Nigeria's post-military economic performance are analysed in greater detail below.

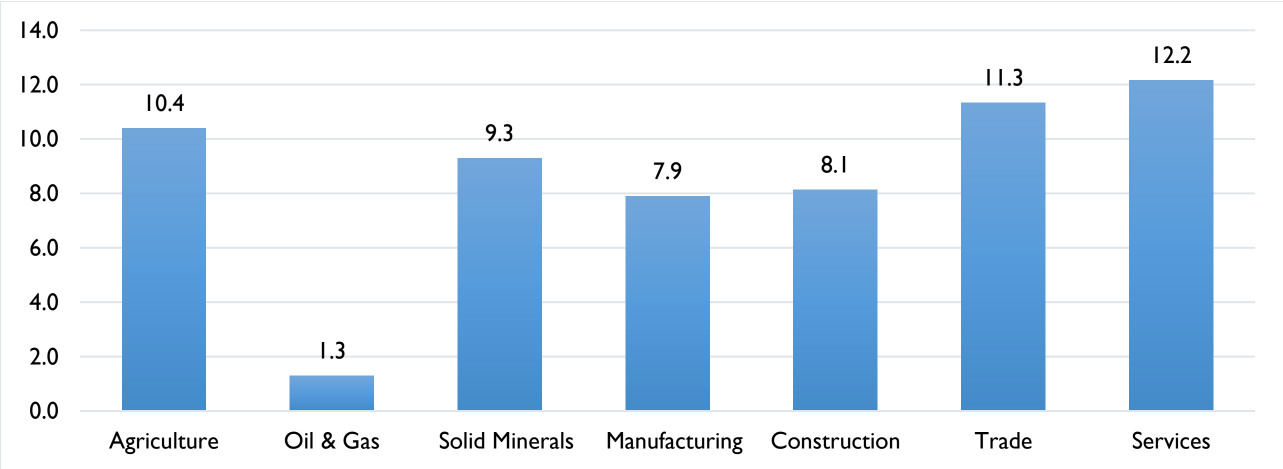
Growth Drivers: Commodity Boom, Services and Informality

When this study commenced in 2012, the available data suggested that the sectors with the fastest average growth rate of at least 10% in the ten-year period from 1999 to 2009 were the non-oil sectors. These included services (12.2%) especially Telecommunications whose average was 122%, trade (11.3

[90] Though other factors account for this growth such as rising domestic demand associated with rising incomes and urbanization, increasing public spending, trade and investment ties with emerging economies (ECA and AUC, 2013).

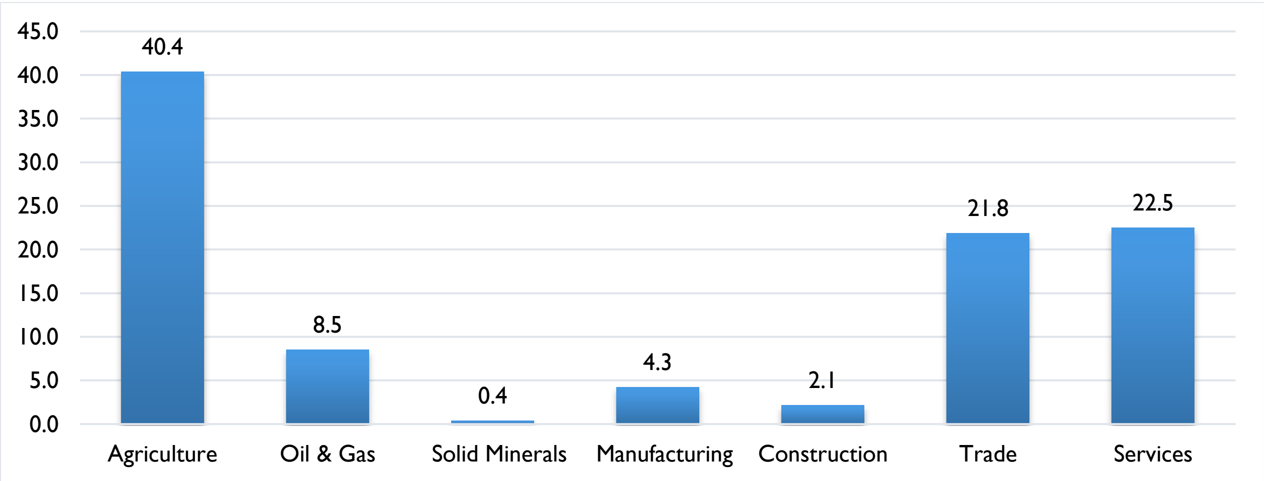
%) and agriculture (10.4 %) as Figure 4.2 below shows, but these were highly variable each year (Table 14, Appendix II). Within this period, the oil and gas sector's average growth rate was 1.3% although this masks its extremely volatile performance. In actual contribution to GDP growth, the non-oil sectors were the largest contributors to growth, while the oil sector which alternated between sharp growth and contraction was the fourth largest contributor to growth (8.5%), as Figure 4.3 shows (Table 15, ibid). From 2000 to 2009, agriculture accounted for an average of 40.4% of GDP growth, services was 22.5%, trade was 21.8% and the oil sector was 8.5%.

Figure 4.2: Average Growth Rate by Sector (%) 1999-2009



Source: NBS Data (2015)

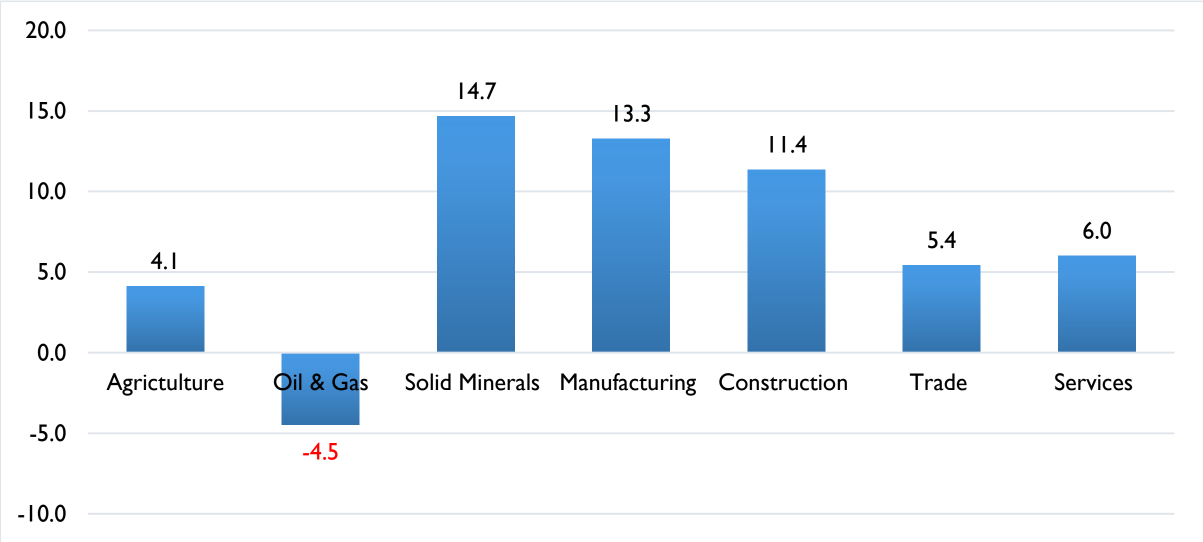
Figure 4.3: Average Sectoral Contribution to GDP Growth (%), 2000-2009



Source: NBS Data (2015)

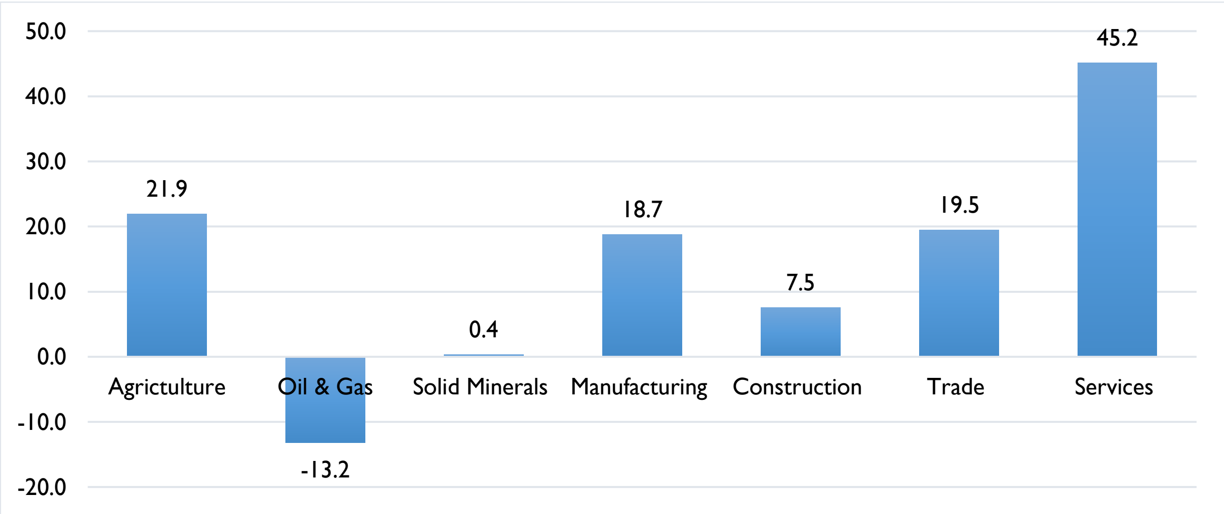
Although there were ongoing changes in the drivers and patterns of growth within this ten year period, these changes were more evident after the revision of GDP figures in 2014. As Figure 4.4 (Table 16) below shows, the fastest growing sectors with an average growth rate of at least 10% between 2011 and 2015 were manufacturing (13.3%), solid minerals (14.7%) and construction (11.4%). However, oil contracted by an average of 4.5% and as much as 13.1% in 2013.

Figure 4.4: Average Growth Rate (%) by Sector, 2011-2015



Source: CBN Statistics Database (2015)

Figure 4.5: Average Sectoral Contribution to GDP Growth (%), 2011-2015



Source: CBN (2013:363) Annual Economic Report for 2013; NBS (2014b:363)

The changing drivers of growth are even more evident when the sectoral contributions to growth are assessed. As Figure 4.5 (Table 16) below shows, the largest contributors to growth on average between 2011 and 2015 were services (45.2%), manufacturing (18.7%), agriculture (21.9%) and trade (19.5%). Oil declined as a share of growth by an average of 13.2%.

From this data, there is an evident shift from the traditional centres of growth, from agriculture and oil to a range of services. Services including trade contributed 64.7% to GDP growth within this period. Although manufacturing witnessed a recent surge of growth, largely driven by growth in the food and beverage sub-sector comprising 50.4% (NBS, 2014:9) rather than intermediate or heavy industries. This is not a shift towards industrial growth, but towards services.

Thus the traditional growth drivers, oil and agriculture sectors are being overtaken by trade and services[91]. Specifically, the oil industry's growth rate and share of GDP has been on a precipitous decline despite high oil prices between 2003 and 2014. The oil sector contracted between 2011 and 2014 compared with growth of 6.8% for the non-oil economy. This changing nature of growth drivers, have immense implications for policy and the broader processes of structural change as is discussed below.

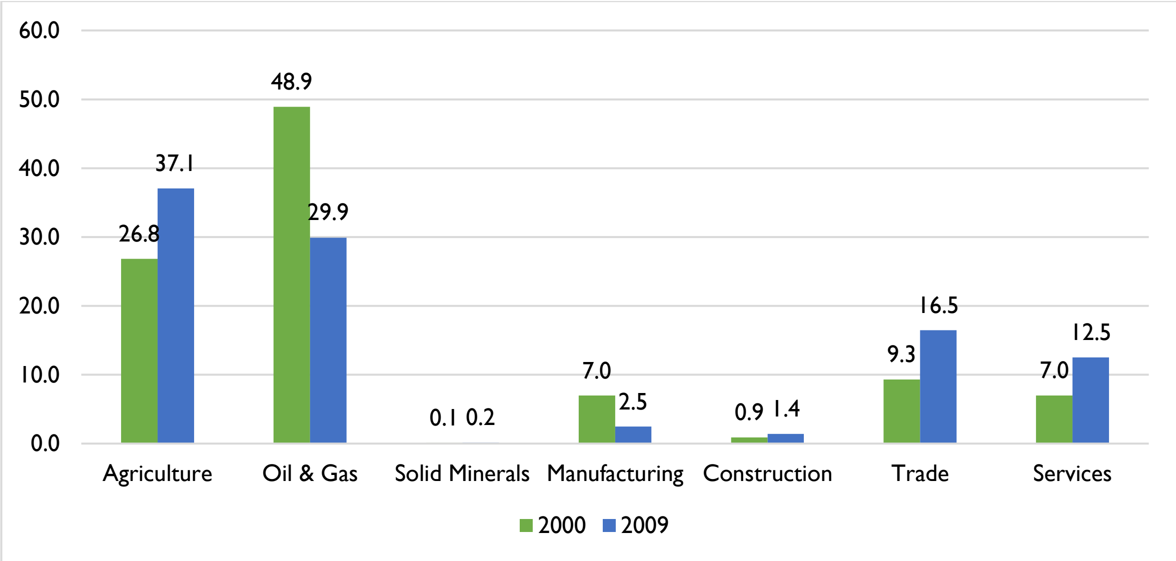
Transformation of the Production Structure, Exports Composition and Revenue Generation

Nigeria's GDP has changed tremendously since the transition in 1999 but less so in sources of export and government revenue. I present three phases of these as follows: the immediate post-military economic data in 2000, the pre-rebasing data in 2009 and post-rebasing data in 2014. In 2000, three activity sectors, oil, agriculture and trade accounted for over 80% of GDP as Figure 4.6 (Table 18, Appendix II) shows, at 48.9%, 26.8% and 9.3% respectively. By 2009, there were evident changes. The share of the oil sector declined to 29.9% from 48.9% in 2000, while agriculture (37.1%), services (12.5%) and trade (16.5%) had all increased, and manufacturing (2.5%), construction (1.4%) and solid

[91] It is possible that the services sectors are endogenous to or contingent on the growth of the oil sector. This specific discussion however goes beyond the scope of this study.

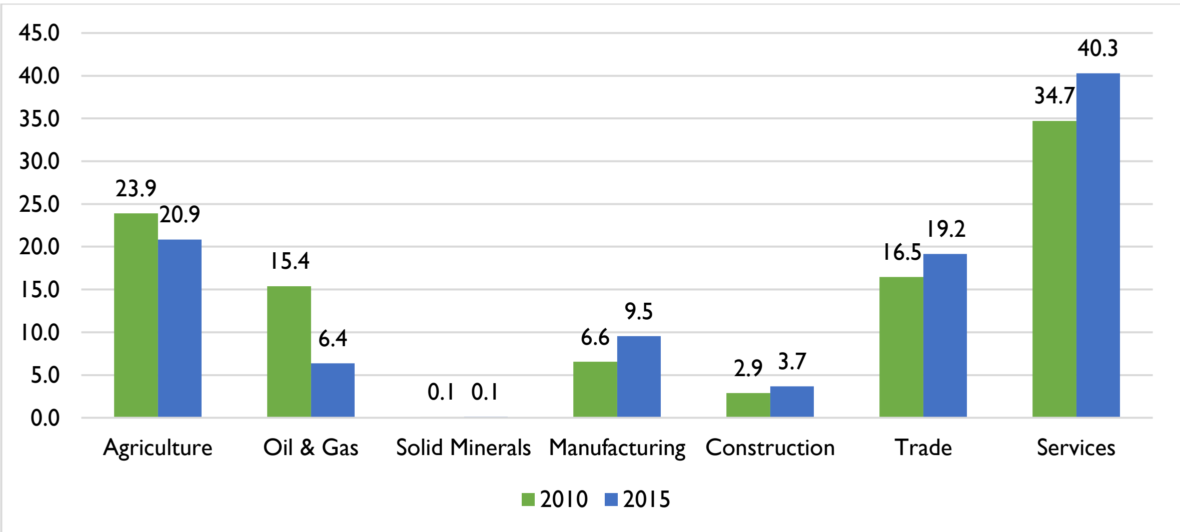
minerals (0.2%) stagnated. Although oil, agriculture and trade accounted for almost 80% of economic activity, their share of GDP was changing by 2009.

Figure 4.6: Sectoral Contribution (%) to 2000 & 2009 GDP (%) in Current Prices



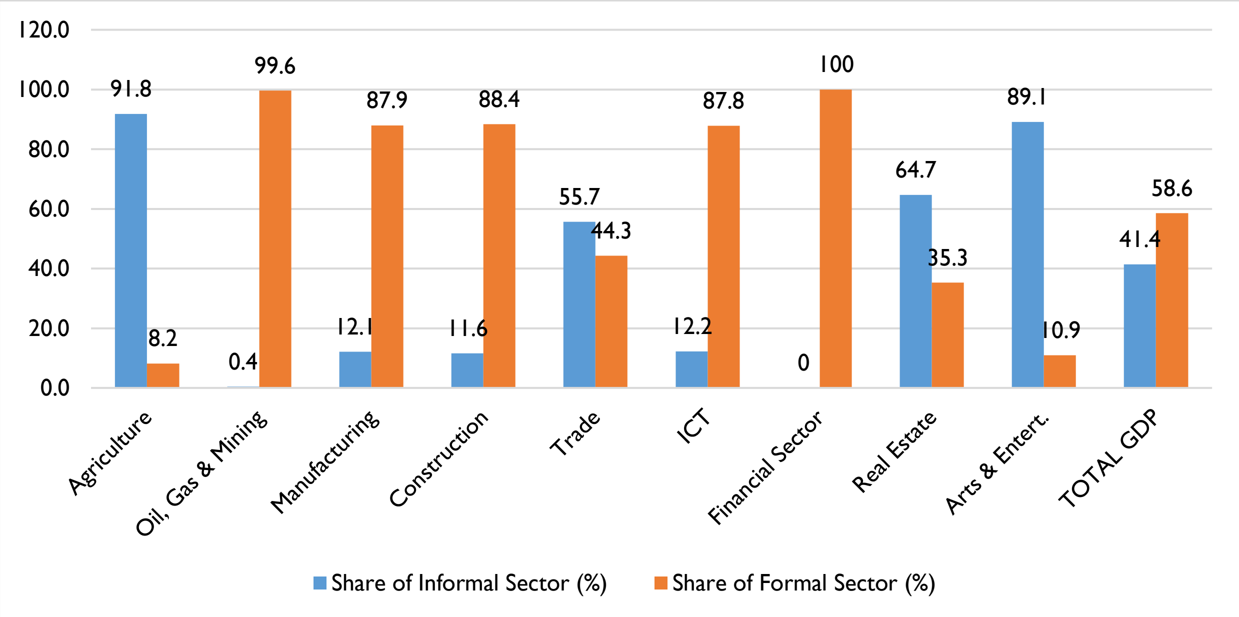
Source: NBS Data (2014)

Figure 4.7: Sectoral Contribution to 2010 & 2015 GDP (%) in Current Prices



CBN Statistics Database (2015)

Figure 4.8: Disaggregation of Formal and Informal Sectors (%) in GDP 2015



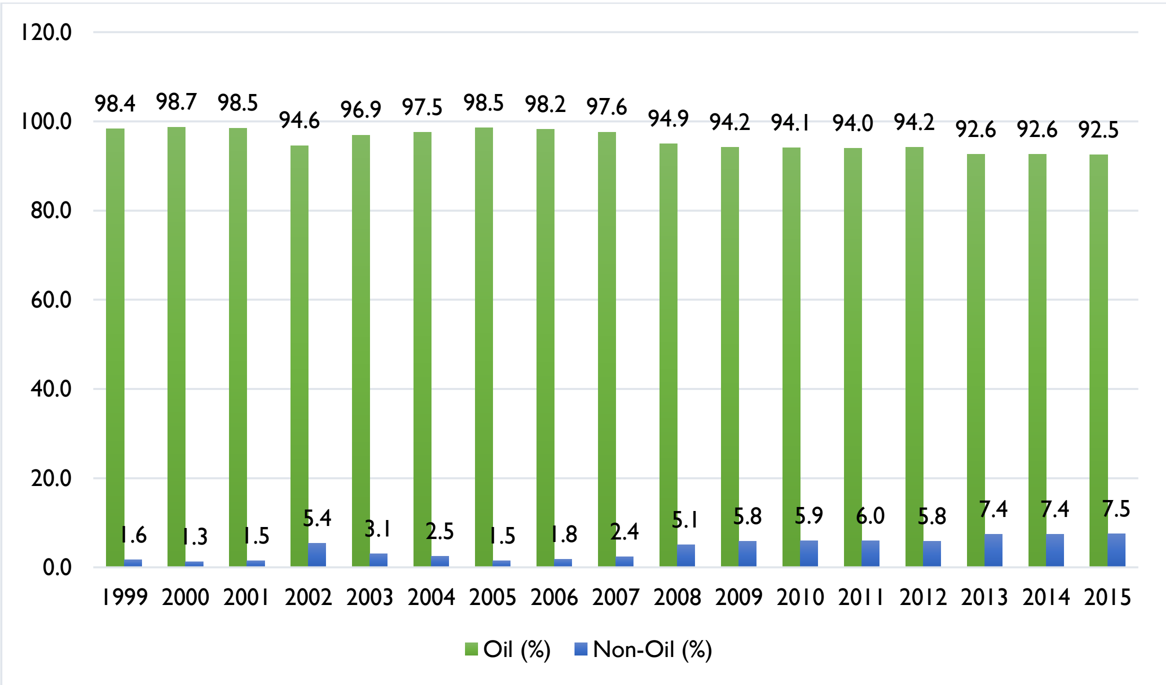
Source: NBS (2016) Formal and Informal Sector Split of Gross Domestic Product 2015

The rebased GDP figures covering 2010 onwards captured more of this changing economic structure. As Figure 4.7 (Table 19) above shows, between the first post-rebasing year in 2010 and 2015, oil declined from 15.4% to 6.4%, agriculture also declined, from 23.9% to 20.9%. The sectors that expanded include manufacturing, from 6.6% (2010) to 9.5% (2015), building and construction from 2.9% to 3.7%, trade from 16.5% to 19.2% and services from 34.7% to 40.2%. The number of economic activities accounting for almost 80% of GDP increased to six, including agriculture (20.9%), oil (6.4%), trade (19.2%), Information and Telecoms (8.7%), manufacturing (9.5%) and real estate (8.7%) in 2015. Services, including trade have expanded the most, collectively accounting for 40.3% of GDP. Additionally, the informal sector now constitutes almost half of GDP or 41.4% as Figure 4.8 (Table 17) shows. This informality is more pronounced in Agriculture (91.8%), Arts & Entertainment (89.1%), Real Estate (64.7%) and Trade (55.7%).

This is indicative an ongoing process of structural transformation of the production base. Although some of this change is clearly the result of the GDP revisions which captured economic sectors previously not included, from 33 to 46 economic sectors (NBS, 2014a).

However in exports composition, there has been no diversification. In 201, the oil sector constituted 92.5% of export earnings, barely declining from 98.4% in 1999 as Figure 4.9 (Table 21) shows. This indicates a weak translation of the increasingly diversified economic activities driving GDP growth into international trade.

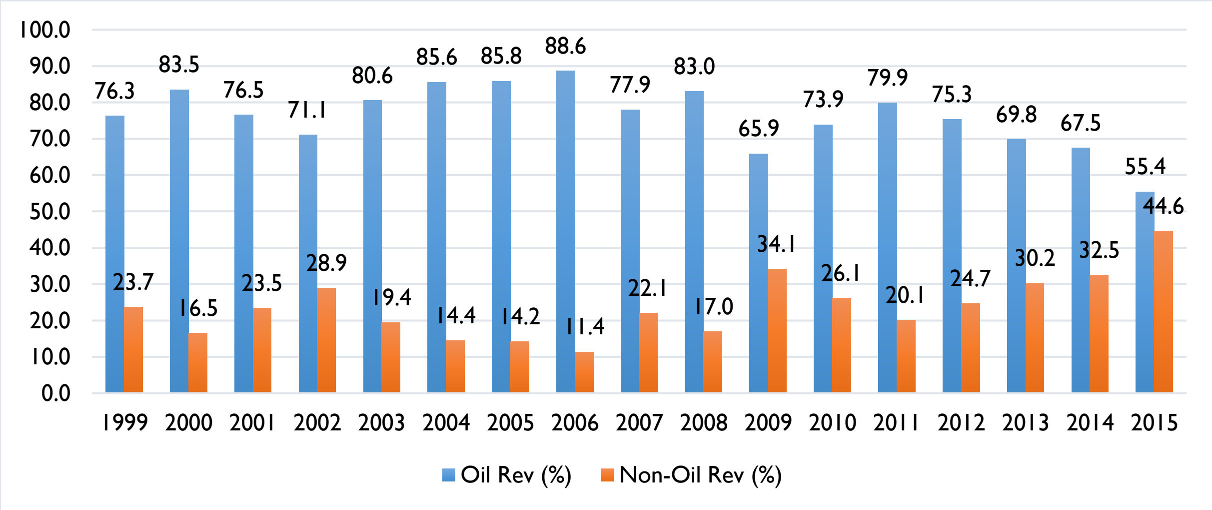
Figure 4.9: Disaggregation of Export Revenue (%) 1999-2015



Sources: CBN Statistics Database (2015) - Includes estimates for informal cross border trade

In government revenue, the composition is changing in a limited and volatile manner. Oil revenue accounted for 76.3% of the total in 1999, fluctuating over the next decade, as Figure 4.10 (Table 22) below shows. Oil rents constituted 79.9% of fiscal revenues in 2011 and kept declining afterwards. Since 2011, a gradual increase in the share of non-oil revenue – from 24.7% (2012), to 30.2% (2013), to 32.5% (2014) and 44.6% (2015) – indicates some diversification towards non-oil sources of fiscal revenue.

Figure 4.10: Composition of Government Revenue (%) 1999-2015

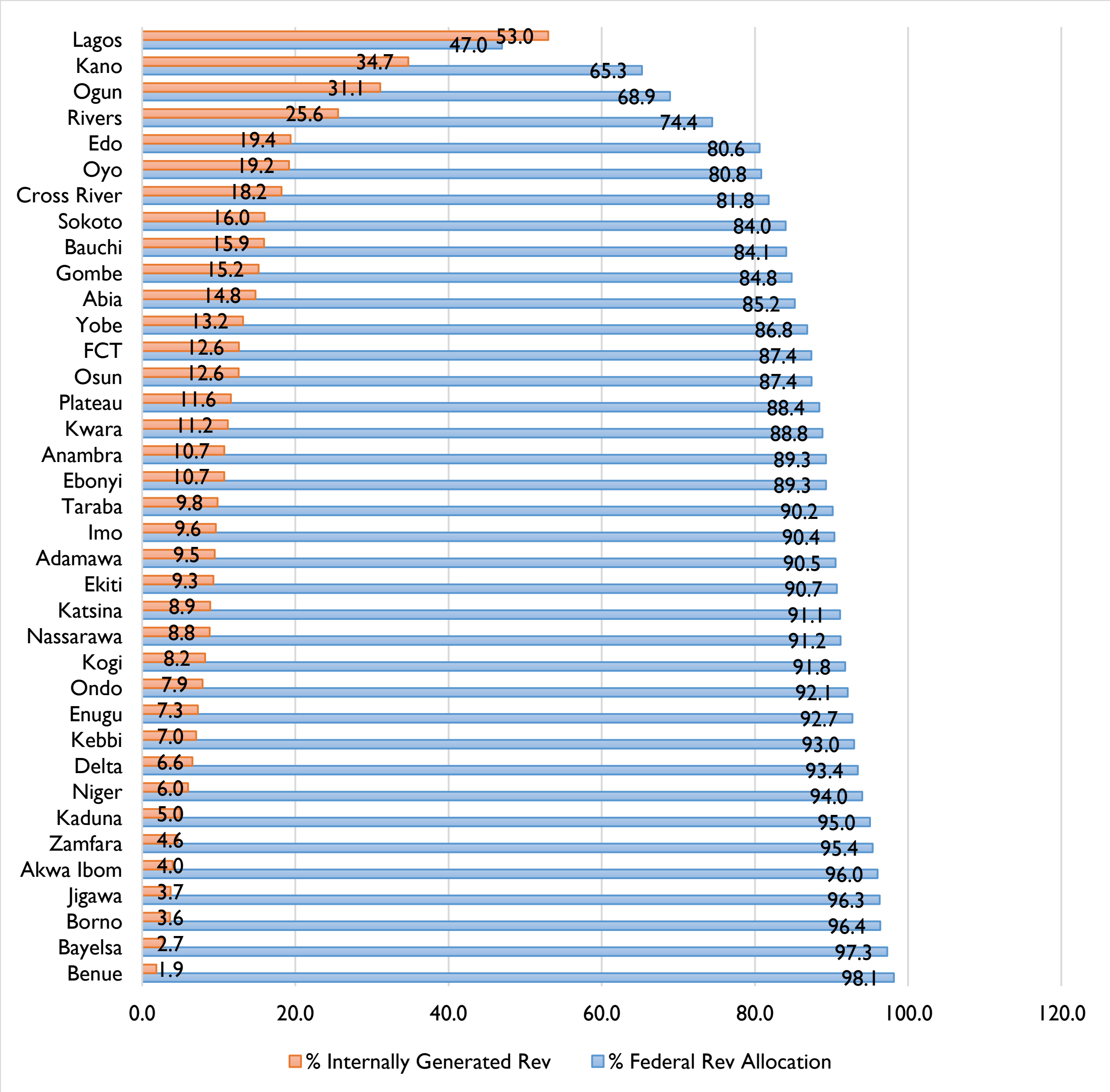


Sources: CBN Statistics Database (2015)

According to an assessment by the Nigerian Central Bank, the rise in non-oil revenue reflected improved economic activities and enhanced tax collection (CBN, 2013:155). Although a further disaggregation shows that tax revenues are just 2% of GDP in 2012, down from 5% in 2009 pre-rebased figures (WDI figures, 2015). The relative increase of non-oil revenue in total government revenue was a consequence of the decline in oil receipts, by 15.2% in 2012 (CBN, 2013:154). A Central Bank report attributes this development to the disruption of oil production in the oil-producing Niger-Delta (*ibid*).

The dependence on oil rents for government revenue is more acute at the sub-national tier of government, the states. The monthly disbursal of oil revenue – in which the Federal Government is allocated 52.7%, State Governments share 47.3% with Local Governments – from the federal government is the primary source of finance for Nigeria’s thirty six states. The diversification of state government revenue, measured by states’ Internally Generated Revenue (IGR), has similarly been dismal. With the exception of Lagos, every state has depended on federal revenue transfers for more than 50% of its annual budget since the late 1970s. Even large states, regional economic hubs like Kano, Rivers and Ogun generate less than 50% of their budgetary revenues from internal non-oil sources. It is worth noting the significant variation in the states’ dependence on these federal disbursements, especially between regional economic hubs and the smaller states. As Figure 4.11 (Table 23) shows, while Lagos state generated 53% of its revenue from internal sources in 2013, states like Bayelsa, Borno and Niger generated the equivalent of 2.7%, 3.6% and 6% respectively.

Figure 4.11: State Governments' Revenue (%) in descending order of IGR, 2013



Source: CBN (2013:350) Annual Economic Report for 2013

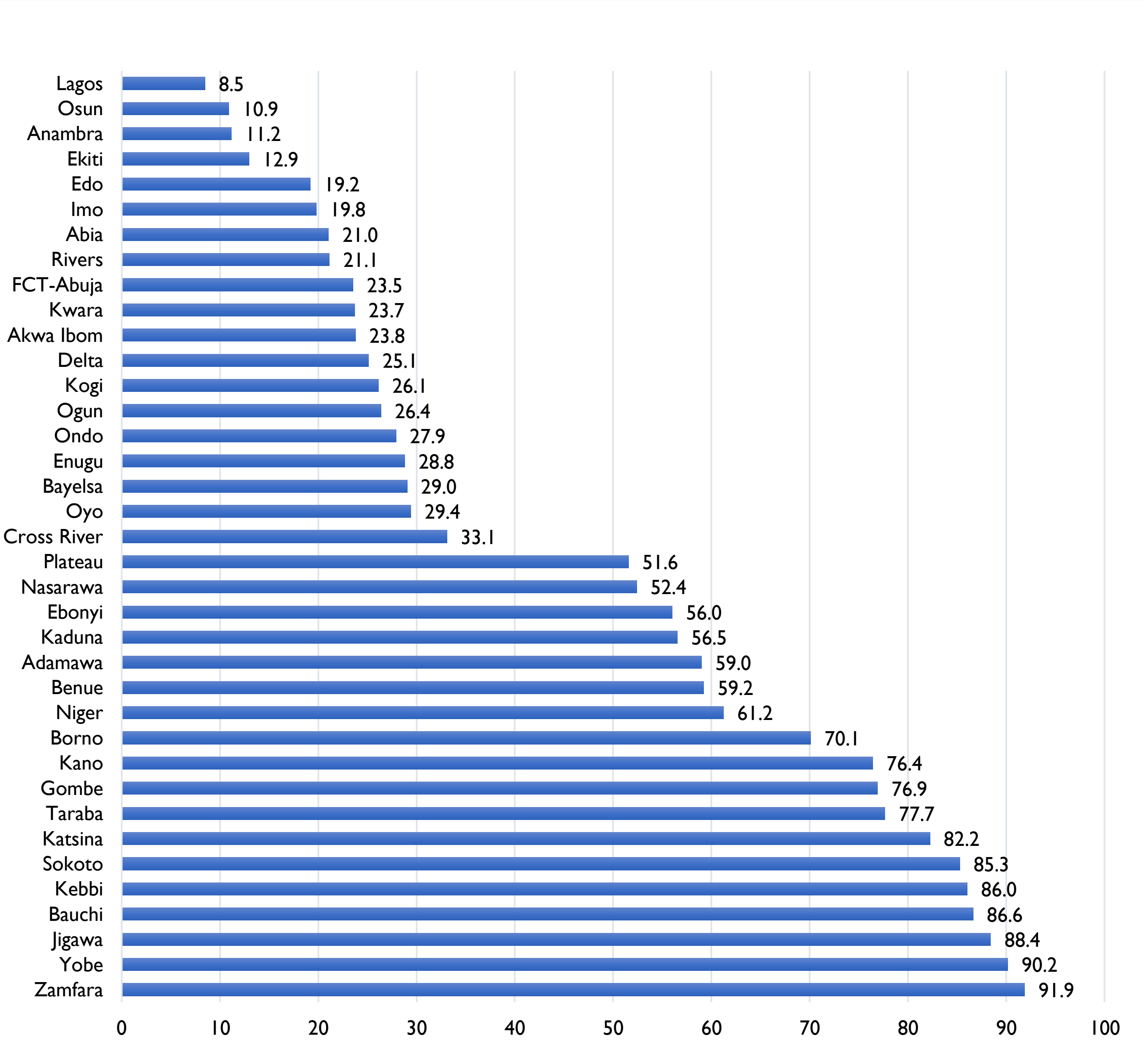
With oil accounting for up to 70% of government revenues at both national and sub-national levels, Nigeria remains a rentier state as defined by Beblawi (1987:51-52) in which more than 40% of fiscal revenue is largely derived from external rents, and in which the state is the main recipient of these rents. However, it does not have a rentier economy in the sense defined by Beblawi's (1987:53) criteria of constituting 60-80% of GDP, because oil constitutes just 10.4% of GDP. While the economic structure is increasingly diversifying towards a service-oriented economy, exports and government finances are dominated by oil rents.

Horizontal, Regional, and Spatial Inequalities in Growth Distribution

The pattern of post-military economic performance is generating and exacerbating existing horizontal inequalities[92] between ethnic, religious and regional groups, and spatial inequalities between urban and rural areas. Although there is very little sub-national economic data for more detailed analysis, certain indicators point to rising inequalities between northern and southern states. There is much higher poverty and lower living standards in the northern states as Figure 4.12 (Table 24) illustrates. Southern regions by contrast may be experiencing a much more positive dynamic in poverty reduction – the south-west appears to be in a particularly advantageous position, with both a lower poverty rate and the fastest poverty reduction dynamic in the country (World Bank, 2014). The Gini increased in the north-west and north-east, while the south-west experienced some reduction in inequality (ibid).

[92] Stewart (2009) defines horizontal inequalities as inequalities among races, ethnic groups, religions, religious sects, regions, etc., over a range of capabilities. Stewart (ibid:326) explains further that group inequality tends to be more persistent than individual inequality due to four factors: (1) asymmetries in social capital; (2) asymmetries in attitudes; (3) discrimination; and (4) political inequalities.

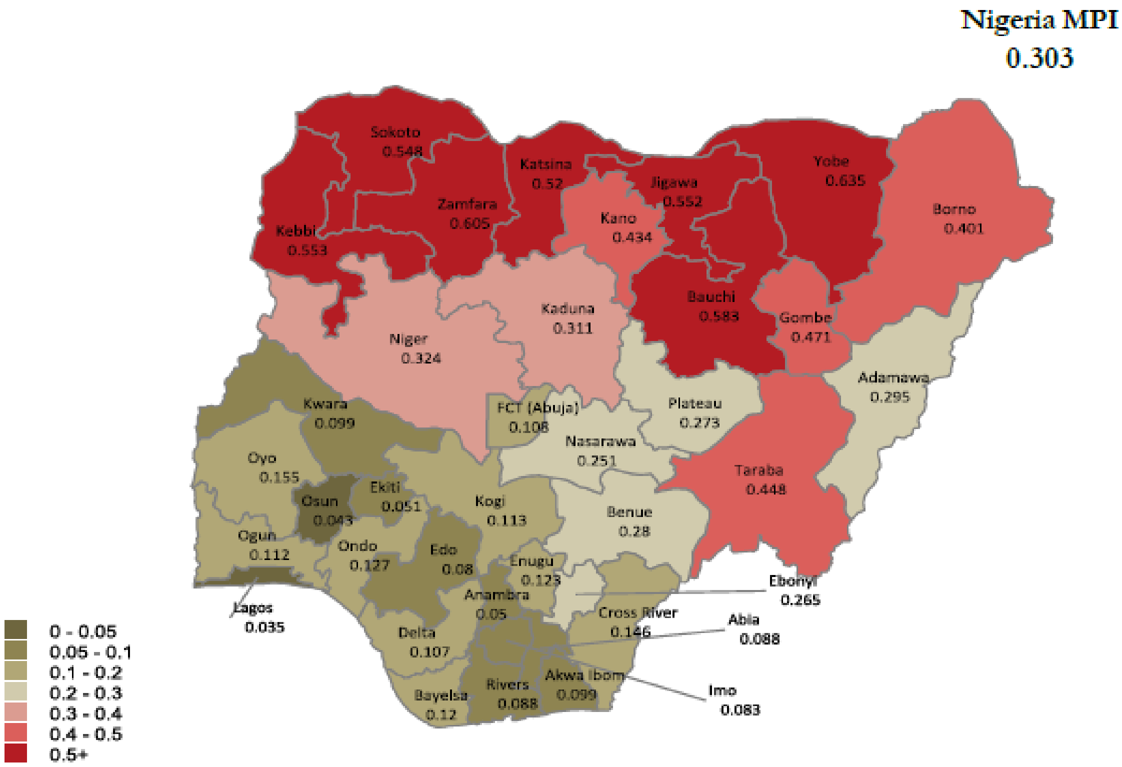
Figure 4.12: Headcount Ratio: (%) of Population in Multidimensional Poverty, 2015



Source: Alkire, S., et al. (2015) "Multidimensional Poverty Index, winter 2014/2015: Brief Methodological Note and Results." OPHI Briefing 27, University of Oxford, January.

Poverty is also more severe in rural areas, the Multidimensional Poverty Index (MPI) estimates rural poverty at 70% and urban centres at 28.1% (OPHI, 2015). This rural-urban divide is also substantially higher in the more remote northern states than in Lagos and other coastal centres. In a ranking of states based on incidence of poverty, the top 14 poorest states are all in the North as Figure 4.12 (Table 24) below shows. This is illustrated spatially in Figure 4.13.

Figure 4.13: Geographic Mapping of Sub-national Poverty Levels, 2015



Source: OPHI- Oxford Poverty and Human Development Initiative (2015) "Nigeria Country Briefing", Multidimensional Poverty Index Data Bank. OPHI, University of Oxford, January (p.6)

These rising horizontal inequalities are attributable to two factors: the regional and spatial concentration of economic growth drivers and the regional and spatial concentration of benefits of rising oil export and government revenue. These are discussed below.

Regional and Spatial Concentration of Growth Drivers:

Recent economic growth has widened inequalities because the growth-driving service economy is concentrated in southern, coastal, urban cities. The ICT, trade, real estate and other services, building and construction and increasingly manufacturing most of which are skills intensive are largely concentrated in the urban, but also coastal and largely southern states, particularly the south-west. Conversely, the lagging agriculture, manufacturing and solid minerals sectors are concentrated in the northern states. As Nigeria's former Central Bank Governor Lamido Sanusi explained to me[93], "You have to think of the country as different economies: an oil economy in the Niger Delta, a service economy in the south west, an agricultural and solid minerals economy in the middle belt [north-central], and an agro-industrial economy in the north [north-west and north-east]". He adds: "...if the [national economic] orientation is not one that supports agro-industrial development, there would be no progress in bridging the gap between growth and development."

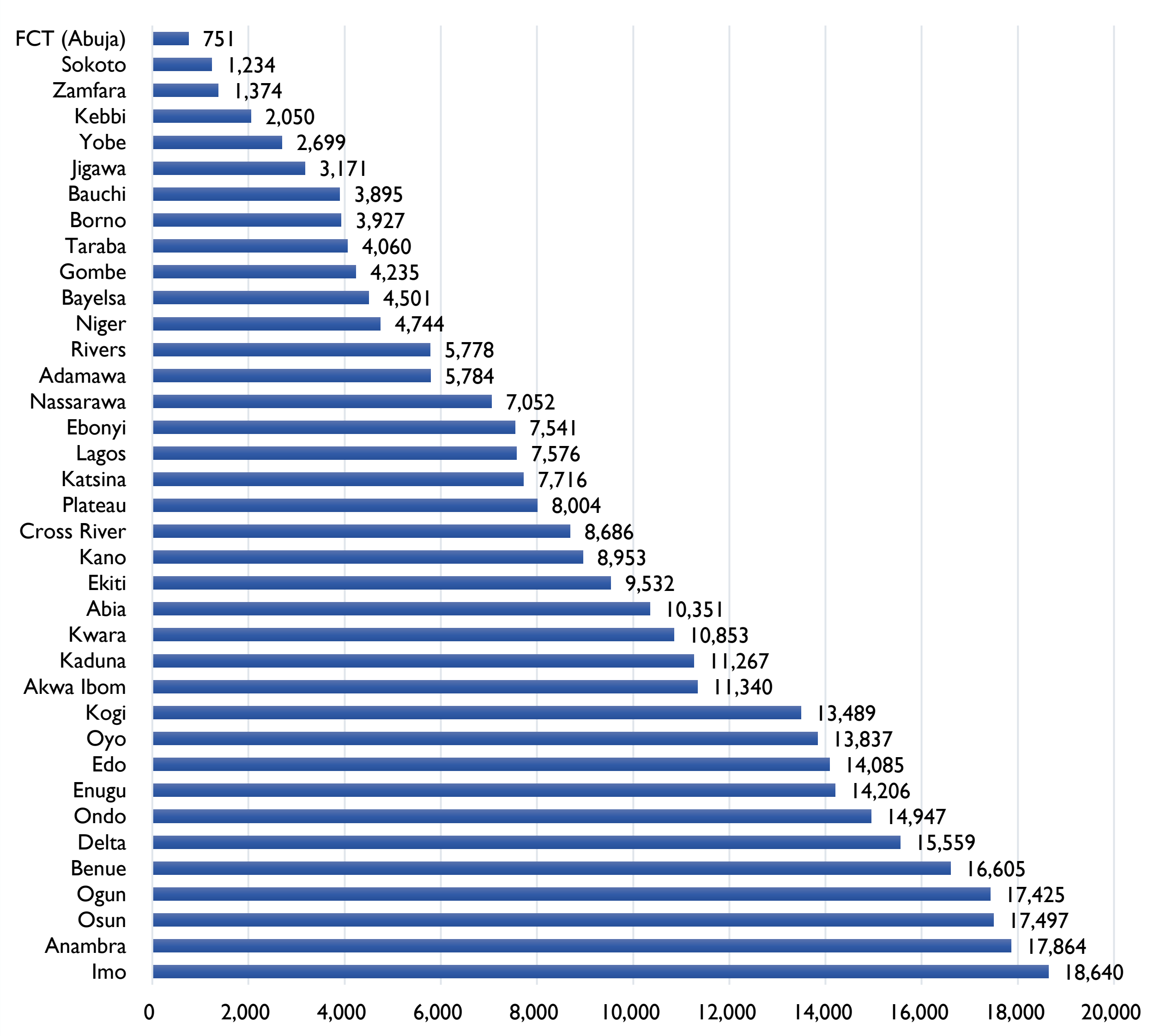
These inequalities in the location and concentration of growth drivers are attributable to disparities in factor endowments in geography and natural resources, labour and human resources, finance and capital, managerial competence and technology, as a senior official at Nigeria's Ministry of Finance explained to me[94]. The way these regional differences in endowment structure are reinforced by trade and infrastructure policy is discussed in detail in Chapters Six and Seven on Lagos and Kano respectively.

First, regarding geography and natural resources, evidence shows that coastal regions perform better economically than hinterland regions due to coastal access and the strong influence of neighbourhood growth spill-overs[95]. In Nigeria, the growth-driving sectors over the last decade have concentrated in urban centres, mostly in southern coastal states. The population density of these states enables them to benefit from economies of scale and access to markets. Severe environmental challenges and climate change are also affecting agricultural productivity in parts of the North. As former Central Bank Governor Sanusi explained to me[96], "...in Borno, the Chad Basin lost about 70% of its [water] volume in the last three decades. This has affected livelihoods and incomes." However, this north-south delineation is not clear cut – a number of southern states like Ebonyi and Cross Rivers, are not much better off than some of their northern counterparts, as Figure 4.12 shows.

[93] Interview, Kano, 23 August 2014
[94] Interview, Abuja, 14 March 2014.
[95] This is derived from the literature on the role of geography as a causal factor in the distribution of world income and economic growth among countries. Gallup, Sachs and Mellinger (2001) find that coastal regions and those near navigable waterways are far richer and more densely settled than interior regions. The very poorest regions in the world, on the other hand, are saddled with long distances to coastal-based trade such that being landlocked clips off half a percentage point off the growth rate. Collier (2008:54-58) also finds that land-locked countries are immensely dependent on neighbourhood growth spill-overs.
[96] Interview, Kano, 23 August 2014

Second, regarding labour and human resources, growth-enhancing economic policies have disproportionately benefitted the southern states. This is due to both naturally-endowed geographic advantages, and the persistence of historic horizontal inequalities, between northern and southern ethnic, religious and regional groups. These inequalities cut across a range of capabilities such as education, health, nutrition and productivity/income which affect the human resources endowments of these regions. For instance, in tertiary education, eight out of the ten states with the highest number of university students are southern states, as Figure 4.14 (Table 25) below shows. The only two northern states in the top ten, Benue and Kogi are often regarded as 'Middle-Belt', and Benue is predominantly Christian. Ukiwo's (2007:276) study of educational inequalities in Nigeria finds that although federal character policies have increased the gross enrolments of students from all states, the educational imbalance between the north and the south persists.

Figure 4.14: University Admission Statistics by State, 2010



Source: NBS (2012:347) Annual Abstract of Statistics 2012

This disparity means that the relatively educationally advanced southern states have populations which are better skilled in employing technology, a key pillar of the service economy, in economic activity. Oluseun Onigbinde, co-founder of BudgIT, one of Nigeria's leading technology start-ups in Nigeria explained to me[97] that the presence of a more skilled labour conversant with technology is a key factor in making Lagos conducive for such tech start-ups to thrive. These regional educational disparities have economic implications. Mustapha (2004:31) finds that the regional and

[97] Interview, Lagos, 21 July 2014.

ethnic asymmetries in representation in the public sector, senior management and professional cadres of industries and the distribution of business enterprises arise from educational imbalances across various levels. Unfortunately, wide regional income disparities persist and are in fact worsening despite considerable investments in education (Stewart, 2009:333).

The third and fourth elements of a region's endowment structure, finance and capital and entrepreneurial skills linked to the persistence of horizontal inequalities in education and income. Some of the more educationally advanced and economically empowered southern states have better access to finance[98], capital and other soft infrastructure, and more of advanced managerial skills. This is exacerbated by disparities in financial inclusion due to the limited physical presence and availability of financial services, as a prominent Kano-based entrepreneur and investor explained to me[99]. The south-west in particular was more prepared to benefit from economic liberalisation in the service economy since the transition in 1999 but also since the SAP reforms in the 1980s and the Indigenisation and Nationalisation policies of the 1970s as discussed in Chapter Three. The chief executive of a project investment firm explained to me[100] that, "the major beneficiaries of economic liberalisation in terms of those who purchased assets are from the South…there has been a heavy concentration of industrial assets in the Lagos-Ibadan axis".

The regional concentration of growth drivers further perpetuate these horizontal economic inequalities in a vicious cycle.

Regional and Spatial Concentration of Oil Earnings:

These existing horizontal inequalities in factor endowments are further exacerbated by the uneven distribution of oil earnings among the states. This is because the oil revenue disbursements by the federal government to the thirty-six states is the latter's main source of fiscal revenue. Since the democratic transition in 1999, the oil-producing Niger Delta states (see Appendix II for list of states)

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[98] Especially the banking reform and consolidation of the mid-2000s and its contribution to the movement of capital away from the North as is explored in greater detail in Chapters Six and Seven.
[99] He explained that the Boko Haram insurgency made banks reluctant to lend to businesses; it takes much longer to assess accompanying and environmental risks in lending decisions to the North. Interview, Kano, 12 August 2014
[100] Interview. Lagos, 22 July 2014.

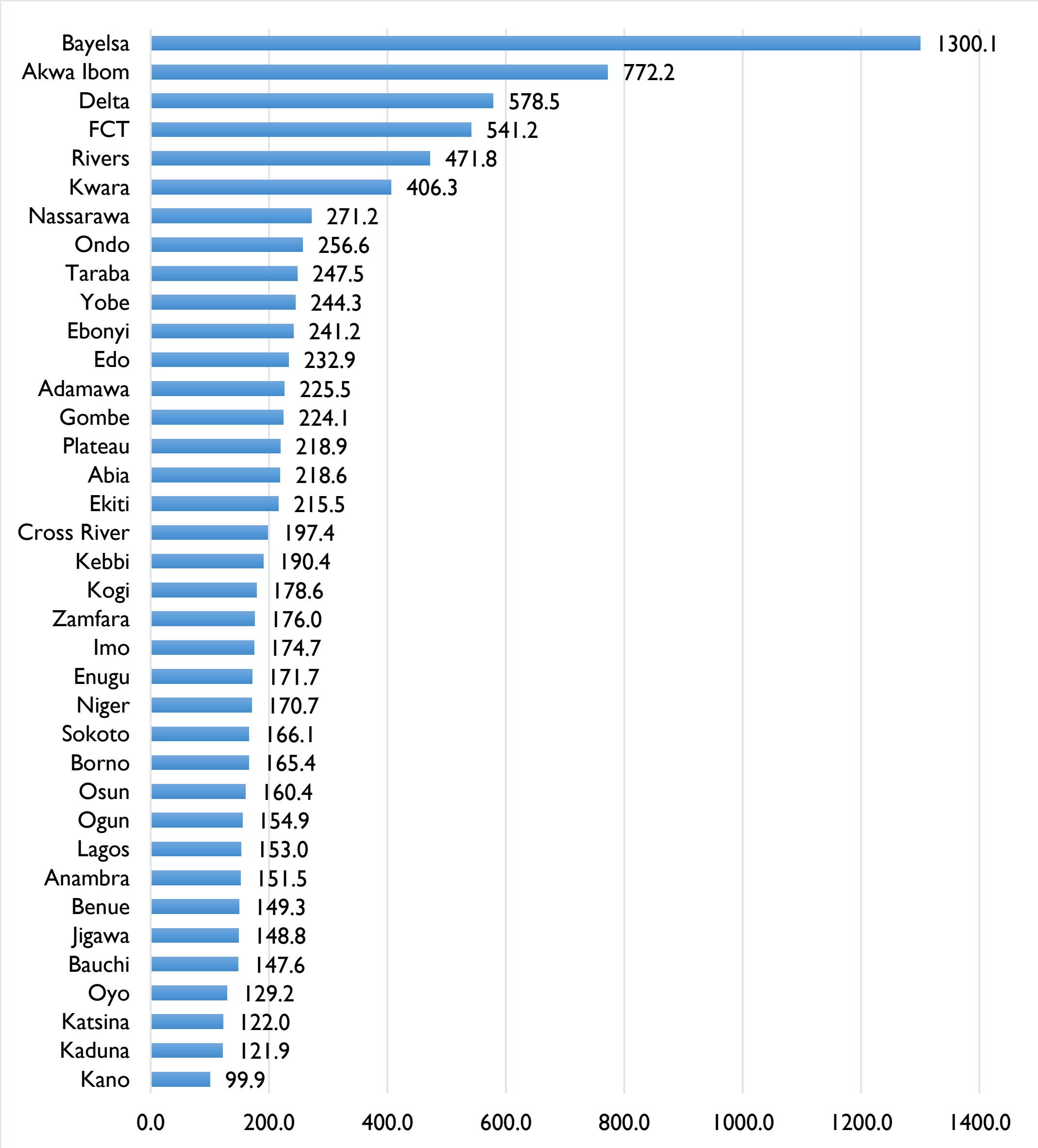
have received the largest share of revenue in absolute terms from the Federal Government than their non-oil-producing counterparts. Special funds dedicated to these states include a 13% derivation grant in the constitution whose value increased after legislation in 2002 widened the scope to cover offshore oil production, funds for agencies such as the Niger Delta Development Commission, the Ministry for the Niger Delta, the monthly payments to former militants under the Amnesty programme and other channels not available to the other twenty-seven states.

This dichotomy between oil-producing and non-oil producing states' revenue receipts is further illustrated by an assessment of states' revenue receipts per capita. As Figure 4.15 below (Table 25) shows, five out of the ten states (excluding the FCT) with the highest per capita federal receipts are oil-producing: Bayelsa, Akwa Ibom, Delta, Rivers and Ondo – this is excluding other receipts through the NDDC, Ministry of Niger Delta, Ecological Funds and Amnesty payments to former militants.

However, the causal link between oil receipts and poverty is not direct for two reasons. First, because Nigeria's complex revenue allocation formula to the states considers 14 principles such as population, landmass, basic needs, fiscal efficiency and internal revenue generation, non-oil producing states also receive substantial revenue. As Figure 4.16 (Table 26) below shows, six out of the ten states (excluding the federal capital territory – FCT) receiving the highest share of federal revenues are oil-producing while the other four – Lagos, Kwara[101], Kano and Kaduna – are non-oil producing states; the latter two are in the north-west.

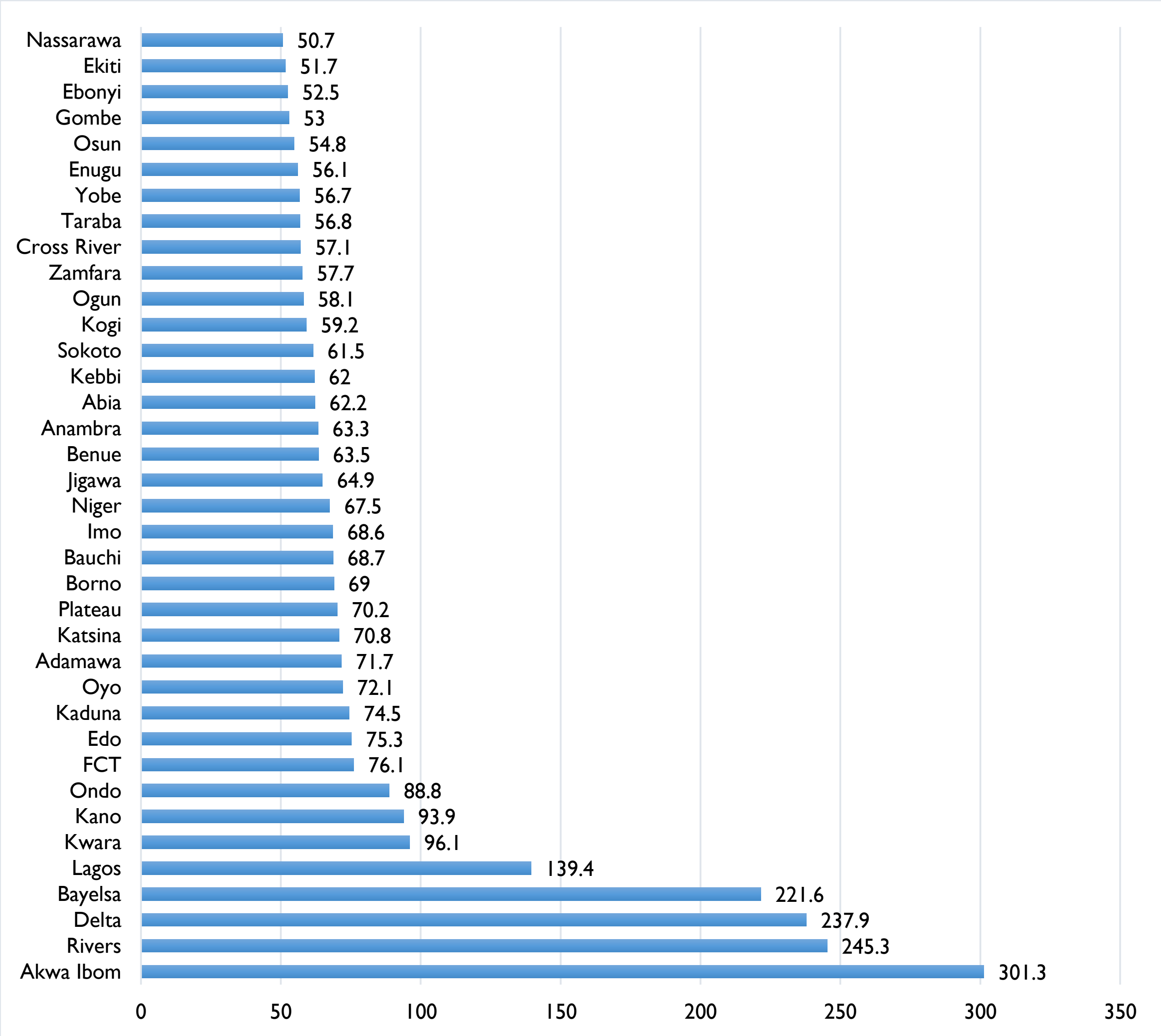
[101] Kano, as the most populous state (9.4m) in the country should receive more federal funds than Kwara (2.3m). However in 2013, Kwara received 'special grants' amounting to N42.9 billion which made its total federal allocation (N96.1 billion) higher than Kano's (N93.9 billion).

Figure 4.15: Federal Revenue Allocation per Capita (N) in Descending Order, 2013



Source: author's calculations from NBS (2012:16) Annual Abstract of Statistics; CBN (2013:350) Annual Report

Figure 4.16: Federal Allocation to the States (N) Billions in Descending Order, 2013



Source: CBN (2013:350) Annual Economic Report for 2013

Although it must be noted that Kano, the most populous state in the country, with the 10th highest poverty headcount ratio has the lowest federal allocation per capita. While Taraba and Yobe states which receive the 8th and 9th highest revenue per capita have the 2nd and 8th highest poverty headcount ratios respectively.

Second, the actual spending priorities in these states sustain poverty and widen regional inequalities. As former CBN Governor Sanusi, explained: “the Niger-Delta has not seen development consistent with the revenue it gets. Rather, a small group of multi-millionaires have emerged.... There have been more social development initiatives in Kano which receives less revenue than in Bayelsa. In a few states [in the Niger Delta] with better leaders such as Rivers and Akwa Ibom, some [visible] progress has been made"[102]. Besides, despite these disparities in the distribution of oil revenue expansion, with the exception of Lagos perhaps, other southern states are not necessarily on the threshold of economic take-off.

To conclude, these inequalities reflect the unequal distribution of access to private (human and physical) assets and public goods (infrastructure) and greatly reduce the poverty-reducing powers of growth (World Bank, 2013:25-36).

Vertical Inequalities in Growth Distribution

Economic growth has not been accompanied by jobs creation and poverty reduction in the country. This is generating and exacerbating existing inequalities among individuals and households, also known as vertical inequalities[103], in which the benefits of sustained economic growth are accruing to a tiny minority of the population cutting across north-south regional divides. Since poverty figures in Nigeria are varied and highly contested, the most reliable ones employed in this study are the 2010 figures from the NBS which puts the incidence of poverty at 69% (2012), and the multidimensional poverty index by OPHI (2015) which puts the headcount at 53.2%. According to a World Bank report (2014:18), the number of Nigerians living in poverty is not decreasing. There are three main reasons for this.

First, a high population growth rate limits the poverty-reducing effects of growth. Nigeria's rapid economic growth occurred in tandem with a 3% average annual growth rate of its population[104] of 170 million. Therefore, the number of people living in poverty similarly expanded.

Second, since most of the growth driving sectors such as ICT, trade, real estate and construction are not labour intensive, they are neither engaging a mass number of people nor are their growth benefits

102 Interview, Kano, 23 August 2014.
103 On vertical inequalities, see: Stewart, Brown and Cobham (2009:3).
104 Nigeria's population growth rate is believed to be over-estimated. See: The Economist (2015)

trickling down to a majority of the population. Studies show that the services and finance sectors have a limited impact on poverty reduction compared to agriculture, manufacturing, and transport (Dorosh and Thurlow, 2013 in World Bank, 2013:30). As the former Sanusi explained to me, even growth in the agriculture sector averaging 4.2% between 2010 and 2014 where 70% of the population is employed, has come from greater factor intensity rather than increased productivity[105]. He adds: "there have been little or no improvements in inputs and skills of farmers and therefore, no increase in farmers' incomes which can lift them out of poverty". Therefore the growth-driving capital- and skills-intensive service sectors account for Nigeria's low employment-to-population ratio of 29% which is lower than peer economies like Brazil (49%), Indonesia (45%) and Russia (51%), and for the low labour productivity[106] in GDP per worker across all sectors except for the oil industry.

Consequently as Nigeria urbanises, people migrating to the city often face unemployment and underemployment or find jobs in the rapidly expanding informal sector, where wages are low. This is unlike other transition economies where, as people move from agriculture into employment in urban manufacturing and services, they become more productive and earn higher wages (Leke et al., 2014:14). With a high proportion of the labour force in agriculture and the informal sector, most of this population remains outside the tax net. This is because while almost 60% of the GDP is from services, the bulk of taxes actually come from oil companies and large corporations, according to Sanusi[107].

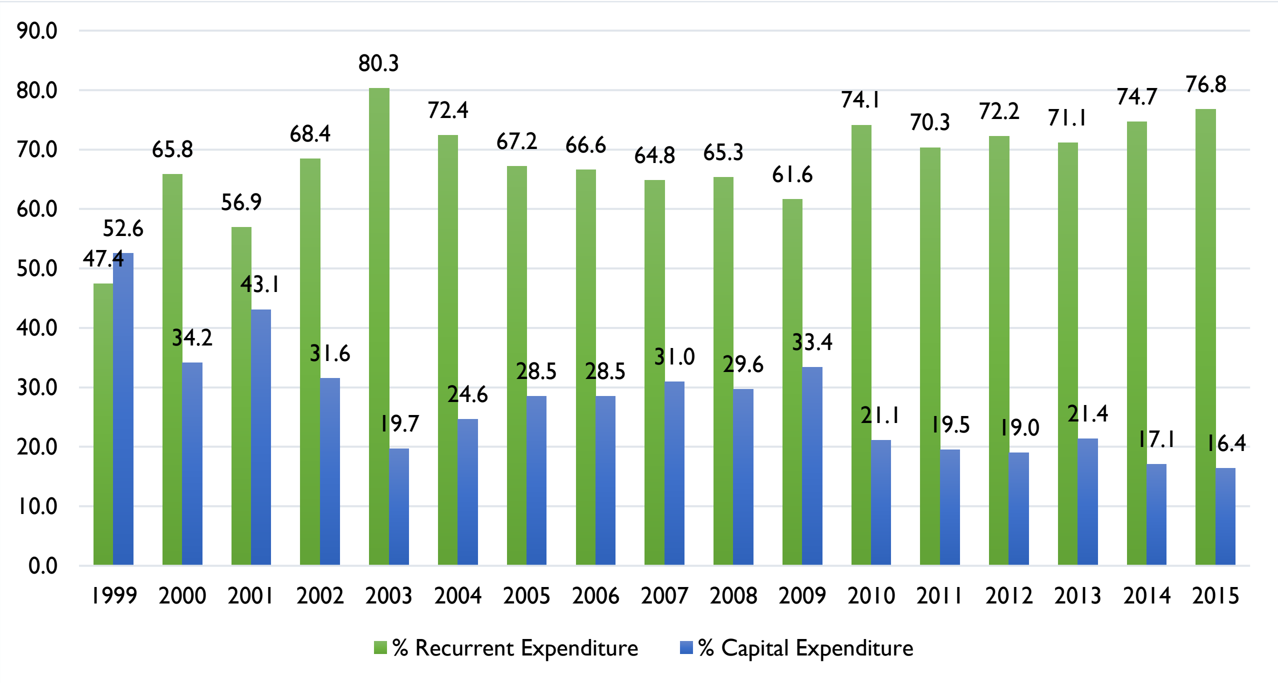
Thirdly, the nature of government policy and spending is critical. The former Central Bank Governor Sanusi lists two items in particular. First, fuel subsidies, which in the absence of comprehensive social security is the only benefit most Nigerians get from the country's oil wealth, but is riddled with fraud. Between 2011 and 2013, the government spent an average of $7 billion p.a. on the fuel subsidy regime; this was 282% of capital expenditure in 2011, and costing N2.587 trillion, it was more than 900% over the appropriated sum of N245 billion [108]. Thus, subsidies, the one assumed

105 Interview, Kano, 23 August 2014.
106 Leke et al. (2014:14-15).
107 Interview, Kano, 23 August 2014.
108 The exact amount spent on subsidy usually exceeds the amount budgeted for it and is enmeshed in opacity, with extra-budgetary unilateral allocations by the state oil corporation, NNPC. During this turbulent period, the CBN, the Auditor-General, the Ministry of Finance and the NNPC all quoted different sums. It was a House of Representatives (2012:5-6) investigation which finally provided the real figures.

benefit to ordinary Nigerians from oil extraction, accrue largely to government officials and fuel importers.

The second factor identified by Sanusi is how government spending is tailored towards consumption rather than productive investment. One indicator is recurrent spending on running government, overheads and salaries in the public sector. This has consistently been higher than capital spending in health, education, infrastructure and other investments in public goods and human development. As Figure 4.17 (Table 27) below shows, capital expenditure actually declined from 33.4% of total expenditure in 2009 to 19% in 2012.

Figure 4.17: Disaggregation of Federal Government Expenditure (%), 1999-2015



Sources: CBN Statistics Database (2015)

An anecdotal explanation of the impact of government spending on widening inequalities is private jet ownership in Nigeria. This grew by 650%, from 20 jets in 2007 to over 150 jets in 2012, costing N1.02 trillion ($6.5 billion)[109]. As a result, Nigeria became Africa's biggest private aviation market, ahead of South Africa and Angola. A number of high profile serving and former government officials explained to me that the rise in private jet ownership is correlated with the exponential rise in

[109] See news reports on private jet ownership by Abioye, T. (2012) and Thompson, C. (2014).

fuel subsidies, and that many of the new aircraft within this period were acquired by 'fuel subsidy billionaires'. These consumption-orientated expenditure patterns drain resources from investments which could translate to economic and social development for ordinary Nigerians.

Therefore, rapid population growth, the capital- and skills-intensive nature of growth-driving sectors and the consumption-orientated nature of government spending are widening vertical inequalities along the economic class divide.

NIGERIA'S POST-MILITARY POLITICAL SETTLEMENT: MANAGING THE COMPETING DEMANDS OF EMERGENT ACTORS

This section unveils the changing post-military political settlement since 1999, under the Olusegun Obasanjo, Umaru Yar'adua and Goodluck Jonathan administrations. Using the political settlements approach enables us to identify the emergent actors and their interests which are displacing established ones thereby changing the nature of horizontal-elite competition and vertical-distributional demands, how initial external oil shocks and subsequently high global oil prices affected the economic agenda of successive ruling elites, and also what policies and institutions have emerged in response to these changing constraints.

Elite Bargains

As discussed in Chapter Three, democratisation itself was an elite consensus of the last resort to manage horizontal-elite competitive regionalism threatening to tear the country apart. In the wake of General Sani Abacha's death in June 1998, Nigeria's isolation by the international community, odious debt and a looming economic crisis, democratisation was the most expedient course of action. This specific elite consensus aimed to stabilise elite competition by rotating access to power and economic rents between the North and the South, Christians and Muslims and among Nigeria's ethnic groups, until its unravelling with the electoral defeat of the PDP in April 2015.

This elite consensus that birthed the democratic transition was erected on four pillars. One, at its core, was an informal power sharing agreement or 'zoning' in which presidential power would alternate every eight years between the north and the south as a founding member of the PDP explained to me[110]. Although the Nigerian Constitution did not recognise 'zoning', it was both in the PDP constitution, which later became the ruling party, and was similarly adopted by other political parties. Two, as discussed in Chapter Three, there was a tacit agreement to appease the Yoruba south-west for the annulment of the 1993 presidential elections won by Moshood Abiola a Yoruba businessman. Therefore, all the major political parties presented Yoruba candidates for the presidential elections. Olusegun Obasanjo, a Yoruba Christian and a former military head of state (1976-1979) emerged as the first president under this arrangement on the PDP's platform. Three, the new 1999 constitution was an amended version of the 1979 constitution, while the draft constitutions developed in the 1990s by the derided regimes of General Babangida, and later, General Abacha, who had usurped the 1993 elections, were discarded. As the founding PDP member explained to me[111] "…by the time he [Abacha] died, the General had become something of a pariah leading those who succeeded him to treat his legacy with open contempt".

Four, a mostly military elite which had built up a significant resource base from the previous regimes negotiated the terms of democratisation, although this also included politicians from the first and second republics, business men, technocrats, and traditional leaders. This allowed for a conversion of *defacto* state power by prominent military officers into *dejure* political and economic power. Many officers in the military and other security apparatuses who held positions in previous military regimes ran for elective positions or were appointed into Obasanjo's cabinet. These include General T.Y. Danjuma (Defense Minister), Vice Admiral Murtala Nyako (State Governor), Colonel David Mark (Senate President), Major General Muhammad Magoro (Senator), Air Commodore Jonah Jang (State Governor), and Admiral Augustus Aikhomu among many others. The PDP was thus, the reincarnation of the ruling NPN in the Second Republic, and was a vehicle for ending overt military rule on terms that protected officer-specific interests[112].

[110] The initial terms of 'Zoning' in 1998 was for power to alternate between the North and the South for a single term of four years for 30 years. The origin of this arrangement lies in the power-sharing arrangement of the National Party of Nigeria (NPN), the ruling party of the Second Republic (1979-1983). However, after Obasanjo completed his first term in 2003, he was allowed by the PDP to run for another term on the understanding that power would shift to the North after eight years. Interview with founding member of the PDP. Abuja, 14 May 2014.
[111] Interview, Abuja, 14 May 2014.
[112] Campbell (2011:9)

These were the four pillars on which Nigeria transitioned from military rule to the Fourth Republic of civilian rule, with the PDP as the organisational basis for sharing power and for elite coordination. This electoral transition embodied the process of ruling elite formation in Nigeria. According to Amundsen (2012:3), this process is characterised by a "fusion of elites" (traditional, religious, political and bureaucratic) through their possession or proximity to state power, the centrality of the military, their conversion of political power to economic power, and the centrality of economic extraction, particularly oil wealth to these processes. While Amundsen's thesis is valid, a changing economic structure and the deepening of political liberalisation are modifying the process of elite formation, the sources of economic accumulation, the relative strengths and weaknesses of political actors, and the post-military elite consensus in general, and thereby changing the very nature of horizontal-elite competition, as follows.

Although Obasanjo's administration generally adhered to the terms of this consensus for his eight years in office, several developments gradually altered this underlying consensus until 'zoning' collapsed in 2011. Most importantly, political liberalisation led to an incremental disempowerment of the military by new power centres. This commenced with massive purges of senior and mostly northern officers in the armed forces by Obasanjo in his first four year term. For instance, on 10 June 1999, less than a month after his inauguration as president, Obasanjo retired all soldiers who had held political posts in the previous 14 years[113]. The official government line was "to provide a clean break with the past… to ensure the survival of democracy in Nigeria… and the permanent subordination of the Nigerian military to civilian rule"[114]. However, the real aim was to neutralise the influence of powerful generals who had served in previous regimes and had played instrumental roles in plotting coups.

Simultaneously, the crystallisation of formal democratic political institutions produced powerful new political actors to displace the military and the old guard. These actors include individuals empowered by the constitution as elected representatives, with the mandate of an electorate. These

[113] On June 10, 1999, 53 officers from the army, 20 from the navy, 16 from the air force, 4 from the police, and top generals in all three military branches who held political office in previous military administrations were compulsorily retired. In August 2000, 459 army officers were redeployed and in September 2000, 37 military officers were compulsorily retired for 'over ambition' (Mohammed, 2011: 179).
[114] See: BBC (1999) Nigeria's Military Purges Gather Pace.

include the office of the President as the Commander-In-Chief of the Armed Forces in whom national executive power[115] is concentrated; the Presidency as a consortium of principal officers around the president; the National Assembly which is the national legislature constitutionally empowered to check the national executive as well as each legislator's direct mandate of their constituencies; the thirty-six state governors constitutionally empowered as the chief executives of their respective states, with annual budgets of millions of dollars, their tremendous electoral power as the main financiers of their political parties and their control over their state legislature; and finally, the political parties, the formal platforms for entry into the political class, for consensus and coalition-building. Older power centres such as traditional rulers retain significant but declining influence. Although technocrats have access to financial resources, intellectual capital and international networks, they remain beholden to the president, and are mostly without a political base of their own[116].

There are also economic elites emerging from the private sector, particularly the liberalised industries such as banking and financial services, telecommunications and trading. While also not possessing electoral mobilisation capacities, these business elites' proximity to the ruling party gives them influence over economic policies. These individuals often reciprocate this support during elections through generous donations to political parties to ensure their inclusion into the ruling coalition under banners such as 'Organised Private Sector' or 'Corporate Nigeria'[117]. The crucible of private sector activity was the establishment in 2004 of Transnational Corporation (Transcorp), by business people with close links to the presidency. It was initially modelled along the South Korean Chaebols to facilitate the privatisation programme at the heart of the government's economic strategy to shore up the financial capabilities of Nigerian firms for investment in Nigeria and across Africa as Nasir el-Rufai, former minister under Obasanjo, now state governor, explained to me[118]. It comprised of Nigeria's top

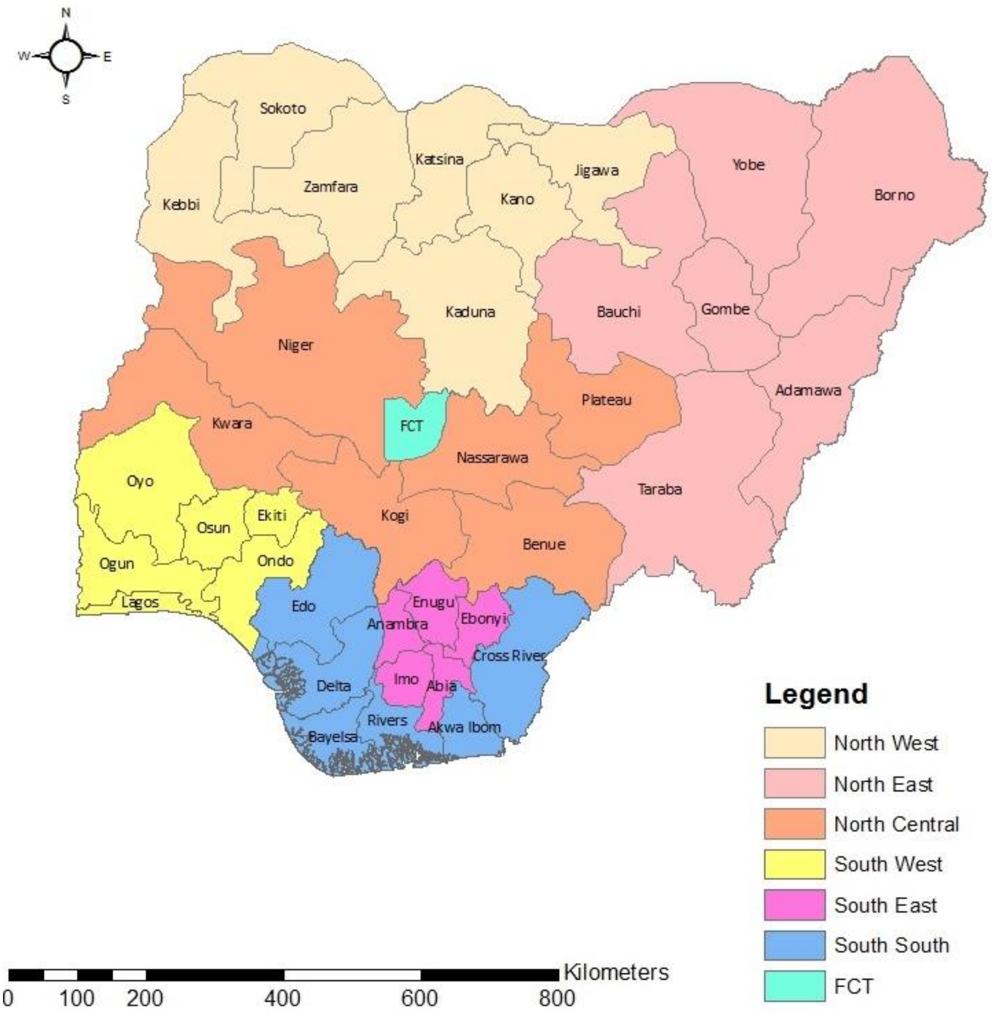
[115] The constitution confers on the President a vast array of powers of appointment for hundreds of positions. All strands of the state and the economy are tied to the presidency, the oil sector in particular (Amundsen, 2012:6).
[116] Campbell (2011:18) and Amundsen (2012:6).
[117] 'Corporate Nigeria' loosely modelled after Corporate America in the U.S. became a prominent donor to the PDP from 2003 when it donated N2 billion ($10 million) towards Obasanjo's re-election. Pioneered by the then Director-General of the Nigerian Stock Exchange (NSE), Ndidi Okereke-Onyiuke, it was comprised of industrialists like Aliko Dangote, bank CEOs such as Pascal Dozie, Mr Jim Ovia, and other prominent private sector operators (Allafrica.com, 2003). In the run-up to the 2015 elections, they contributed 65% of the N21.27 billion ($106 million) the PDP's publically declared donations. See: Adetayo (2014)
[118] Interview, Abuja, 24 March 2014

economic elite especially within ruling coalition, especially Corporate Nigeria. Transcorp was especially controversial due to its ease of acquisition of concessions in the oil sector (Illife, 2011:257) and later on acquisition of the Nigerian Telecommunications Limited (NITEL) and other public enterprises.

Finally, there is the Niger-Delta political elite whose growing political clout is significant because of its disruption of traditional northern and southern political power structures. The extra revenue available to the Niger-Delta in the democratic period as an oil-producing region through 13% derivation and other avenues empowered the regional political elites, particularly the state governors. For instance, the annual federal oil receipts for Rivers (N245.3b) and Akwa-Ibom (N301.3b) states individually exceeds the total receipts of 17 other states (N50-65b each) over a four year period (see Table 25, Appendix III). To an extent, leaders of militant groups who benefitted from the Amnesty deal such as Government Ekpemulopo Tompolo, Ateke Tom and Asari Mujahid Dokubo, as well as those who engage in crude oil theft[119] have built up a power base.

[119] Many ex-militants have shifted from direct militancy and violence to crude oil theft, working independently, at the behest of powerful regional and national political elite and along with international criminal networks. See: Katsouris and Sayne (2013).

Figure 4.18: Map of Nigeria Showing the Six Geo-Political Zones



Therefore, the emergence of these rival centres of power gradually eroded the power base of many actors in the 1998 elite consensus, especially the military. In particular, the influence of state governors is critical to the evolution of this post-military elite consensus and the broader political settlement. Governors, by virtue of their financial and electoral resource base in their states are influential in electoral politics. By commanding the party machinery of their states – by financing and determining state party executives – they are decisive to the outcomes of presidential elections in their states. A platform for collective action is the Nigerian Governors' Forum (NGF). This is a cross-party association of all 36 state governors for consensus-building, sharing best practices on governance, and setting the agenda on other topical issues[120]. Even bilateral and multilateral donors channel development assistance to states through the NGF[121]. Importantly through the NGF, the governors' ability to collectively counter the President on highly political policies, such as revenue allocation, has ensured that since Obasanjo's administration, it was governors who successively emerged as president and vice president within the PDP. In 2007, Umaru Musa Yar'adua a former governor of Katsina state, was elected as president with Goodluck Jonathan, a former governor of Bayelsa as his vice president, and later as president in 2010-2015 on the PDP's platform. This was indicative of the tremendous influence of governors as the new pinnacles of the political elite, and of the underlying elite consensus, of alternating power between the north and the south.

However, Yar'adua's severe health challenges and the events leading up to his death generated incipient strains on the post-military elite consensus. Yar'adua's largely northern coalition felt his illness and death in 2010 before completing an expected two-term presidency until 2015 'cheated' the North of its eight-year turn at the Presidency[122]. These cracks deepened after Yar'adua's death in 2010 and when Goodluck Jonathan contested for the presidency in the 2011 elections. Northerners in the ruling coalition opposed it, as a breach of the existing gentleman's agreement struck in 1999. A letter by the northern wing of the PDP addressed to the party leadership stated that[123]:

> If we follow our party's practice and constitution… the party must nominate a northerner as our presidential candidate and a southerner as our vice presidential candidate because the existing Yar'adua/Goodluck ticket is zoned to the north not the south. To do otherwise would amount to injustice and the violation of our party's *grundnorm*.

As one of the authors of the letter and founding member of the PDP explained[124] to me:

> The breaching of *zoning* was a big moral burden for the PDP and for Jonathan in particular. People are quick to say 'why should Nigerians care [about power rotation]?' That would be in an ideal situation whereby Nigerians really don't care about where their presidents come from. But people should remember that this whole idea about power shift… emanated from a certain

[120] Interviews at the NGF Secretariat. Abuja, 10 March 2014. This is not an unconstitutional body. There are several other groupings of governors along regional or partisan lines, such as the Northern Governors' Forum, the South-South Governors' Forum and the APC Governors' Forum (PGF).
[121] Interview with a manager of DFID's State Partnership for Accountability, Responsiveness and Capability (SPARC), Abuja, 11 March 2014.
[122] U.S. Embassy Abuja, Wikileaks Cables, #251113, 2011
[123] Letter published in Sahara Reporters (2010)
[124] Interview, Abuja, 14 May 2014.

> section of the country [south-west]. Zoning was instituted during the NPN days[125]… After buying into the argument for power shift, then all of a sudden… everyone abandons the idea of power shift, [claiming] it is only merit that counts. If we had accepted that there is absolutely no difference in Nigeria, no ethnic and religious differences… if we had grown walking on that platform, it makes sense to abandon sharing power that way. But the truth of the matter is that… the state level, every state is sharing power according to that [zoning] arrangement, if you go to local government [it is the same thing], but when it comes to the federal level, people say 'no, at this level, it is only merit… after a certain period'… All these appear hypocritical.

Therefore, in the 2011 elections the emergence of Goodluck Jonathan as presidential candidate of the ruling PDP signified a fragmentation of 'zoning', at least for the position of president, as zoning was still applied to all other elective positions such as the Senate President and Speaker of the House of Representatives. Since its unravelling with the PDP's electoral defeat in the 2015 presidential elections the zoning arrangement is yet to be replaced with a comparable framework for accommodating competing elite interests both within the PDP and at a broader level nationally. The emergence of a new ruling party, the APC in April 2015 as a merger of several other parties, with a northerner and former military ruler (1983-85) General Muhammadu Buhari (rtd) as president, presents an alternative platform for rallying elite consensus. It is still unclear what this new elite consensus to manage horizontal-elite competition for power will be.

Wider Coalitions with Societal Groups

The relative power of wider societal interest groups, and therefore their specific vertical-redistribution demands were affected by the elite-driven nature of the transition to electoral rule in 1999. Their redistribution demands as well as the constraints they exert on the ruling elite have been evolving since then.

As discussed in Chapter Three, the transition to democracy was a process engineered by the military and political elite, with limited participation of organised civil society and professional associations. In a sense, the shunning of the democratisation process by civil society made them marginal to the agenda of the ruling coalition. Professional associations like the Nigerian Bar

[125] Also corroborated by former Vice President of Nigeria (1979-1983) and Board Member of the PDP, Chief Alex Ekwueme, who said: "The NPN was the party that introduced zoning into the political lexicon of this country and the idea was that every part of this country should have a sense of belonging". See: Ajani, J. (2009)

Association (NBA), Nigerian Medical Association (NMA), National Association of Nigerian Students (NANS) and the Academic Staff Union of Universities (ASUU) were left in a position where they could only negotiate with the government from the outside, often in a reactionary position rather than directly shape policy. Indicative of this reactionary engagement with governance and policy, is the use of strikes and 'industrial actions' by unions to protest policies they oppose. Of note are the various strikes by the Nigeria Labour Congress (NLC) against several attempts by the Obasanjo, and later the Jonathan administration to deregulate the downstream sector of the oil industry, particularly the removal of fuel subsidies.

Other societal groups within this configuration such as youth associations and the media, who vocally opposed the military were either co-opted into the ruling coalition, or largely adopted a similar reactionary stance. Although the Nigerian media is one of the most vibrant in Africa today, and a powerful moulder of public opinion, its agenda is largely reactionary, set in response to, and sometimes by the activities of policy makers and politicians. Content is usually thin on robust engagement with government policy while it is heavy on corruption scandals, individual rifts and other headline-grabbing issues involving high profile personalities. As the managing editor of one of Nigeria's most prominent newspapers explained to me[126], "instead of covering, we cover up some institutions, we cover up some individuals, cover up some states". Consequently, Nigeria ranked 111 on the 2015 World Press Freedom Index below African countries like the DRC, Kenya, Liberia, Togo and Niger.

By the same token, ethnic-based associations which were influential in the First Republic in the 1960s in advocacy and mobilisation for economic redistribution and political representation are now similarly reactionary, very vocal, but far less influential on actual policy. For instance, the Arewa Consultative Forum, Afenifere and Ohanaeze Ndigbo which are vociferous advocate for ethno-regional balance of public sector appointments, exercise very little influence in shaping the direction of economic policy, have limited influence with the grassroots and in actual political mobilisation during elections.

[126] Interview with Managing Editor of the Guardian in Lagos, 08 July 2014.

While the democratic freedoms of electoral rule ironically did not strengthen the influence of civil society, ethnic associations and professional groups in the ruling coalition, religious actors conversely became very influential nationally and in the states. Globally, the twin processes of democratisation and the ICT revolution have, according to Toft et al. (2011) facilitated the rise of Islamists and Pentecostals, the swift transmission of unorthodox, fringe and radical ideas, and a capacity to undermine the authority of orthodox religious values. Within this global climate of concurrent Islamic revivalism and Christian Pentecostalism, in Nigeria, a major catalyst to the rising influence of religious actors was the introduction of full *shari'ah* law in some northern states from January 2000. Pioneered by Ahmad Sani Yarima, the governor of the north-west state of Zamfara, the *Shari'ah* criminal code extended Islamic law, previously restricted to civic matters[127], to the criminal justice system.

This was a turning point in the influence of religious actors in governance for several reasons. First, it marked the formal emergence of political Islam as a policy platform for some northern governors. There were fears that pro-*shari'ah* governors would prioritise Islam over Christianity and other faiths in their states through the creation of special institutions such as the Hisbah Board[128] - an agency which enforces the *shari'ah* criminal code and monitors compliance, often parallel to existing secular ones like the Police. The inclusion of Islamic clerics in governance as cabinet members or advisers, state sponsorships of Islamic pilgrimages to Saudi Arabia and restriction of access to land for churches were regarded as benefits which excluded and discriminated against non-Muslim minorities in shari'ah-compliant states according to the Christian Association of Nigeria (CAN)[129]. In a country with a 52:46 ratio of Muslims to Christians[130] respectively, this rise of political Islam aggravated historic religious tensions. There was a fierce resistance to the implementation of shari'ah by a mostly southern

[127] When northern Nigeria was colonized by the British in the late nineteenth century, colonial laws continued to recognize shari'ah, but certain aspects of it were modified or restricted. Shari'ah courts—then known as area courts—had jurisdiction only over matters of personal status law, such as divorce, inheritance, and domestic disputes. Criminal matters were dealt with under the Penal Code for Northern Nigeria (See: HRW, 2004:13)

[128] Even though as Adamu (2008:136) argues, with the exception of Kano, and to a lesser extent Zamfara, few states made any headway in building institutions for implementing Shari'ah. According to interviews conducted by Human Rights Watch, by 2004, many Muslims had become disillusioned with the way Shari'ah was implemented; while in reality many governors reluctantly introduced it under pressure from popular clerics (HRW, 2004: 90-92).

[129] Interview with senior members of the Christian Association of Nigeria (CAN), Abuja, 16 May 2014.

[130] The Pew Research Centre's Forum on Religion and Public Life puts the figures at 52% Muslim, 46% Christian and 2% of other faiths.

media and civil society, Christians and minorities in the affected states, and even quiet reservation by some Muslims on the grounds that shari'ah contravened the secular constitution[131].

Although a noticeable decline in the deployment of political-Islam rhetoric by northern political actors commenced from 2007 – because of the gross governance failure of Ahmad Sani Yarima and other populist advocates of shari'ah[132] was eroding grassroots support for political Islam – the battle lines for this confrontation had been drawn. As CAN former president Oritsejafor stated: "it is time to raise the political awareness and consciousness of every Christian in the country… Christians must be more active in governance and must vote candidates who will protect the interests of the Church. This is not to say that we are against any religion, but to ensure that there is a level playing field for everyone"[133].

However, since the democratic transition in 1999, the leadership of successive administrations by Christian southerners – with the exception of Yar'adua's two years in power – generated protests from Muslims over a perceived deliberate strategy of exclusion and marginalisation. According to this reasoning, when Muslim leaders governed the country, they were more 'fair' and 'inclusive' of non-Muslims. This point was underlined to me by a representative of the umbrella body for Muslims, the Jama'atul Nasril Islam (JNI)[134], who said: "Muslims feel marginalised… But Muslims were more liberal when they governed before 1999… I believe Christians were more opportune[d] [comparatively]". Another nationally prominent Islamic cleric[135] said to me: "in the armed forces… 80% of the rank and file is now highly skewed towards Christians... About 80% of the Director-Generals of government agencies, Chairmen and Directors of federal institutions are Christians." There appears to be a mutual resentment and fear of domination by the other.

Significantly, Goodluck Jonathan's administration from 2010 heralded the overt inclusion of largely Pentecostal Christian religious actors into the ruling coalition. Although even before Jonathan's

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131 Section 10 of the 1999 Constitution states that "the Government of the Federation or of a State shall not adopt any religion as State Religion"
132 Zamfara remains the poorest state in Nigeria, with a poverty headcount ratio of 91.9%. See: Table 13 Appendix III.
133 Excerpt of keynote speech by CAN president obtained from the non-participant observation of Christian conference on ecumenism organised by the Association of Catholic Bishops in Nigeria, Abuja, 23 April 2014
134 Interview at JNI Headquarters, Kaduna, 08 August 2014
135 Interview, Kaduna, 08 August 2014

ascendancy, Pentecostal pastors were becoming economical heavyweights in Nigeria and across the African continent[136] since the late 1990s. Jonathan's close ties to the President of CAN, Oritsejafor, both from the Niger-Delta, the latter's interventions on national political and policy issues, his participation in presidential delegations, and Jonathan's policy statements at Churches were all indicative of the growing influence of religion on that ruling coalition. In September 2014, Oritsejafor's private jet was used to convey $9.3million to procure weapons from private arms contractors in South Africa for Nigeria's war against the Boko Haram insurgency, causing a diplomatic standoff between the two countries[137]. The growing influence of religion within national and state-level ruling coalitions has led to a greater confrontation of Islam and Christianity in a race-to-the-bottom politics of exclusion to influence the distribution of resources. According to Adejumobi (2011:12-13) in the context of deepening social crisis and shrinking material provision by the state, identity politics assumed a major means of accessing public resources.

Another set of influential societal actors unveiled by political liberalisation are the militant and millenarian movements, notably the Niger-Delta militants and the Islamists, especially *Jama'atul Ahlus Sunna Liddawati wal Jihad* (JAS) also known as 'Boko Haram'. Using violence, these actors are able to either influence the priorities of the ruling coalition. The rise of radical Islamist movements can be traced to the late 1970s when Muslim demands for greater inclusion of shari'ah in the 1979 constitution being debated were watered down (Maier, 2000:166) and the political space for incipient strains of political Islam which emerged from that fallout. The decline in the influence of the traditional northern elite since the democratic transition in 1999, has opened the door for the emergence of indigenous Islamic protest or revolutionary movements[138].

In the south, the violent agitation by militants in the oil-rich Niger-Delta has been prominent. From the mid-1990s, their agitations against political and economic marginalisation, and environmental

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[136] Nigeria's Pentecostal pastors such as Enoch Adebayo, David Oyedepo, Chris Oyakhilome and T. B. Joshua are among some of the richest in the world, with churches and congregations traversing continents. See: Richest Lifestyle (2014) Top 10 Richest Pastors in the World.
[137] See: Premium Times (2014) 'CAN President, Oritsejafor, Admits Ownership of Cash-Stacked Jet Seized in South Africa'
[138] Campbell (2011:52). For an assessment of violent religious extremism in northern Nigeria, see: Hill (2010); Walker (2012) and Crisis Group (2014).

degradation was so intense that by 2008, it disrupted oil production from 2.5 million barrels per day down to just 500,000 in 2008. The Yar'adua administration was forced to negotiate with the militants, offer an unconditional Amnesty to insurgents and consolidate the cessation of hostilities, as one of late President Yar'adua's special advisers explained to me [139]. The Amnesty, as a disarmament, demobilisation and reintegration (DDR) programme comprised of educational and vocational empowerment, monthly stipends to repentant militants and the creation of a Ministry of the Niger Delta to concentrate on infrastructural and social development in the region[140]. This peace bargain to address the instability and restore oil production was secured with the critical input of key Niger-Delta elite, particularly state governors and traditional rulers, some of whom were strongly suspected to be financiers of the militancy in the first place[141]. This Amnesty was a historic attempt at addressing the grievances of the Niger-Delta which had been allowed to fester by previous military and civilian regimes, and exploded into a violent insurgency against the state.

The rehabilitation and developmental package for the militants was carried on by the Jonathan administration, himself from the Niger-Delta, and a key player in negotiating the deal. His administration witnessed the inclusion of former militants and other Niger-Delta actors into the ruling coalition. For instance, in 2011, ex-militant and warlord, Government Ekpemupolo Tompolo was awarded a $103 million contract pipeline surveillance contract through his firm Global West Vessel Specialist Agency Ltd, to protect the country's maritime areas and stop piracy and oil theft, a job constitutionally meant for the country's navy[142].

Therefore since democratisation in 1999, the influence of moderate and established civil society and 'ethnic' organisations in constraining the ruling elite has waned, with their places taken by more incendiary organised religious movements and 'extremist' militant groups. These extremist

[139] Interview, Abuja, 31 May 2014.
[140] The Amnesty was expected to prepare repentant militants for reintegration into society with the expectation that sustainable peace would pave the way for the stoppage of disruptions to oil production and create the possibility for economic development in the Niger Delta. For other assessments of the Amnesty Programme, see: Aghedo (2012:273), Ogege (2011); Davidheiser and Nyiayaana (2011).
[141] Three former governors in the region were named in a government report for providing money to militants to procure weapons in preparation for re-election campaign in 2003 according to a former presidential adviser, Adeniyi (2011).
[142] Other former militant leaders benefitted from contracts like Asari Dokubo ($9 million) and $3.8 million a year apiece to two former rebel leaders, Gen. Ebikabowei "Boyloaf" Victor Ben and Gen. Ateke Tom to guard the pipelines they used to attack. See: Odivwri (2013)

organisations often make similar vertical-redistribution demands. However, their use of violence contributes to the climate of insecurity which undermines the state's legitimacy and erodes confidence in the alleged benefits of democratisation (Mustapha, 2013:183-192).

Economic Agenda

The political settlement within which the transition to electoral rule occurred in 1998-9 did not explicitly articulate an economic plan. The priority at democratisation was the prevention of a political crisis by placating the aggrieved Yoruba south-west, restoring relations with the international community and retaining the influence of the mostly military elite. However significant reforms did begin from 2001 and subsequently in the administrations of Obasanjo, Yar'adua and Jonathan in reaction to both external shocks and vertical-societal agitations for redistribution especially in the Niger-Delta as is examined below. The policy direction of Buhari's government (2015-Present) remains unclear.

Olusegun Obasanjo's priority during his first term was the consolidation of his personal power. He however embarked on a markedly different path in his second term from 2003. Obasanjo appointed a competent team of technocrats who developed a coherent economic reform strategy, the National Economic Empowerment and Development Strategy (NEEDS). This change of priorities was due to Obasanjo's personal desire to leave a strong legacy by laying the foundation for Nigeria's economic rejuvenation. In particular, he sought to emulate the East Asian model of development, since Singapore's former strongman, Lee Kuan Yew was his role model[143]. More significantly, Obasanjo and his ruling coalition were constrained to generate new, non-oil resources in the economy and to free up resources that were committed to debt servicing, up to $3 billion per annum by 2004[144]. This was within a climate of low global oil prices.

[143] el-Rufai (2013:197)
[144] Okonjo-Iweala (2012:147).

In the early days of his first term when the telecommunications sector was liberalised from 2001, Obasanjo realised that market reforms could generate new non-oil wealth for his ruling coalition [145] (the telecoms liberalisation is discussed in Chapter Five). This realisation occurred alongside preconditions for obtaining debt relief from the Paris Club, multilateral and commercial creditors[146], which required Nigeria to develop a comprehensive economic reform strategy approved by the IMF. According to a report by Nigeria's Debt Management Office, DMO (2005:40) Nigeria would have 67% of its debt stock written off in March 2006 subject to a satisfactory review by the IMF of this reform programme. A home-grown reform blueprint, the NEEDS, was developed rather than adopting an IMF Poverty Reduction Strategy Paper (PRSP), to pre-empt the ideological opposition to IMF reforms by the Nigerian intelligentsia and civil society, stemming from the experience with SAP in the 1980s. The "…second draft of the PRSP was…called NEEDS"[147], according to Nasir el-Rufai, one of the architects of NEEDS. He says:

> …we engaged academics in developing the strategy; we invited former minsters of finance and economic advisers, and debated the draft thoroughly. In the end, it was… widely consultative… and one of the most widely debated economic reform documents in Nigeria's history… we thought through and designed the programme on our own... When the Fund subsequently reviewed it, their staff said that it was more comprehensive than any IMF-designed economic programme.

NEEDS identified the four central challenges of Nigeria's economic development as poor economic management, poor governance and weak institutions, service delivery challenges and an unfavourable business environment. It then focused on four goals: wealth creation, employment generation, poverty reduction and value orientation. These goals were to be achieved through macroeconomic and structural reforms focusing on budget management; fiscal reforms; liberalisation

[145] Interview with a technical adviser for several reforms embarked on by Obasanjo. Abuja, 13 May 2014.
[146] In 2003, British Prime Minister Tony Blair, promised to champion Nigeria's cause for debt relief if it was able to develop and implement an economic reform programme (El-Rufai, 2013:189). According to Dr. Ngozi Okonjo-Iweala, Finance Minister and head of the Economic Management Team, the quest for debt relief and for return of public assets stashed in the UK provided the impetus for quick work on the economic reform strategy (Okonjo-Iweala, 2012:27).
[147] The name NEEDS was coined by two members of the Economic Management Team, former Federal Captial Territory Minister, Nasir el-Rufai and former Chief Economic Adviser to the President and later, Central Bank Governor, Professor Charles Soludo (El-Rufai, 2013:189). Nigeria was the first country whose home-grown programme was encapsulated in a Policy Support Instrument (PSI). It was approved by the IMF Board in September 2005, paving the way for the implementation of the debt-relief agreements (Okonjo-Iweala, 2012:151).

and deregulation of important economic sectors; privatisation of important public enterprises; governance, institutional reforms and anti-corruption (Okonjo-Iweala, 2012:27-28).

NEEDS was indicative of a partial return to some version of economic planning after the SAP disruption of the 1980s and 1990s, with a renewed emphasis on economic diversification as a pivotal policy priority. This was encapsulated in the Nigeria Vision 20:2020, the overarching framework for economic development for the eleven-year period between 2009 and 2020, through a series of medium term strategies, retroactively incorporating Obasanjo's NEEDS (2004-2007), Yar'adua's Seven-Point Agenda (2007-2009) and Jonathan's 'Transformation Agenda' (2011-2015)[148]. The NV20:2020 aims for a "…strong, diversified, sustainable and competitive economy…" by 2020 in its vision statement and outlines the promotion of "…private sector-led non-oil growth to build the foundation for economic diversification" as one of the critical policy priorities (NPC, 2009:10; 2010:7). NEEDS also allowed for the adaptation of the programme by sub-national governments (Okonjo-Iweala, 2012:29). Thus the broad policy thrusts[149] of economic reform since the transition in 1999 have been:

- Macro-economic reform: aimed at macroeconomic stabilisation and diversification of government revenue. Specific measures include debt reduction, budget, taxation and other Public Financial Management (PFM) reforms; counter-cyclical fiscal policy through the oil-price based fiscal rule, the Medium Term Expenditure Framework (MTEF) to ensure sustainable public finance, the Excess Crude Account (ECA) and the equivalent of a sovereign wealth fund, the Nigeria Sovereign Investment Authority (NSIA) to save surplus oil earnings.
- Economic Liberalisation and Private Sector Development: aimed at reducing the government's direct participation in production, and strengthening its regulatory functions and strategic integration into the global economy. This translated into liberalisation of telecommunications, the downstream petroleum sector, the power sector and trade; privatisation of SOEs; restructuring the banking sector and tariffs regime to facilitate regional and global integration, and electricity and transport infrastructure.

[148] (NPC, 2004; NPC, 2009:7; NPC, 2013a; NPC, 2013b).
[149] Aggregated from: NPC (2004; 2009; 2010; 2013a), Gboyega et al. (2011); Okonjo-Iweala (2012) and El-Rufai (2013).

- Economic Growth: aimed at diversifying the production structure away from oil and mineral resources making the productive sector internationally competitive. It included sectoral strategies to enhance linkages of agriculture, water resources, Micro, Small and Medium-Scale Enterprises (MSMEs), services (trade, ICT, finance and hospitality) and solid minerals, encouragement of Foreign Direct Investment (FDI), and reforming the oil sector through the Petroleum Industry Bill (PIB).
- Public-Sector Reform and Transparency: to strengthen public institutions, improve transparency and efficiency, reduce waste and enhance economic coordination. This included reforming public procurement, anti-corruption and the establishment of agencies like the Economic and Financial Crimes Commission (EFCC), transparency of oil revenues through the establishment of the Nigeria Extractive Industries Transparency Initiative (NEITI), effective regulation through agencies such as the National Agency for Food and Drug Administration and Control (NAFDAC) and improving service delivery.
- Social Development: through a 'social charter', to reduce poverty and foster a sustainable environment. This was to be attained through pursuing non-oil growth, increasing per capita consumption and increasing health, education and social expenditure to attain the Millennium Development Goals (MDGs).

Evidently, Olusegun Obasanjo had a clear economic vision for the country in his second term, appointed a competent economic team of 12 members to coordinate economic policy formulation and implementation to actualise this vision[150], and largely insulated the technocrats from political pressures. According to the head of the reform team, Dr. Ngozi Okonjo-Iweala (2012:132), "for much of the duration of the reform program, the president gave his backing; his support wavered as new presidential elections approached and politicians gained more influence". This was because most of the 12 member reform team, especially Charles Soludo the Central Bank governor, Nasir el-Rufai and Ngozi Okonjo-Iweala, were scouted by the Vice President, Atiku Abubakar, who was constitutionally and substantively, the head of the economic policy, the National Economic Council, before his falling out

[150] For more on the economic team, see: El-Rufai (2013:155)

with Obasanjo[151]. While Obasanjo's commitment to reform lasted, key sectoral initiatives created conditions for which important non-oil sectors began to expand such as the telecoms, banking and finance, construction, trade and real estate. This expansion along with the 13% derivation to the Niger-Delta states however accelerated the shift of capital to the south, further widening regional inequalities. Rising global prices of crude oil by an average 24% p.a.[152] between 2003 and 2007, provided windfall revenue to execute these reforms. According to Okonjo-Iweala (2012:132), "we also got very lucky that our hard work coincided with a period of galloping oil prices".

While President Obasanjo's political backing was critical to ensuring the relative success of NEEDS, Obasanjo and his economic team did not secure wider support for these reforms. They neither integrated this reform agenda into the priorities of the PDP ruling coalition nor mainstreamed its acceptance within wider society for three main reasons.

First, Obasanjo's attempts at securing a third presidential term beyond constitutional limits in 2006 fractured the ruling PDP such that NEEDS was associated with him personally, and was consequently discredited by sections of the political elite who opposed this plan. Second, the political uncertainty surrounding Obasanjo's third term ambition took its toll on the hitherto close-knit economic team. In particular, his public falling-out with vice president Atiku Abubakar who had put together the economic reform team fatally undermined the cohesion of reforms. This translated into infighting among the reformers, especially the rivalry between Okonjo-Iweala and Charles Soludo, the unilateral decision of Nuhu Ribadu to run for office, Obasanjo's wavering political support for reform as the 2007 elections approached all of which irredeemably fragmented the economic team. As a technical advisor to the government explained to me[153] "the reformers… all hate each other now, it is the saddest thing. They were effective because they were all together… you had a critical mass of bright and committed people who checked each other and who could triangulate the President on what needed to be done with strong support from the IMF, DfID and the World Bank".

[151] Interviews and discussions with various former ministers, PDP politicians, technical advisers and academics in Abuja and Washington D.C, February-June 2014, 2015.
[152] Calculated by author from EIA (2015) annual Brent Crude prices
[153] Interview, Abuja, 13 May 2014.

Third, sections of civil society, the media and the intellectual community remained ideologically opposed to the 'neoliberal' orientation of NEEDS[154]. This ideological hostility was bolstered by practical concerns over rising living costs, increased poverty and the fallout of attempts at oil sector deregulation. For instance, petroleum prices were increased six times within Obasanjo's eight years in office[155], while some of the perceived cronyism that dogged the privatisation of SOEs caused public outrage. In particular, was the government's buy-back agreement in which it purchased a portion of its debt with net payments of $12 billion to the Paris Club in exchange for debt relief to the tune of $18billion (OSSAP-MDGs, 2006:3; DMO, 2006). Civil society and legislators were perturbed by the need for Nigeria to enter a buy back deal when, according to a report in the newspaper (Thisday, 2006), "18 other countries were given 100% debt forgiveness… and none of the presidents of the… countries did the global tour [that] President Obasanjo did". These collectively undermined the legitimacy of NEEDS, Nigeria's most far-reaching economic reform strategy.

In Umaru Musa Yar'adua's brief administration (2007-2010), the economic agenda was guided by the Seven-Point Agenda, prepared immediately after his election in April 2007. Like NEEDS, this was neither incorporated into his electoral campaign nor the party's manifesto. Unlike NEEDS however, the Seven-Point Agenda was the president's individual plan[156], neither the product of a consultative process nor implemented by a cohesive economic team. Yar'adua also sought to flesh out details of a broader long-term Vision 20:2020 first espoused under Obasanjo, as the former Minister of National Planning Dr Shamsuddeen Usman who managed the process from 2007 explained to me[157]. Although the Seven-Point Agenda expressed a nominal objective of attaining economic growth and social development, the defining hallmarks of the administration revolved around Yar'adua's attempts to unshackle the overbearing influence of his predecessor, Obasanjo, who had basically handpicked

[154] According to Okonjo-Iweala (2013:80), a core of Nigerian intelligentsia is inclined toward socialism, they still believe in the role of the state as producer, employer and equalizer in society.

[155] The first increase was on 1 June 2000, only to be reduced one week after due to massive protests by organized labour and civil society. Five days later, on 13 June 2000, the pump price was further adjusted to N22 per litre. On 1st January 2002, Obasanjo increased the petroleum price from N22 to N26, and then to N40 in 2003 just one year after. In May, 2007, Obasanjo's government again raised the price to N70, but Umaru Yardua's administration reviewed it downward to N65 in May 2007 (Ering and Akpan, 2012:14).

[156] Yar'adua's Chief Economic Advisor, Dr Tanimu Kurfi is believed to have had an overwhelmingly input.

[157] According to Dr. Usman, Obasanjo became interested in Vision 20:2020 after the forecast by Goldman Sachs' Jim O'Neil included Nigeria among the Next-11 world's major growth countries by 2025. Yar'adua and later Goodluck Jonathan made efforts to concretise Vision 20:2020 in their respective economic plans. Interview, Abuja, 16 April 2014.

him. According to former Minister el-Rufai (2013:355), Obasanjo "thought Yar'adua would be…weak and subservient to him in many policy areas and would be consulting him regularly so that Obasanjo might be a Lee Kuan Yew sort of figure, exercising power from behind the scenes." Yar'adua's acknowledgement of the flawed elections which brought him to power, his emphasis on abiding by the 'rule of law' and the restoration of fuel subsidies removed by Obasanjo on the eve of his departure in May 2007 were attempts to distance himself from the hawkish antecedents of his predecessor.

Despite the brevity of the Yar'adua administration, two reforms critical to the country's economic growth, export earnings and government revenue were initiated. These are banking reforms in response to external shocks of the 2008 global financial crisis and a peace agreement with payments in response to the vertical-redistribution pressures in the restive Niger-Delta.

First, to prevent Nigeria's banking sector from collapse in the wake of the 2008 global financial crisis, steps had to be taken from 2009. Initiated by Sanusi Lamido Sanusi, the Central Bank Governor appointed by Yar'adua, the banking sector reforms[158] aimed to restore corporate governance, to manage the proliferation of toxic non-performing loans of more than N1 trillion. The intervention also sought to mitigate the effects of rapid financialisation which had made the sector vulnerable to severe crisis, threatening to drag the entire economy. To restore stability and market confidence, the CBN published a list of heavy debtors[159] – a rollcall of Nigeria's business and political elite including director of the Nigerian Stock Exchange, shareholders of Transcorp, major players in the oil, airline and construction industries – injected N620bn of liquidity into the banking sector, replaced the leadership at eight banks, and introduced capital controls to mitigate the volatility of rapid financialisation[160]. A key aspect of the banking reforms was redirecting the focus of banks from lending to only politically-connected individuals and corporations, to engagement with the real economy in energy, agriculture,

[158] After the consolidation of banks in 2006, there was instability caused by sudden capital inflows, lax regulation with banks engaging in unethical practices of non-transparency of their true financial position, and weak corporate governance. Their weaknesses became more evident with the onset of the global financial crisis in 2008 and the subsequent crash of oil prices, the banks were affected through the stock/capital markets they heavily lent to. To read more about the crisis, its origins, and the steps taken to address it, see: Sanusi (2010)
[159] Central Bank of Nigeria Press Release (2009). See also for details of banks and total debts: Vanguard (2009) 'CBN releases fresh list of bank debtors' 15 October 2009.
[160] Keynote speech by Governor Sanusi 'The Nigerian Banking Industry: What Went Wrong and the Way Forward' 26 February 2010

transportation[161] and MSMEs, the promotion of financial inclusion and diversification of banking services.

A second policy thrust of the Yar'adua administration was the Amnesty peace settlement in June 2009, with militants in the oil-producing Niger-Delta to address the restiveness and development challenges in the region. The militancy had reached unsustainable levels by 2008, characterised by frequent kidnappings of expatriate staff of oil companies, vandalisation of pipelines and other oil sector equipment and general insecurity in the region all drastically affecting oil output and by implication, the government revenue. Thus, the need to restore oil production, the lifeblood of the economy, within a global climate of raging financial crisis and collapsing oil prices were critical impetus for this decision. This conciliatory, if expedient, approach was a marked departure from Obasanjo's strong-arm use of military force to address the Niger-Delta insurgency. However, the Amnesty was fundamentally redistributive in transferring resources through the creation of agencies and monthly payments to former militants. Yar'adua's deteriorating health and eventual death umdermined his ability to firmly steer the direction of these policy thrusts to any reasonable conclusion.

Goodluck Jonathan's emergence as President in May 2010 and later with an elected mandate in May 2011 through a turbulent political process[162] meant once again no detailed economic agenda preceded his emergence. At least three peculiar constraints on his ruling coalition at this time and after the elections made his economic agenda a largely redistributive one until his defeat in the March 2015 elections.

First, record-high global oil prices at an average of $100 per barrel from 2009 until 2014 meant there was no external pressure for deep growth-enhancing reforms. By 2010, Nigeria's foreign reserves were at $32 billion, counter-cyclical policies initiated by Obasanjo such as the ECA were in full operation, inflation was a steady 11.5% and other macro-economic fundamentals were stable. Therefore

[161] Interview with senior official at Central Bank. Abuja, 16 March 2014.
[162] Jonathan was supported in battling Yar'adua's inner circle initially not keen on his succeeding Yar'adua, by broad sections of civil society and prominent Nigerians such as Nobel Laureate, Wole Soyinka, under the banner of the Save Nigeria Group.

the administration built on the foundation laid by Obasanjo, and fleshed out details of the more recent banking sector reforms and Amnesty peace settlement initiated by Yar'adua.

Second, the responsibility of addressing the Niger-Delta security and development challenges inevitably engendered his government's redistributive orientation. Yar'adua's death, a few months after launching the Amnesty programme left Jonathan with the task of fleshing out the specific details on payments and transfers. As the first head of state to emerge from the Niger-Delta, he also had a personal stake in correcting the deep-seated resource-control grievances of the region. To that effect, federal spending was overtly skewed in favour of the region. In 2014 alone, about 46% of the federal capital spending was allocated to his home region, the south-south, home to five of the oil producing states and six out of the country's 36 states[163].

Third, the hostility from a largely northern-coalition within the PDP over Jonathan's defiance of the North's 'turn' in the zoning power-rotation permanently constrained him to pacifying this internal opposition until 2015. Jonathan and the emerging coalition around him therefore expended tremendous resources to secure his acceptance within the PDP to win the presidential elections in 2011. One instrument of pacification was distribution of crude oil lifting and marketing licenses to firms which, according to a parliamentary report on fuel subsidies increased from 49 in 2009 to 140 in 2011 (House of Representatives, 2012:75). Subsidy payments to these firms increased from N295 billion in 2009 to N1.7 trillion in 2011(*ibid*). As is extensively discussed in the analysis of oil sector reforms in Chapter Five, key beneficiaries of subsidy payments included the sons of the then ruling party, PDP chairmen.

Therefore, Jonathan's economic strategy, the Transformation Agenda was first announced in his inauguration speech in 2011[164]. Policy documents were only publically available in mid-2013 during the administration's mid-term assessment. Like the Seven-Point Agenda but unlike NEEDS, the Transformation Agenda wasn't the outcome of an elaborate consultative process. It was developed

[163] According to an analysis, out of N1.386 trillion total capital spending in 2014, N639.306 billion or 46% was allocated to the South-South; N256 billion, South-West; N193 billion to the Federal Capital Territory; N111.3 billion South-East; N101 billion, North-Central; N62.151 billion, North-West and N23.767 billion to the conflict-ravaged North-East. See: *Daily Trust*, 31 December 2014

[164] In his inaugural speech, Jonathan said: "The day of transformation begins today… The transformation will be achieved in all the critical sectors, by harnessing the creative energies of our people." *Vanguard Nigeria,* 29 May 2011

iteratively and inductively, in certain respects, keying into already existing plans, such as the Vision 20:2020 and some elements of NEEDS.

Critically, the Transformation Agenda was built singularly around efforts by former finance minister under Obasanjo Ngozi Okonjo-Iweala, as Minister of Finance and Coordinating Minister of the Economy[165], Dr. Akinwumi Adesina, the Minister of Agriculture and Rural Development who initiated the Agriculture Transformation Agenda (ATA) in 2013, Olusegun Aganga the Minister of Industry Trade and Investment who launched the National Industrial Revolution Plan (NIRP) in January 2014the Minister of Petroleum Resources Diezani Alison-Madueke, the Ministers of Aviation, Science and Technology, and the Central Bank Governor, Sanusi Lamido Sanusi, among others. The Transformation Agenda was developed inductively, based on the individual efforts of key cabinet ministers, as opposed to the consultative process coordinated by a close-knit team that led to NEEDS in 2003.

The horizontal-elite factionalisation within the PDP and the economic stability enabled by high global oil prices created no pressure for deep reforms and consequently, no imperative for having a cohesive economic team. Given his personal lack of charisma and his provincial networks limited to a narrow Niger-Delta support base as some of his former advisers explained to me[166], Jonathan's economic strategy was dependent on a few technocrats in his cabinet acting individually, with a disproportionate influence by Coordinating Minister Okonjo-Iweala, whose results inductively constituted the Transformation Agenda . As explained by the Minister for Industry Trade and Investment[167] "… the president comes with the vision, you interpret it, send it back to him for assessment and approval". The end result is that some of the Ministers were able to individually initiate some reforms in agriculture and industry, while others presided over unprecedented corruption in the oil industry.

165 Ngozi Okonjo-Iweala who was Finance Minister under Obasanjo accepted to return to Nigeria on the condition that her portfolio would include economic coordination as well as the finance ministry. These 'co-ordination' duties expanded beyond the finance ministry to cover national planning.
166 Interview with Senior Special Assistant to Jonathan, and former cabinet member August-September 2014
167 Interview, 2014.

President Muhammadu Buhari was elected in 2015 with a pledge to fight corruption, especially in the oil industry, diversify the economy and tackle insecurity in the wake of collapsing oil prices since mid-2014[168]. Some inroads have been made in repatriating stolen funds, and in combatting the Boko Haram insurgency, but there have been no high profile anti-corruption convictions and since mid-2016 the economy has been in recession, for the first time in 20 years[169]. Crucially, more than a year into the administration, the economic strategy remains unclear, even though the vice president, Yemi Osinbajo heads a vague economic team[170]. It is not clear what informs policy even though there are disparate and conflicting policy documents such as the APC Manifesto, the report of the Transition Committee and policy statements from the vice president's office[171].

Institutionalisation

Since the transition in 1999, new parameters for the distribution of power and therefore, the allocation of economic resources have crystallised. At the core of these institutions was the post-military elite consensus retaining the influence of the military while balancing power between the north and the south through the PDP's 'zoning' principle. The 1999 constitution formally defined the parameters for political competition and the allocation of resources. Beyond the constitution however, the crucible for power and resource allocation was the ruling PDP (1999-2015) as the major centre of power. At least five developments associated with political liberalisation have resulted in the emergence and displacement of institutions reflecting the changing power and resource base of a multitude of actors.

First, the constitutional checks and balances inherent in Nigeria's American-style presidential-democracy empowered a vibrant legislature as a centre of power. Formally empowered by the constitution, the bicameral National Assembly was also a centre for formal and informal elite negotiations. Most public debates in both chambers are rehearsed and usually agreed on beforehand as

168 See Buhari's inaugural speech on Channels (2015) website: https://www.channelstv.com/2015/05/29/full-text-president-muhammadu-buharis-inaugural-speech/
169 On recession, see report by the IMF (2016)
170 On economic policy and lack thereof, see: Africa Confidential (2016) Vol 56, No.23
171 See for instance, APC Manifesto online: http://www.allprogressivescongress.org/manifesto/

a member of the House of Representatives explained to me[172]. The legislature exercises significant constraints on the executive. Despite what Mustapha (2013) describes as the presidential authoritarianism that characterised the Obasanjo period, the legislature did put up a good fight in constraining some of his overreaching tendencies. In 2002, the National Assembly made a potent attempt to impeach Obasanjo on 17 charges of constitutional breaches[173]. Crucially, his attempt at tenure extension was thwarted in 2006 by the National Assembly's rejection of a proposed constitutional amendment to enable him do so[174]. Critically, resolutions by the National Assembly on 9 February 2010 defused the political crisis over the prolonged absence and incapacitation of President Umaru Yar'adua, by designating Vice President Goodluck Jonathan as Acting President.

Second, Obasanjo's methodical reorganisation of the military within his first term to purge their politically subversive elements immersed in decades of coup-plotting had immense implications for institution building and effectiveness. The mass retirements of high-ranking officers with significant experience in peace keeping and crisis management may have eroded the institutional memory of the armed forces, affecting their capacity to contain insurgencies in the Niger-Delta and more recently, Boko Haram in the north-east. Mohammed (2011:179) also argues plausibly that these purges deprived the political system of a vibrant opposition within the first decade of democratisation, because in the context of weak political institutions, only the military could have served as an effective check on Obasanjo and the PDP. The armed forces thus became politically weaker with some of the politicised generals still retaining significant back channels of influence, through the PDP or through their protégés appointed as cabinet ministers or presidential aides[175]. This fits Robinson's (2010:10) description of elite persistence in which they compensate for the change in political institutions through the use of de facto power. However, this power gradually declined as new centres of power emerged.

172 Interview with House of Representatives member and House Committee Chair. Abuja, 20 April 2014.
173 These include the non-implementation of budgets over three years, and failure to obtain the consent of the legislature on military operations to quell insurgencies at Odi in the Niger-Delta in 1999, and Zaki Biam in the Middle-Belt in 2001 (IRIN, 2002).
174 Timberg (2006) 'Nigerian Senate Blocks Bid for Third Presidential Term' **Washington Post**
175 Mustapha (2013:195-196) notes that many of these presidential aides – Special Advisers, Special Assistants etc. – were children of prominent political personages promoted into junior positions within the government as a strategy for tying-in their networks.

The third development is the political party system, as a centre of power, and a platform for elite consensus. Although the constitution formally allowed for a multiparty democracy, the PDP was the main institutional basis for elite coordination, including not just civilian politicians, but the military as well as the business class. Other major parties such as the All Nigeria People's Party (ANPP), the Action for Democracy (AD), the All Progressives Grand Alliance (APGA) and the Congress for Progressive Change (CPC) comprised of actors mostly with short-term interests of electoral success. It is instructive that with the exception of the PDP, all the opposition parties have undergone significant transformation in name, structure and membership since 1999; some have splintered or disappeared entirely. While Mustapha (2013:200) posits that this was reflective of the collapse of the party system, it may also have been reflective of the one-party dominance Bogaards (2004) that characterised many African countries at that time. Despite the parties' weak organisation, low levels of institutionalisation and weak links to society as Van de Walle and Butler (1999:15) described African political parties, the defeat of the PDP by a coalition of opposition parties under the banner of the APC in the 2015 elections points to a gradual, if chaotic, process of institutionalisation of the party system.

Fourth, the country's federal structure in which states as component units possessed significant political and fiscal autonomy enabled the emergence of state governors as powerful political actors. The governors' individual powers came from their national oil receipts, the electoral mandate, and the control of their state legislatures and state political parties. It is instructive that the introduction of shari'ah law in some northern states in 2000 was championed by the governor of Zamfara state. Furthermore the 13% derivation and other revenues accruing to the oil-producing Niger-Delta states have made some of the governors very powerful, especially Rivers and Akwa Ibom with the highest oil receipts. Finally, through the institution of the NGF, the governors often collectively constrain the president on key policies, sometimes more effectively than the National Assembly. As documents and interviews on a multi-stakeholder initiative reveal, development partners advocating for oil sector reform during Jonathan's administration found governors to be highly effective reform allies because crude oil theft, deductions from the ECA and other revenue losses directly short-changed their own oil receipts. According to development partners and the NGF secretariat[176], the NGF at its zenith was an avenue through which development partners channelled interventions to the states, bypassing the complex bureaucracy of civil servants. Critically, the governors collectively remain influential in deciding who becomes president. It is instructive that since 1999, two of the four presidents and three of four vice presidents have been governors.

The fifth is the office of the president and the coalition of actors around him, known as the Presidency. This is the most powerful individual in the country on the basis of the immense powers granted by the constitution over the armed forces, veto power over legislative bills, appointment of ministers and other key public officials, economic policy, management of 48% the country's revenues, to mention a few. In particular, the vast power over the oil sector, coercive apparatuses and leadership of the ruling party is instrumental for dispensing patronage, for rallying political support and engendering elite cohesion or fragmentation.

Over the years since the transition, these institutions have become more entrenched albeit with variations in their concentration of power and influence. This variation is largely dependent on the personality and orientation of the specific president at any time. The NGF's defacto ability to constrain the Presidency has moved from incipient strength under Obasanjo, to becoming a formidable institution under Yar'adua and Jonathan's early days and then losing some of its vitality to infighting under Jonathan[177]. The strength, influence and viability of these institutions will evolve fluidly as democracy deepens.

CONCLUSION

Since 1999, the evolution of both Nigeria's economy and institutional environment has been characterised by diversification and fragmentation. The GDP is gradually diversifying from oil, agriculture and trade, which collectively accounted for 80% of economic activity in 2000, to a service

176 Interviews at the NGF Secretariat, and with the manager of a bilateral donor initiative, Abuja, 10-11 March 2014.
177 In 2013, the NGF splintered in two after an inconclusive election for the position of Chairman. The position had hitherto been selected by consensus by the governors. However, they could not agree because of President Jonathan's interference; he saw the NGF as a threat to his political survival.

economy accounting for more than 50% of economic activity. Using the political settlements framework, I have argued that this economic performance is the outcome of policies pursued by Nigeria's ruling elites constrained by external shocks. In making this argument, I have unveiled Nigeria's institutional framework. At its core is the elite consensus of 'zoning', its fragmentation and collapse with the PDP's electoral defeat in 2015; and the empowerment of religious actors and violent-militant movements, more capable of constraining the ruling elite's vertical-redistribution agenda than the more established civil society, trade unions and ethnic associations. The political settlement analysis also presents the post-military economic agenda which began with the reform programme of NEEDS as a policy response to external pressures of low oil prices and the quest for debt relief. Finally, this analysis has shown how electoral democracy is divesting power from the military and traditional rulers, to the ruling party, the legislature, governors, the NGF, and other emerging institutions.

To tie it all together, the post-military political settlement founded on the PDP's elite consensus of power rotation between the north and the south provided the stable foundation for Obasanjo's ruling coalition to pursue a coherent economic reform strategy in response to the external constraint of low global oil prices and for Nigeria's economic rejuvenation. The market reforms within a short time horizon of about four to five years enabled the expansion of a service economy rather than an industrial economy. However, the steady fragmentation of the PDP starting with Obasanjo's attempts to extend his tenure, Yar'adua's death in office, Jonathan's defiance of the zoning principle and its collapse in March 2015 disrupted the sustainability of these economic policies. In addition rising unemployment, poverty and inequalities from the pattern of growth, agitations for redistribution by unions, civil society, influential organised religious groups and violent militant movements, undermined the legitimacy of economic reforms and further destabilised the political settlement.

CHAPTER FIVE: CONSTRAINTS FOR GOVERNANCE, TELECOMMS AND OIL SECTOR REFORM IN THE POST-MILITARY POLITICAL SETTLEMENT

INTRODUCTION

This chapter now assesses in detail, the causal relationship between the constraints identified in Chapter Four in the post-military political settlement, the resulting economic policies, and their economic outcomes. It examines how specific constraints on the ruling elite at the critical juncture of democratisation in 1999 led to certain policy responses, drawing from three case studies which laid the foundation for economic reform in the post-military period. These are the reform of public procurement and the liberalisation of ICT, while in the oil industry by contrast, constraints engendered the stagnation and decline of the sector. In particular, the analysis zooms in on the deployment of rents and resources by the ruling elite to business allies, with divergent outcomes in the telecoms and oil industries.

PUBLIC PROCUREMENT: THE FOUNDATION FOR THE POST-MILITARY ECONOMIC REFORMS

The transition in 1999 marked a turning point in Nigeria with the pursuit of critical governance and economic initiatives. During President Olusegun Obasanjo’s first term in office (1999-2003), instituting transparency in public procurement, budgetary and financial operations, known as “Due Process” was one of the main governance reforms. Two other key pillars, which for the sake of brevity, are not analysed in this study, include the privatisation of 127 public enterprises and anti-corruption with the establishment of the Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). These public sector governance initiatives were not coincidental, they were the crucial link which facilitated other reforms.

As discussed in Chapter Four, Obasanjo's reform-mindedness was partly borne out of a personal desire to leave a legacy by laying the foundation for economic rejuvenation. He wanted to recreate the East Asian model especially Singapore because, according to Nasir el-Rufai (2013: 355), a member of his economic team "…Obasanjo and Lee Kuan Yew are friends… whenever he spoke about a great, visionary leader it was always Lee whose name he brought up". Mainly, it was a pragmatic response to severe fiscal constraints. The decisive motivation for a paradigm shift towards growth-enhancing reform was the external constraint of low global oil prices, operating through the following mechanisms:

(1) The necessity of generating non-oil wealth in a period of low oil prices, at $17 per barrel in 1999
(2) The necessity of freeing up resources committed to debt servicing, up to $3 billion per annum by 2004 or 41% of the annual budget
(3) The necessity of articulating a comprehensive economic reform blueprint as precondition for debt relief by development partners

The main impetus for reforming public procurement and contracting was the need to secure debt relief, to have some fiscal space for governance. The new administration inherited a huge external debt portfolio, reaching $36 billion by 2004 equivalent to 51.4% of GDP and 412% of annual fiscal revenue (DMO, 2005:44). During a period of low oil prices in Obasanjo's first term, the total debt stock was 151.9% of exports. Consequently, Obasanjo launched a campaign for debt relief from the Paris Club group of creditors, which owned almost 90% of the country's external debt. According to a member of Obasanjo's economic team, Obiageli Ezekwesili, the Senior Special Assistant to the President on Budgets, Due Process and Price Monitoring[178], while "the U.S. Treasury and Congress supported Nigeria… in its quest for debt relief, they felt… the institutions of corruption… were still intact, and that any debt relief… would amount to moral hazard… giving us more money to burn because there are no consequences to our bad behaviour." She adds, "there was need for a game-changer, to demonstrate to the world with evidence that Nigeria had changed its past ways of profligacy,

[178] Interview, London United Kingdom, 08 March 2015

that Nigeria would make judicious use of revenues… to ensure debt relief would not just be squandered." So "we initiated the idea that improved public contracting was key, the most obvious aspect of the resource-curse. You translate oil wealth to better infrastructure, human capital, better institutions, and people can see evidence of good investment…our spending didn't actually translate to these things. So we decided to evaluate public investment over the last 10 years, to find out where there was a weakness of the contracting system or the quality of investment, so that we could understand how oil rents were utilised and what needed to be fixed." The reform of public contracting to demonstrate that Nigeria was rebuilding its institutions to enable it judiciously utilise resources became critical to securing debt relief to free-up the fiscal space. It also became one of the foundation pillars of the NEEDS reform blueprint.

As Ezekwesili explained to me[179]: "Due Process started with a diagnostic of all public contracts awarded in Nigeria… from 1992 to 2000, a minimum of N200 million ($1 million)…" The review unearthed the systemic flaws that facilitated revenue leakages in the financial activities of government, showing "…why $400 billion of oil wealth at that point had been squandered". They found that in the public investment budgets over this ten-year period "value for money per N1 was 45 kobos [or 45%]. Because there was no regulator, anybody with a budget in the civil service considered it their own budget…" The findings of this diagnostic made it imperative to urgently reform the procurement system if Nigeria was to reduce the pervasive corruption that impeded public sector efficiency. Ezekwesili explained to me[180] that they decided to build a system of incentives and sanctions. She adds: "that was how we came up with a Due Process – if you complied with the set of rules, you would be rewarded with a certificate of compliance… Without it, your project would not be presented at the Federal Executive Council [the contract awarding body of the federal cabinet]". In 2001, the Budget Monitoring and Price Intelligence Unit (BMPIU) was set up to ensure that budgets, procurement and spending were not only based on authentic and fair costing, but were also appropriately geared to the realization of government strategic priorities (Ezekwesili, 2002:3). The BMPIU reviews and certifies public contracts

[179] ibid
[180] Interview, London, United Kingdom, 08 March 2015.

with a ‘Due Process’ Certificate to ensure that compliance with the principles of ‘right procedures’ (transparency, competition and merit, and right costs) guide all public contracts from the award stage through to completion (Due Process Manual, 2005).

Despite initial scepticism and indifference among civil servants, Due Process was implemented. According to Ezekwesili, “we couldn't go with moral suasion. Therefore, we designed the certification arrangement in line with global standards of public procurement… adapted it to the Nigerian context. There was no law backing it at that time. But we entrenched it by getting the Office of the Accountant General to include [in the treasury’s circular]… clauses that any contract exceeding N50 million ($400,000) would go to public procurement.” Contracts of N50 million and above are processed by the relevant MDA, forwarded by the Ministerial Tenders Board to BMPIU which issues a Compliance Review and Certificate, and then forwarded to the Federal Executive Council for final award (Due Process Manual, 2005 in Ocheni and Nwankwo, 2012:95). To ensure competitive costing of contracts, a database of international prices was also developed to serve as a guide during the bidding process, while a public tenders’ journal is now regularly published as a means of reducing patronage in the award of contracts. Finally, a certification of completed projects is required before payments are made (Okogu and Osafo-Kwaako, 2008:197).

President Obasanjo’s political support was also critical to implementation, at least in the early days before his third-term ambition undermined his commitment to reform. According to Ezekwesili[181], the president allowed the rule to apply consistently, “even on contracts for the presidential villa some of which I cancelled because they did not comply with due process”. The location of the BMPIU in the Office of the President was a clear signal that the highest political will to guarantee its effectiveness existed. Finally, the reform was backed by legislation with the signing into law of the Public Procurement Act of 2007.

The application of Due Process to public procurement succeeded in several ways. First, it saved the government over N200 billion ($1.5 billion) between 2001 and 2009 from inflated contract prices

[181] ibid

(Okogu and Osafo-Kwaako, 2008:197). It freed up resources to be deployed towards other objectives. Second, it demonstrated Nigeria's commitment to reform to bilateral and multilateral partners. According to Ezekwesili, "Due Process became known in capitals of Western foreign partners, because their companies had to go through the rigour of winning Nigerian contracts… competitively... That was what we wanted… a game-changer, to show the world that the profligacy was coming to an end; that Nigeria's resources were not going to private pockets in a way that Nigeria had been associated with."

Due Process enabled the attainment of a debt write off by 2006 and was critically key pillar of other governance and economic reforms within this period, within the framework of NEEDS unveiled in 2004[182]. In September 2005, the Paris Club granted Nigeria debt relief of $18 billion as part of the Highly Indebted Poor Countries (HIPC) initiative. This translated to annual debt-service savings of about $1billion (OSSAP-MDGs, 2006:2). The debt relief freed up resources to be deployed towards actual governance but also for patronage, with varying outcomes. giving Nigeria the fiscal space for other development priorities. There are of course significant challenges in sustaining the momentum of this initial due process reform (Ezeh, 2013:37). It is within this context that the telecoms sector was liberalised while the oil sector in particular eluded the radar of due process and other transparency reforms, both by Obasanjo whose third term ambition undermined his commitment to reform, but also by the distinct constraints on successive administrations.

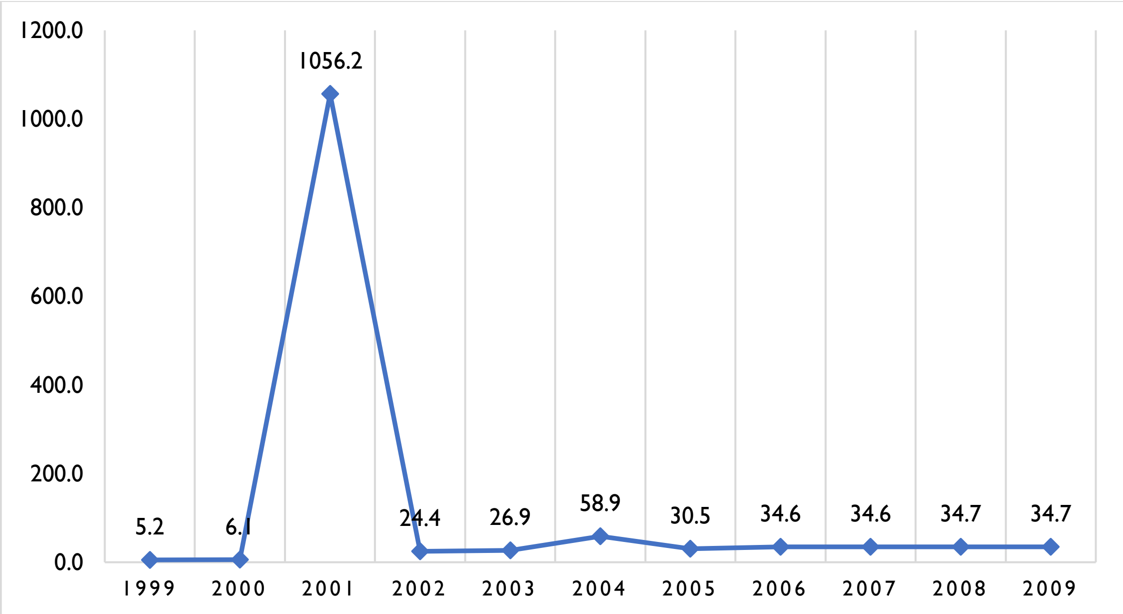
THE SUCCESSFUL LIBERALISATION OF THE TELECOMMS SECTOR

One sector where liberalisation was pursued with relative success is telecommunications or ICT, a major growth driver in the first 10 years of the electoral transition. In this case, the type of constraints meant that rents deployment within the ruling elite and their business allies enabled economic accumulation in a productive sense, resulting in successful liberalisation of the telecoms

[182] See Abah (2012:286) for an assessment of why several government agencies under the Obasanjo administration functioned as islands of efficiency within a broader institutional malaise.

sector. The notorious inefficiency[183] of NITEL prompted the government to pencil the utility alongside several SOEs for privatisation during structural adjustment between 1988 and 1993. A regulator, the Nigerian Communications Commission (NCC) was set up in 1992, while General Abdulsalam Abubakar's transition government promulgated the Public Enterprises Act of April 1999. Under Obasanjo's watch, the Bureau for Public Enterprises (BPE) scheduled 74 public enterprises for privatisation (Adejumobi, 2011:9). The liberalisation of the sector, marked by the introduction of GSM in August 2001 engendered its expansion.

Figure 5.1: Growth rate (%) of the telecommunications sector, 1999-2009



Source: NBS Data 2015

In 2000, there were just 400,000 phone lines; as at July 2015, there were 196 million connected mobile and fixed lines and 93.4 million active internet subscriptions[184], making it the largest mobile market in Africa. The telecommunications sector has expanded from just 0.1% of GDP in 2001 to 8.7% in 2015, growing at an average of 122% from 1999 to 2009 as Figure 5.1 (Table 13, Appendix II) above shows. The South African mobile firm, Mobile Telecommunications Network (MTN)'s biggest market

[183] For instance, between 1985 and 2000, the government spent more than $5 billion digitalising a landline telephone network that ended up with just 300,000 connected users (Wallis, 2013).
[184] NCC (2013) and subscriber data from NCC website.

by subscriber base is Nigeria, which has 27.7% of its 231 million subscribers across 22 countries[185]. Nigerian-owned Globacom, is a major player across Africa.

Here, I argue that three main constraints, enabled a pro-reform mind-set in Obasanjo's administration to liberalise the telecommunications sector. These are: the pressures to generate non-oil wealth in a time of low oil prices, pressures from the private sector allied to the ruling elites and donor and regional-external pressures. The fiscal crises these pressures posed to ruling elites, their cohesion within the ruling PDP at the end of military rule and the growth coalition with an allied business class enabled them to deploy rents and advantages to select telecommunications firms, which made for successful liberalisation.

The first constraint was the need to generate non-oil wealth. Despite professing a nominal commitment to liberalising the telecoms sector, Obasanjo wasn't really interested until he realised how liberalisation could generate new resources. He revoked most of the 27 mobile operation licenses provided by the previous military regime[186], which had placed him on death row[187], to domestic and foreign investors. Therefore, the first attempt at GSM licensing in 2000 failed due to the power tussle among Obasanjo, former military ruler, General Babangida and other military elite. It was only when Obasanjo's government realised, on the prodding of the private sector, the money that could be made that a second bid round was conducted in the UK in 2001[188].

Specifically, Obasanjo's government was encouraged by the high bids for the three licenses, each auctioned at $285 million, by the local group, Communication Investments, South African-backed Econet Wireless Nigeria and MTN. This amount far outstripped the $100m quoted for each licence – it was the most expensive license issued in Africa at the time according to the Econet CEO Strive Masiyiwa[189]. Obasanjo's administration became more committed to pursuing liberalisation upon

185 Subscriber data from NCC website, see also: Spillane (2015)
186 See: BBC (2001) Nigeria Awards Telecom Licenses.
187 Interview with an adviser for Obasanjo's government. Abuja, 13 May 2014.
188 ibid
189 Masiyiwa narrates his experience with the telecoms liberalisation in an article titled: "It's time to play by a different (ethical) set of rules (Part 7) Nigeria 1". See also: BBC (2001)

realising how much more could be generated, by key military and business elites allied to the ruling PDP.

The second critical constraint is the involvement of the private sector allied to the ruling coalition. Individuals who were involved with previous military regimes owned shares in these first wave of telecoms firms. For instance Colonel Sani Bello (rtd), a former military governor and a one-time ambassador to Zimbabwe, is an oil and telecoms tycoon, owned a minority stake in MTN Nigeria, one of the three beneficiaries of the 2001 auction. Econet Wireless Nigeria (now Airtel Nigeria), the first telecoms firm to operate in Nigeria, had a consortium of 22 all-Nigerian financiers including Diamond and other leading Nigerian banks, the Lagos and Delta state governments, military generals who were founding members of the ruling PDP, and high net-worth individuals such as Oba Otudeko, a Lagos-based industrialist who made his fortune in the 1980s[190]. What was happening in the telecoms sector was a watershed for market reforms in the economy. “It all started there” as a government advisor[191] who was part of the process mentioned, because for the first time, the private sector was allowed to drive things:

> It was the private sector… it is MTN saying to the President… ‘we’ll have a way of taking care of you but we want to operate in a competitive market, with some advantages over our competitors’. Obasanjo had no idea how markets work, as a military man, so the private sector starts educating him on this… he might have mentioned ‘diversification’ [in speeches] then but had no idea what it meant – but now every government…mentions ‘diversification’, PPP, private-sector-led growth… but this is recent stuff. They weren’t talking about this before, but they love it because it means that it’s this whole thing about growing the pie...

Whereas in the past, economic reforms were fully led by the government and consequently beholden to regional patron-client networks with growth-retarding outcomes, this time around, the private sector allied to the ruling coalition was allowed to steer the direction of reform. They demonstrated their capacity to generate new sources of rent for the ruling elite and to ease budgetary restraints, which although one-off, both allowed key elites to position themselves in emergent economic sectors, and also meant this model could potentially be replicated in other sectors[192]. Nigeria earned

190 See analysis by Masiyiwa (2015) and news report by Akanbi (2012)
191 Interview, Abuja, 13 May 2014.
192 Such as the allocation of monopoly rents through the ‘Backward Integration Policy’ in the cement and fruit juice industry to select firms such as the Dangote conglomerate. Nigeria transitioned from being a net importer to a net exporter of cement by 2013. See: FMITI (2012) and Osagie (2015)

about $2 billion between 1999 and 2011 as proceeds of privatisation, while another $10 billion in annual transfers to public enterprises was saved (Okonjo-Iweala, 2012:80). The private sector and the ruling elite were in a sense “mutual hostages” as described by Kang (2004) in a symbiotic relationship with growth-orientated outcomes in the telecoms sector.

The third constraint for liberalisation of ICT was external, and this was three-fold. As a precondition for debt relief, Nigeria had to develop a comprehensive economic reform strategy approved by the IMF. In addition, conditional assistance[193] by the Bretton Woods institutions, OECD countries and the World Trade Organisation (WTO) facilitated liberalisation. To that effect, in July 2000 the IMF obtained a pledge from the Nigerian government to minimise spending on the restructuring of the public utility, NITEL, as a pre-condition for a $1 billion standby agreement (Opata, 2011:4). Lastly, there was also a neighbourhood-rivalry effect with other West African countries. The realisation that the failure of earlier attempts at awarding licences had left Nigeria's telecoms network several years behind those of neighbouring rivals such as Ghana and the Ivory Coast BBC (2001) may have expedited the Global System Mobile (GSM) auctions in 2001.

However, some of the problematic features of the liberalisation process underscored the main motivations for pursuing these reforms in the first place: to generate new sources of wealth for ruling elites confronted with declining oil rents. There were serious cases of under-pricing, insider trading, questionable valuations in the privatisation process (Adejumobi, 2011: 11) and egregious cases of bribery in the licence auctions. For instance, Econet Wireless Nigeria, the first telecom firm to establish operations in Nigeria was asked to pay $9 million in bribes to senior politicians who mobilised financial investments for the licence. According to the CEO of the firm’s technical arm, Strive Masiyiwa, his refusal to authorize the illegal payments led to the cancellation of their management contract by the Nigerian shareholders [194] . In the privatisation, both NITEL and its subsidiary, Mobile Telecommunications (Mtel) were initially sold at an undervalued rate to a Dutch firm, and eventually

[193] Opata (2011:3) classifies these influences of donor partners into financial (financial assistance) and legal (the normative rules incorporated in the legal framework).
[194] See: Masiyiwa (2015). A big international operator was invited to replace Masiyiwa’s Econet as technical partner, the name was changed from Econet to V-Mobile, and then to Vodacom, Zain, Celtel and finally to Airtel.

Transcorp, a conglomerate owned by Obasanjo and his associates, acquired 75% stake under questionable circumstances[195]. Ironically, both cases did not pass the basic 'due process' requirements the same government promoted such that Yar'adua reversed the sale in 2007 on assumption of office. Yet, this bribery and corruption did not undermine the attempt to promote an independent market-driven telecommunications sector through selective advantages to firms.

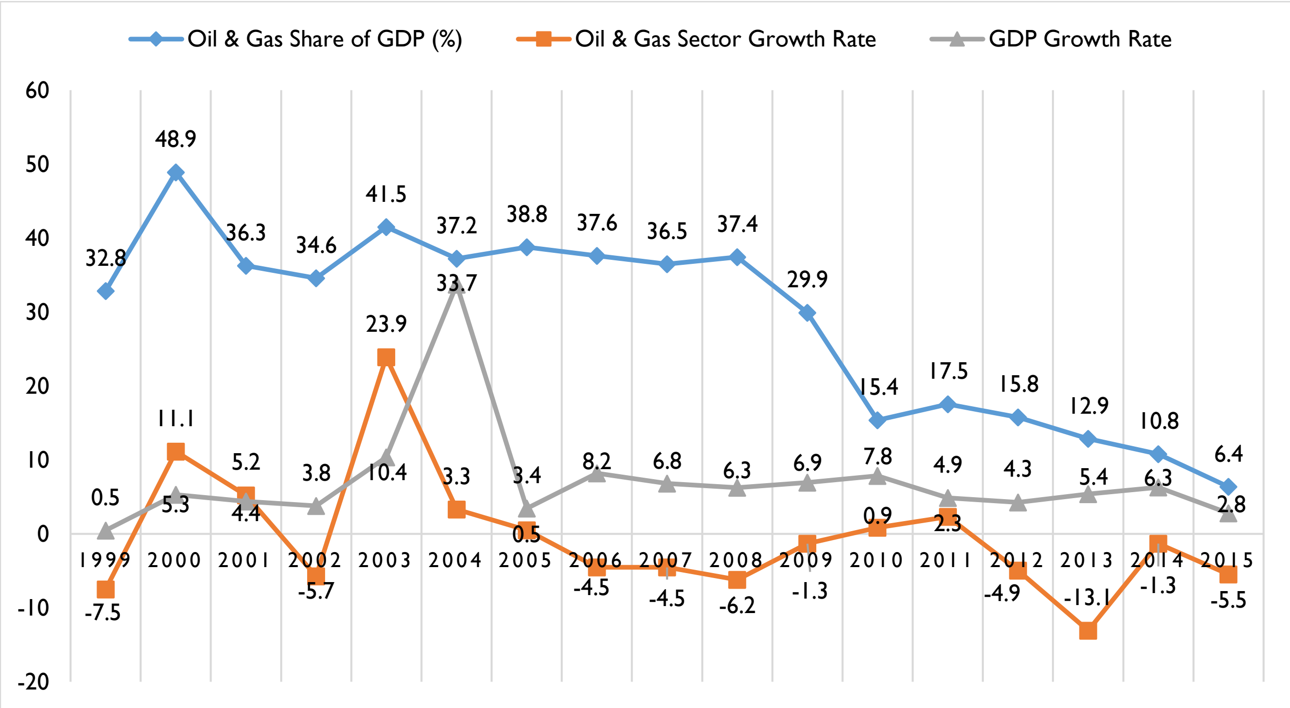
With the relative success of the telecoms liberalisation, Obasanjo then proceeded to launch more market reforms. He appointed a competent economic team to manage the reform process and develop the NEEDS blueprint. He also empowered regulatory agencies such as the Nigerian Investment Promotion Council (NIPC) to boost investor confidence[196], paid-off debts to clear Nigeria's balance sheet and was greatly assisted by rising oil prices from 2003.

THE STAGNATION AND DECLINE OF THE OIL SECTOR

In contrast to the governance and economic reforms which the fiscal constraints at democratisation engendered, the oil industry stagnated and steadily declined. The oil sector grew at an average of 1.3% between 1999 and 2009, and -4.5% between 2010 and 2015 despite high overall growth within this period. Oil is Nigeria's primary export, accounting for 92.6%, and the government's main source of revenue, accounting for 67.5% as at 2015. However, its share of GDP has steadily declined from a peak of 48.9% in 2000, to 6.4% in 2015[197] as Figure 5.2 below shows (see Tables 13-15, Appendix II).

[195] See reports by Yakubu (2008) and Galadima (2006)
[196] Interview with CEO of investment conglomerate. Lagos, 22 July 2014.
[197] The GDP revisions which included new economic sectors is an important factor. However, even from old GDP series, there was an evident decline in oil's contribution to GDP.

Figure 5.2: Oil Sector Growth and Share of GDP (%) 1999-2015



Source: NBS Data, CBN Statistics Database (2015) and World Bank (2015) WDI

Although the oil sector's relative decline as a share of GDP could be interpreted as a welcome expansion of non-oil sectors, there is an absolute decline in actual crude oil production. Since 2013, production averaged slightly below 1.9 million bbl/d far below the peak capacity of 2.4 million bbl/d in 2005, and the ultimate target of 4 million bbl/d (EIA, 2013; CBN, 2013). Nigeria's proven reserves have similarly not grown from 37.2 billion barrels despite stated aims of increasing reserves to 40 billion barrels (EIA, 2013).

Oil earnings also routinely disappear through massive leakages across the entire oil industry value chain. While figures are hard to come by, Nigeria lost $217.7 billion from 1970 to 2008 according to a report by the AU and UNECA (2014:93&99), and $20 billion over a 19 month period, between 2010 and 2012 according to former CBN Governor, Sanusi (2014). These leakages were so severe that they had a ripple effect on monetary stability between 2011 and 2014, resulting in high interest rates by the Central Bank to mitigate a devalued currency, low reserves level, high inflation and financial instability (ibid:3). These leakages are extensive across the entire sector. According to a World Bank policy paper, “every institution along the extractive industries value chain that potentially could prevent fraud is weak. Although these weaknesses allow for manipulation, it is clear that the necessary underlying conditions for… best practice in petroleum governance are not in place. The responsibility is political” (Gboyega et al., 2011:15). The Petroleum Industry Bill (PIB), the overarching framework to harmonise the disparate legislations governing the industry has stalled for more than 14 years. These are all impeding the attainment of production targets and judicious revenue management, which have collectively resulted in a stagnation and decline of the oil industry. These production and revenue management challenges are conventionally attributed to oil theft, pipeline sabotage, piracy in the Gulf of Guinea, investment uncertainties surrounding the long-delayed PIB, and corruption.

However, employing the political settlements framework, I argue that these oil production and revenue management challenges can be attributed to specific constraints on Nigeria’s successive ruling elites. Despite GDP diversification, the oil sector remains Nigeria’s foremost foreign exchange earner. Its centrality to economic accumulation places it at the heart of Nigeria’s horizontal-elite competition, vertical-societal redistribution demands and economic vulnerabilities to external shocks. Oil rents are central to the politically-organised transfers referred to by Khan (2000:38) within the ruling elite for economic accumulation, but also to the urban middle class to secure political stability. These constraints did not result in a growth coalition and the deployment of rents towards productive economic accumulation to drive efficiency and growth in the oil and gas sector.

The volume of petro-dollars accruing to the state engenders intense competition by a range of actors with divergent interests in the political settlement for access to centralised oil wealth. The competition generates distributional pressures detrimental to the oil industry rather than a growth-orientated policy response. Although the scramble for economic rent centralised in the federal government, the control of federal agencies and thus national power by competing ethnic, religious and regional groups predates the oil boom of the 1970s as I discussed in Chapter Three, the capacity of oil rents to greatly empower contesting actors in a winner-takes-all context has exacerbated the competition. To understand the nature of this competition it is necessary to first of all, identify the actors involved, outline their interests and define their location in the political settlement.

A starting point would be the delineation of the three spheres of constraints in the political settlement – *horizontal*, *vertical* and *external* – and the location of the range of actors involved in the production, management or distribution of crude oil. This enables us to appropriately map these actors, frame their interests and demarcate the fault lines of contestation. As Figure 5.3 below shows, there are three sets of actors in the horizontal (production, management and distribution of oil rents), vertical (distribution of oil rents) and external (oil production) spheres of the political settlement.

Figure 5.3: Stakeholder Map of Key Oil-Sector Players and Interests

HORIZONTAL SPHERE

- **National Executive**: President, Ministry of Petroleum, NNPC and Allied Agencies, EFCC, Revenue Mobilisation Allocation and Fiscal Commission, Federal Inland Revenue Service, NEITI, National Planning Commission, Ministry of Finance & Central Bank.
- **Sub-national Executive**: Governors of Oil-Producing States, Governors of Non-Oil Producing States, Nigerian Governors' Forum (NGF) & Local Government Councils.
- **Business:** Indigenous Operators, Ruling Party Business Interests.
- **Other Govt Arms**: National Assembly & Judiciary.

VERTICAL SPHERE

- **Unions:** PENGASSAN & NUPENG in the oil sector, Nigerian Labour Congress (NLC) and Trade Union Congress (TUC)
- **Civil Society:** Militant Youth, CBOs, Traditional Councils & Chiefs.
- **Oil Communities:** Western IOCs (Oil Producers Trade Section) & Eastern SOEs

EXTERNAL SPHERE

- **IOCs:** Western IOCs (Oil Producers Trade Section) & Eastern SOEs
- **Development Partners:** Bilateral & Multilateral Institutions.

I now examine how specific competitive and distributive pressures across all three levels of constraints in the political settlement, directly account for revenue losses, inertia for reform and stagnation of the oil sector. Notably, these pressures intensified from 2010 to 2015 with the ascendancy of Goodluck Jonathan to the Presidency. The efficiency and economic performance outcomes of these constraints and rents deployment in the oil sector are discussed.

Horizontal Elite Competition

Within the horizontal sphere of elite competition, at least three pressures inform the patterns of rent deployment which impede a growth agenda in the oil industry. These pressures emanate from the national executive, the ruling party and the business class.

First, *within the national executive*, successive presidencies ring-fenced the petroleum industry, as the main beneficiaries of its opacity. The core of this opacity is the state oil corporation, the NNPC, which a senior official in the Ministry of Petroleum Resources says[198] "is seen as a mystery". Although in Saudi Arabia the insulation of Aramco made the state oil corporation a rare enclave of bureaucratic efficiency (see: Hertog, 2010), in Nigeria, the NNPC's opacity perpetuates inefficiencies, cronyism, and predation. Its dysfunction partly stems from a lack of a clear commercial mandate, operation without detailed rules for revenue management, lack of transparency and accountability, and political interference in operational and fiscal decisions. Consequently, according to a senior official at NEITI[199], "from the Central Bank to the Finance Ministry, to the Minister of Petroleum Resources, nobody knows how much oil is produced in Nigeria. What they know is what comes out from the export terminals. There is a gap between the well-end and the export terminals… there is a lot of 'activities'".

Successive Ministers of Petroleum Resources, heads of the NNPC and other national executives actively perpetrate the NNPC's opacity. There was no oil minister during Obasanjo's administration from 1999 to 2007, as the president personally supervised the ministry[200]. Despite several recommendations by external auditors, Obasanjo as oil minister refused to install an effective metering system, to measure the actual quantity of oil produced. There was little activity under Yar'adua's brief two-year administration. From 2010 to 2015, Diezani Alison-Madueke, a key ally of Goodluck Jonathan, undermined numerous efforts to institute transparency in the sector, particularly in passing the PIB, thereby retaining the immense powers in the Minister and the President[201] in the sector. Nigeria's oil sector is one of the world's least transparent when it comes to sales, associated revenues

198 Interview, Ministry of Petroleum Resources, Abuja, 30 April 2014.
199 Interview, Abuja, 05 May 2014; NEITI (2011:29).
200 Interviews with senior government officials and diplomats, Abuja, April-May 2014
201 *ibid*.

and physical oil flows (Katsouris and Sayne, 2013:9). President Muhammadu Buhari, like Obasanjo, is the senior minister of petroleum, although there is a high profile junior minister.

In terms of actual revenue management, there are distributional pressures stemming from the persistent tensions between state governors and the federal executive agencies especially the Ministries of Finance and Petroleum Resources on the distribution of oil receipts. In particular, the governors (through the NGF), distrustful of this opacity of the NNPC and other federal agencies, have historically challenged the federal executive's dedication of surplus funds to the Excess Crude Account (ECA) and the sovereign wealth fund, the Nigerian Sovereign Investment Authority (NSIA) on the grounds that these initiatives are unconstitutional deductions of their share of oil revenue[202]. This is because inter-governmental distribution of oil revenues is a central component of formal power sharing in Nigeria. Section 162 of the 1999 constitution requires that all centrally-collected revenues first enter the Federation Account for onward distribution among the federal, state and local governments in a 52:27:21 ratio[203]. The ECA operations in particular are enabled not by the constitution, but by an informal consensus between the federal and state executives. These two instances underscore the anti-reform impulse within the federal executive in perpetrating opacity which has made the oil industry vulnerable to revenue losses, and consequently distributional pressures within the executive stemming from distrust of non-transparent and unaccountable agencies.

Second, w*ithin* the PDP, the ruling party from 2010-2015, the tendency to pacify aggrieved factions with privileged access to oil import licenses, oil blocs and crude lifting contracts contributed greatly to fraud, revenue leakages and a countervailing agenda to growth. Since his running for the office of president in 2011 in defiance of the PDP's power rotation to the North was preceded by turmoil in the ruling party, Goodluck Jonathan had to expend unprecedented amounts of patronage beyond historical norms to buy political support in the wake of a slowly fragmenting ruling party. As one of Jonathan's special advisers explained[204] to me, "the President and his allies [were] acting with a siege

202 See report by Nnochiri (2012)
203 See Ahmad and Singh (2003) for a historical analysis of Nigeria's revenue-sharing formulas.
204 Interview, Abuja, 16 September 2014

mentality" within an unstable PDP. Therefore, preoccupied with Jonathan's political security, the oil sector was an instrument to pacify his ruling coalition, emulating his military and civilian predecessors.

The fraud within the fuel subsidy regime is a notable illustration of the dispensation of patronage for the ruling coalition's political security. In 2012 alone, the federal government spent an estimated $14.6 billion on fuel subsidy, of which about $6 billion was lost to false claims, fraud and inefficiencies[205]. A probe by the House of Representatives (2012) revealed that the number of oil marketers grew from 45 in 2009 to 128 by 2011, many of whom were political cronies who got paid without supplying a drop of oil. An investigation by the Central Bank revealed that actual expenditure on subsidies skyrocketed by 800% from an average of N295.5 billion in 2006-2008 to N1.7 trillion in 2011 and N1.5 trillion in 2012-2013 when oil price was at a historic peak (Sanusi, 2014:9-10). The list of oil marketers investigated by the anti-corruption agency the EFCC, reads like a rollcall of Nigeria's ruling elite. In particular, the sons of two former PDP chairmen, Senator Ahmadu Ali and Bamanga Tukur among others were beneficiaries of fraudulent subsidy claims[206]. This came at a time when the northern caucus of the party, most opposed to Jonathan's candidacy, was becoming vociferous in emphasising he could only run for one term[207]. Evidently, revenue leakages and fraud were deliberately escalated to unprecedented levels since 2010 to attempt to pacify aggrieved members of the PDP for Jonathan's political security.

Third, the selective empowerment of a *business class* allied to the ruling elite has both positive and negative outcomes on the oil industry's performance. Within the context of recent local content policies to increase local participation in the oil industry especially from 2010, indigenous operators across the industry's value chain have been empowered. The divestment of onshore oil assets by Shell, ExxonMobil and other IOCs to technically competent indigenous firms such as Seplat and Oando Plc whose shareholders have deep ties to both the PDP and APC[208], has been beneficial to local industry.

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[205] Confidential documents on a multi-stakeholder oil sector transparency programme.

[206] Although some of these allocations of rents to cronies of the former oil minister were outright predation. See report by Abonyi and Akintunde (2012)

[207] See Owen and Usman (2015) for an analysis of the fragmentation of the PDP; the defection of key veto players which contributed to its defeat in the 2015 elections.

[208] Seplat is rumoured to have, as one of its key shareholders, former military ruler and founding member of the PDP, General Ibrahim Babangida. The CEO of Oando, Wale Tinubu is a nephew of the national leader of the APC and former Lagos State Governor, Bola Ahmed Tinubu.

For instance, Oando is Nigeria's largest indigenous integrated energy group, employs over 1,000 people and is listed on both the Nigerian and Johannesburg stock exchanges, while Seplat is similarly a market leader among indigenous oil production firms[209]. These cases are however the exception. Of the 87 successful bids of upstream licences and oil blocks from the 2000, 2005, 2006, and 2007 rounds, only around half of those offered are currently being developed[210]. Some beneficiaries of IOC divestments are 'briefcase companies' with limited technical competence, predatory intent and no productive capacity.

One notable instance of this predatory cronyism is the case of Kola Aluko, a close business partner of the Petroleum Minister, Diezani Allison-Madueke (2010-2015). Aluko, the CEO of Fossil Resources and Atlantic Energy, was a beneficiary of controversial oil deals that saw his firms acquire oil assets divested by Shell, mining licenses and crude oil trading opportunities through questionable Strategic Alliance Agreements (SAA). According to an investigation by the CBN, up to $7 billion of income was lost between January 2012 and July 2013 by signing SAA's with Aluko and others who had neither the technical expertise nor the capital to develop the joint venture, but who were nonetheless able to lift crude and retain up to 70% of the profit (Sanusi, 2014:13-14). He was listed as one of Forbes 40 Richest Africans in 2012[211], and owns luxury property in exclusive neighbourhoods across New York, London, Dubai, etc. Therefore, while both local content policies and divestments by oil majors are diversifying ownership from IOCs, empowering indigenous oil companies allied to ruling elites, only a few firms like Oando and Seplat possess the requisite financial and technical capacity, as the managing director of an oil major explained to me[212]. Others like Seven Energy, beneficiaries of cronyism directly contribute to fraud and revenue losses in the sector.

These constraints within the horizontal sphere from the national executive, the ruling party and allied business elites discussed so far manifest in inefficiencies and fraud resulting in revenue losses and stagnation of the oil industry. As former central bank governor Sanusi explained to me[213] "the

[209] Oando website: http://www.oandoplc.com/investor-relations/financial-profile/ See also report by Armstrong (2014)
[210] Confidential documents from a mullti-stakeholder oil sector transparency programme
[211] See report by Nsehe (2012)
[212] Interview, 03 February 2015, London, and with senior official at NEITI, Abuja, 05 may 2014.
[213] Interview, Kano, 23 August 2014.

corruption in the oil sector is not mindless… it is calculated and systematic". Although these distributional pressures and their deleterious consequences escalated to stratospheric levels under Goodluck Jonathan due to the specific political pressures he faced after defying the PDP's 'zoning' agreement to run for office, the revenue leakages in the sector predate his administration. For instance, about $458 million in corruption proceeds largely from oil rents stashed by former military ruler, Sani Abacha and his associates in the 1990s in foreign accounts were frozen by the U.S. Department of Justice (2014).

Societal Demands for Redistribution by CSOs and Oil-Producing Communities

Within the vertical sphere of societal demands for redistribution, I identify two specific distributional pressures on the ruling coalition which inhibit a growth agenda. These include pressures by trade unions and civil society on one hand, and oil producing communities on the other. These pressures result in politically-organised rent transfers by the ruling elite to urban groups to secure political stability at the expense of a growth agenda.

In the first place, the vociferous agitation by oil and non-oil sector trade unions[214] and civil society for improved welfare and in particular, the retention of subsidies inhibits a growth agenda for the sector. While this advocacy is driven by legitimate concerns about the rising cost of living for ordinary Nigerians, it often translates into hostility to market-reforms in the sector. The 800% rise in the amount spent on subsidies by the end of 2011 led to their removal in January 2012. Lamido Sanusi, former central bank governor explained to me[215] that it was easier to completely remove the subsidies than to tackle the grand corruption in the subsidy regime. The wave of protests tagged Occupy Nigeria in January 2012 was so severe that the subsidies were partially restored several days later.

Within oil-producing communities in the Niger-Delta, the vociferous advocacy for increased allocation of oil rents and full sub-national resource control leads to policy gridlock in the oil and gas sector. Although the legitimate agitation by NGOs and traditional councils is distinct from the violent

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214 The Petroleum and Natural Gas Senior Staff Association (PENGASSAN) and the Nigerian Union of Petroleum and Natural Gas Workers (NUPENG) are the key unions which represent the white-collar and blue-collar workers respectively in the oil industry.

215 Interview, Kano, 23 August 2014.

criminal enterprise of some militant groups, the boundaries are often blurred. In the case of the former, advocacy has focused on direct payments from the government and compensation for oil spillages from IOCs. This led to an inclusion of 13% derivation in the constitution in 1999, originally meant for direct disbursement to the communities but now captured by state governors. Other pacification measures, include, the creation of Ministry of the Niger-Delta, the Niger-Delta Development Commission (NDDC) and other dedicated agencies; an amnesty to repentant militants accompanied by monthly payments and training programmes, among others. Lately, oil producing communities advocate for a contentious mandatory contribution by IOCs of 10% of monthly net profits to the Petroleum Host Communities Fund (EIA, 2013) to compensate communities where oil equipment is located. While governors of oil producing states advocate for total control of the region's oil resources to "encourage each state to… develop in accordance with its capability"[216].

The demand for new payments in addition to existing disproportionate resource transfers to the Niger-Delta have been strongly resisted by legislators of non-oil producing regions, a major reason for the delay in the PIB[217]. Governors of non-oil producing states argue it is 'unfair' that since 2002, oil extracted offshore in the high seas, is included in the 13% derivation to the Niger-Delta, as recently articulated by a former governor of Kano[218]. The underlying underdevelopment concerns of these redistribution agitations have persisted despite the funnelling of massive resources to the region. A World Bank research paper by Ajakaiye, Collier and Ekpo (2011:252) notes that the disproportionate share of the revenues received by the Niger-Delta has been "insufficient to satisfy their sense of entitlement", and that the local elite to whom these revenues accrued "deflected frustrations from their failings".

Although armed groups such as MEND and NDPVF emerged from these historic advocacies by the Niger-Delta against economic marginalisation, from the mid-2000s, their activities veered towards criminality. The progressively violent nature of this militancy in the destruction of oil facilities,

216 See report by Bassey (2012)
217 Interviews with senior staff at Open Society Initiative for West Africa (OSIWA), Nigeria Extractive Industries Transparency Initiative (NEITI), and with senior executive at the NNPC, Abuja, February-June 2014.
218 See report by Bisalla et al. (2012)

abduction of IOCs workers, piracy, illicit arms trade and oil 'bunkering' further destroyed the environment and livelihoods through oil spillages, affected actual production output, up to 10% of daily production[219]. When the Amnesty programme was launched from 2008 to militants who renounced violence, many moved to the more lucrative crude oil theft, piracy and other forms of organised crime (Katsouris and Sayne, 2013). The presence of former militant warlords in Goodluck Jonathan's ruling coalition enabled this paradigm shift[220]. Although oil theft was started in the 1970s by top military officers to enrich themselves and to bust tight OPEC quotas, the return to democracy gave civilian officials and political 'godfathers' more access to the illegal oil trade (ibid:2; interviews). Beyond militants, government officials, politicians, military officers, local Niger-Delta elite, organised criminal groups in the Gulf of Guinea and even individuals within IOCs who "open their pipelines to the thieves at night on the agreement that only a certain quantity would be stolen"[221]. One interpretation thus is the existence of legitimate grievances alongside the criminality of oil theft, prevents concerted action by some Niger-Delta governors and political elite to effectively address this criminality for the fear of being accused of 'betrayal'[222].

The range of actors involved and the scale of oil theft pollutes the environment, aggravates existing hostilities among communities, IOCs and the government, and affects production. As a senior NNPC executive explained to me[223] what the artisanal and illegal refineries do "…is not refining, they poison the whole environment. Refining entails boiling the crude… at temperatures… up to 3,000 Celsius. You can never get even the first product, diesel, [by burning the crude] with firewood [which is what these illegal refineries do] you get an adulterated version which is dangerous for automobiles… [and] they throw away the waste in the environment." This criminal enterprise has greatly undermined security in the region, is a driver of onshore divestments by IOCs due to the high overhead costs

[219] Interviews in Abuja between April and June 2014; confidential documents.
[220] Interviews with western diplomats, senior officials at the NNPC, NEITI and Central Bank, Abuja, February-June 2014.
[221] Interviews, Abuja, February-June 2014
[222] Thanks to Jonathan Phillips for this point.
[223] Interview NNPC Abuja, 13 June 2014.

according to the chief executive of an IOC[224], contributes to environmental degradation and leads to massive revenue losses.

Therefore, these distributional pressures by trade unions, civil society and oil producing communities inhibit a growth agenda. These pressures result in political gridlock but also politically-organised rent transfers by the ruling elite to these groups to secure political stability at the expense of a growth agenda.

External Sphere of IOCs and Destination Markets

Within the external sphere of the global economy, I identify three specific pressures on the volume of Nigeria's oil exports, fiscal revenues and the sector's growth performance. These pressures determine the actual oil rents which are available to the ruling elite for economic accumulation, governance or appropriation. These include the role of IOCs, the global oil market, and the destination for Nigeria's crude oil.

On the first constraint, the main area of contention with IOCs is the country's fiscal regime which determines the country's benefits from oil production. The government seeks to increase its share of oil revenues while IOCs push back since the Nigerian government's take is already one of the highest in the world[225]. With rising insecurity in the Niger-Delta, oil production shifted to deep off-shore wells under Production Sharing Contracts (PSCs,) where the government take is less than under the onshore Joint Ventures (JVs) (Sanusi, 2014:1). The revision of the PSCs terms, defined during low oil prices in the 1990s as with other African oil producers, is one contentious area the PIB seeks to address (EIA, 2013; Heilbrunn, 2014:98) and a major reason for the legislative stasis. According to IOCs, the proposals for the new regime in the PIB would increase the government's take on JVs from 82% to 91% and PSCs to 89% a level that is likely to deter investment by rendering many projects

[224] Interviews, 03 February 2015, and with senior official at NEITI, Abuja, 05 may 2014
[225] U.S. Embassy Abuja, Wikileaks Cables #1365386

uneconomic[226]. By attaching these fiscal provisions to the PIB, the Nigerian government pitched the IOCs, in opposition to the bill's passage in its current form *(ibid).* According to confidential documents from a multi-stakeholder initiative:

> …the IOCs will only support regulatory, contracting or restructuring processes that make operating in Nigeria easier and more profitable for them. They seek to retain valuable acreage, minimize contact with the bureaucratic and patronage systems that slow operations, control the security situation, avoid or minimize regulation, and avoid any increase in fiscal terms. […] the majors expended significant resources to frustrate progress on the PIB, out of fears that the proposed reforms would strengthen rather than limit government's control over the industry…

The IOCs bargain for neutral tax instruments to ensure they would make profits and use hedging strategies to offset losses (Heilbrunn, 2014:98; Frestad, 2010:459). Through transfer pricing, deferred revenue from oil theft and tax avoidance, some IOCs reduce Nigeria's oil earnings. While figures are hard to come by, a report by the African Development Bank and the Global Financial Integrity revealed that Nigeria has the highest volume of illicit financial flows from Africa, losing almost $250 billion between 2000 and 2009 (2013:26) largely in the oil sector, and up to $5 billion in 2011 to transfer pricing (PWC, 2011:5). In the context of the national executive's inertia to strengthen regulatory and legal frameworks, the IOCs employ these hedging strategies to secure profit from a weak institutional environment. There have been no new investments for over a decade while oil majors are moving offshore where they are liable to less tax under the PSCs. Consequently, growth has stagnated, and the government earns less oil revenue than it should.

The second external constraint is the international oil market, where the price of oil is decisive to Nigeria's export earnings, fiscal revenue, and economic growth. The global oil boom and bust cycle driven by the commodity super cycle[227], China's rebalancing towards domestic-consumption, the global financial crisis, the Iraq war, the U.S. shale oil and gas revolution and new oil producers across Africa have a volatile effect on the economic agenda of the ruling coalition for the oil industry and beyond. During downturns, there is more impetus to pursue a growth agenda. The structural adjustment and NEEDS reforms were pursued during a period of low oil prices in the 1980s and early 2000s

[226] ibid
[227] Taylor (2015: 139-141) argues that the growth in African economies has coincided with a boom in commodity prices over the past decade, which in turn is attributed to growing resource demand from China, India and other emerging powers.

respectively. During boom times, efforts are concentrated on managing the intense local scramble for visibly high oil earnings. The most egregious cases of fraud, mismanagement and revenue losses in the post-military period occurred between 2010 and 2014, when oil prices were at a historic high of over $100 per barrel.

To conclude, the stagnation of the oil industry and the mismanagement of its proceeds because the pressures of the unstable political settlement are directly projected on the sector. Despite liberalisation and the emergence of new spheres of economic accumulation, oil rents remain the principal focus of elite economic accumulation and societal agitations for redistribution. These competitive and distributional pressures are thus the key variable which make the centralisation of oil earnings in the state undermine efficiency unlike Saudi Arabia, where, as Hertog's (2010) study reveals, the centralised oil industry is an enclave of efficiency. Although as Soares de Oliveira (2011:88) describes, national oil companies in the Gulf of Guinea are insulated from the inexorable decay of the state apparatus because of their responsibility for the managerial demands of the oil business, their significance as patronage-dispensing instruments often undermines long term efficiency concerns as in the case of Nigeria's NNPC. Thus, the centrality of oil rents to fiscal revenues and horizontal-elite and vertical-societal distributional pressures reinforces the vulnerability of the entire economy to periodic external shocks. This fits Karl's (1997:15) argument that the high barriers to change from a leading sector maintains the status quo: a rigid framework of decision-making that contains strong disincentives for changing it. Despite professing a commitment to reforming the oil sector, cancelling the questionable crude swap agreements, drafting a new oil industry legislation, and plans to restructure the NNPC[228] it is too early to tell whether the Muhammadu Buhari administration will make a clean break from the past or emulate his predecessors especially if the distributional concerns underlying these competitive pressures remain unaddressed.

[228] The latest version of the PIB proposed in December 2015 is entitled "the Petroleum Industry Governance and Institutional Framework Bill 2015". See also reports by Payne (2015) and Fick and Raval (2016)

CONCLUSION

The preceding analyses demonstrated how specific constraints on the ruling coalition in the political settlement at the critical juncture of democratisation generated the impetus for public procurement reform and telecoms liberalisation, whilst inhibiting a growth agenda in the oil sector. Worth highlighting in this concluding section are the three critical causal mechanisms between the constraints in the political settlement and policy responses, and their economic and developmental outcomes. Specifically, low global oil prices generated resource constraints, provided the impetus for mobilising a competent team of bureaucrats and drove the ruling elite to allocate resources to an existing business class to respond to the economic stimulus of a problem-driven telecoms liberalisation. However, inequities in the economic outcomes (of a capital and skills-intensive service economy) of these policy responses deepened existing horizontal-competitive and vertical-distributional pressures, translating into the dysfunctions of the oil sector, and undermined the sustainability of these reforms broadly.

First, the external constraints on the ruling coalition's access to oil rents provided the impetus for governance and market-reforms. As discussed in Chapter One, ruling elites' response to crises is determined by first the *nature of specific threats* these crises pose to them, and second, their *capacity* to respond based on their degree of cohesion/fragmentation, their financial and technical resources and their deployment. The severe fiscal pressures of low oil prices and odious debt constrained Olusegun Obasanjo's government to be reform-orientated. The relative ease of reforming telecoms sector globally[229] starting from such a low base, was a low-hanging fruit enabling a quick generation of rents and for fulfilling preconditions for debt-relief from donors. Obasanjo and his economic team thus made concerted efforts to provide credible commitments to the private sector, as stated in the wider institutional literature[230]. This was a marked departure from what Kohli (2004) and Lewis (2007:5) describe as an inability by previous Nigerian regimes to furnish credible signals for private investment because social division and political incentives hampered the formation of a stable pact between state

[229] Thanks to Nemat Bizhan, Oxford-Princeton Global Leaders' Fellow, for this point.
[230] See, Lewis (2007:4) and Keefer's (2004:13) review of the literature on governance

elites and private capital. This study's findings suggest there were attempts at providing some commitments to private capital in the ruling coalition who were selective beneficiaries of economic privileges, and establishing some stable bureaucratic processes through 'due process' and other institutional reforms, for Nigeria to grow its way out of debt, economic stagnation and generate non-oil wealth.

Second, the relative success of the telecoms liberalisation was largely due to the *capacity* and *resources* available: there was a capable economic team to drive reform and a business class allied to the ruling elite to respond to this stimulus and economic privileges. In emulating Singapore which he greatly admired, Obasanjo assembled a competent technocratic team, with significant autonomy from political interference and sought to provide credible commitment signals to the private sector or incipient elements of what Evans (1989:581) refers to as 'embedded autonomy'[231]. This is because the hallmark of effective economic management is the willingness of senior leaders to delegate policy authority to a cohesive technocratic team, and for this team in turn to pose limits on the discretion of the executive (Haggard, 1990:45; Lewis, 2007:16). Thus, the economic team adopted and adapted liberal governance and market reforms, NEEDS, "as responses to locally defined problems" (Andrews, 2013:3; Booth, 2015:13). The telecommunications sector grew by an average of 122% between 2000 and 2009, while public funds were saved as a result of transparent public procurement. The relative autonomy of the economic team was to an extent evident during Obasanjo's administration. The finance Minister, Ngozi Okonjo-Iweala threatened to resign when President Obasanjo tried to interfere with some of the actions of the ministry, so did Nasir el-Rufai and Obiageli Ezekwsili heading the BPE and BMPIU respectively[232].

The other dimension of this 'composition and capacity' within the ruling coalition which accounted for the relative 'success' of these reforms was the existence of a business class capable of responding to the stimulus of economic reform and accompanying economic rents. There was a domestic business class within the ruling coalition which constituted a 'growth coalition' or public-

[231] 'Embedded autonomy' combines an efficient bureaucratic internal organisation with a strong sense of corporate identity and a set of institutionalized links to the private sector.
[232] Interviews, Abuja, February-June 2014; Okonjo-Iweala (2012) and el-Rufai(2013)

private linkages orientated towards growth and efficiency in the telecoms sector. Unlike regional neighbours in West Africa where international firms invested in the sector, this telecoms businesses class in Nigeria was largely domestic partly due to a reluctance of global multinationals to invest in an economy blacklisted by the Financial Action Task Force. This domestic business class comprised of political and military elites as shareholders of the first wave of telecoms firms licensed in 2001, bankers and financiers empowered by the financial liberalisation of SAP in the 1980s and old industrial and trading concerns. In addition to people like Colonel Sani Bello and Oba Otudeko, others include Mike Adenuga, a telecoms and oil tycoon who built his fortune under military regimes in the 1980s[233] launched the Globacom mobile network in 2006. This business class allied to the ruling coalition, often with ties to former military rulers, responded to the stimulus of market reforms in the few instances where they were effective.

This 'empowerment' however was a highly selective and clientelistic deployment of rents and advantages to the business class allied to the ruling coalition. For instance, as one of the members of Obasanjo's economic team and a former minister explained to me[234], "Aliko Dangote [Nigeria's most well-known industrialist]…would not have been able to setup the Obajana cement company if the federal government hadn't given him a loan guarantee of $1.5 billion… which is very unusual." In addition, shortly after its incorporation, Transcorp benefitted from tremendous presidential waivers including preferential treatment to buy public corporations like NITEL and Nicon Hilton, and an expedited approval to build a $250 million refinery in Lekki Free Zone of Lagos (Galadima, 2006). This selective and clientelistic empowerment of domestic capital had growth-orientated outcomes in the telecommunications sector.

By contrast in the oil sector, despite the capital and technical capacity of the IOCs, the competitive and distributional pressures for large volumes of centralised oil rents weakened the institutional environment for reform. Consequently, foreign capital such as the powerful IOCs adopted a risk-averse strategy of instrumentally supporting or undermining reforms depending on how they

[233] See report by Akanbi (2012)
[234] Interview, Abuja, 2014.

affected their profits. Concurrently, the clientelistic deployment of resources and favours to domestic private sector allies in the ruling coalition did not have growth-orientated outcomes like the telecoms industry, but largely perpetuated cronyism and outright predation. Consequently, with the exception of a few credible indigenous operators such as Oando and Seplat, private capital in the oil industry leaned towards predation, while IOCs remain very risk averse. It would seem the key difference is the competitive and distributional pressures in the oil sector for existing rents as the object of elite capture or societal redistribution agitations. Whereas in telecoms, which given its capital and skills intensive nature and as an emerging sector was immune from societal redistribution demands. Competitive elite pressures were less volatile and less predatory than in the oil sector since many telecoms tycoons such as Colonel Sani Bello and Mike Adenuga were already involved in the oil sector.

Third, inequities in the distribution of benefits of a diversifying economy deepened horizontal-elite and wider-societal distributional pressures in the political settlement. The distribution of power translated into an anti-reform impulse, stagnation and decline in the oil sector in two ways.

Firstly, the absence of the poverty-reducing component of economic and governance reforms did not address vertical inequalities and developmental concerns of ordinary Nigerians. Although Obasanjo's NEEDS reform policy document mentioned a 'social charter', however, as former finance minister Okonjo-Iweala admitted[235], the accompanying policies were more geared towards private sector priorities. While up to $1 billion per annum of savings from debt servicing were channelled towards pro-poor social expenditures in health, education, agriculture and water (OSSAP-MDGs, 2006:3; Okogu and Osafo-Kwaako, 2008: 197-198), these expenditure priorities did not raise incomes and create jobs. To that effect, while maternal mortality decreased, from 950 per 100,000 births in 2000 to 610 per 100,000 in 2010 (World Bank WDI, 2015), poverty increased from 54.4% in 2004 to 69% in 2010 (NBS, 2012) as did unemployment: from 12% in 2006 to 20% by 2009 (World Bank WDI, 2015). Unaddressed poverty and unemployment translated into vociferous distributional pressures for

[235] See: Okonjo-Iweala (2012:122-123) and Adejumobi (2011:10)

oil rents by a diversity of societal groups through industrial action against deregulation and militancy in the Niger-Delta.

An explanation for this limited focus on jobs creation and incomes generation of the reform programme is possibly that manufacturing, agro-allied and resource-based industry with more direct poverty reducing implications are, as described by Gelb (2011:67), transaction intensive. They are more dependent on strong contract enforcement, and generally strong business environment, which take longer than the typical four-year democratic term to enforce compared to the 'relatively easy' telecoms reforms. These institutional prerequisites for the take-off of the productive sectors were weak in the early days of Obasanjo's reforms, and with rising oil prices from the mid-2000s until 2014, there were no fiscal pressures the Yar'adua and Jonathan governments to address these institutional weaknesses. Concurrently, unions, and civil society most affected by deteriorating standards of living, became fiercely opposed to deregulation, and actually antagonised economic reform. This may partly explain Obasanjo's futile attempts to amend the constitution to secure a third term, although this is not to disregard his self-aggrandising motivations which informed his singlehanded imposition of a weak Umaru Yar'adua as his successor.

Secondly, the regional concentration of growth dividends of these reforms undermined their horizontal legitimacy among competing elites due to imbalances in the distribution of power. Due to historic socio-economic inequalities between the north and the south in capital accumulation and entrepreneurial dynamism discussed in Chapters Three and Four, the domestic private sector empowered by liberalisation has been largely southern-based. In the past, the control of the state by a mostly-northern ruling coalition assured northerners – who struggle to compete in an open market against foreign firms or more technologically advanced southerners – of guaranteed state support in indigenous accumulation (Lubeck and Watts, 1994). To that effect, there was a tacit understanding at the end of military rule in 1999 that certain economic sectors would be reserved for regional interests and therefore, the rents would be 'ethnically linked'. As a former technical adviser in the Obasanjo administration explained[236], agriculture rents used to be "controlled by the North" through fertilisers,

[236] Interview, Abuja, 13 May 2014

import licenses, contracts for the construction of warehouses and silos, river basin authorities etc. allowing northern elites to capture rents in the sector. Thus, the position of Minister for Agriculture was strictly reserved for northern candidates. However, the appointment of Akinwunmi Adesina from the Yoruba south-west by Jonathan in 2011, his reforms of fertiliser distribution cut the supply of rents to mostly northern regional interests.

From 1999, the north's loss of political power at the national level – with the emergence of Obasanjo as President – laid bare the north's multi-dimensional economic weaknesses. Obasanjo's market reforms further eroded the north's ability to capture economic resources through access to public office and ensuing patronage networks. This realisation was a major drive for renewed volatile elite competition to 'return' power to the north from the controversy over Obasanjo's third term aspiration. However, Yar'adua's death, Jonathan's breach of the PDP's zoning elite consensus, and the overt southern-bias of his administration which threatened to permanently alter this precarious balance of power against the north may have largely informed the unrelenting opposition to Jonathan's presidency until his electoral defeat in March 2015.

Specifically, this intense horizontal-elite competition undermined the effectiveness of new systems to reduce transaction costs after the expiration of Obasanjo's administration. As the arbitrary award of oil lifting contracts and fraudulent subsidy claims to political cronies show, transparency in public procurement was largely disregarded in the oil sector by all governments including Obasanjo's. This could be interpreted as an absence of elite consensus for reform, because, as discussed in Chapter Four, the consensus to democratise did not espouse a substantive economic agenda. It could also mean that successive ruling coalitions, especially under president Yar'adua, saw no reason to continue with Obasanjo's policies, who had tried to 'short-change' other PDP elites by amending the constitution to seek a third term. Although, economic liberalisation opened the door to a new way of doing business in many sectors of the economy (Okonjo-Iweala (2012:80), the benefits were unevenly concentrated, such that under Jonathan, the oil sector was further magnified as an object of elite competition generally, but also as the primary means of dispensing patronage – through discretionary disbursals of crude lifting contracts, crude oil swap deals, etc. – for his political security.

CHAPTER SIX: THE INSTITUTIONAL FOUNDATION AND POLITICAL CHARACTER OF ECONOMIC DIVERSIFICATION IN LAGOS STATE

INTRODUCTION

In this chapter, I assess the atypical diversified economic and revenue structure, and above national average development profile of Lagos, Nigeria's commercial capital. I show that this economic structure and development profile are engendered by the alignment of both the federal government's economic reforms and the Lagos state government's own reforms with the state's endowment structure. Using the political settlements analytical framework outlined in Chapter One, I argue that the relative effectiveness of successive Lagos governments in complementing federal government policies was not coincidental or the outcome of taxation, vertical accountability and an emerging social contract as scholars like LeBas and Cheeseman (2013) argue. Rather, it was a series of policy responses to specific constraints faced by successive Lagos ruling elites to address horizontal pressures within the state ruling coalition, vertical-societal pressures from the existential crises of population explosion, infrastructure and urban decay and violent crime and external pressures of fiscal insolvency.

In this analysis, I start by unveiling the relatively diversified economic structure of Lagos: increasingly comprised of services, increasingly reliant on its own internally generated non-oil revenue, and its human development profile outperforming the national average. The next section then outlines the Lagos endowment structure or its favourable starting conditions: its natural resources and geography, labour and human capital, infrastructure and finance capital and entrepreneurial talent. I then explain how the national institutional configuration, in terms of economic reforms and historic inter-governmental tensions have enabled the diversification of the Lagos economy. Lastly, I show how successive state governments have been constrained by existential crises to be reform-orientated, by complementing federal government market reforms but also by building their bureaucratic capacity, mobilising available resources and by having an atypical long planning horizon to ensure continuity of reforms. This analysis underscores the continuity across the administrations of governors Bola Ahmed Tinubu (1999-2007), Babatunde Raji Fashola (2007-2015) and now Akinwumi Ambode (2015-date).

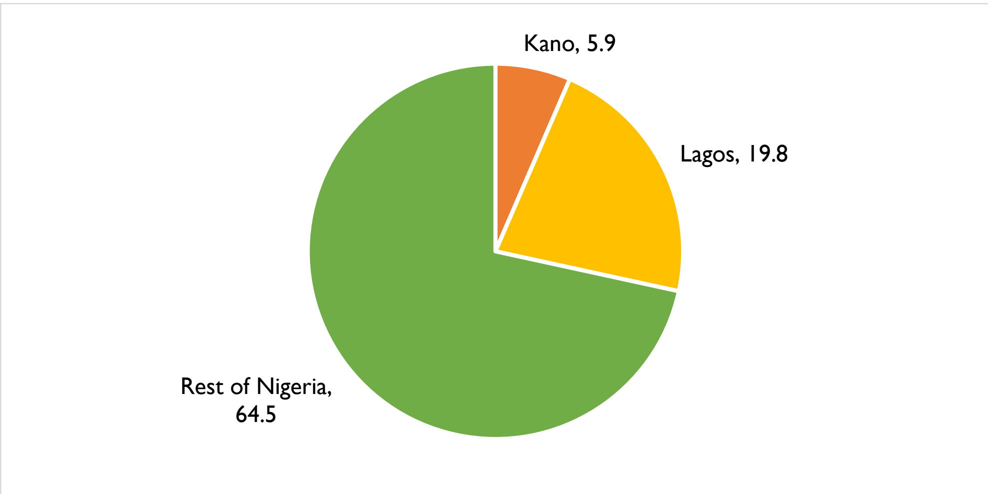
THE DIVERISIFYING ECONOMY OF LAGOS STATE

This section provides a snapshot of the Lagos economy. It shows an economy diversified towards services and trade; an increasingly diversified revenue base reliant on tax income but with a rising debt profile, and a better human development profile than the national average. The objective here is to illustrate how the state is, within the Nigerian context, a major driver of the country's services-orientated pattern of economic expansion in the post-military political settlement. Due to the limited availability of data, the study is unable to analyse trends in sub-national GDP growth over time. Only a snapshot can be provided which should be sufficient to illustrate the key arguments. Detailed data tables for figures presented in here as with the rest of the thesis are available in Appendix II.

The Services and Trade Orientated Structure of Nigeria's Largest State Economy

Lagos is Nigeria's largest non-oil economy. With a GDP of around N19.85 trillion in 2014, it contributes 21.9% to the national economy. In view of the limited data available on state GDP, only the years, 2009 to 2011 for which data is available will be analysed[237].

Figure 6.1: GDP of Lagos and other Parts of Nigeria in (N) Trillions, 2014

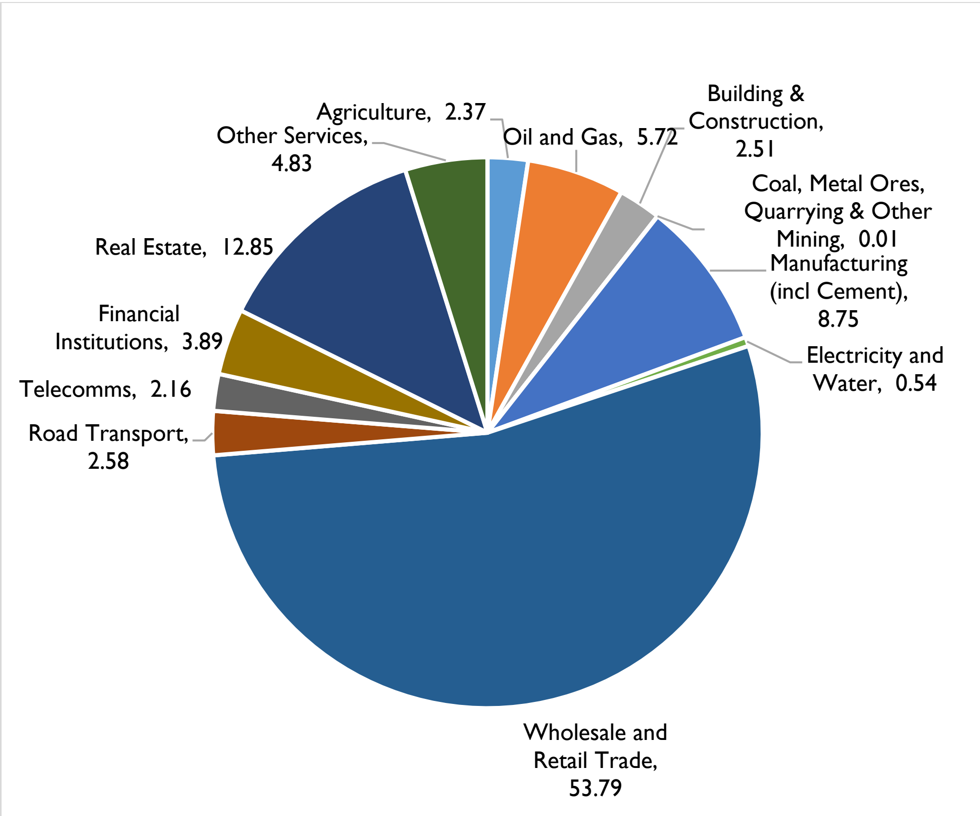


Source: NBS Data 2016

[237] Existing Lagos state government estimates are widely divergent from NBS data and therefore, unreliable. For instance, NBS data estimates manufacturing at 8.75% while Lagos state puts the figure at almost 29.6%. Since the NBS has more capacity than the Lagos Bureau of Statistics, GDP data from the latter will not be directly utilised in this study, although their fiscal data is utilised.

Within this period, three activity sectors account for over 75% of GDP, namely Trade, Real Estate and Manufacturing. In 2011, Trade, the largest sector was 53.79%, Real Estate was 12.85% and Manufacturing (excluding oil refining) was 8.74%. The five largest activity sectors for the same year are Trade (53.79%), Real Estate (12.85%), Manufacturing (8.74%), Oil and Gas (5.72%) and Financial Institutions (3.98%) as illustrated in Figure 6.2. This indicates a relatively diversified economy, although services in total account for 80.1% tilted heavily in favour of trade. Crucially, these figures indicate a commercial and trading economy despite significant manufacturing activity and oil deposits.

Figure 6.2: Sectoral Contribution to Lagos State GDP (%) 2011



Source: NBS Data 2015

In the absence of data series over several years, it is difficult to further disaggregate the Trade sector and analyse its performance over time. However, proxy and qualitative data could provide a glimpse. Assessing the Micro, Small and Medium-Scale (MSME) enterprises for instance is one way of understanding the composition of this sector. According to data from the NBS/SMEDAN (2013) survey, Lagos state has 3.2 million MSMEs, the largest number of all Nigeria's states. Of these, 54.1%

are in the Wholesale & Retail trade (ibid). Furthermore, 99.9% of enterprises in Wholesale and Retail Trade are micro enterprises, and of these, 96.5% are unregistered[238], which could be interpreted to mean they are in the informal economy.

The size of the Real Estate sector as the second-largest could indicate the strength of the private sector, rather than the Building and Construction (which would indicate an outsized state presence in construction) and of rapid urban expansion. Independent policy and media reports have drawn attention to the property boom in Lagos over the last decade, ranging from luxury apartments, office complexes, residential buildings and shopping centres. According to a report by the Financial Times, house prices in Lagos, driven up by expatriate demand, the oil boom and Nigerians returning from the diaspora, have shot through the roof and made it one of the most expensive cities in Africa[239]. The Lekki expansion project is one case in point accompanied by acquisition of real estate by a wide range of investors including politicians and the Chinese. The size of the manufacturing sector, as the third largest is also indicative of the status of Lagos as the foremost industrial hub in Nigeria. Lagos accounts for about 60% of industrial investments and manufacturing output (LASG, 2013). Thus in 2011, the manufacturing sector accounted for 8.74% of GDP, even higher than the national figure of 7.3% for that year. There is significant oil and gas activity at 5.72% of GDP, although there is no oil refining activity.

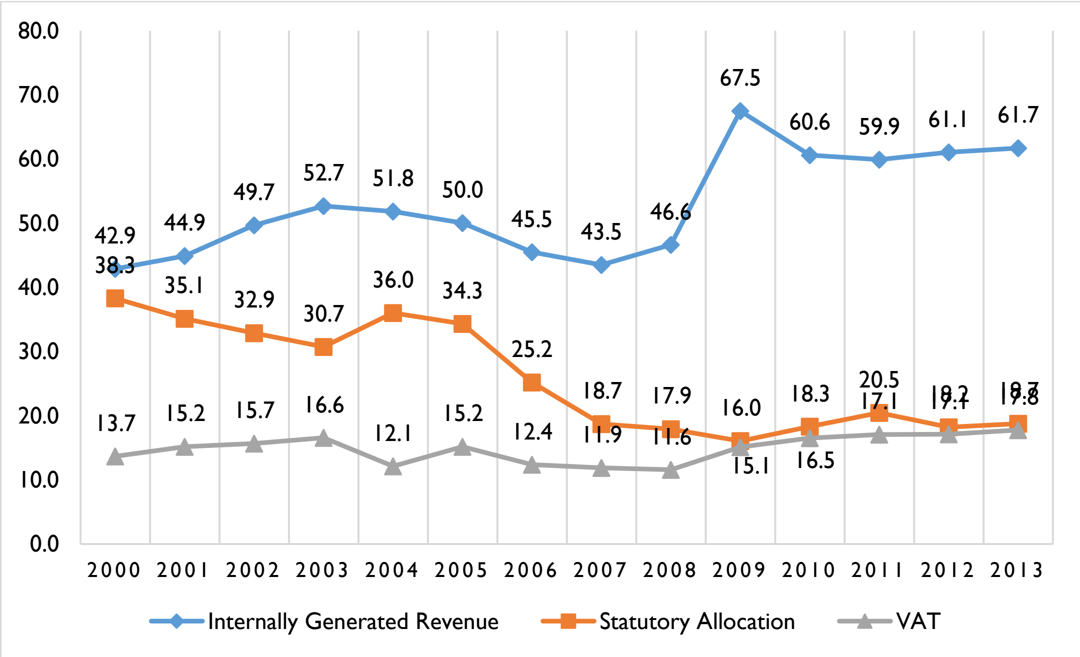
From the foregoing, it is clear the state's economic structure is services and trading orientated.

The Diversified Revenue Sources and Expenditure Priorities of Lagos

This section analyses the composition of the Lagos state government revenue and its spending patterns to illustrate the revenue base of Nigeria's commercial capital. It covers data available within a 13 year period, from 2000 to 2013. There are three main trends in the state's public finances, relevant to this study, which distinguish it from Nigeria's other states. These are: an improvement in non-oil revenue generation capacity, a rising debt profile and rising capital expenditures.

238 These are national figures
239 See report by Kantai (2009)

Figure 6.3: Distribution of Lagos State Revenue 1999-2013 (%)



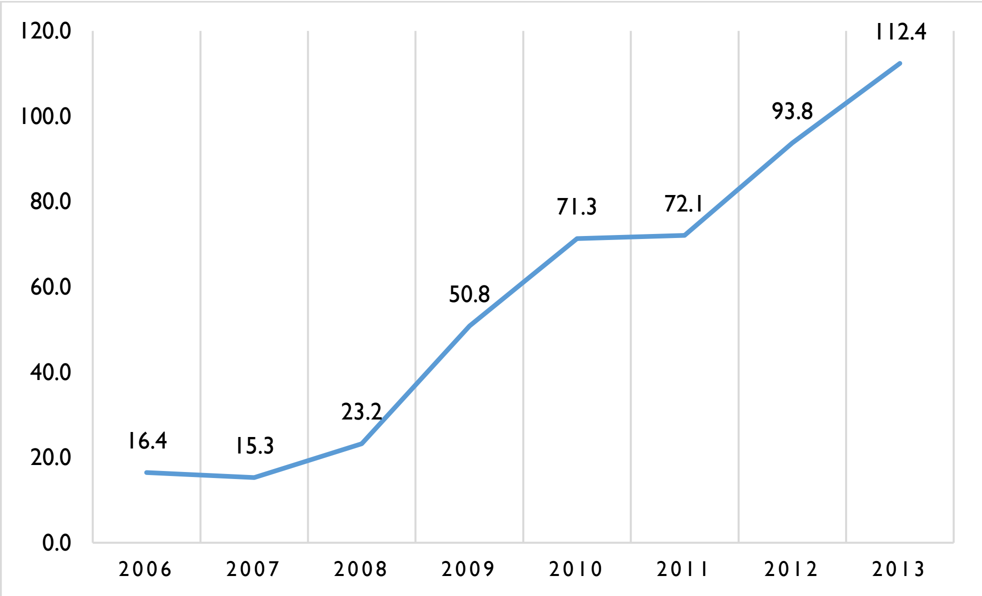
Note: other revenue sources such as loans and grants are not included here
Source: 1999-2005: World Bank (2007) State Finances Review and Agenda for Action. Washington D.C.: World Bank; 2006-2008: LASG (2013) Lagos Digest of Statistics 2013; 2009-2013: LASG (2014) 5 Year Revenue, Expenditure and Debt Profile of Lagos State

The first observation is that the state's non-oil revenue generation capacity is unparalleled across Nigeria. In 2000, Lagos state relied on monthly oil revenue allocations from the federal government, known as statutory allocations for 38.3% of its total revenue while Internally Generated Revenue (IGR)[240] as the proxy for non-oil revenue constituted 42.9%. Figure 6.3 above (Table 28, Appendix II) shows the ratio of IGR to Federal Allocation gradually increasing as a percentage of total revenues, at an average of 50%. In 2013, the IGR-Statutory Allocation ratio was 62:19 respectively. Unfortunately, given the different sources of data without information on whether the figures have been adjusted for inflation, an analysis of revenue growth rates cannot be made here. Similarly, data limitations make it difficult to comprehensively disaggregate IGR to reveal the proportions of taxes and other levies. However, interviews with government officials and independent analysts, and findings from previous studies suggest tax revenues account for this growth in IGR[241]. According to the Lagos

[240] This includes taxes, fines and fees, licences, sale, rent on government property and other miscellaneous funds.
[241] See for instance: De Gramont, D. (2015) Governing Lagos: Unlocking the Politics of Reform, **Carnegie Endowment for International Peace**.

state Commissioner for Economic Planning and Budget [242], tax revenues expanded from an average N600 million per month in 2000 to N7 billion in 2007, and N21 billion in 2014, over 3,400% increase. This is indicative of the government's notable attempts at generating internal non-oil revenue through tax reforms and improved PFM examined in further detail in this chapter.

Figure 6.4: Lagos State Debt Stock as (%) of Total Revenue, 2006-2013



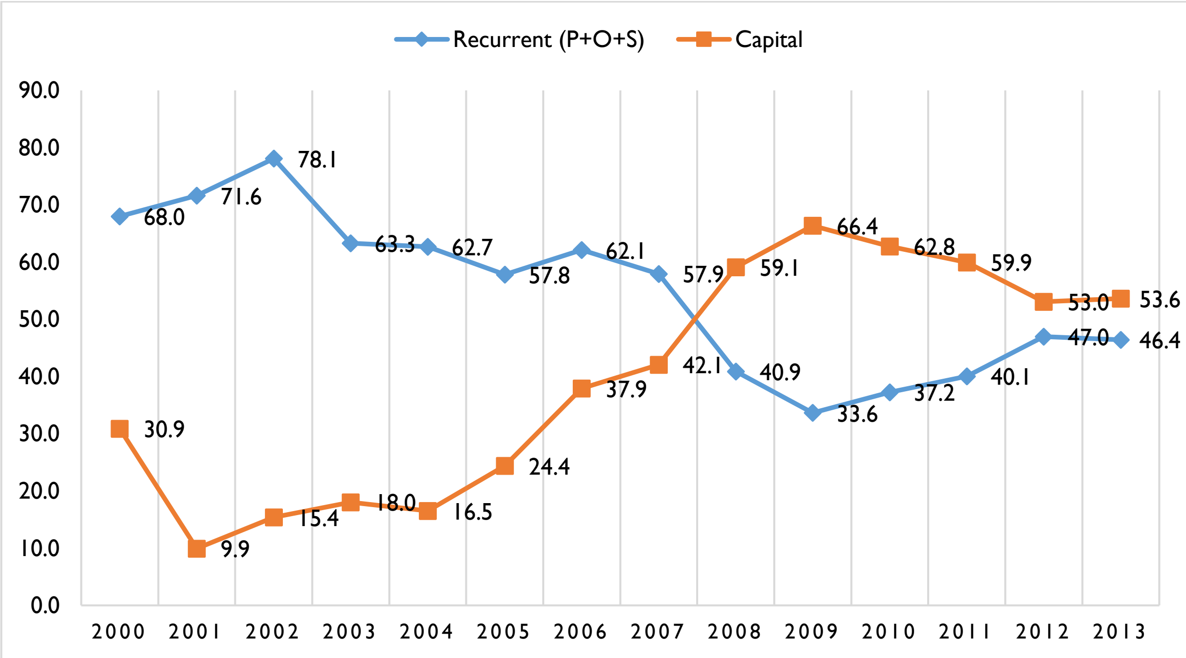
Source: 2006-2008: LASG (2013) Lagos Digest of Statistics 2013; 2009-2013; LASG (2014) 5 Year Revenue, Expenditure and Debt Profile of Lagos State

The second trend is the high debt profile of Lagos state public finances. In exploring other avenues to diversify its revenue base beyond taxation and fiscal prudence[243], there has been a reliance on domestic and foreign private investment to finance infrastructure and urban renewal projects, while grants and loans from International Financial Institutions (IFIs) have also supported government capital spending in social development programmes. Critically, through a multi-tranche debt issuance programme, the state has tapped domestic capital markets to finance capital expenditure, especially infrastructure projects. As Figure 6.4 above (Table 28, Appendix II) shows, the state's debt stock increased consistently as a share of government revenue from 2006 to 2013, the years for which data are available. By 2013, the total debt stock was a staggering 112.4% of government revenue. Most of

[242] Interview, 17 July 2014, Lagos, Nigeria
[243] See LASG (2013:18) for summary of the state's diverse sources of finance.

these funds were expended on infrastructure projects, especially transport infrastructure, as state government officials claim in the face of mounting criticism from civil society on the rising debt profile. However, an average of 15% of revenue is committed to debt servicing, as state government officials explained to me[244].

Figure 6.5: Distribution of Lagos State Expenditure 1999-2013 (%)



Note: Recurrent expenditure includes Personnel, Overhead and Subventions (POS)

Source: 1999-2005: World Bank (2007) State Finances Review and Agenda for Action. Washington D.C.: World Bank; 2006-2008: LASG (2013) Lagos Digest of Statistics 2013; 2009-2013: LASG (2014) 5 Year Revenue, Expenditure and Debt Profile of Lagos State

The third trend is the government's spending priorities has been heavily tilted towards capital projects rather than recurrent spending. As the Figure 6.5 above (Table 29, Appendix II) shows, capital expenditure began to rise steadily from a low of 9.9% in 2001 to a high point of 66.4% in 2009 and plateauing at 53.6% by 2013, while recurrent spending is at 46.4%. Although capital expenditure has heavily focused on infrastructure and urban renewal, there have been investments in social development projects such as education, health, social services and other public goods. While figures are hard to come by, as at 2013, the government spent about N40 billion on education (LASG, 2013:5).

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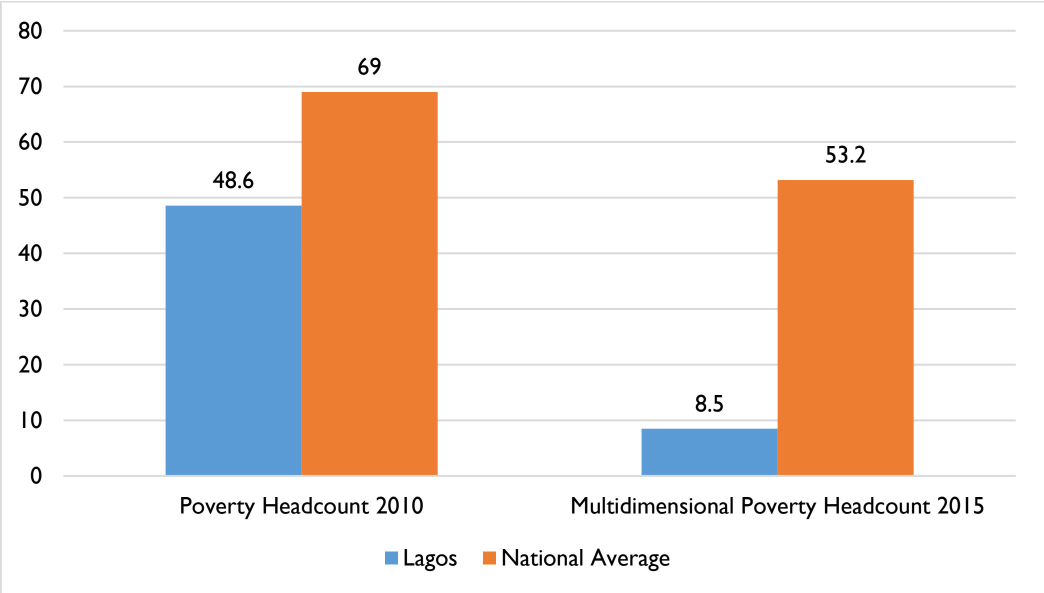
244 Interview, Lagos Ministry of Economic Planning and Budget, 17 July 2014

Better than the National Average: Poverty Reduction and Human Development

Lagos state tops rankings on human development in the country across most indicators. Here, I focus on poverty and unemployment. In 2015, the state had the lowest multi-dimensional poverty headcount ratio of 8.5% in the country, as Figure 6.6 below shows (Table 30). This is far lower than the national average of 53.2%.

Figure 6.6: Poverty Headcount (%) 2010 & 2015

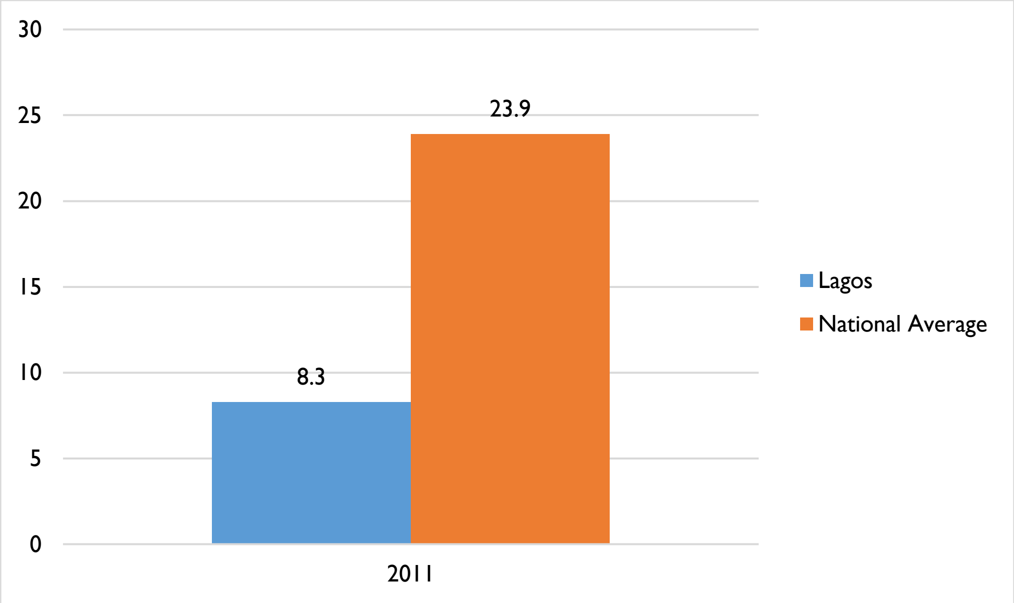


Source: NBS (2012) Nigeria Poverty Profile 2010. Abuja: National Bureau of Statistics; Alkire, S. et al. (2015) “Multidimensional Poverty Index, Winter 2014/2015: Brief Methodological Note and Results.” OPHI Briefing 27

According to a World Bank (2014) report, Lagos state has made significant progress in poverty reduction since the early 2000s. Unfortunately, the paucity of data means a trends analysis over time cannot be made, as only a snapshot can be provided. Using different indicators, the poverty headcount in 2010 was 48.6%, the fifth lowest of all Nigerian states (after Niger, Osun, Ondo and Bayelsa) and much lower than the national average of 69%.

Another important indicator of the human development situation in the state is the unemployment ratio which is relatively low, at 8.3% lower than the national average of 23.9%. This low figure is made possible by the engagement of the vast majority of the Lagos state labour force in the informal sector, in MSMEs (LASG, 2013:3)[245].

Figure 6.7: Unemployment Rates (%) for Lagos State, 2011



Source: NBS (2012) Annual Abstract of Statistics, 2012.

Therefore, the snapshot of economic performance in Lagos state shows a diversified economy dominated by services, especially trade; an increasingly diversified revenue base reliant on tax income but with a rising debt profile and a human development situation which outperforms the national average.

THE SERVICES-ORIENTATED ENDOWMENT STRUCTURE OF THE LAGOS ECONOMY

In explaining this economic and human development profile in Lagos, here I present the region's factor endowments. As explained in Chapter One, the direction of economic growth and development is greatly determined by the extent to which resource endowments are mobilised by

245 There are no available estimates on the employment in the informal sector. Although from 2015, a new methodology for calculating employment rates was adopted by the NBS which included three categories: employed, unemployed and underemployed. Under-employment is defined as working less than 40 hours a week but more than 20 hours, in a job which underutilises the employee's skills, time and qualifications. This radically reduced the unemployment rate from 23.9% to 9.9% by the third quarter of 2015, while the under-employed figure was at 17.4%. See: NBS (2015)

national and sub-national economic policies. These resource endowments include natural resources and geography, labour and human capital, capital in infrastructure and finance, and the character of entrepreneurship. Therefore, I outline the factor endowments in Lagos and explain how national and sub-national economic policies have mobilised them, resulting in the economic and development outcomes identified in the previous section.

Natural Resources and Geography

I take an expansive definition of natural resources to include both resources with a finite stock such as agriculture and minerals[246], and others including climatic, topographic and geographic resources. I then explain how they account for the state's economic and human development profile.

As a coastal city containing the country's major trading port, the geographic location of Lagos towards a trading and service economy even before the establishment of colonial rule. Lagos easily became a West African port from the 1700s trading in slaves and commodities with Portuguese and later British merchants. The trading port became the main interface between the hinterland of the most populated of the African British colonies (Fourchard, 2011:67). The city naturally became capital of colonial Nigeria from 1914 generating most of its revenue until after World War II, and of post-colonial Nigeria until the country's capital was moved to Abuja in December 1991. The presence of the two largest sea ports in Nigeria, the Lagos Port Complex in Apapa and Tin Can Island Port with a third being built at the Lekki Free Trade Zone, has maintained Lagos's status as the premier trading port[247]. One link between its coastal location and its economic performance, is that the trade sector which is the largest contributor to Lagos GDP, is greatly supported by the proximity to the ports. Since the bulk of commodities traded by both MSME and large-scale commercial enterprises are imported, including up to 51.8% of industrial input in 2012 (NBS, 2014:30), there are markedly lower transportation costs than for those in hinterland regions such as Kano as discussed in Chapter Seven. In the absence of an efficient

[246] Cf. definition by Blackman and Baumol (2008)
[247] Nigeria has six ports in total. The others are Calabar, Rivers, Delta and Onne Ports mostly in the Niger-Delta where the oil export terminals are.

rail freight infrastructure, there is a wide gap between the cost price and profit margins for commodities between a coastal region like Lagos and the hinterland regions.

However, the climate and topography of the region exert negative influences, especially flooding. As a low lying coastal zone, Lagos is prone to periodic floods affecting markets, households and livelihoods, even in new area developments such as Lekki. The landmass is less than 15 metres above sea level, of which 22% consists of water in lagoons and creeks. It has a long coastline of 180km comprising 22% of the nation's total coastline (LASG, 2013:105) and is therefore vulnerable to increased storm surges and coastal erosions (UN Habitat, 2014:135). In addition to the city's low elevation and rainfall intensity, the problem of flooding is compounded by human developments (Emmanuel and Ade-Ajayi, 2000; Adelakan, 2010). These include land reclamation, the uncontrolled expansion of the built-up area, the lack of infrastructure and the failure to maintain and expand storm water drainage. These near-annual floods affect Lekki, Ikeja, Oshodi-Apapa Expressway and other commercial nerve centres of Lagos, leading to annual losses of millions of naira to individuals, households and firms[248].

In terms of natural and mineral resources, Lagos is endowed with significant deposits of oil and gas, silica sand and clay, but this is a poorly developed sector. In May 2016, Lagos officially became an oil producing state following the discovery of offshore oil and gas reserves by Yinka Folawiyo Oil Company[249]. However, the scarcity of arable land is a major break on agricultural productivity, because 40% of all land area is swampy (LASG, 2013:57). Consequently, agriculture accounts for only 2.37% of GDP, of which livestock and fishing constitute 60.8%. At 0.7 million hectares, Lagos has the smallest land mass of Nigeria's states – although this keeps expanding by unplanned settlements (Gandy, 2006:386; Whiteman, 2012; LASG, 2013:57). This expansion vis-à-vis a small landmass is a break on agriculture, especially crop production, one area where Lagos is not likely to have a comparative advantage.

[248] See report by Sessou, E. (2012)
[249] See reports by Premium Times (2016) and Alike (2016)

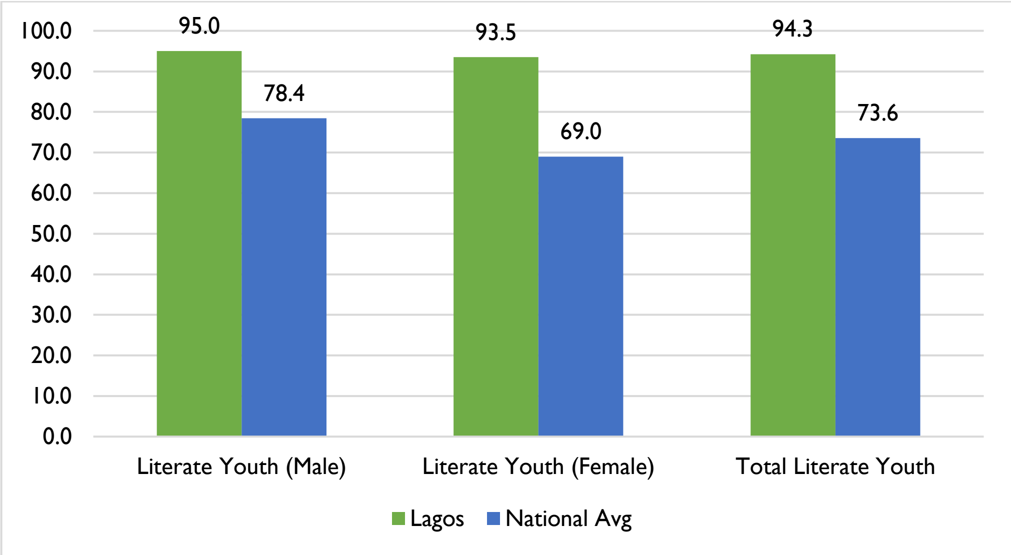
Critically, within the context of this small landmass, Lagos is confronted with demographic pressures, and scarce land and other resources. As Nigeria, and West Africa's commercial hub, Lagos has historically attracted economic migrants. This phenomenon of rapid population growth – from 3.5 million in 1985, to 7.3 million in 2000, to over 10 million in 2010 and 15.8 million in 2020 according to UN Habitat estimates (2014:270) – has intensified in recent years. A flourishing service economy with historical commercial and trading roots has made it both Africa's largest city, with a high rate of migration growing at over 4.67% per annum and is projected to become the world's third largest city by 2020 after Tokyo and Mumbai (UN Habitat, 2014:99, 103). This rapid population growth is inevitably straining scarce land and other resources, thereby threatening harmonious community relations. One evidence of this is the straining relations between indigenous Yoruba communities and Igbo migrants examined in greater detail further along the chapter. Rapid population growth is therefore straining existing resources.

Labour and Human Capital

In this study, I restrict my definition of human capital to the education, skills and training of a given population, especially the productive segment or the labour force[250]. The size and capacities of the human capital in Lagos position it as favourable to a service economy. Trade, real estate, financial services, ICT benefit from a concentration of skilled labour in Lagos relative to the national average. Across three indicators for which data are available as a proxy for skills, Lagos outperforms the national average. These indicators are youth literacy, youth educational attainment and youth computer skills. In youth literacy, 94.3% of the Lagos population from age 15 to 35 is literate, with at least a primary school education. This is the highest in the country, compared to the national average of 73.6%. This is illustrated in Figure 6.8 (Table 31, Appendix II) below.

[250] Cf. Lynn (2003) and Becker (2008)

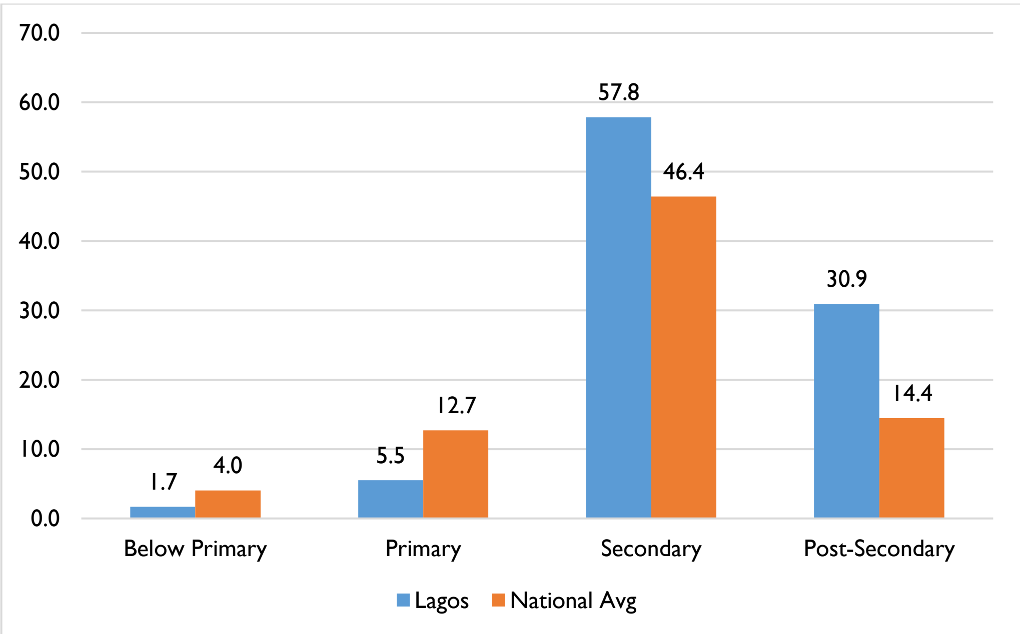
Figure 6.8: Percentage (%) of Literate Youth Population (15-35 years) with at least a primary school education in Lagos



*Literate youth is defined here as those with a minimum of primary education

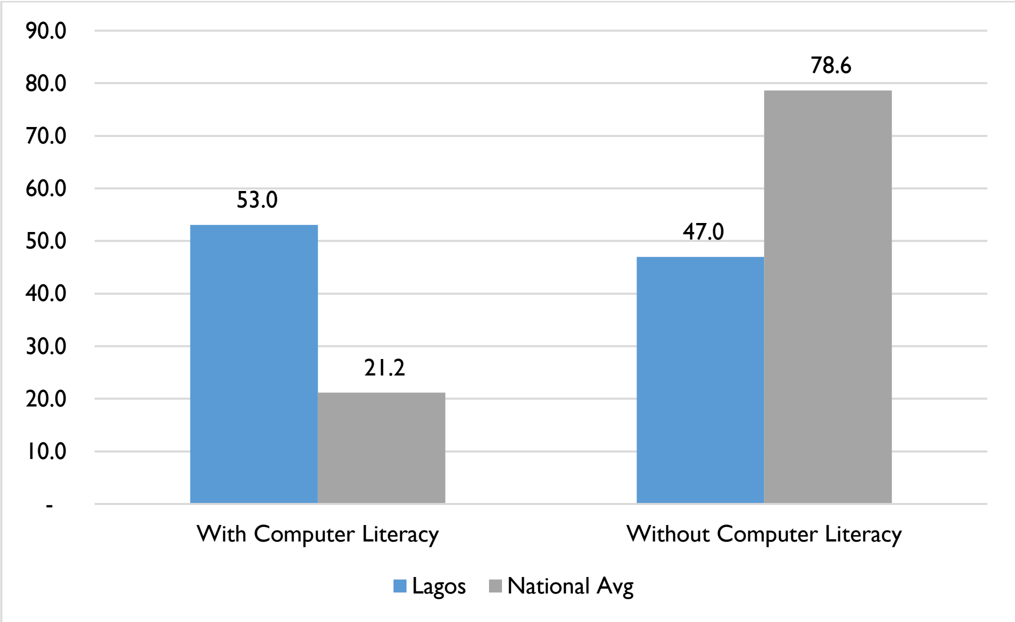
Source: *Data obtained from NBS (2012:72-3) National Baseline Youth Survey.*

Figure 6.9: Level of Educational Attainment among Lagos' Youth (15-35 Years) 2012



Source: Data obtained from *NBS (2012:72-3).*

Figure 6.10: Distribution (%) of Lagos Youth With/Without Computer Literacy, 2012



Source: Data obtained from *NBS (2012:106)*

A further disaggregation of literacy by level of educational attainment shows further how Lagos outperforms the national average. As Figure 6.9 (Table 31) above shows, 57.8% of young people have secondary school education, higher than the national average of 46.4%, and 30.9% have post-secondary education compared to a national average of just 14.4%. More crucial is the capacity of young people to adapt in a modern service economy. Across the third indicator, computer skills, Lagos outperforms the national average yet again. 53% of young people have computer skills compared to a national average of 21.2% as Figure 6.10 (Table 32) shows. These literacy and skills attainment arguably make Lagos more conducive to a service economy, judging by the location of most headquarters and branches of banks, financial institutions, real estate and IT firms.

There are at least two reasons for its above average human capital concentration.

First, the historic status of Lagos as a magnet for diverse economic migrants from within Nigeria and West Africa enabled it to attract skilled individuals. For instance, European merchants, freed slaves from Brazil and Cuba, Sierra Leoneans, and Hausas and Nupes from the northern interior comprised some of the migrants in the city from the 1800s before the British annexation (Whiteman, 2012; Fourchard, 2012:67). This was consolidated as it became the political and commercial capital of colonial and post-colonial Nigeria, and migrants have since contributed greatly to the growth of the city (Mabogunje, 1968:264; Olukoju, 1993; Fourchard, 2012:70). The development of a major wage labour market, combined with the oil boom in the 1970s and the demographic transition of the Nigerian population attracted many migrants such that Lagos became sub-Saharan Africa's largest city from the 1970s. In addition to other Nigerians since the 1970s, it became more appealing to African migrants including Ghanaians, Togolese, Beninois, Cameroonians, Congolese and since the turn of the century, South Africans in services: retail, hospitality, entertainment and real estate (Whiteman, 2012:30-31; Fourchard, 2012:70-71).

Second, this educational achievement which accounts for the relatively higher quality of human capital is indicative of an emphasis by residents on the importance of education and skills acquisition. This is due to the early contact with education by proselytising missionaries and colonial rulers. More importantly, massive investments in universal, free and compulsory primary education (UPE) by the Western regional government (comprising Abeokuta, Benin, Colony i.e. including Lagos) from 1955 under Obafemi Awolowo from 1955 in the latter days of colonial rule and the early years of independence, laid a solid foundation, linking education to political power and economic prosperity. As Nwagwu (1978:151) notes, the Western region's ruling elites as well as their counterparts in the East, saw the production of popular education policies as one of the surest ways of staying in power, because of the scramble to fill vacant posts left by departing British officers in administration, the army and the police at independence. Consequently, the high achievement-orientation of Lagos residents may also explain the higher than average concentration of human capital. Like many commercial capital cities, their fast-paced nature vis-à-vis a rapidly growing population creates a competitive environment in which people are more likely to upgrade their skills.

Despite this relatively high educational achievement, many employers complain of serious skills deficits within the workforce. Both large corporates and formal MSMEs frequently voice concerns of expending huge resources to (re)train new hires, even those with tertiary education. According to a World Bank study, Nigeria has a very low labour productivity to output ratio, lower than counterparts in Brazil, India and Kenya (Larossi et al., 2009:2). Although among Nigeria's states, Lagos has one of the highest value-added per worker, at $6,740 (ibid:13). The dearth of skilled labour is a key constraint on productivity for firms and the expansion of smaller ones.

Capital: Infrastructure and Finance

I adapt Becker's (2008) definition of capital to mean assets that yield income and other outputs over time. These include machinery, financial resources and economic infrastructure (Lynn, 2003:71). Here, I identify these capital and assets to include hard and soft infrastructure, and access to finance. The endowments of Lagos in such assets have positioned it to thrive in the services industry.

Some of Nigeria's most developed hard infrastructure can be found in Lagos. This includes a network of roads, bridges, flyovers, ports and other transport infrastructure; arts centres and national institutes; housing estates; schools, hospitals and other public facilities which make the state more supportive of a diverse range of economic activity. Most of these infrastructure were the legacy of the city's status as Nigeria's administrative capital until the mid-1990s, and especially, the product of massive investments of oil revenue during the oil boom between the 1970s and 1990s. The Third Mainland Bridge linking the Lagos 'mainland' to the commercial nerve centre and highbrow areas of Ikoyi, and Victoria Island, was at the time of its opening by the Ibrahim Babangida's military regime in 1990, the longest bridge in Africa. Others include the 1004 estate, FESTAC town, the National Theatre etc. Although it is worth noting that these investments in infrastructure were grossly below the recommended threshold by urban planners. As Gandy (2006) and Fourchard (2012) note, the military governments focused only on prestige buildings and road projects to the detriment of housing, sewerage and other important recommendations by the UN, partly explaining the city's dire infrastructure crisis, examined in greater detail later in the chapter.

Figure 6.11: The Third Mainland Bridge, linking the Lagos Island to the Mainland

Source: Pinterest

However, the decline of the 1990s precipitated by prolonged military rule meant as with many other parts of Nigeria, existing infrastructure fell into an acute disrepair, affecting economic productivity. Hours-long traffic jams are a common sight on neglected federal government roads, the Lagos Port Complex in Apapa is often heavily congested[251] making many traders and enterprises importing commodities to incur heavy losses. Moving the capital to Abuja also left many buildings in a state of decline; some were taken over by Lagos state, such as the now privatised Federal Secretariat (Whiteman, 2012:34&73). The Lagos state government since the early 2000s is making significant strides in urban renewal and infrastructural regeneration as examined subsequently in this chapter. One notable initiative is the Bar Beach reclamation project in Victoria Island due to grow into the ambitious

[251] As Nigeria's first port complex and still the major one, the Apapa port's congestion has been a recurring problem for decades. The infamous 'cement armada' of the 1970s when the military government's post-civil war and oil-boom fuelled construction frenzy led to massive cement imports, clogged the port for months. To ease traffic, the 1975 development plan committed resources to the Tin Can Island Port in Lagos and the Calabar Port in Cross-Rivers state. In 2006, the federal government concessioned all six ports in the country for efficiency and revenue maximisation. However, Apapa remains heavily congested by sea, road and human traffic.

Eko Atlantic City, which will enable the expansion of middle-class dwellings, high-rise blocks and shopping malls (Whiteman, 2012:49).

It is probably its soft infrastructure, as the commercial capital, which undoubtedly positions Lagos as an emerging service economy. Historically, Lagos was a trading city, its business quarter dating back to the trade in slaves and commodities from the 18th century. The trading imperative which has always governed Lagos developed into the huge retail operations like the Alaba international market, which are pillars of the informal sector, the lifeblood of Lagos (Whiteman, 2012:84). In the latter part of the colonial period, emerging industrial estates in Apapa and Ikeja played a role in the food and drink industries such as Nestlé, Cadbury, Nigerian Breweries and Guinness (Whiteman, 2012:84). Since 1999, a rising middle class in IT and financial services has attracted more foreign, especially South African capital, in retail, hospitality and food such as Chicken Republic, the drinks multinational SAB Miller, the entertainment chain DSTV (ibid:86). It is also the heartbeat of Nigeria's rapidly growing music, movie and entertainment industry with shopping malls such as The Palms in Lekki among others. Presently, Lagos has 10 large industrial estates accommodating several hundred enterprises as well as many smaller estates for MSMEs, with two new agro-based industrial parks currently being developed (LASG, 2013:45). It also has the most sophisticated built-up markets and distribution channels in West Africa (ibid:53).

This commercial status is part of the soft infrastructure which includes producer and economic networks, learning opportunities, a cosmopolitan and relatively sophisticated consumer market, access to global networks from the 95 diplomatic missions and consulates, MNCs, international media and international NGOs. These provide a range of learning opportunities for businesses and firms, significantly lower information asymmetry than other parts of the country.

Finally, Lagos may confer some advantages to MSMEs' access to finance, although these are indirect and hard to measure. It has the highest concentration of banks and financial institutions – by the number of branches and headquarters located in the city. Of the country's 21 commercial banks, all except one have their head offices in Lagos (CBN, 2016). However, there is very little data to show whether the location of bank headquarters correlates with higher access to finance by Lagos-based

MSMEs. According to a World Bank study, "there is very little difference between firms based in Lagos and those elsewhere. Being close to the centre of the nation's banking sector does not appear to confer any advantage on Nigerian businesses." (Larossi et al., 2009:60). This was confirmed by the founder and CEO of Access Bank (until 2013), Aigboje Imoukhuede, to my question on whether MSME location affects their access to finance[252]:

> No. Money is like illness. When a mosquito bites you and give malaria, it doesn't ask where your blood comes from… Money is like that. It transcends religion, tribe etc. If you're a good entrepreneur, if I know you're the next Steve Jobs, Bill Gates and so on, my money will be in your pocket very quickly. It is an economic decision, always.

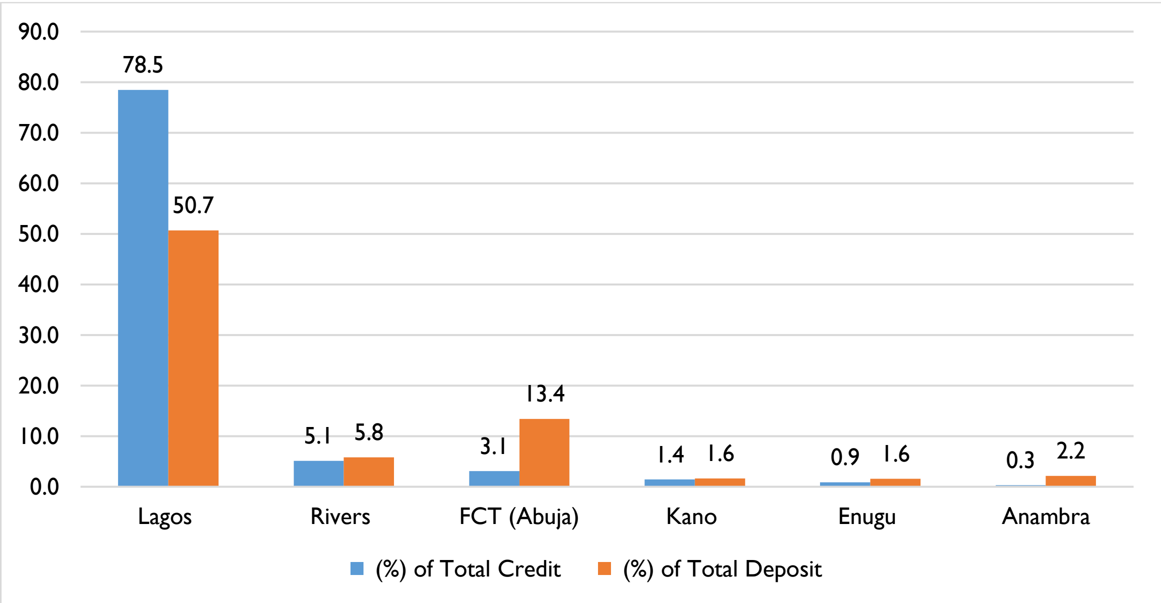
In fact, a major break on productivity and growth identified by MSMEs in Lagos is the limited access to finance, as the representative of the Lagos Chamber of Commerce and Industry (LCCI) explained[253]. Nigeria's banking sector is notorious for its insulation from the real economy, from agriculture and manufacturing, to industry, a situation CBN reforms have sought to address[254]. Although consolidation reforms from 2004 increased Capital Adequacy Ratios (CARs) making the Nigerian banking sector much more liquid than its peers and many of the world's most advanced economies, reduced nonperforming loans (NPLs) and increased asset quality, credit to the private sector remains constrained (Larossi et al., 2009:58). Lending mostly goes to the government, oil importers and a few other large corporations which are often Lagos-based, to the exclusion of MSMEs in agriculture, manufacturing and other real sectors, as Imoukhuede elaborated[255]. MSMEs are in turn discouraged by high interest rates and steep collateral. According to Lynn (2003:92) a financial system will work better if governments have moderate borrowing needs and rely on markets, rather than pressure banks, to obtain their funds. This is clearly not the case in Nigeria. Although there have been recent efforts by the CBN to boost lending to MSMEs, the problem surrounding cost and access to finance to MSMEs persists in Lagos and across the country.

[252] Interview, 27 October 2015, London, United Kingdom
[253] Although he identifies other difficulties facing SMEs such as electricity and intimidation from federal and state government agencies. Interview, 08 July 2014, Lagos, Nigeria.
[254] See: Sanusi (2010); CBN and Bankers Committee (2010)
[255] Interview, 27 October 2015, London, United Kingdom

Perhaps one area where Lagos MSMEs could have an advantage in accessing finance has an indirect transmission channel. Because of higher percentage of economic and educational literacy, entrepreneurs in Lagos are more likely to prepare a better application, to overcome information asymmetry and to have better documentation to obtain a loan than counterparts in other parts of the country, especially in the North. A systematic assessment would however require more research beyond the scope of this study.

Additionally, there is some evidence that the rate of private lending of which Lagos ranks highest is financed by savings from other parts of the country acquired by financial institutions headquartered in Lagos but with a national spread.

Figure 6.12: Distribution of Bank Credit and Deposit in Economic Centres, 2015



Source: NBS (2016) **Banks Credit and Deposit by States in Nigeria: 2010-2015.**

As Figure 6.12 above shows (Table 33), in 2015, Lagos, received a disproportionate 78.5% of Nigeria's total loans while providing only 50.7% of its savings. Rivers provided 5.8% of total savings but received 5.1% of credit; Abuja provided 13.4% of deposits but received only 3.1% while Kano accounted for 1.6% of total savings, but received slightly less, 1.4% of all credit. Therefore, there is a massive imbalance between savings and lending in Lagos, far outpacing other economic hubs around the country.

Entrepreneurial and Managerial Ability

The concentration of entrepreneurial capacity in Lagos is another element of its endowment structure which orients the economy towards services. I employ Sobel's (2008) definition of an entrepreneur as someone who manages and assumes the risks of an enterprise, and entrepreneurship as the process of discovering new ways of combining resources. To that effect, I use the terms entrepreneur and businessmen/women, interchangeably, and therefore refer to 'business class' and 'economic elite' as the collective of entrepreneurs especially the large-scale and influential ones.

There is a concentration of entrepreneurial talent in the region. Lagos has the largest concentration of MSMEs[256], at 3.23 million. Besides, all of Nigeria's billionaire entrepreneurs listed by Forbes[257], and more than 95% of banks, are headquartered in Lagos. There are strong historical continuities in the city's attraction to local entrepreneurs and foreign investors. As Whiteman (2012:78) notes, the trade in Lagos, although inevitably extraverted was never totally dominated by foreigners (unlike in Francophone, Eastern and Southern Africa) despite the favours given to European firms by the colonial government. By 1980, the value of industrial production of the city had increased to 80% of total output from 29% in 1963 (Fourchard, 2012:70).

In addition to historical precedents, the concentration of entrepreneurs in Lagos is tied to the other factor endowments including access to sea ports, rapid population expansion, a relatively better skilled labour force, and better infrastructure and economic networks. As Aliko Dangote, Nigeria and Africa's richest man, who is headquartered in Lagos explained to me[258]:

> I come from Kano, and no matter how much I want to help my people in Kano, whatever I am going to do must be sustainable, then I am better off putting my plant where it can be sustainable... Then I can dedicate the profit to be sharing it among the people there. You know, the difference in terms of cost in producing power out of diesel and out of gas is like day and night – it is twenty times. Even the raw materials, since we don't have a port, the raw materials will still come, and you have to transport it... So with my flour mills, it's cheaper for me to produce the flour here [in Lagos] and take it down there [Kano] and sell… than to open a factory and produce… there.

[256] Although it is tempting to interpret the high concentration of large corporations as indicative of managerial talent, it is worth noting that there are many MNCs which are simply located rather than founded in Lagos.
[257] See rich list reports by Opeyemi (2016) and Nsehe (2012)
[258] Interview, 20 March 2014, Lagos, Nigeria

The economies of scale resulting from its infrastructure, is a key attraction for entrepreneurs to set up in Lagos. The technology start-up scene in Yaba has been identified as one of the most dynamic in Africa alongside South Africa and Kenya, despite severe infrastructural deficits[259]. Technology hubs such as the Co-Creation Hub, provide an affordable physical office space and fast internet access for budding entrepreneurs to develop their ideas, and to operate until they are financially buoyant enough to set up on their own, according to interviews with tech entrepreneurs there[260]. This physical space includes, at a very basic level, free office space, internet, and electricity. In addition to cutting the cost borne by these start-ups, there is a lot of peer learning that goes on in these spaces, further building up the firms' capabilities.

This overview of the endowment structure of Lagos illustrates how Lagos is conducive for a services economy. These endowments are however not static, they have been further conditioned by government policy: national and state-level economic reforms since 1999, produced under specific constraints have largely aligned with this services-orientated endowment structure of Lagos to produce the economic and development outcomes outlined in the first section of this chapter. The next section examines the processes through which these national and state-level policies are engendering these economic and development outcomes, and the institutional factors underlining them.

NATIONAL INSTITUTIONAL CONFIGURATION ENABLES AND CONSTRAINS THE LAGOS SERVICE-ECONOMY

This section examines the national institutional context within which the service economy in Lagos has thrived. The previous chapters examined how the oil crisis and fiscal pressures on President Olusegun Obasanjo's ruling coalition engendered market reforms by the federal government from the early 2000s. Here, I discuss two main ways in which these policy responses to the crises have aligned with the endowment structure in Lagos, and also, how the tensions underlining intergovernmental

[259] See reports by CNN (2015) and James (2015)
[260] Interview with Founder of BudgIT, one of the firms operating from the Co-Creation Hub spaces, 21 July 2014, Lagos, Nigeria

coordination between the federal government and the city of Lagos undermine infrastructural development.

Post-Military Market Reforms Align with the Lagos Endowment Structure

As already discussed in Chapters Four and Five, the Nigerian federal government pursued governance and market reforms in the early 2000s with minimal emphasis on their jobs creation and poverty-reduction dimension. These stimulated national GDP growth in services, especially ICT, trade, and financial services, but importantly, this growth was concentrated in places such as Lagos due to its endowment structure. In the absence of quantitative data, I draw on interviews with business associations to further buttress this link. As a representative of the LCCI explained to me, because Lagos is Nigeria's commercial centre, any reform at the federal level trickles down straight to Lagos[261]. Specifically, liberalisation of trade, telecommunications and the financial services had a major impact on the Lagos economy as is discussed below.

The first sector which deserves some attention is trade, as the largest component in Lagos and one of the largest in national GDP. Due to insufficient data making it difficult to map the growth of the state trade sector vis-à-vis national growth, some qualitative data will suffice. The federal government's 'gradual liberalisation' of trade (discussed in Chapter Seven) from the early 2000s facilitated the rapid growth of wholesale and retail trade. In particular, petro-dollars from rising oil prices from 2003 may have financed growing imports, especially in Lagos with its proximity to the main sea ports, and its large consumer and entrepreneurial base to accommodate this expansion in food and consumer goods. The implication was that an influx of imported commodities through the main ports further boosted the already thriving trading economy in Nigeria's commercial capital. According to a report by McKinsey (Fiorini, et al., 2013), in Lagos, consumption is 134% greater than the country average.

Although the retail trade is dominated by the informal urban markets, there is a steady growth of structured and large formal retail outlets. The number of shopping malls, which began to emerge in 2003 is increasing especially in Lagos, which has five of Nigeria's 18 largest shopping malls, and can

[261] Interview, 08 July 2014, Lagos, Nigeria

accommodate up to 20 shopping malls[262]. According to a KPMG (2015) report, these large shopping centres are largely anchored by South African retail firms, but there is a steady growth of e-commerce platforms such as Jumia, Konga, Hotels.ng among others. Extensive research is required in this area.

Secondly, financial markets liberalisation since the early 2000s may have also supported the expansion of the Lagos economy. This has enabled it to finance its massive public investments especially in capital-intensive infrastructure projects. As an official at the Lagos Ministry of Finance explained to me[263]: “the development of the capital market expanded opportunities for bond issuance suitable for infrastructural development”. For example, the Lagos state government commenced the debt issuance programme of N275 billion in 2009 which was completed in 2015, and another N87.5 billion was raised by November 2015 (Akoni, 2015). The bond was issued to execute the on-going construction of the blue line light rail and expansion of the Lagos-Badagry Expressway. Others include the construction of the Apapa Central Business District, road networks, construction of the Adiyan Phase 11 Water works, Isolo/Isheri Ijegun link Bridge, completion of the Ayinke House Maternity Hospital, protection of the Atlantic shoreline among others. Although this access to capital markets which has raised the state’s debt profile, over 112% of total revenue, has been a point of concern for civil society[264], state officials emphasise that the thresholds for debt sustainability are lower than the required minimum.

Thirdly, telecommunications liberalisation in 2001 and the recapitalisation of banks from 2004 which resulted in rapid growth and FDI flows in these sectors, translated into at least two positives for Lagos in the context of its endowment structure. First, following historical precedents, most banks and telecommunications firms established their headquarters in Lagos, as Nigeria’s commercial capital, and as the flagship destination for new products and services. For instance, Econet, the first GSM operator launched its services in Lagos in 2001, while financial services like ATMs and Internet Banking were also initially rolled-out in Lagos. Second, the rapidly growing population, its’ above national-average education (and presumably higher income-levels), and skills provide both the labour for these capital-

[262] See reports by Ogunlesi (2013), Douglas (2013) and How Africa (2015)
[263] Interview, 03 July 2014
[264] Interviews in Lagos, Nigeria, July 2014

and skills-intensive sectors, and a consumer market for novel products and services. Thus, despite having the smallest landmass, a disaggregation of GSM and internet subscribers shows a higher concentration in Lagos, accounting for 12.8% (19.04 million) voice subscribers and 13.65% (12.62 million) active internet subscribers, of the country’s total, (NBS, 2016:2-3).

Therefore, largely owing to its services-orientated endowment structure, Lagos has been uniquely positioned to drive and benefit from the federal government’s services-orientated reforms in trade, the financial sector and ICT.

Historic Tensions in Intergovernmental Coordination Constrain Infrastructure Development

As Nigeria’s commercial and former administrative capital, federal government action or inaction is disproportionately evident in Lagos than most other parts of Nigeria. This hulking federal influence is especially evident in urban planning and infrastructure. This is described by Bénit-Gbaffou et al. (2013:21) as the general difficulty of cooperative governance among different government tiers for cities in a globalising context. In Nigeria, this coordination problem also mirrors a historic political tension between the two tiers of government. This translates into an often-deliberate federal government neglect on one hand, and Lagos’s politicisation of urban space on the other, collectively resulting in the city’s present infrastructure crisis.

As a former administrative capital, the fate of the legacy infrastructure in Lagos has been determined by long-running antagonistic relations between the federal and the state government. Right from the twilight of colonial rule in the 1950s, the federal government has been ambivalent towards the city. This ambivalence stemmed from the city’s dual status both as Nigeria’s administrative capital and as a hotbed of national opposition and pro-democracy movements of the 1990s. Until the federal capital moved to Abuja in December 1991, Lagos was simultaneously the physical seat of two rival political powers: the mainland part of Lagos was administered by a state government and a regional coalition in opposition to the Island, which was administered as a capital territory by the federal government and the ruling national coalition[265]

This Federal-Lagos tussle played out in disputes over the provision of transport infrastructure between the Western Region (which mainland Lagos was part of) and the federal government from the 1960s to the 1980s (Bénit-Gbaffou et al., 2013:23). In the 1980s the federal government became reluctant to make long-term commitments both due to financial constraints of the economic crisis and the decision to shift the capital to Abuja (Olowu, 1990:51; Fourchard, 2011:46-47). Subsequent national governments abandoned the federal trunk roads, the ports, the housing estates and other infrastructure which rapidly fell into disrepair, as with other parts of Nigeria. The neglect of the Apapa-Oshodi expressway, the major artery to the country's ports is indicative of the federal government's neglect of Lagos, according to a member of former Lagos state governor Bola Tinubu's cabinet[266]. The two seaports, Lagos Port Complex and Tin Can Island Port, account for 80% of Nigeria's sea cargo, yet the infrastructure there is mostly maintained by the Lagos state government. The poor infrastructure in the ports and their vicinity majorly contributes to the world-famous paralysing traffic in the area which affect productivity, according to the Lagos commissioner for budget and planning[267].

These historic intergovernmental tensions were laid bare by the electoral transition in 1999. These were personified by the political rift between former president Olusegun Obasanjo and the former governor Bola Tinubu of Lagos over political control of the south-west region. Being Yoruba, both men jostled to position themselves as successors of Obafemi Awolowo, the revered leader of the Yoruba-West. This political struggle thus played out in the allocation and management of public resources by the federal government, with direct consequences on the planning operations of the metropolis (Fourchard, 2011:45). Under governor Tinubu (1999-2007), Lagos demanded increased state power

[265] After World War II in the 1950s, Ikeja in mainland Lagos became and remained part of the Western Region as intended by Chief Awolowo, the regional premier and leader of the national opposition, the Action Group. After the creation of Lagos state, this dual function was retained – Ikeja remained headquarters of the state (Fourchard, 2011:44; Whiteman, 2012:52-53)
[266] Interview, 13 July 2014, Lagos, Nigeria
[267] Interview,17 July 2014, Lagos, Nigeria

from the federal government while president Obasanjo blocked numerous state projects ranging from power generation to traffic control, claiming they exceeded state authority (De Gramont, 2015:6).

These historic intergovernmental tensions escalated by the Obasanjo-Tinubu power struggle played out in the politicisation of infrastructure provision by the federal government and of urban planning by the Lagos authorities. In infrastructure provision, the Nigerian constitution places responsibility for transportation, power and security in the Exclusive List of the federal government, which gave federal politicians tremendous leverage to check the ambitions of Lagos political leaders. Transportation management became a sphere of political contestation. As the Lagos Commissioner for Economic Planning and Budget explained to me[268], their plans to pursue Independent Power Projects (IPP) and an intra-city railway project were delayed for years by the federal government's lethargy: in approving their requests to use the rail corridor, float bonds or acquire external development assistance. For instance, there were accusations that a former federal Minister of Transport in the national ruling party PDP from Lagos, out to settle partisan scores, frustrated attempts by the Lagos state government to secure a $77 million World Bank facility for the state transport agency LAMATA, and denied requests by the state to construct pedestrian bridges. According to Bénit-Gbaffou et al. (2013:25), in important infrastructure projects which involve cooperation among several tiers of government, the refusal by one tier to cooperate or deliberately take conflictual positions are effective ways of blocking them.

On the other hand, the Lagos ruling elite politicised urban space, especially motor parks and markets in these antagonistic relations with the national ruling elite, to the detriment of urban planning and order. According to Fourchard (2011:52), in the last three decades, major sources of revenue such as motor parks levies have been outsourced to transport union leaders. Instead of investing the city's resources to improve infrastructure, they have been diverted by the Lagos ruling elite to building clientelist networks with market associations and the NURTW- the National Union of Road Transport Workers (Fourchard, 2011:51-52). The NURTW, a major supplier of thugs for governorship elections since the 1980s, was a key battleground for the then national ruling PDP's unsuccessful attempt to

[268] ibid

wrestle control from the Lagos ruling party (AD-ACN-APC). Consequently, limited investments were made in the improvement of motor parks which proliferated across the city because tax collection is governed by a clientelistic relationship between state politicians and the NURTW leaders, who are allowed to levy discretionary taxes in exchange for electoral support (Fourchard, 2011:52). It is thus ironic that Lagos ruling elites expect the federal government to both pull its weight but also regard it as a hindrance. As the Commissioner for Economic Planning and Budget explained to me[269]: "Without doubt, we would be further ahead without hindrances by the [federal] government... We have a House of Assembly, but to borrow funds, we have to go all the way to the minister of finance..."

Beyond this intergovernmental tension, this federal neglect of Lagos is symptomatic of the larger administrative dysfunction, institutional fragmentation and policy coordination crisis which has bedevilled Nigeria for decades. Gandy (2006:371-5) also points to path dependence in the way structural factors – including incomplete modernity of colonial administration, economic instability, petro-capitalist development, military rule and regional internecine strife – have militated against any effective resolution to the city's infrastructure crisis. Successive colonial administrations failed to tackle overcrowding, disease and inadequate urban infrastructure which led to devastating public health crises in the 1920s (*ibid*). It is instructive to note that only one out of several critical recommendations made by a visiting UN team in 1962 to address the urban disorder in Lagos was implemented by the federal government (Abrams et al., 1980; Gandy, 2006; Fourchard 2012:71-72). Priority was rather placed on building prestigious infrastructure, new bridges, highways and a domestic car market in line with the mentality of a petro-state, while housing policy and public transport were neglected, laying the foundation for the city's current problems.

In the context of these perceived and real restrictions, Lagos has been at the forefront of advocating for 'fiscal federalism' or greater decentralisation of political and fiscal power to sub-national governments. This is in line with the well-known autonomous inclinations of the south-west encapsulated in the DAWN (Development Agenda for Western Nigeria), an agenda of the six south-

[269] ibid

west Yoruba states which aims "to foster regional cooperation and integration as a catalyst for [political] decentralisation" (DAWN, 2011).

EFFECTIVE SUB-NATIONAL POLICIES FACILITATE THE DIVERSIFICATION OF THE LAGOS ECONOMY

Sub-national policy has also been crucial to the coordination of the factor endowments in Lagos towards its recent economic expansion. State government initiatives in urban renewal, PFM reforms, and social development, have drawn popular attention in global policy and media circles. Lagos under Bola Tinubu (1999-2007) and Babatunde Fashola (2007-2015) was a pilgrimage destination for other state governors who wanted to copy the 'Lagos Model' in urban renewal and non-oil revenue generation. The Economist, the Financial Times and other leading journals have applauded the state's urban regeneration initiatives[270]. There is a growing stream of academic publications (such as Fourchard, 2011 & 2012, Enahoro and Jayeola, 2012; De Gramont, 2015) assessing Lagos governance reforms. In this section, rather than reinvent the wheel in chronicling these state government reforms, I analyse the institutional foundation and political character of this relatively effective state structure in Lagos, in its maximisation of its fiscal and political autonomy and in the political character of its leadership, to effectively mobilise its resource endowments.

Institutional Foundation: the Fiscal and Political Autonomy of the Lagos State Government

The ability of Lagos to coordinate its factor endowments is enabled by its maximisation of its political and fiscal autonomy. As a federation, the American-style Nigerian constitution distributes power between the federal government and sub-national authorities or states. The jurisdiction of these tiers are classified as Exclusive, Concurrent and Supplementary, in which the Federal, the State, and both authorities can legislate on respectively[271]. To that effect, a state's fiscal autonomy stems from its

[270] See for example, reports by Rice (2012), The Economist (2015) and Freeman (2014)
[271] There are 69 items in the Exclusive List and 30 items in the Concurrent List. See: Parts I and II, Second Schedule of the 1999 Constitution of the Federal Republic of Nigeria

constitutional authority to envision an economic agenda within its jurisdiction, formulate policies, generate revenue, establish MDAs and appoint their heads[272], and make fiscal and allocative decisions in actualising this economic agenda. The constitution also empowers state executives with vast political autonomy. As elected chief executives, governors possess an electoral mandate, they are usually the leaders of the state chapters of their political parties, and are usually influential in the state legislatures. Although all of Nigeria's 36 states have the same constitutional powers, Lagos has attained atypical performance, because it has maximised its fiscal and political powers to enhance its administrative capacity to coordinate its resource endowments towards specific economic objectives.

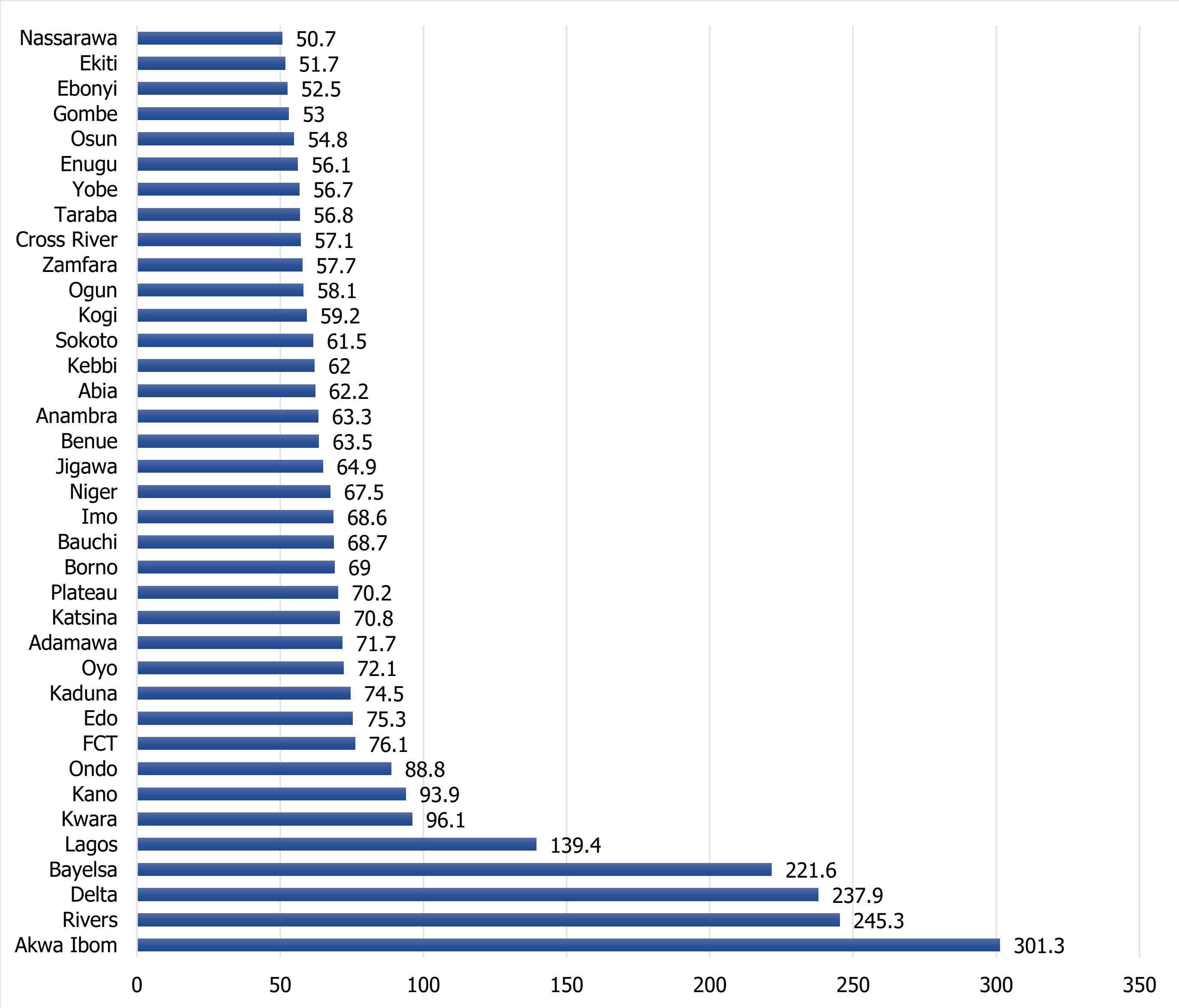
Fiscal Autonomy:

The Lagos state government has maximised its fiscal autonomy in coordinating its resource endowments by utilising its statutory allocations from the federal government, improving its revenue generation capacity and in its specific fiscal and allocative decisions.

As one of Nigeria's 36 constituent states, Lagos is entitled to monthly statutory oil revenue allocations from the federal government. As discussed in Chapters Four and Five, Nigeria's revenue distribution formula codified in the constitution is based on a 52:48 ratio between the federal and sub-national tiers respectively. A set of 14 criteria including landmass, population, internal revenue generation, fiscal efficiency, equality of states, derivation etc. determines the amount accruable to each state[273]. Based on these criteria, especially its population, Lagos is one of the top 10 recipients of the highest federal allocation in the country as Figure 6.13 (Table 26, Appendix II) shows.

[272] For full list of powers of a state governor, see: Chapter VI, Part II, of the 1999 Constitution of the Federal Republic of Nigeria.
[273] See Ahmad and Singh (2003) for a historical analysis of Nigeria's revenue allocation formula.

Figure 6.13: Federal Allocation to the States (N) Billions in Ascending Order, 2013



Source: CBN (2013:350) Annual Economic Report for 2013

However, severe demographic pressures from rapid population growth, and the attendant infrastructure and social development needs, have rendered these federal funds grossly inadequate for the state. According to the Lagos Commissioner for Economic Planning and Budget[274], not being an oil-producing state, housing 13% of the country's population and having the country's smallest land mass at 0.4%, Lagos does not get much from federal allocations. It "carries a huge burden", he

[274] Interview, 17 July 2014, Lagos, Nigeria

emphasises. These fiscal constraints become more acute in periods of low oil prices which disrupt the scale of federal allocations. Consequently, government authorities had to be creative in sourcing non-oil revenue to cater to their fiscal and developmental needs.

In this drive to generate non-oil revenue, Lagos has maximised its fiscal autonomy through extensive taxation reforms. The strategy since the early 2000s, consisted of enforcing existing taxes especially personal income tax, which constitutes 80% of IGR[275], and expanding coverage. Although the government collects different taxes on property and land, this is limited by the Nigerian constitution, which sets income tax rates for the sub-national authorities but retains the exclusive right over corporate and other taxes. As the Lagos Commissioner for Economic Planning and Budget explained to me[276], their strategy was to start with high income earners in large corporations and public service, and then use public campaigns to link tax collection to visible infrastructure projects. With tax compliance among large corporations now at 80%, up from 30-40% in 2005, the next step is to widen coverage to include the informal sector which constitutes 70% of economic activity. Consequently, tax revenues have expanded exponentially from an average N600 million per month in 2000, to N7 billion in 2007, and N21 billion in 2014. Although there have been areas of contention, such as the Lagos state government's unsuccessful attempt to wrestle consumption, sales tax and VAT from the federal government to enable it become more fiscally autonomous[277].

Another notable way Lagos state authorities have maximised their fiscal autonomy to generate non-oil revenue is through external financing for major capital projects. Since the state government came up with a 10 year infrastructural development plan in 2007, which was costed at $50 billion, they have explored various options to plug this deficit, as explained by the Commissioner for Economic Planning and Budget[278]. These include private and FDI, the capital market and concessionary loans from development partners. For example, major highway overhauls have been made possible by Public-Private Partnerships, such as the Lekki-Epe Expressway and Toll Concession on a Build, Operate and

[275] Interview with Ministry of Finance official, 03 July 2014, Lagos, Nigeria
[276] Interview, 17 July 2014, Lagos, Nigeria.
[277] Interview with Ministry of Finance official, 03 July 2014, Lagos, Nigeria. See also report by Eze (2014)
[278] Interview, 17 July 2014, Lagos, Nigeria

Transfer (BOT) arrangement with the Lekki Concession Company. There are FDI flows to the real estate, retail and hospitality sectors. Most notably, the state government is building the Eko Atlantic City, a multibillion dollar business and residential development or West Africa's 'Dubai'[279], with a consortium of Chinese and other investors.

The Lagos state government has leveraged its constitutional fiscal autonomy in its allocative and expenditure decisions. Right from Tinubu's administration, the central focus of capital spending has been upgrading infrastructure for poverty reduction, jobs creation and economic productivity. To that effect, the core objective of the Lagos State Development Plan is "Poverty Eradication and Sustainable Economic Growth through Infrastructural Renewal and Development" (LASG, 2013). Capital spending which has exceeded recurrent spending since 2008, as Figure 6.5 illustrates, has largely been devoted to upgrading transportation infrastructure, regarded as critical to improving productivity by easing the state's notorious traffic problems. As the executive of a bilateral development agency explained to me[280]:

> "[The Lagos state government's] major theme since 1999 has been [to] increase infrastructural development for poverty reduction, that's what they say. That's what they've been budgeting. …these roads and infrastructure projects…take about 34-35% of the budget…each year, because they believe infrastructure whether… roads or housing has a way of unlocking economic potentials, opening up areas…"

Within the sphere of the concurrent list, the Lagos state government has focused on upgrading transport infrastructure such as rehabilitating roads through PPPs, a Bus Rapid Transport (BRT) system with dedicated roads and a metro-line project to address public transportation challenges. New agencies were also created such as LAMATA, LARESMA, LASTMA and LIRS to enforce new laws, oversee implementation of infrastructure plans and also create jobs. Generally, government spending, has aimed to improve productivity, reduce poverty and generate jobs.

[279] Several domestic banks as well as international investors such as BNP Parisbas are involved in the Eko Atlantic City project. See report by Winsor (2015)
[280] Interview, 16 July 2014, Lagos, Nigeria

Political Autonomy:

The Lagos state government has maximised its political autonomy in crafting a distinct vision, in securing a consensus for this vision across its society and in bargaining with the federal government.

Unlike most states across Nigeria, Lagos state has articulated a distinct vision for governance, economic policy and state-society relations. De Gramont (2015) notes that the vision espoused by the ruling elite is built on two core objectives: to build a model mega-city and an expansionist political hegemony. The publically articulated vision aspires for Lagos to become by 2025 "Africa's model mega-city and global economic and financial hub, one which is safe, secure, functional and productive" as articulated by government officials[281] and in the Lagos State Development Plan (2013). To that effect, economic policy has generally aimed to actualise this political vision of building a world-class mega city. This vision is accompanied by a sense of exceptionalism: with a GDP the size of Ghana's, Lagos ruling elite see the state as a detached economy or country, as the executive at a bilateral development agency explained to me[282]. Consequently, the Lagos state government benchmarks itself against Singapore, Dubai, Johannesburg and other global cities, and aspires to be a destination for investors[283]. It is to actualise this vision that successive governments have focused on self-sufficiency through non-oil revenue generation and urban renewal.

The state government is mainstreaming this vision to secure support from wider society. This buy-in is horizontal, across the political, business and traditional elite and vertical, across the middle class of private sector workers, public servants, civil society and others in the grassroots informal sector such as the market association and transport unions. There are integrated state-business relations through a bi-annual economic summit, Ehingbeti, a "platform to enhance policy formulation and implementation dialogue between Lagos State Government and the wider stakeholder community"[284]. This has been enabled by the political domination of the APC party machinery in the state, and consolidated by a pan-Yoruba identity within traditional institutions and old guard families despite the

281 Interview, Ministry of Economic Planning and Budget, 17 July 2014, Lagos, Nigeria
282 Interview, 16 July 2014, Lagos, Nigeria.
283 *Ibid*
284 See: 'Lagos Economic Summit Group' website: http://lagoseconomicsummit.org/#

state's cosmopolitanism. Vertically, there is increasingly a social bargain with middle-class professionals through expectations on a higher quality of governance, as well as grassroots organisations such as market women, the street gangs or 'Area Boys'[285] and transport unions for patronage in public sector employment.

The articulation of a clear, mainstreamed vision has emboldened Lagos state ruling elites to counter the federal government on key fiscal and constitutional issues. This builds on the state's historic status as the bedrock of national politics in decolonisation, pro-democracy and social movements. In the First Republic (1960-1966), Lagos was the base of the parliamentary opposition headed by Obafemi Awolowo's AG, against the largely northern and eastern ruling coalition, the NPC-NCNC; in the Second Republic (1979-1983), it was the base of Awolowo's national political opposition the Unity Party of Nigeria (UPN) and during the military period (1983-1999) it was the stronghold of the pro-democracy movement, NADECO. Since 1999, Lagos has further consolidated this position with the dominance of the AD-ACN-APC political machinery and the supremacy battle for control of Yoruba south-west politics between two titans, former governor Tinubu in the AD-ACN-APC and former president Obasanjo in the PDP. From 1999 until 2015, Lagos was one of the last opposition strongholds in the PDP's 16-year hegemony.

Of recent, the increasing financial sufficiency built on PFM reforms has given the Lagos ruling elite a political voice to stand up to the federal government[286]. Lagos is leveraging its political autonomy built on a historical opposition legacy and a growing societal consensus over a megacity vision to as, De Gramont (2015) notes, actualise its expansionist political agenda. Although this leveraging hasn't always translated into fiscal benefits from the federal government, it may be changing. Tinubu's ACN was a key coalition partner in the now ruling party APC, placing Lagos state in the same political umbrella with the federal government, for the first time since the administrative capital was moved to Abuja.

[285] On Area Boys, see: Momoh (2000)
[286] Interviews, July 2014, Lagos, Nigeria

The Political Character of Lagos State: Continuity of Reform-Orientated Leadership

Lagos state has demonstrated an atypical institutional capacity in maximising its fiscal and political autonomy to align government policy with its endowment structure towards clear economic goals due to the reform orientation of its political leaders. Lagos political leaders have devoted an unusually sustained attention to governance reforms since 1999, in comparison to other political leaders across Nigeria and the previous military governments (de Gramont, 2015:4). In analysing this political character of effective leadership, I employ the analytical framework in Chapter One to identify three crucial factors: the constraints on the ruling elite stemming from threats to their survival and their perceptions of these threats, the capacity to address these threats through resource mobilisation and deployment and an atypical time horizon for continuity and institution-building[287].

Threats Constrain the Lagos Ruling Elite towards Effective Leadership:

When Nigeria transitioned to electoral rule, Lagos, as much of the country was at a critical juncture, facing threats, requiring responsive leadership. Horizontal-elite constraints within the ruling AD-ACN-APC ruling coalition, vertical-societal constraints of infrastructural decay, violent crime and insecurity amidst exploding population growth, and the external constraint of declining federal revenue all threatened to collapse the city. Vivid descriptions of the city's decay featured in international media[288].

Horizontally since 1999, there were one-off and continuous pressures from within the AD-ACN-APC ruling coalition which provided the impetus for governance and economic reform. Within his first term, governor Bola Tinubu drew the anger of influential AD party elders over the appointment of political outsiders to cabinet positions, and in his selection of Babatunde Fashola as his successor in the 2007 elections (Momoh, 2011:205; de Gramont, 2015: 6). Tinubu eventually gained the upper hand over the party elders by building relationships with key social constituencies, such as grassroots associations and traditional leaders (de Gramont, 2015:6). The persistence of this intra-party struggle

[287] De Gramont (2015:5) also identifies similar factors driving the political will for reform as: a serious and persistent threat to elite interests, a subjective perception among key actors that a proposed reform will benefit them politically or economically, and sufficient political stability to make change appear feasible.

[288] For vivid descriptions of the city's urban disorder, see: Kaplan (1994), Maier (2000) and Packer (2006)

through to Fashola's administration[289] meant that successive state governors were under constant pressure to seek external legitimacy beyond the confines of their adversarial political party through effective service delivery and direct allocation of rents for key social groups like 'area boys', market women and transport unions. For instance, when the relationship between Fashola and his benefactor Tinubu deteriorated, Fashola's legitimacy derived popular support with Lagos residents based on his record of service delivery rather than from within his own political party. Therefore, intra-party conflicts were an impetus for governors Tinubu and Fashola to build an external and popular support base beyond the political party through effective service delivery.

Vertically, societal pressures for improved infrastructure and public services were a critical impetus for institutional reform. The urban decay of Lagos was vividly illustrated by Gandy (2006:372) as follows:

> The recent history of Lagos has been marked by a stark deterioration in quality of life… the city has lost much of its street lighting, its dilapidated road system has become extremely congested, there are no longer regular refuse collections, violent crime has become a determining feature of everyday life and many symbols of civic culture such as libraries and cinemas have largely disappeared. The city's sewerage network is practically non-existent and at least two-thirds of childhood disease is attributable to inadequate access to safe drinking water. In heavy rains, over half of the city's dwellings suffer from routine flooding…

As explained in the first section of this chapter, Lagos faced demographic pressures from a rapidly growing population, an average of 1.6 million migrants per annum. This placed immense pressure on existing housing, transport infrastructure and social services, already in a state of decay stemming from unplanned urban growth, industrial decline, and federal government neglect. In essence, infrastructure that was in place when Lagos had 5 million residents now served a population of almost 15 million people as the Commissioner for Economic Planning and Budget explained to me[290]. In 1991, it was named the world's dirtiest city by the UN (cited in Gandy, 2006:390). As one analyst explained to me[291], "Lagos faced the threat of imminent infrastructural collapse".

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[289] Tinubu's selection of Fashola in 2007 as successor was considered an imposition by many influential AD-ACN party members. This led to mass defections of prominent party leaders such as Senator Afikuyomi, Jimi Agbaje, Senator Musiliu Obanikoro and Remi Adikuwu Bakare. Even after he became governor, Fashola faced continued opposition from within the party, especially when he sought re-election, with even Tinubu rumoured to be initially against his candidacy. See: Momoh (2011).

[290] Interview, 17 July 2014, Lagos, Nigeria

[291] Interview, 16 July 2014, Lagos, Nigeria

By the turn of the century, Lagos had also become a hotbed of armed robbery, ritual murders and other violent crime which severely undermined security and deterred investors. The police force covered a few wealthy neighbourhoods while others relied on private security or vigilantes (Berg et al., 203:171-172). There was a pervasive atmosphere of entrenched disorder. The 'Area Boys' extorted residents, while the ethnic militia Oodua People's Congress (OPC) which provided vigilante security frequently clashed with non-Yoruba residents, especially 'northerners'. Much of this urban disorder could be traced to the infrastructure crisis which created desperation in people, as the Commissioner for Economic Planning and Budget explained to me[292].

All strata of society, including the elite, were equally affected by this prospect of infrastructural collapse, deficiency in public goods and urban anarchy. Former Chief of Staff to Bola Tinubu and now Federal Minister of Information, Lai Mohammed, explained to me[293], that due to intense traffic gridlocks and the "…heaps of refuse, some roads were impassable…" Lagos has one of the world's worst traffic jams because compared to a Nigerian average of 20 cars per kilometre, Lagos has 220 per kilometre (Whiteman, 2012:82-83). The ruling elite realised vertical pressures of urban decay and insecurity constituted a grave crisis that had to be confronted.

These vertical pressures also came from active civic advocacy. Due to its favourable initial conditions, Lagos has a substantial middle class and is the centre of national civil society. Thus Lagosians were better positioned than most other Nigerians to make programmatic demands of their elected leaders for improved public services (de Gramont, 2015:7). Thus, government officials in Tinubu's first administration felt strong pressures from the media and citizens to start addressing the city's problems as soon as they took office (ibid:7). Since state government performance was and still is compared to accomplishments of former leaders such as Chief Obafemi Awolowo and Lateef Jakande[294], public demands increased over time as residents saw what government could do for them, as government officials explained to me.

[292] Interview, 17 July 2014, Lagos, Nigeria
[293] Interview, 13 July 2014, Lagos, Nigeria
[294] Chief Obafemi Awolowo as premier of the Western region in the 1950s established universal primary education and extended health and agricultural services (Nwagwu, 1978). Lateef Jakande, the first elected governor of Lagos state (1979-1983) developed a strategic plan for Lagos and undertook large municipal investments (Gandy, 2006; Fourchard, 2010).

The third major constraint was an external fiscal crisis. By 1999, the Lagos state government simply did not have sufficient revenue to address the collapsing infrastructure, rising insecurity, and other development needs. In 2002, the state government's personnel costs alone exceeded its statutory allocation from the federal government (de Gramont, 2015:10), which was low already from low oil prices. Besides, Lagos could not take out loans on capital markets indefinitely without proving it could repay them (ibid, 2015:10). A daunting situation was worsened when Obasanjo's federal government withheld the state's statutory allocation for its local governments after Tinubu's government in 2004 created 37 additional local councils not recognised by the constitution[295]. These factors collectively pressured the state government to be innovative in sourcing revenue.

These were some of the horizontal, vertical and external threats on the ruling elite in Lagos which they recognised as existential, and which constrained them to embark on massive governance, economic and urban renewal reforms.

Institutional Capacity and Resources to Address Existential Threats:

As discussed in Chapter One, a ruling coalition's capacity and resources to address existential threats determine policy responses. At this critical juncture in 1999, Lagos, unlike most other Nigerian states was endowed with a cohesive ruling elite which possessed the managerial and bureaucratic ability to confront these problems, and was embedded within horizontal-elite and vertical-societal networks to build a society-wide consensus for its policy agenda.

The managerial and bureaucratic capacity of successive Lagos ruling coalitions enabled them to be reform orientated. Since 1999, the state's governors have been well-educated capable managers, with a deep understanding of the city's problems. Bola Ahmed Tinubu, was as an accountant with the oil company Mobil and was politically savvy as a prominent member of Nigeria's pro-democracy movement NADECO against the military. As Tinubu's former chief of staff explained to me[296], "Asiwaju (Tinubu) had definite ideas about governance", and shortly after his inauguration, he sought

[295] See Fourchard (2011:47) for an assessment of the resulting tensions between Lagos state and the federal government on this extra-constitutional creation of local councils.
[296] Interview, 13 July 2014, Lagos, Nigeria.

development assistance from the US and his former Mobil bosses. His successor Babatunde Fashola, who was also his Chief of Staff was an accomplished lawyer and a Senior Advocate of Nigeria (SAN), the highest honour to lawyers in the country. He explained further[297] "the crowning factor was the ability to choose a successor who understood what governance was about", this indicated cohesion of the ruling elite.

Both governors were cohesive in their strategic focus on infrastructure as the key to improving governance and enhancing economic productivity. As the Commissioner for Economic Planning and Budget explained to me[298]: "infrastructure has been at the heart of the reform agenda. We have been consistent with the state's vision of becoming Africa's model mega-city…and to become a global economic and financial hub. We adopted a development policy thrust: sustainable economic growth and poverty eradication through infrastructure renewal and development… avenue to addressing unemployment." In his inaugural address, former governor Babatunde Fashola stated that[299]: "we are also determined to create more job opportunities for residents of Lagos State. During my term of office, Lagos will remain a pro-business city State…" In creating this functional city-state of Lagos, Fashola's personal aides explained his personal admiration of Singapore's transformation, and his trips to meet the Singaporean leader Lee Kuan Yew and Singaporean city planners. The governors' pursuit of a pro-growth agenda which largely transcended sectarian interests was a marked departure from many other state governors, who focused on appeasing certain religious or oligarchic power blocs, as the executive of a bilateral development agency underscored[300].

Importantly, the state ruling elite built and strengthened the bureaucratic structures necessary to translate this vision to reality. In 1999, as with many states across Nigeria, the Lagos state government had weak administrative structures. They lacked a basic capacity to collect or monitor tax payments, there was virtually no urban transport system and Lagos was said to be disappearing under a mound of rubbish. Taxes were paid in cash to revenue officials who gave out handwritten receipts, providing

[297] ibid
[298] Interview, 17 July 2014, Lagos, Nigeria
[299] Babatunde Fashola's inauguration speech on 29 May 2007, reproduced in NGF (2013:254)
[300] Interview, 16 July 2014, Lagos, Nigeria

multiple opportunities for corruption; the finance ministry had no track of the payments; and poorly resourced revenue staff struggled to effectively audit businesses (de Gramont, 2015:11). Faced with these bureaucratic deficiencies across the board, there was need for 'process re-engineering', according to the Commissioner for Economic Planning and Budget[301]. Initial reform efforts relied on private consultants like the AlphaBeta Consulting (ABC) in tax collection, and private trash collectors to supplement weak state capacity (ibid).

From 2003 in Tinubu's second term, there was a shift away from ad-hoc measures. There were two approaches here. Firstly, new agencies were built from scratch such as the Lagos Metropolitan Transport Authority (LAMATA) to manage urban transportation and the Lagos State Traffic Management Authority (LASTMA) to enforce traffic laws. Secondly, existing ones were repositioned, such as the Lagos Inland Revenue Service (LIRS) and the Lagos Waste Management Agency (LAWMA). Some of these agencies were established or repositioned to become enclaves of bureaucratic efficiency, such as LAMATA, which right from its establishment in 2002 with World Bank support, has followed more meritocratic hiring procedures (de Gramont, 2015:21).

Other agencies served a crucial purpose of cementing the social bargain with key electoral constituencies by providing employment and distributing contracts. In this regard, LASTMA, which employs about 3,000 provided formal employment to 'Area Boys' some of whom assisted in political campaigns[302]. LAWMA is balancing service delivery in waste collection with patronage pressures through contract provision and employment of over 24,000 street sweepers, an important source of political support for the government (de Gramont, 2015:19). The dual function of these bureaucratic structures as enclaves of efficiency, for service delivery and patronage through employment to key social groups, has been critical to the effectiveness of the state's governance reforms. Although there are problems with proliferation of agencies, duplication of functions and ineffective monitoring of their activities, as a representative of LCCI in the private sector explained to me[303].

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301 Interview, 17 July 2014, Lagos, Nigeria
302 There's a widely held view that two enforcement agencies, LASTMA and Kick Against Indiscipline (KAI), were created shortly after Tinubu's elections – LASTMA in 2000 and KAI in 2003 – in part to reward those who assisted in the electoral campaigns (de Gramont, 2015:24)
303 Interview, 08 July 2014, Lagos, Nigeria

The second pillar of the state's institutional capacity for effective governance is an embeddedness with horizontal-elite and vertical-societal actors to actualise this vision for the state. At the horizontal level, state-business relations are being strengthened to engage the private sector in policy. In particular, the bi-annual Ehingbeti investment forum provides a platform for public officials, professionals and domestic and foreign investors, to engage with government on policy over the next two years[304]. According to the LCCI[305], the private sector participate in both the policy formulation process and in tracking progress and success. Two notable outcomes of these increasingly integrated state-business relations in security and tax reform, suffice.

First, to address insecurity, the government created a State-Security Trust Fund through which the private sector could support the police stationed in Lagos[306]. Since 2008, these funds have been used to support the 1,600 officers of the state's Rapid Response Squad to combat violent crime[307]: with a monthly allowance in addition to their federal salaries, an adequate supply of uniforms, equipment including bullet proof vests, rifles and ammunition, life insurance, housing and access to patrol vehicles. A Security Command and Control Centre is being created with CCTV cameras, a toll-free emergency number and other communications infrastructure. Second, greatly improved relations between the LIRS and the organised private sector under Fashola's tenure are further enhancing tax collection. LIRS invites business associations such as the LCCI to sit in on its meetings with noncompliant enterprises, listens to their concerns, reigns in illegal practices by tax collectors and often allows business associations to mediate disputes (de Gramont, 2015:16). These business associations in turn facilitate discussions between LIRS and their members to explain tax policy and encourage compliance (ibid:16). These are some instances where enhanced state-business relations have tangibly contributed to the ruling coalition's economic objectives.

Vertically, this consensus is increasingly accepted by a wide range of societal actors, including middle-class professionals whose acquiescence to tax collection is being secured with visible service

[304] Interviews with state officials, July 2014, Lagos, Nigeria
[305] Interview, LCCI, 08 July 2014, Lagos, Nigeria
[306] Interview with Commissioner for Economic Planning and Budget, 17 July 2014, Lagos, Nigeria
[307] ibid.

delivery. The government is encouraging greater tax compliance by presenting tax payments as part of a social contract between the state and its citizens (de Gramont, 2015:15). According to the Commissioner for Budget and Planning[308], many people hadn't made tax payments previously because "they hadn't seen any connection between their… taxes and enjoyment of any goods and services of government". However, the extension of physical infrastructure development from the high-brow island to middle-class dwellings in the mainland convinced more salaried professionals to pay tax, according to finance ministry officials[309]. "Part of the reorientation campaign, if you go round the state… at any site where the government has a [construction] project, you see the project billboard will include a line, 'tax payers' money at work'" he adds. A 2009 survey showed 83.9% of Lagosians were satisfied with the government's work on roads, and a 2010 survey found that receipt of public goods was correlated with a willingness to pay tax (Alemika and Omotosho, 2009; Alemika, Cheeseman and LeBas, 2010 in de Gramont, 2015:15-16). The government is now trying to use moral suasion to encourage more professionals in private practice: lawyers, doctors, chartered accountants etc. to pay tax[310]. It also helps that due to a favourable endowment structure, Lagos has a tax base – as the country's commercial capital, it has a critical mass of salaried staff employed by formal businesses and in the public sector that can be subject to income tax (de Gramont, 2015:10). Consequently, there has been a growth in voluntary compliance on tax payments due to an emerging social contract with a taxable population.

There is also an emerging social contract with grassroots, informal sector actors to support governance reforms in return for employment and other patronage. This was forged by Tinubu's involvement in street politics, which earned him the moniker 'Area Boy Governor', first as the son of the leader of the state market women's association[311], and through strategic relations with the powerful NURTW (Fourchard, 2011:50; Fourchard, 2012; Whiteman, 2012:206-7). This social compact has been most evident in tax reforms, where state officials have complemented their bureaucratic enforcement

[308] ibid
[309] Interview, Ministry of Finance, 03 July 2014, Lagos, Nigeria
[310] ibid
[311] The history of the politicisation of Lagos market women dates back to the 1920s. They became influential when the franchise was extended to women in 1950 and constituted the majority of women voters in southern cities. Consequently, market women formed an auxiliary wing in every major party in Lagos. They have been strong supporters of the Action Group and its successive offshoots (UPN-SDP-AD-ACN-APC), a party perceived as protecting their interests against drastic measures by the colonial, federal and military governments. See: Baker (1974:241), Mba (1987) and Fourchard (2011:50).

mechanisms with direct relationships to these social organisations to extend the tax collection net to the informal sector (de Gramont, 2015:16). In particular, the Lagos Market Men and Women Association brings together smaller associations of traders operating out of informal traditional markets (Baker, 1974; Fourchard, 2011; de Gramont, 2015:16). According to tax officials, without the cooperation of market associations, it would be very difficult to collect taxes from traders. When LIRS decided to attempt informal sector taxation, revenue officers focused their initial outreach on market leaders. Market leaders have in turn taken on much of the state's monitoring and compliance role, providing LIRS with lists of traders in their domain (de Gramont, 2015: 17). The government aims to adapt this street-smart strategy to extend the tax net even further to artisans to pay an annual nominal fee[312].

However, the governorship elections in 2015 could be a turning point in the social compact underlining the Lagos ruling elite's embeddedness in horizontal-elite and vertical-societal networks. For the first time since 1999, the 2015 elections had an evident tinge of sectarianism. A chain of separate but interrelated events fanned the embers of latent tensions between Yoruba indigenes and Igbo minorities in Lagos. Tensions between Igbo and Yoruba intelligentsia were inflamed by a revisionist account of the Nigerian civil war by the acclaimed writer of Igbo descent Chinua Achebe in 2012[313]. The 'resettlement' 'of destitute individuals to their states of origin as part of the urban renewal drive by the Fashola administration incensed some Igbo political leaders[314], which led to heated debates between Igbo and Yoruba political leaders[315], on whether Lagos is a Yoruba homeland or a 'no-man's land', and finally the threat by the traditional ruler of Lagos, Oba Rilwan Akiolu, to 'drown' Igbo residents who vote against his preferred candidate in the governorship election[316]. During the electoral campaigns, the APC candidate and now governor Akinwunmi Ambode was seen to represent Yoruba interests, while the PDP candidate Jimi Agbaje positioned as the protector of 'persecuted' Igbo interests. This was within a broader national climate in which many Igbo political elites had also allied with Goodluck

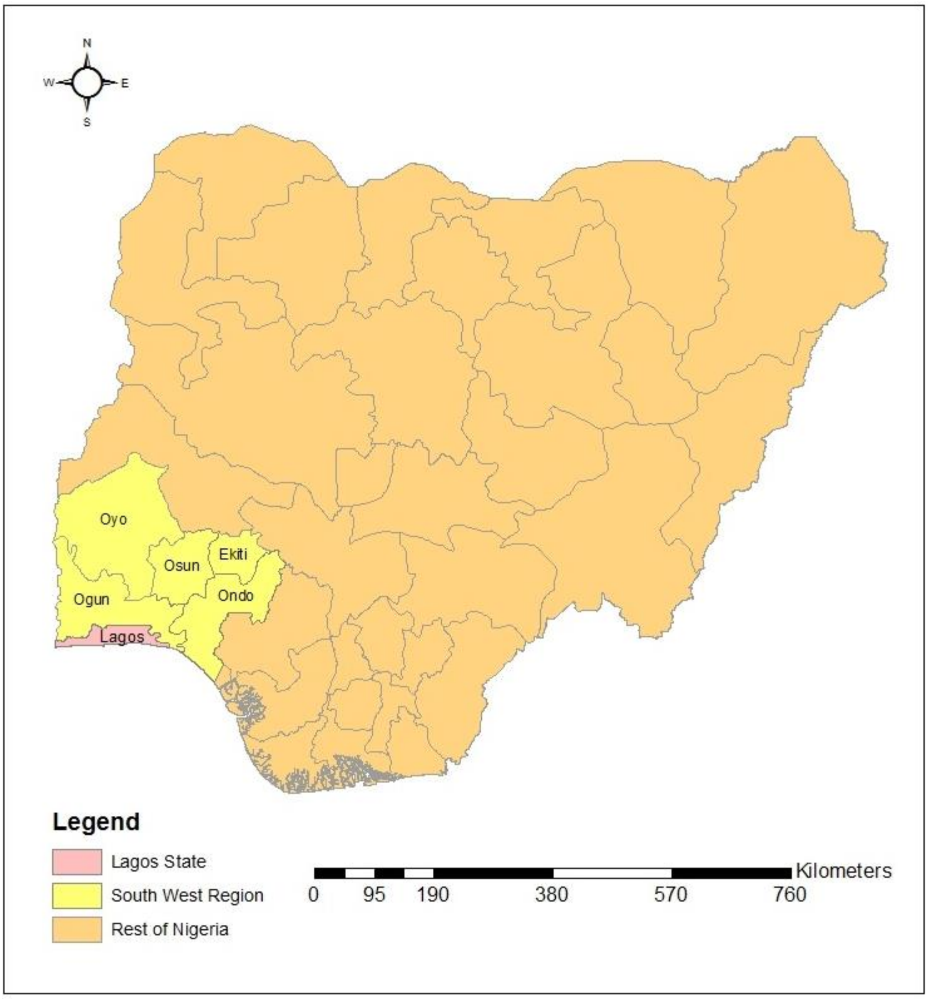
[312] Interview, Ministry of Finance, 03 July 2014, Lagos, Nigeria
[313] In his memoirs 'There Was a Country: A Personal History of Biafra', Achebe accused Obafemi Awolowo, the most revered leader of Yorubas, of the blockade which led to starvation of over 1 million Igbos during the war. This led to bitter exchanges between leading Yoruba and Igbo intellectuals. See report by Ekott (2012)
[314] See: Akoni, Akinrefon and Olowoopejo (2013)
[315] See: Akinlotan (2015) and Soyombo (2015)
[316] See: Odunsi, W. (2015) Video Confirms Oba Akiolu Threatened Igbo Residents in Lagos [WATCH]. **Daily Post**

Jonathan in the PDP for the presidential elections[317]. Depending on whether this sectarian rhetoric is a one-off event or translates into a deliberate policy agenda, it could gradually undermine the consensus which has mobilised diverse communities towards a shared vision for Lagos.

Time Horizon for Policy Continuity and Institution-Building:

The third critical pillar of reform-orientated leadership is the scope of a ruling elite's time horizon to sustain policy and build institutions. In contrast to the rest of Nigeria, Lagos state ruling elites have had an atypically longer time horizon to initiate and sustain reforms. I attribute this lengthy time horizon to the ruling elite's political hegemony and service delivery expectations by the electorate.

Figure 6.14: Map of Lagos and the South-West States

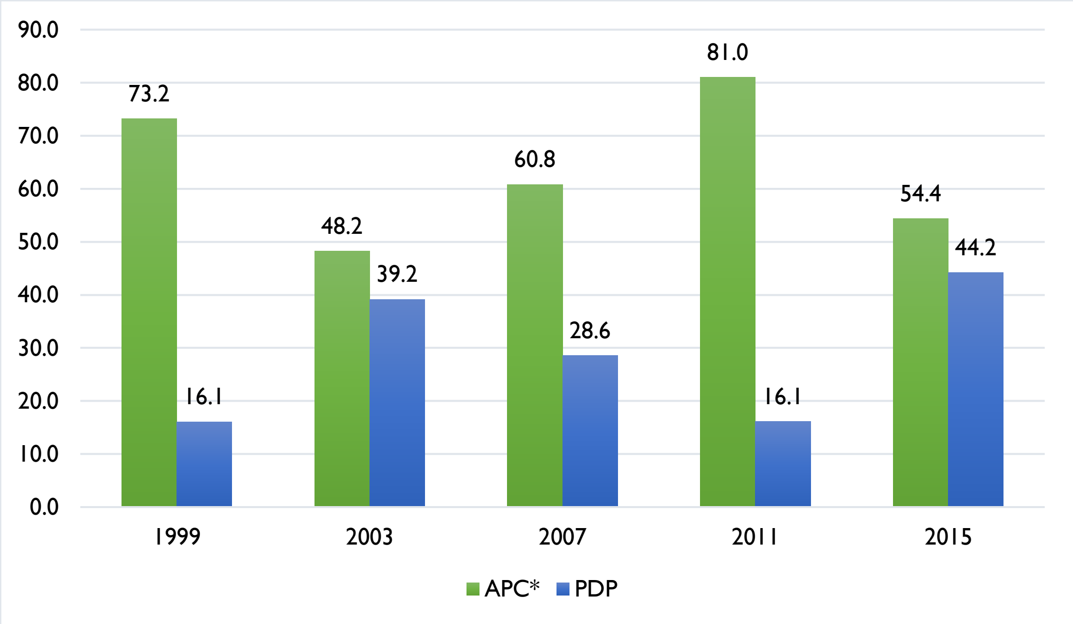


[317] See: Owen and Usman (2015) for an analysis of the 2015 elections.

Since 1999, the hegemony of the ruling party, with Bola Tinubu at its apex, has been crucial to policy continuity and institution-building in Lagos. This political structure was inherited from the AG built by Obafemi Awolowo, the Premier of the Western Region which ran Lagos from the 1950s, and has never been disbanded (Whiteman, 2012:207). The AG became the UPN in the Second Republic (1979-1983), formed part of the SDP in the aborted Third Republic (1990-1993), the AD and the ACN in 1999-2013 in the Fourth Republic, and is a key building block of the now national ruling party, the APC. This party, under various names, has consistently won every governorship election in the state and dominates the legislature. It has also been re-capturing south-west politics since 2011, from controlling just Lagos state in 2007 to an additional three states: Ogun, Osun and Oyo. This dominance is greatly dependent on the coherence from Tinubu's leadership, built on Awolowo's legacy in establishing a personal hegemony and consequently the party's political hegemony in Lagos and the south-west.

By contrast, the opposition PDP, lacking a Tinubu-like charismatic and influential father-figure, remains structurally weak and highly fragmented. For instance, the Lagos PDP has at least six formidable factional leaders, namely, Olabode George, Mrs. Funso Williams, Demola Seriki, Seye Ogunlewe, Femi Pedro and Musiliu Obanikoro (Momoh, 2011:211). However, this could be changing because the PDP put up a surprisingly good fight in the 2015 elections, garnering the most votes since 1999, an unprecedented 44.19% of the vote compared to the APC's 54.39% of the vote, as Figure 6.15 below shows (Table 34).

Figure 6.15: Political Parties' Share of Votes (%) in Lagos Governorship Elections, 1999-2015



*The APC in Lagos was previously AD until 2007, then it became ACN, then AC, and then APC from 2013
Source: Source: African Elections Database/INEC Figures

Given the structural weaknesses of Lagos opposition parties, opposition comes from within the ruling party over the distribution of appointments and resources. For instance, Tinubu battled influential AD party elders in his first term over appointments; there was a strong pushback from party elders to Tinubu's choice of Fashola as successor in 2007 which prompted major defections; there were tensions between Tinubu and Fashola in the run up to the 2011 elections in which the former was reluctant to support the latter's re-election (Momoh, 2011) and also over the selection of Akinwumi Ambode as Fashola's successor in the 2015 elections which again led to defections. Despite these intra-party schisms, there has always been effort to present a united front, suggesting commitment to a broader vision. De Gramont (2015:12) notes that long term institution-building was greatly abetted by Tinubu's realisation after his 2003 re-election that he could continue to have lasting influence in Lagos. This made institution building more feasible because he could expect to benefit in multiple ways from future improvements in tax collection, the main private tax consultant for the state, the Alpha Beta Consulting (ABC) is rumoured to be owned by Tinubu.

Furthermore, there has been a continuity in the role of key individuals, both at the apex of the governance structure but also in middle functions. Tinubu who saw himself in a line of political descent from Awolowo, made his mark on Lagos in his eight years, drawing up plans for the development of the city - in infrastructure, security and governance - which his successor began to implement (Whiteman, 2012:206). Tinubu's successor, Babatunde Fashola was his chief of staff, while the current governor, Akinwumi Ambode, hand-picked by Tinubu, was the state's accountant-general. Relatedly, there have been only three commissioners in the Ministry of Infrastructure since 1999 and two for Economic Planning and Budget, with Ben Akabueze in the latter position for 12 years (2003-2015). Consequently, Lagos has been able to plan, implement and sustain policy despite the disruptions of electoral transitions. As the Commissioner for Economic Planning and Budget explained[318] "from 1999 to 2007 the administration of Bola Tinubu was mainly trying to address critical issues and then plan for sustainable development. From 2007, we massively began to roll out the reform agenda [based on those plans]". The PATH policy document initiated by Tinubu was carried on by Fashola's administration, through PATH II which became the more robust Lagos Development Plan 2012-2025 (LASG, 2013). Thus, after taking office, Fashola built on the foundation laid by Tinubu, making tax reforms a central focus of his administration, but also the grand projects such as developing the Lekki Peninsula, the Eko Atlantic City and making progress with building a light rail transit system.

The reinforcing nature of successful projects is creating a change in attitudes enabling an institutionalisation of new systems[319]. For instance, the creation of a separate lane for the BRT buses, which was initially opposed by Lagosians was later applauded for the positive results, and accepted. Besides, expectations of a higher quality of governance from a relatively sophisticated tax-paying electorate make it difficult for any administration to simply unravel reforms instituted since 1999[320]. These expectations of service delivery is institutionalising reforms and reducing the short-termism which characterises governance in Nigeria.

[318] Interview, 17 July 2014, Lagos, Nigeria
[319] ibid
[320] Interview, 16 July 2014, Lagos, Nigeria

There are some imminent threats to the continuity of these reforms, beyond the bureaucratic bottlenecks that would be expected in a developing country. First, is the looming influence of former governor Tinubu. Although his hegemony in party politics and decision-making has so far fostered continuity, it could undermine institutional legitimacy in the long-run. His imposition of Ambode as successor governor and the lower margin of the APC's victory in the 2015 governorship election is indicative. Relatedly in public procurement, there is widespread inflation of contracts, cronyism, and lack of a competitive bidding process. Although such selective privileges to firms like ABC, rumoured to be owned by Tinubu, were instrumental to successes in tax collection. Although a procurement law supported by the World Bank and other development partners was enacted in 2011, and a procurement agency set up, these weaknesses persist as illustrated by a controversy over the inflated costs of building Fashola's personal website and the looming shadow of the ABC in tax collection.

CONCLUSION

This chapter has assessed the diversified economic and revenue structure, and above national average development profile of Lagos, Nigeria's commercial capital. In this chapter, I have shown that this economic diversification and development profile of Nigeria's commercial capital, is engendered by its endowment structure, and by the alignment of both federal government market reforms and the Lagos state government's own reforms with its services-oriented endowment structure. In particular, I have shown how the liberalisation of trade, the financial sector and telecommunications, which was a policy response to fiscal constraints in the post-military political settlement, have aligned to the Lagos endowment structure. Critically, the state government has effectively complemented these federal government policies with state-level governance and economic reforms by mobilising available resources.

Using the political settlements analytical framework, I have argued that this relative effectiveness of successive Lagos governments was not coincidental. This effectiveness was a series of deliberate policy responses by Lagos ruling elites to specific horizontal constraints within the state ruling coalition, vertical-societal pressures from the existential crises of population explosion, infrastructure and urban decay and violent crime and external pressures of fiscal insolvency. These findings contradict recent analyses by scholars such as LeBas and Cheeseman (2013) who attribute governance reforms in Lagos as outcomes of taxation, accountability and a social contract. I show here that this incipient social contract is itself, an outcome of policy responses to address existential crises, and is indicative of the mobilisation of available resources towards these objectives.

Therefore, unlike most other Nigerian states, successive Lagos state ruling elites were able, to in the first instance maximise their constitutional fiscal and political autonomy to generate new sources of revenue, but also to craft a distinct political vision, mainstreamed in society. The state's endowment structure as a coastal city, the early contact with colonial education and in having a relatively educated and politically sophisticated population and a robust business community provided the ruling elites with the intellectual, financial and managerial resources to mobilise towards these reforms. Most importantly, the hegemony of the political machinery of Bola Tinubu has given ruling elites a rare, lengthy time horizon to sustain these reforms beyond the lifetime of any one government.

CHAPTER SEVEN: THE INSTITUTIONAL FOUNDATION AND POLITICAL CHARACTER OF THE FAILED INDUSTRIAL TRANSITION IN KANO

INTRODUCTION

In this chapter, I argue that Kano's agrarian, mercantile and resource-dependent economic and revenue structure, and its below-average development profile are indicative of the failure of its industrial transition. This economic development situation is engendered by its endowment structure, and by how both the federal government's market reforms and the Kano state government's own policies have not aligned with its agro- industrial endowment structure. Using the political settlements analytical framework, I argue that the federal government's services-orientated market reforms, such as the liberalisation of trade, have not aligned with Kano's endowment structure. Critically, the state government has not mitigated the impact of these federal policies with state-level institutional reforms. I argue that successive Kano state ruling elites responded to the constraints of vertical-societal redistribution demands not with actual economic redistribution policies, but with an extension of shari'ah law, with the notable exception of Governor Rabiu Kwankwaso's brief reform moment in 2011-2015. There were no significant horizontal-elite or external fiscal crises which would constrain state ruling elites to form a growth coalition with the Kano business class and to shift resources accordingly towards growth and efficiency outcomes.

In this analysis, I start by unveiling the current agrarian and mercantile economic structure of Kano. Then I outline Kano's agro-industrial endowment structure based on its natural resources and geography, labour and human capital, infrastructure and finance capital, and entrepreneurial capacity. I then explain how the national institutional environment through market reforms and weak inter-governmental coordination to address business constrictions have undermined Kano's agro-industrial transition. Lastly, I show how successive state governments have not maximised their fiscal and political autonomy to sustain economic reforms, but have been preoccupied with expanding the scope of shari'ah law without policy continuity and institution building. Successive state governors have kept domestic business elites at arm's length rather than work closely with them.

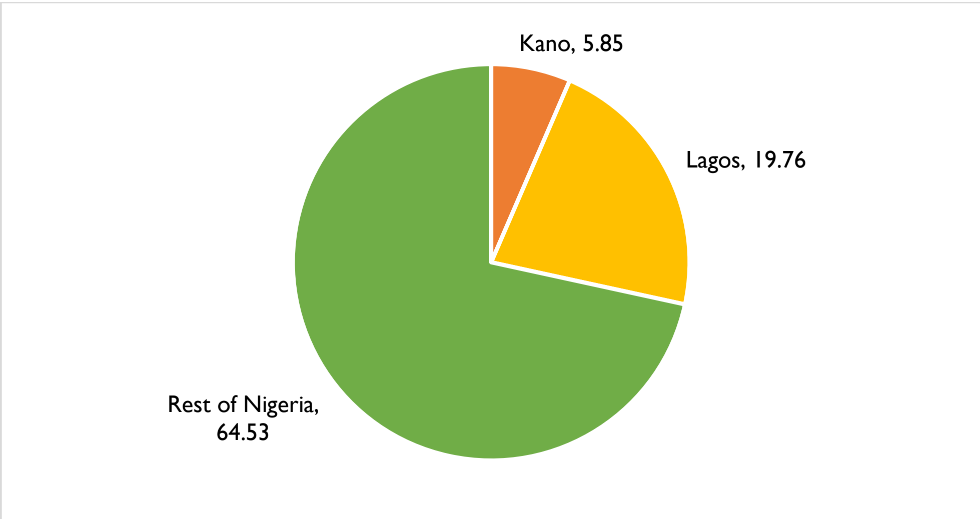
AN AGRARIAN, MERCANTILE AND RESOURCE DEPENDENT ECONOMY IN KANO

This section provides a snapshot of the current state of the Kano economy. It shows a largely agrarian and trade-orientated economy; a revenue base dependent on federal transfers of oil revenue and a human development profile poorer than the national average. The objective here is to illustrate how the state has not benefitted in the services-orientated post-military economic expansion. Due to data limitations, the study is unable to analyse trends in sub-national GDP growth over time. Detailed data tables for figures presented in here as with the rest of the thesis are available in Appendix II.

The Agrarian and Trade Orientated Structure of Nigeria's Third Largest State Economy

Kano is Nigeria's third largest non-oil economy, after Lagos and Rivers. With a GDP of N5.85 trillion in 2014, it contributes 6.5% to the national economy as Figure 7.1 below indicates. In view of the limited data available on state GDP, only data for 2009-2011 will be analysed[321].

Figure 7.1: GDP of Kano and other Parts of Nigeria in (N) Trillions, 2014

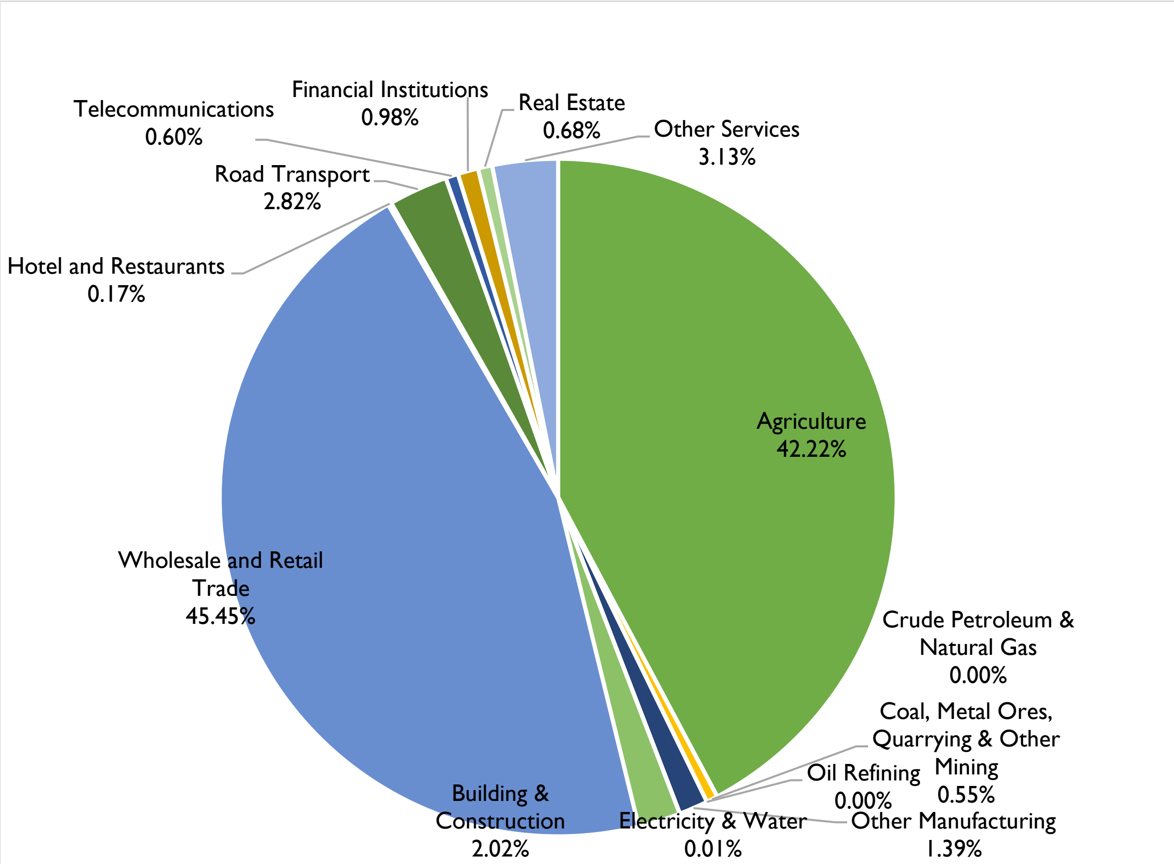


Source: NBS Data (2016)

[321] There is a separate aggregate estimate of state GDP for the period 2010-2014, which is what the chart in Figure 7.1 is derived from. However, these have not been adjusted for inflation. Therefore I am unable to assess year-on-year GDP growth.

Within this three-year period, agriculture and trade accounted for over 80% of GDP. In 2011, as Figure 7.2 shows, the five largest sectors were trade (45.5%), agriculture (42%), road transport (2.8%), other services (2.47%) and building and construction (2.02%). manufacturing, the 6th largest sector constituted 1.39% of GDP, and rises only to 1.94% even when quarrying and other mining (0.33%) are added.

Figure 7.2: Kano State Sectoral Contribution to GDP (%) 2011

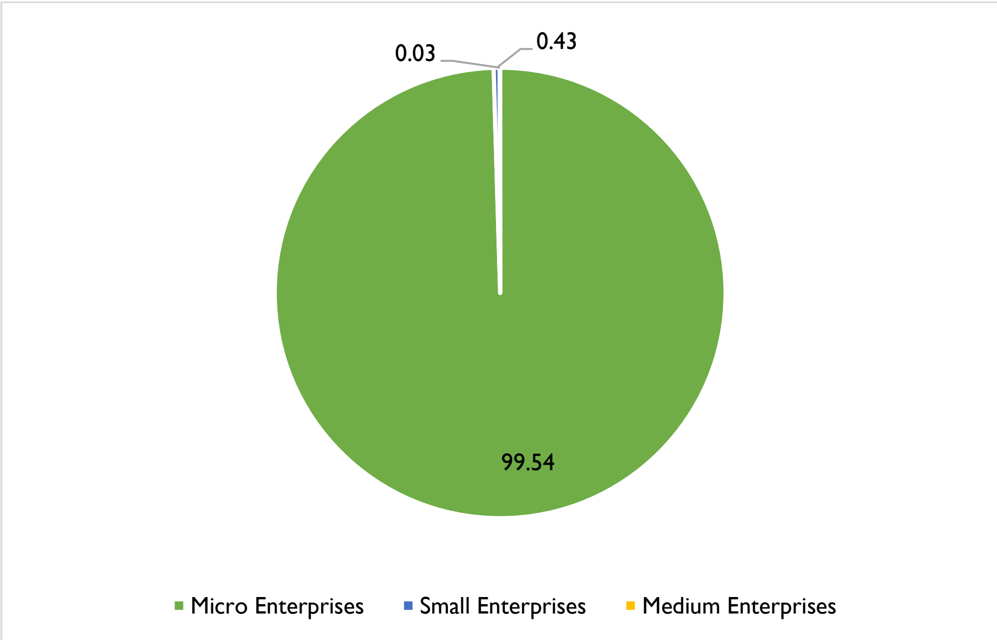


Source: NBS Data

One interpretation of the size of building and construction as the fifth largest sector is the outsized participation of the state in the economy which would explain why the construction sector is multiples of the real estate sector, a proxy for private sector activity. These figures illustrate the agrarian and mercantile orientation of the Kano economy, with Nigeria’s third largest trade sector, with little or no activity in the oil, mining and extractive sector.

As with national trends, there is a prevalence of micro enterprises and informality in the state's economic activity. MSMEs dominate key sectors such as agriculture, trade and manufacturing. According to an NBS/SMEDAN (2013) survey, Kano state has the third highest number of Nigeria's MSMEs at 1.8 million, employing around 3.6 million individuals and contributing about 60% to the state's GDP.

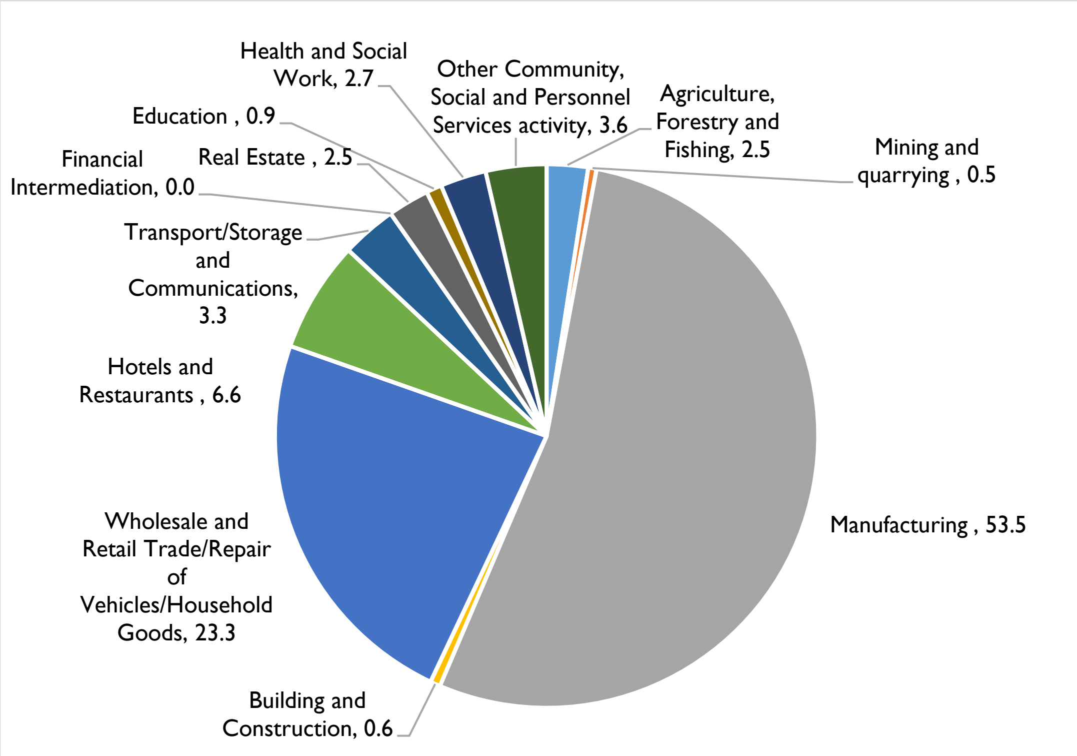
Figure 7.3: Distribution of MSMEs in Kano (%) 2013



Source: NBS & SMEDAN (2013) SMEDAN and National Bureau of Statistics Collaborative Survey: Selected Findings

Of these MSMEs, 1.79 million or 99.5% are micro enterprises which employ less than 10 people, as Figure 7.3 above shows, and 54.2% of these micro enterprises are engaged in the trade sector (Table 35, Appendix II). In a survey of 1,829 small and medium-scale enterprises in Kano which employ between 10 and 200 people, 53% were found to be in manufacturing, 23.3% in trade and 6.7% in hotels and restaurants as Figure 7.4 below (Table 36, Appendix II) shows.

Figure 7.4: Distribution of SMEs by Activity in Kano (%) 2012



Source: NBS/SMEDAN 2012 in Kano State Development Plan (2012:27)

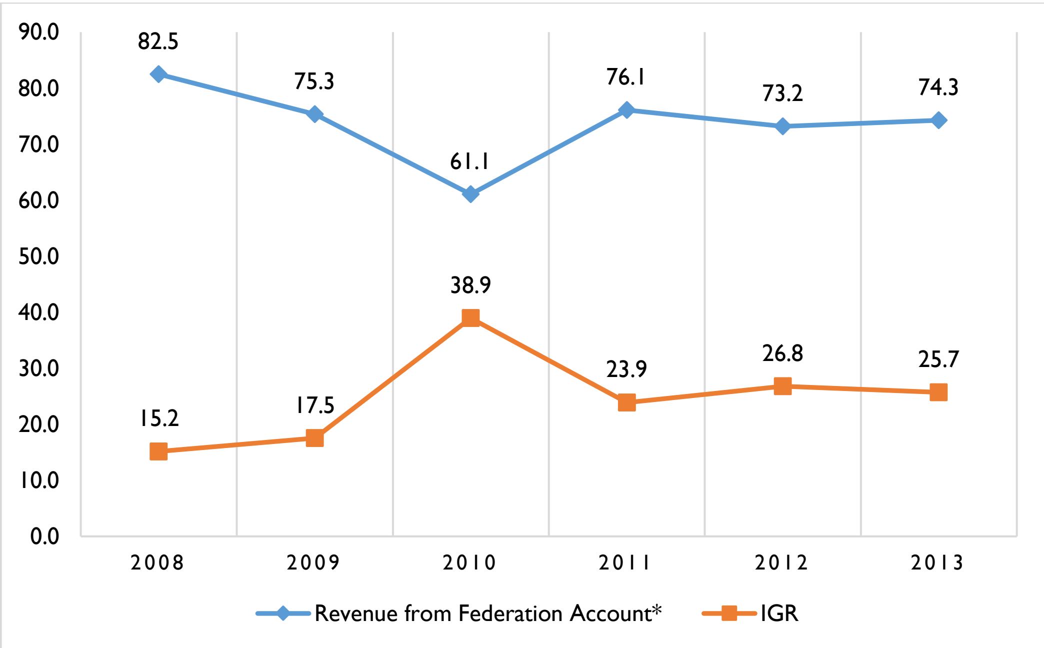
Furthermore, 99.9% of enterprises in wholesale and retail trade are micro enterprises, and of these, 96.5% are unregistered[322]. This means that most MSMEs are micro enterprises, are in the trade sector and are unregistered, which translates into a large informal economy. Yet, most small and medium scale enterprises are in the manufacturing sector, indicating that it is a solid pillar of the economy. The diverse informal economy contributes approximately 60-70% of output and employment (Kano State Government, 2012). Despite the prevalence of micro enterprises, the agriculture and manufacturing sectors hold the key to growth, wealth creation and employment generation of the Kano economy as is discussed in this chapter.

322 These are national figures

Oil Dependence and Urban Bias in Kano State Revenue Generation and Expenditure Priorities

The analysis of the state's revenue generation and expenditure priorities here is restricted to six years for which data is available, 2008-2013. In 2008, Kano's IGR, as proxy for non-oil revenue, constituted 15.2% of total revenue, meaning that federal receipts, mainly oil revenue and VAT, constituted over 82%. In 2009, IGR rose to17.5%, and then to a high of 38.9% in 2010. This is illustrated in Figure 7.5 below (Table 37).

Figure 7.5: Kano State Internally Generated Revenue as (%) of Total Revenue 2008-2013

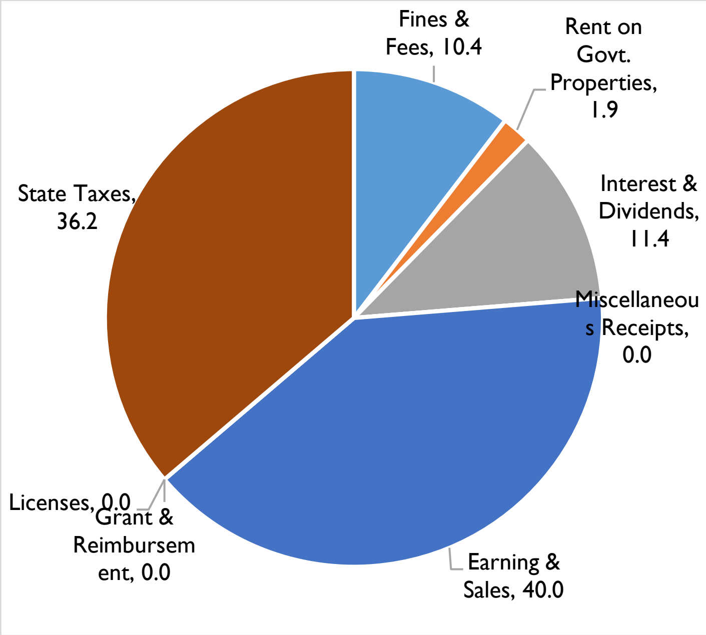


*Revenue from Federation Account includes Statutory Allocation, Excess Crude and SURE-P, VAT, Federal Grants and other Miscellaneous Receipts

Source: Kano State Government (2009, 2010, 2011, 2012&2013) Report of the Accountant-General of Kano State Together with the Audited Financial Statements for the Year

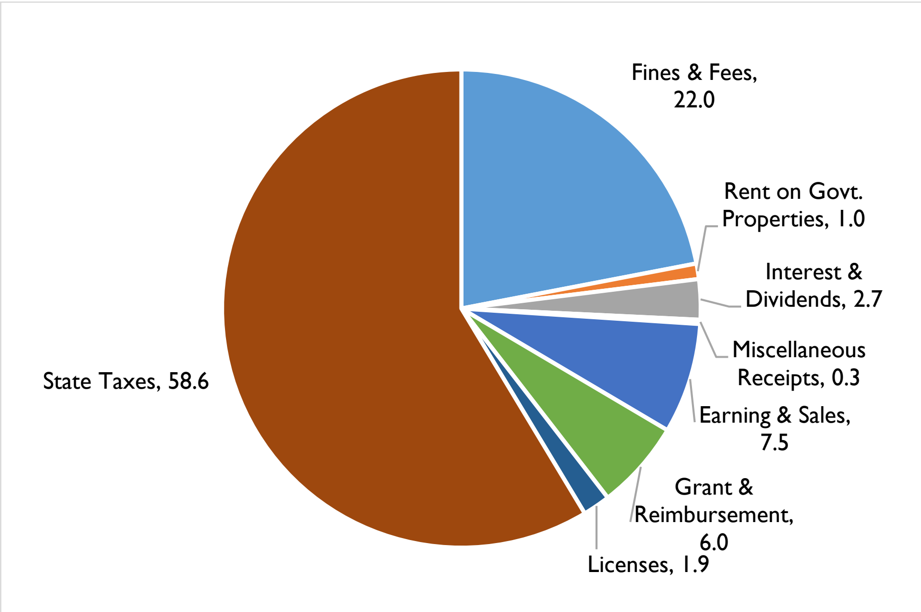
A disaggregation of the IGR in Figures 7.6 and 7.7 (Table 38) provides some indication as to the drivers of its growth. However, since the data have not been adjusted for inflation, I am unable to assess absolute growth in IGR.

Figure 7.6: Composition of Kano State IGR (%) 2008



Source: Kano State Government (2009, 2010, 2011, 2012&2013) Report of the Accountant-General of Kano State Together with the Audited Financial Statements for the Year

Figure 7.7: Composition of Kano State IGR (%) 2013



Source: Kano State Government (2009, 2010, 2011, 2012&2013) Report of the Accountant-General of Kano State Together with the Audited Financial Statements for the Year

Based on this data, as Figures 7.6 and 7.7 for the years 2008 and 2013 show, taxes, fines and fees have seen the most expansion since 2008. In 2008, taxes, fines and fees collectively accounted for 46.6% of IGR, and by 2013, they constituted 80.6%. This data on rising tax and other earnings indicates improved public financial management (PFM). The is corroborated by interviews with state government officials and independent analysts, reports from development agencies and the media, that the rising IGR was largely the result of fiscal prudence, increased transparency, land administration and taxation by the government through an increased drive to generate internal non-oil revenue.

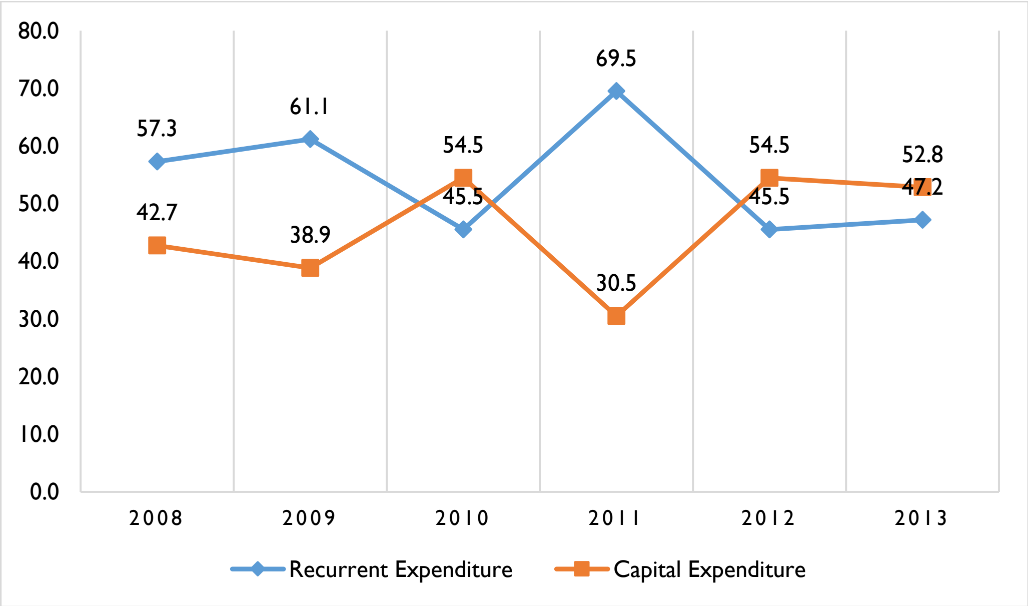
Based on this limited public finance data and other qualitative sources, there are three evident trends.

First, despite some increase in internal non-oil revenue, Kano state overwhelmingly depends on federal oil receipts. As Figure 7.5 (Table 37) shows, federal allocations constituted 74.3% of total revenues in 2013. The collapse of oil prices from 2014 and consequently, the decline in oil receipts affected the state's capacity to further ramp up its IGR. For instance, according to a report by DfID SPARC-SAVI (2015:45) since the end of 2013, Kano state has experienced a 38% decline in its federal allocation (FAAC) and a similar percentage decline in IGR. Under these conditions, the Kano state government can barely cover its recurrent costs and capital expenditure is severely constrained (ibid). In the absence of sufficient data, it is difficult to quantify this.

Second, the state's explicit efforts to broaden its revenue base since 2011 are restricted to local domestic sources. There has been a focus on improving tax administration and fiscal prudence rather than external sources such as domestic capital markets or IFIs like the African Development Bank, as peer states have done. Although this information is not available in the revenue and expenditure data here, policy documents provide insights. For instance, the state's official policy document in 2012-2015, the Kano State Development Plan, notes that "this plan does not anticipate any borrowing within the three year financial projections, several options do exist for possible future consideration" and goes on to list options with the domestic capital market and IFIs (Kano State Government, 2012). This is due to the government's populistic pledge of tackling waste, corruption, and unsustainable debt. However, despite the absence of comprehensive data on the state's debt stock, evidence from reports suggest that the state is indebted in overheads and contractor liabilities (see: Ahmad, 2015).

Third, the consumption-orientation and urban bias of government expenditure have implications for both GDP and revenue diversification. In the first place, spending is orientated towards recurrent items and overheads rather than capital expenditure although this has increased in recent years allowing space for infrastructure and social development projects. This is illustrated in Figure 7.8 (Table 39).

Figure 7.8: Kano State Recurrent and Capital Expenditure as (%) of Total Expenditure 2008-2013



Source: Kano State Government (2009, 2010, 2011, 2012&2013) Report of the Accountant-General of Kano State Together with the Audited Financial Statements for the Year

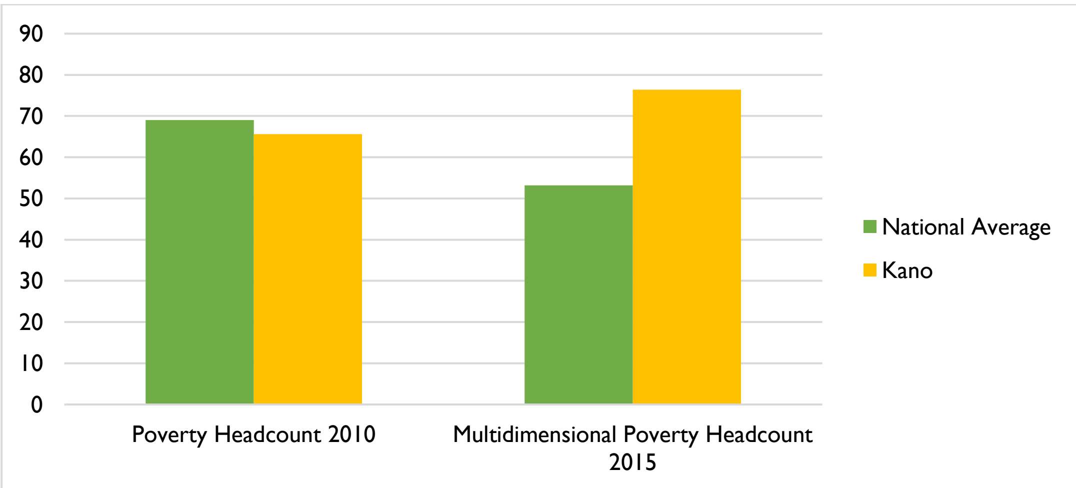
Since 2012, the capital expenditure has exceeded recurrent spending, of which, urban infrastructure has been prioritised rather than social development projects. In 2013, the government spent 41.2% on infrastructure (power, water, security and emergency services), 38.8% on overheads and personnel cost, while education and health received 4.2% and 1.1% respectively (see Table 39 Appendix II). However, sectors, such as agriculture (0.5%), the backbone of the state's economy and the largest employer of labour, and industry, commerce and tourism (no data), have not received sufficient public investment. There is also a strong urban bias in these expenditure patterns. For instance, in 2013, rural and community development accounted for just 0.8% of total government spending, while infrastructure got 41.2%. According to a study by DfID, the development pattern in Kano is skewed in favour of the six large metropolitan Local Government Areas (LGAs) whist smaller and rural LGAs find themselves lagging in all basic facilities such as health, education, infrastructure and commercial activity (Khan, 2012:12).

Therefore, while Kano has made notable strides in increasing its internal non-oil revenue generation, it remains greatly dependent on federal transfers and therefore highly vulnerable to the volatility of external oil shocks. In addition, despite rebalancing its spending towards more capital projects, there is an unmistakable urban bias in spending which has implications for its human development and future internal revenue generation capacity.

Kano's Below National-Average Poverty and Human Development Profile

Despite having the third largest economy, Kano state has one of Nigeria's lowest rankings in most human development indicators. Take poverty for example. In 2015, the state had one of Nigeria's highest multi-dimensional poverty headcount ratios of 76.4%, higher than the national average of 53.2%, as Figure 7.9 shows (Table 30). Poverty is also highly concentrated in rural areas. Unfortunately, the limited data prevents the analysis of changes in the poverty incidence over time.

Figure 7.9: Poverty Headcount (%) 2010 & 2015



Source: NBS (2012) Nigeria Poverty Profile 2010; Alkire, S. et al. (2015) "Multidimensional Poverty Index, Winter 2014/2015: Brief Methodological Note and Results." OPHI Briefing 27

A second indicator of human development is the unemployment rate. Kano is currently suffering high levels of unemployment at 25.7% (Khan, 2012:11), higher than the national average of 23.9%. In part, it is because the labour absorbing industries are in crisis. Agriculture sector, which engages about 80% of the population and can absorb up to 150,000 people per annum is at subsistence level (Kano State Government, 2012). Outside agriculture most of the employment is created in commerce where informal self-employment is the predominant activity. Industry also occupies a share in absorbing some labour force of the state (Khan, 2012:11) Across these three economic activities, the prevalence of small-scale and informal activity contribute to underemployment. The 1.8 million MSMEs in Kano employ around 3.6 million individuals (Khan, 2012:12; NBS/SMEDAN, 2013).

This snapshot of economic performance in Kano state shows an economy heavily dominated by informal agriculture and commerce, a revenue base dependent on oil income transfers and a human development profile far below the national average. It is pertinent to examine why agriculture, trade and informality dominate its GDP and how this economic structure has translated into a fiscal dependency and low human development despite Nigeria's rapid economic growth since the turn of the century. This requires an analysis of Kano's endowment structure to illustrate how it is best suited to an agro-allied industrial economy, and how and why governments have not effectively coordinated these endowments towards an optimal economic structure. This poor coordination of Kano's resources not only affects Kano's economy and human development, but is a critical component of the state of the national economy, exports and fiscal revenue.

THE AGRO-ALLIED INDUSTRIAL ORIENTATION OF KANO'S ENDOWMENT STRUCTURE

In this section, I illustrate how Kano's current economic and human development is tied to its agro-allied resource endowments. As defined in Chapter Six, the four components of an economy's endowment structure are its natural resources and geography, labour and human capital, infrastructure and finance capital, and entrepreneurial skills.

Kano's Natural Resources and the Limitations Imposed by Geography

This section outlines the challenges and opportunities presented by Kano's geographic location and natural resources, which position it presently as an agrarian and mercantile economy, but with a scope to develop a competitive agro-allied industry.

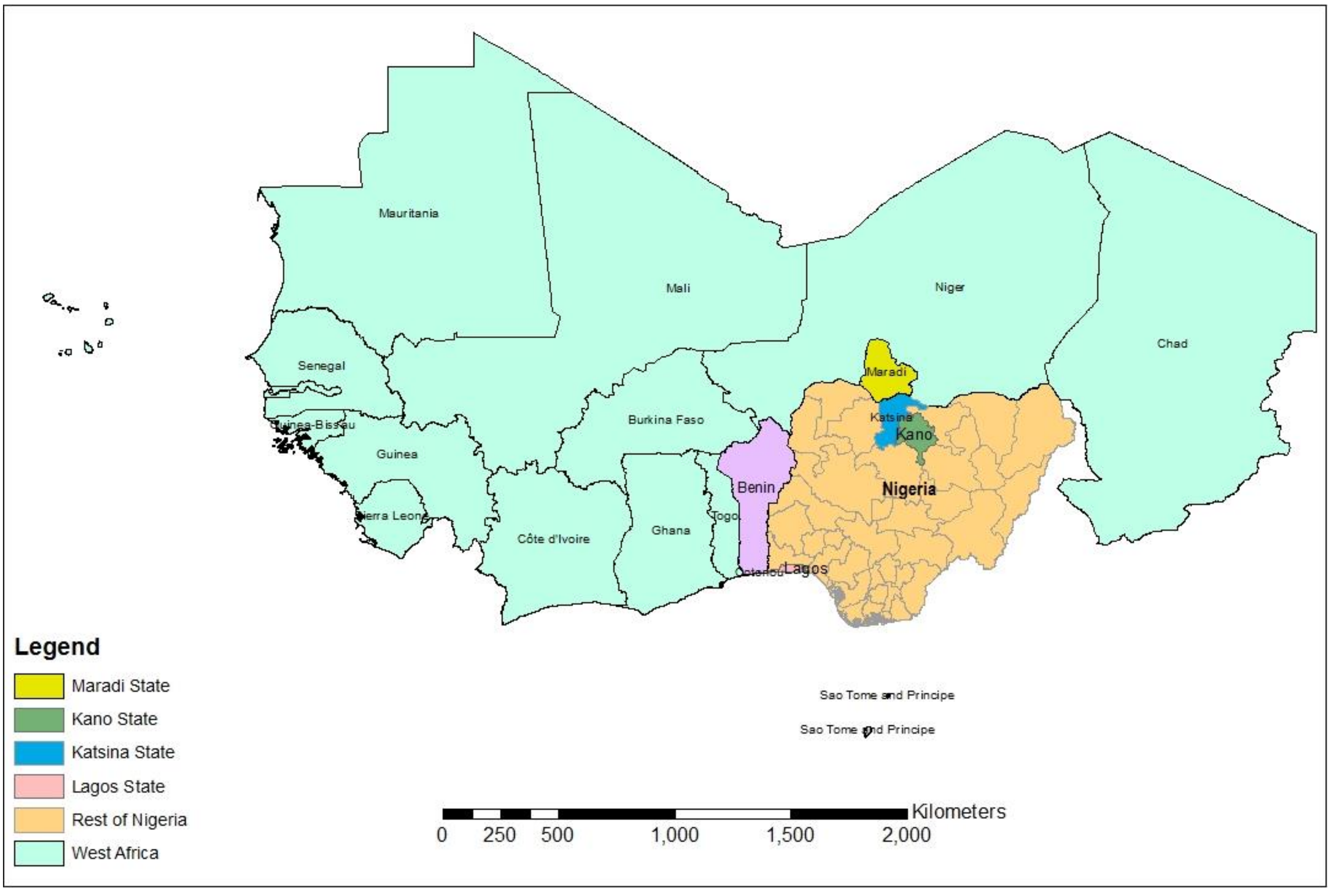
Kano's location in the hinterland in northern Nigeria, on the fringes of the Sahara has been a blessing and a curse, as a historic trading hub and as a landlocked region. Kano was an important entry port in the trans-Saharan trades from at least the 8th century peaking, between the 1500 and 1800s, and was the richest province of the pre-colonial Sokoto Caliphate (Shenton, 1986:57; Forrest, 1994:197; Khan, 2012:16; Kano State Government, 2012:3). Even after the colonial conquest of the Sokoto Caliphate in 1903, it remained the economic hub of northern Nigeria, parts of West Africa, the Sahel, Central and East Africa for the trade in textiles, commodities and craft production, reinforced by linguistic and cultural ties. Its status as a gateway to this vast transnational market gives Kano a comparative advantage in trading commodities, and the potential of developing a competitive agro-allied manufacturing industry, building on an already thriving trading economy.

Kano's location in the interior of Nigeria creates significant challenges. The distance of over 1,000 kilometres from the main seaport in Lagos adds significant costs to doing business in Kano largely due to inadequate transport infrastructure. This was vividly explained to me by a leading businessman, former chairman of the Kano Chamber of Commerce, Industry, Mines and Agriculture (KACCIMA) and vice president of the National Chamber NACCIMA[323]:

> …instead of cargo to arrive Kano from Lagos within 18-30 hours, it takes more than a week to arrive, and the empty container takes the same time to return to Lagos... Those in the south-west or south-east receive their cargo within a day, while those in the hinterland receive theirs about 10 days later or more… there is a loss of man-hours as raw materials that do not arrive on time delay production...

Figure 7.10: Map of Kano in the West Africa Region

[323] Interview, 12 August 2014, Kano Nigeria



This more than week-long turnaround time, a result of inadequate and inefficient transport infrastructure (explored later in this chapter), affects the economy in at least two ways. First, it adds costs to the transportation of consumer goods and industrial inputs. This increases the production costs of local manufactures which rely on these imported inputs, such as the food and beverages sub-sector, according to Ali Madugu, an industrialist and Vice President of the Manufacturers Association of Nigeria (MAN)[324]. Second, inadequate transport infrastructure enables a thriving smuggling economy which has contributed to the deindustrialisation of Kano and other parts of northern Nigeria. Apparently, it is far easier to have a container unloaded at Cotonou in Benin, trucked up through to Maradi in south-central Niger, and then brought back down south to Kano, than through the congested ports in Lagos and the poor road networks leading up north, according to a Chatham House report (Hoffman and Melly, 2015:14) as illustrated in Figure 7.10. Therefore, through poor transport infrastructure, Kano's

324 Interview with Ali Madugu, Managing Director of Dala Foods and Vice President of MAN, 20 August 2014, Kano Nigeria

geographical location imposes costs on doing business and erodes the competitiveness of local manufacturing.

Kano's natural resources endowments in arable land and livestock give it a comparative advantage in commodities exports and an industrial potential. With a cultivable land area of 1,754,200 hectares (Kano State Government, 2012), Kano is conducive for commercial agriculture. Its semi-arid sudan savannah vegetation is suitable for both crop production and livestock rearing, and relatively easy for the movement of manufactured goods (ibid:1). Endowments in food crops (Millet, Cowpeas, Sorghum, Maize and Rice), export crops (Sesame, Soya Beans, Cotton, Garlic etc.), and fruit (Oranges, Sugarcane and Mango) make the state conducive for commercial agro-industry for domestic and global markets (ibid; Khan, 2012:13). With an estimated 18.7 million headcount of livestock in 2011, the state houses over 80% of Nigeria's tanneries which produce high quality leather for exports to high-end designers in Western Europe[325]. There are also mineral deposits in commercial quantities such as Kaolin, Gold, Feldspar, Quartz and precious stones including Aquamarine, Amethyst, Emerald, Quartz among others[326]. Kano is thus identified as one of Nigeria's eight industrial economic zones by the Ministry of Industry Trade and Investment, for agro-industry in particular (FMITI, 2016).

These natural resources provide tremendous opportunities for agro-processing industries in edible oils, animal feed, soap, food and beverages, meat and dairy products, horticulture, leather products, textiles, metals industries and gemstones for domestic consumption and for exports. Successive national and state governments recognised that need to add value to Kano's vast resources through basic processing to manufacture goods for national consumption and exports. For instance, one of the state's main development objective as outlined in the Kano State Development Plan (2012:9) is:

> A fast growing and diversified economy whose development is firmly rooted in local resources. Its agricultural sector shall be modernized… Its manufacturing sector shall be competitive nationally and internationally and shall hold the key to wealth creation, employment generation and poverty eradication.

325 See new report by Jones and Manning (2016)
326 A publication by KACCIMA (2014) lists about 40 mineral resources in Kano, but it is unclear if they are all available in commercial quantities.

Specifically, policy makers and business have sought to achieve backward integration in relying on domestic inputs from local agriculture, and forward integration with the local trade, hospitality and service economy. Indeed, right from the 19th century, Kano formed part of a textile belt, including Zaria, southern Katsina and Zamfara, and was integrated into a wider region of cotton and grain production (Forrest, 1994:197).

However, there has been poor or distorted resource optimisation as production of commodities remains at subsistence levels. Cropping patterns suggest that production of all key crops stagnated between 2005 and 2010 (Khan, 2012:13-14). Yield is low from farmland, ponds, trees, livestock and other agricultural units. Most of Kano's 20 fresh water dams are non-operational, impeding irrigation agriculture, and only about 30% of total cultivable land is under use (Khan, 2012:14; Kano State Government 2012). Despite vast deposits of mineral resources, only minimal quarrying takes place. There is also desertification due to both climate change and man-made deforestation from the reliance on wood for domestic energy use.

These problems of resource optimization and investment have varying effects on the manufacturing sub-sectors[327]. The Cotton, Textiles and Garment (CTG) sub-sector has been hit hardest. According to MAN, out of over 30 textile factories in Kano, only two are functioning – Tofa Textiles produces blankets, and African Textiles produces fabric on request for political campaigns[328]. The food and beverages sub-sector fares better, although producing at suboptimal levels according to Ali Madugu, the chief executive of Dala Foods[329]. The leather industry, with 18 tanneries in operation out of over 40 previously, engages about 40,000 people in the value chain, and produces for export.

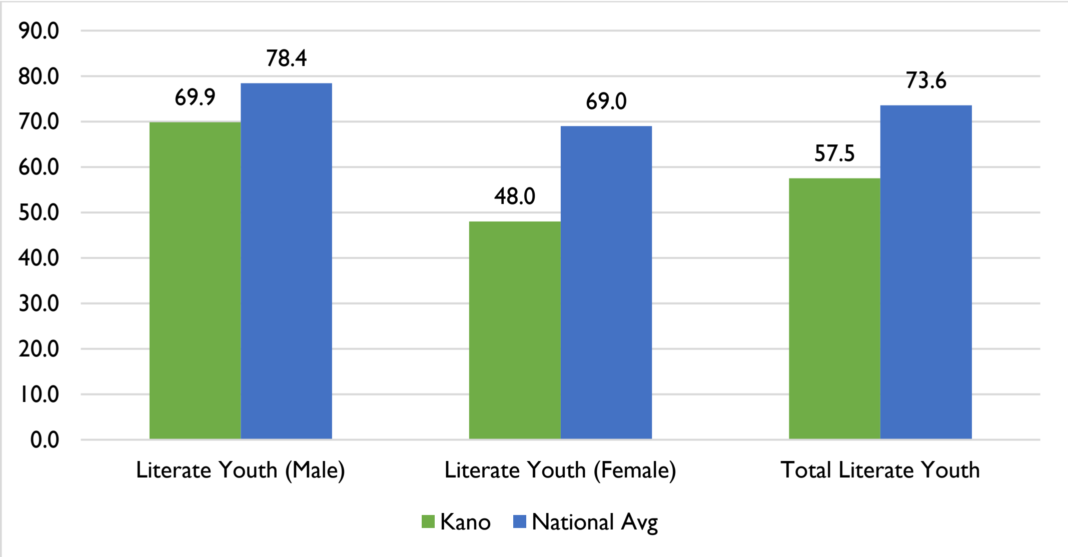
Thus, Kano is in one sense limited by its location as a landlocked region far from the ports, but its resource endowments give it a vast agro-industrial potential.

[327] By order of output, these manufacturing sub-sectors are: Food, Beverage and Tobacco; Textile, Apparel and Footwear; Wood and Wood Products; Pulp and Paper Products; Chemicals and Pharmaceuticals; Non-Metallic Products; Plastic and Rubber Products; Electrical and Electronics; Basic Metal, Iron and Steel; Motor Vehicles and Assembly and Other Manufacturing. See: NBS (2014)
[328] Interviews at MAN Kano branch, 20-21 August 2014
[329] Interview with MD of Dala Foods and Vice President of MAN, 20 August 2014, Kano Nigeria

Unskilled Labour and Untapped Human Capital in Nigeria's Most-Populous State

Another factor explaining Kano's current economic and development profile is the quality of its human capital and labour force. As Nigeria's most populous state officially, Kano's economy should be in a positioned to meet the labour demands of labour-intensive industries in agriculture, manufacturing and services. It has over 12 million people, accounting for 7% of the country's population, with over 50% in the age group 15-64 (Kano State Government, 2012: Khan, 2012). However, Kano does not have a high concentration of skilled labour to man the formal economy in general and these labour-intensive industries in particular. Across three indicators as a proxy for skills, Kano ranks lower than the national average in youth literacy, youth educational attainment and youth computer skills[330].

Figure 7.11: Literate Youth Population (%) with at Least Primary School Education in Kano, 2012



*Literate youth is defined here as those with a minimum of primary education

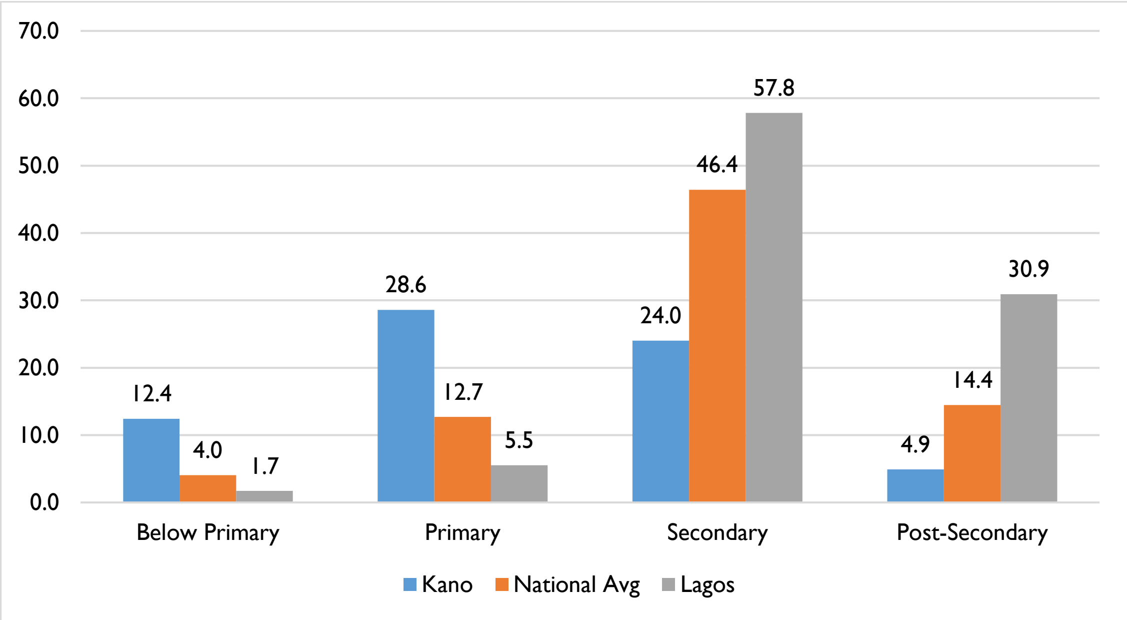
Source: author's calculations from NBS (2012:72-3) *National Baseline Youth Survey*.

In general literacy, just over half or 57.5% of Kano youth between 15 and 35 years are literate as Figure 7.11 above shows (Table 31), lower than a national average of 73.6%. These figures

[330] The youth population is the only demographic for which relatively comprehensive and credible data on educational attainment exists.

optimistically mask the very low level of actual educational attainment. A further disaggregation as Figure 7.12 below (ibid) reveals that there are more young people with only a primary education (28.6%), than with a secondary (24%) or post-secondary (4.9%) education. Kano's ranks much lower than the national average, and far lower than Lagos.

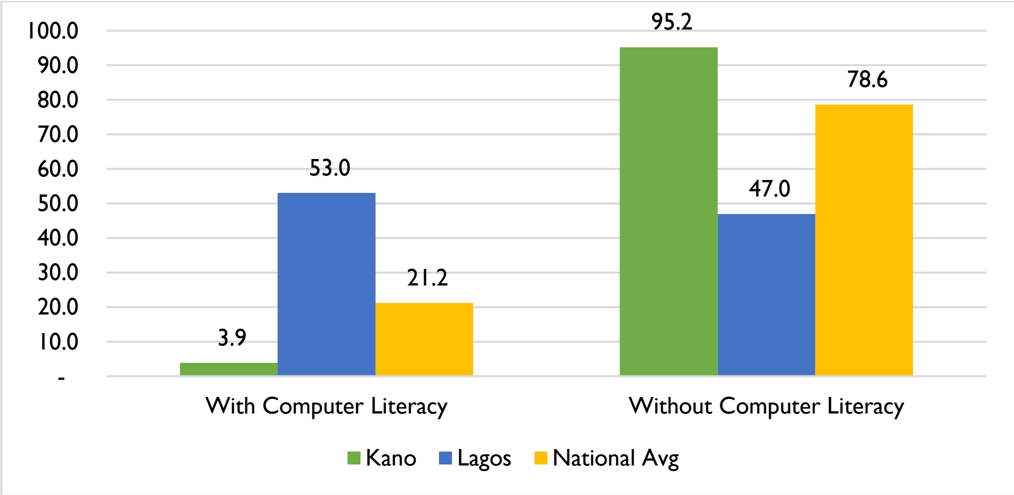
Figure 7.12: Level of Educational Attainment (%) among Kano's Youth (15-35 Years) 2012



Source: author's calculations from NBS (2012:72-3)

The problem of Kano's low-educational attainment is two-pronged: low enrolments and high dropout rates. In the absence of comprehensive data on enrolments and dropout ratios, some secondary data can provide a general idea. According to the Kano State Government (2012), many young people do not get enrolled in school, and of those enrolled, only 4 in 10 finish basic education, and less than 10% of those who finish secondary school are enrolled in university. More crucial is the capacity of young people to thrive in a modern service economy. Across the third indicator on computer skills, Kano youth perform poorly. Only 3.9% have computer skills compared to a national average of 21.2%, and 53% in Lagos, the heart of the country's service economy as Figure 7.13 (Table 32) shows.

Figure 7.13: Distribution (%) of Kano Youth With/Without Computer Literacy, 2012

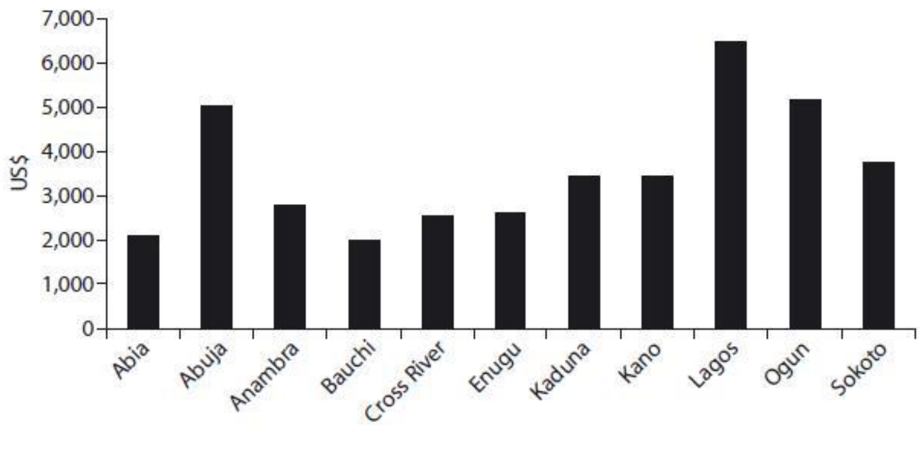


Source: author's calculations from NBS (2012:106)

Even with this below-national-average literacy, educational and computer skills attainment, there are within-case disparities based on gender, geography and income. Low access to education is worse for females, and rural dwellers. As Figure 7.11 above shows (Table 31), male youth literacy (69.9%) is much higher than for females (48%). People with the lowest levels of education are largely found in the poorest segment of the population, and children growing up in households with low education levels are among the most excluded from education according to a DfID study (Khan, 2012:18). Poverty and low productivity, correlated with low literacy, are highly concentrated in rural areas (*ibid*). Thus, females, low-income households and rural-dwellers are further disadvantaged in this already low educational attainment environment, which then limits their skills acquisition potential.

This low educational attainment and by implication low formal skills acquisition, affects labour productivity on at least two levels: in actual output, and in the cost of skilled labour. In a survey of eleven states by the World Bank, average value added per worker is highest in Lagos ($6,740), followed by Ogun ($5,170) and Nigeria's capital city Abuja ($5,038) while states such as Sokoto, Kano, and Kaduna registered labour productivity of about $3,000 (Larossi et al., 2009: 13). See Figure 7.14 below.

Figure 7.14: Value Added Per Worker in a Selection of Nigeria's States



Source: Larossi et al. (2009:13) An Assessment of the Investment Climate in Nigeria.

The problem of skills shortage was illustrated in a discussion with a business executive. The Manager of Kano and Nigeria's biggest shopping mall, the Ado Bayero Mall explained[331] to me that for roles requiring specific technical competence "the local population lacks skills. Contractors, labourers are outsourced from Lagos and even South Africa… In India, you can build up to four malls with what has been spent building the Ado Bayero mall… [There are] unnecessary delays due to the need to outsource facility and service providers". The skills shortage therefore increases the costs of labour – through larger expatriate salaries for instance – without significant increase in labour productivity further adding to the costs of doing business.

The costs of labour and low labour productivity stemming from low educational attainment and by implication low skills affect economic productivity in Kano. Investors are discouraged and the ability of MSMEs to increase productivity and scale up is restricted.

[331] Interview, 22 August 2014, Kano, Nigeria

Capital Scarcity in Infrastructure and Finance

Capital scarcity is the third factor which undermines Kano's ability to exploit its comparative advantage in commodities, and to transition to agro-allied industry. Capital, as defined here includes hard and soft infrastructure, and access to finance.

In hard infrastructure, such as roads and electricity, Kano is in a disadvantaged position. As one of Nigeria's main economic hubs, there have been federal investments in transport infrastructure, including the country's oldest airport, the Malam Aminu Kano International Airport established in 1936. In the absence of an efficient rail system, road transportation is critical to economic productivity. Data from Nigeria's Ministry of Works (2011:85) show that the state had 973.3 kilometres of federal roads in 2011 commensurate to its landmass relative to other states across the country. Perhaps what is most critical for a state of such size with dispersed towns and a large rural-agricultural economy are the feeder roads linking rural farms to the large cities where processing facilities and larger markets are located. While data on Kano's feeder roads is practically non-existent, interviews with analysts reveal the minimal investments in that regard, in favour of road projects in urban areas.

The supply of electricity to Kano, crucial to economic productivity and manufacturing industry, is far below the national average. Power supply in Nigeria has barely improved from the military period and declined from the mid-2000s. Total power generation averaged 4,000 MW since 2000, peaked to 5,074.7 MW in February 2016 and crashed to 2,524 MW in July 2016[332]. This is worse in Kano, where total outage duration averages 393 hours per month or 16 days, twice the national average of 196 hours per month or 8 days (Larossi et al., 2009:24). This was put in proper context by the Secretary to the Kano State Government who stated that Kano requires[333] "close to 500MW, unfortunately we get 200MW, sometimes 30MW or even just 10MW from the national grid…We have so many factories that have closed down because of this". These power outages have heightened production costs because self-generation adds about 40% to firms' operational costs and is four times the cost of grid electricity (Khan, 2012:34). According to the manager of Ado Bayero shopping mall[334], in 2014, 80% of their

[332] Obtained from: Ministry of Power (2016) statistics and news report by Okere (2016)
[333] Interview, 26 August 2014, Kano Nigeria
[334] Interview, 22 August 2014, Kano, Nigeria

electricity came from generating sets, and 20% from the national grid. Although a challenge for all industries, power outages are more deleterious to the manufacturing sector, and to large firms in particular (Larossi et al., 2009:23-24). To make matters worse, Kano has made comparatively less progress than Lagos in its Independent Power Projects (IPPs). Therefore, grossly inadequate power supply is further affecting the state's economic productivity.

As a commercial, industrial and metropolitan hub, Kano is endowed with soft infrastructure. As discussed already, Kano's economic status is in part built on its history as a gateway to the centuries-old trans-Saharan trade. Starting with Emir Muhammad Rumfa who established the Kurmi market in the 16th century, successive leaders contributed to the city's emergence as a leading commercial centre in Sudanic Africa (Khan, 2012:16). As one of the main industrial hubs nurtured by Nigeria's post-independence governments, there are over 16 markets in Kano metropolis for textiles, commodities and livestock, such as the Dawanau market, the largest grains market in West Africa[335]. By the 1980s, Kano was Nigeria's second largest industrial and commercial centre with five industrial estates (Sharada, Challawa, Bompai, Tokarawa and Zaria Road), which at their peak in the early 1990s had over 400 large-scale and 600 medium-scale manufacturing firms and over 1.6 million micro and small establishments (Khan, 2012:17). There are also shopping malls, hotels, restaurants and recreation spots; a Hausa movie industry dubbed 'Kanywood'; schools, hospitals and other urban facilities, among others. This soft infrastructure of business networks, learning opportunities, and a large and sophisticated consumer market attract human traffic from within Nigeria and beyond.

However, compared to Lagos and other southern counterparts, Kano's soft infrastructure has actually deteriorated, neither is it commensurate to its own size and expansion over time. For instance, by June 2012, all European airlines had discontinued their flights to Kano, the last being KLM Airlines, due in part to low passenger numbers[336]; the U.S. and other Western diplomatic consulates were closed in the 2000s, and since 2011 when the Islamist insurgent group Boko Haram's attacks intensified; and many NGOs, foreign enterprises and their expatriate staff have closed down or moved south either for

[335] Interview with the President of KACCIMA, 18 August 2014, Kano Nigeria
[336] See report on International Flyerz (2012) website

fear of insecurity or due to low consumer demand as business executives said to me[337]. Consequently, Kano has comparatively limited access to global networks because diplomatic missions, MNCs, international media and NGOs largely operate from the capital city Abuja or Lagos, hundreds of kilometres away. These deprive local firms of learning opportunities, create higher information asymmetry and other associated costs on economic activity.

In terms of finance and financial institutions, Kano has limited access relative to its size and status. This is within a general context where Nigerian firms rely on their own funds for both short-term (70%) and long-term (90%) financing (Larossi et al., 2009:6). Enterprise surveys such as UNIDO's (by Malik et al., 2004), the World Bank's Investment Climate Assessment, ICA (Larossi et al., 2009 and Larossi and Clarke, 2011) and the interviews I conducted reveal that large businesses do not identify financial constraints as urgent. In Kano, large enterprises are often run with capital from diversified commercial business interests especially the indigenous trading families such as the Dantatas and the Rabius. Rather, MSMEs were more likely to say access to finance was a problem than large firms (Larossi et al., 2009:6 & Larossi and Clarke, 2011:14) limiting their ability to expand operations and invest in research and development. Thus, as with other parts of the country, only 1% of investment finance in Kano comes from financial institutions, start-up investment is self-financed, while continuing operations are funded through retained earnings (ibid). Consequently, local enterprises are disadvantaged relative to foreign firms, especially the Chinese which access cheaper capital from their economies (Larossi and Clarke, 2011:15; Khan, 2012:34).

There are two dimensions of access and cost of finance in Kano which deserve some elaboration. These are: limited financial inclusion and the lending patterns of financial institutions.

In terms of financial inclusion, the physical presence of financial institutions is not commensurate with Kano's size and status. None of Nigeria's 21 commercial banks have their

[337] Interviews with Manager of Ado Bayero Mall, the MAN Kano branch, and with the chief executive of Country Mall, August 2014, Kano, Nigeria

headquarters in Kano, although most have branches across the state. Is there a link between the physical presence of banks and lending? Some qualitative evidence could provide some answers.

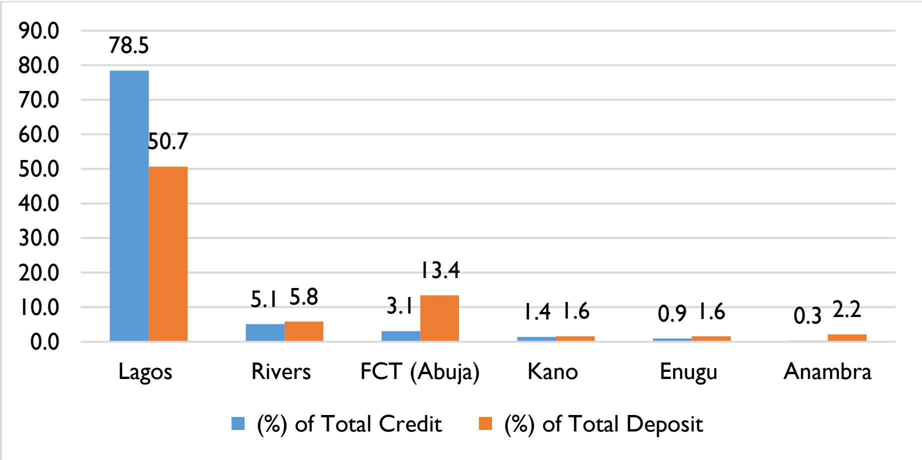
The collapse of predominantly northern-owned banks after the 2004 recapitalisation banking reforms, which required banks to shore-up their capital base from N1bn to N25bn[338], reduced the number of bank branches, which may have reduced bank to user ratio and undermined financial inclusion, according to a former chief economic adviser to Nigeria's president[339]. However, some bank executives explained that banks ownership structure has little impact on the geographical distribution of lending[340]. Rather, it is the quality of loan applications, collateral and profitability of loans that matter. Some entrepreneurs have a different view. According to the former chairman of KACCIMA:

> [the banks] used to have regional headquarters here, now they don't have those operations anymore… Now with…automation… one person sits atop everything in the bank and until he agrees nothing happens, and that person is based in Lagos and is often traveling, therefore the linkages were severed. Lately the issue of insurgency… you submit a request to do a particular business for N1 billion 1st January and someone makes a similar submission in Lagos on the same day, he gets his within 2-3 weeks, it takes you forever to get yours until it is no longer attractive.

With these seeming disadvantages in the absence of bank head offices and consequently, the low number of branches in the city, there is little quantitative evidence to prove or disprove that Kano-based MSMEs are more disadvantaged than southern counterparts in accessing finance. This requires further research. Differentials in bank lending could illustrate the amount of capital available to entrepreneurs. Using bank credit and deposit figures, lending to Kano is far lower than Lagos but not lower than other southern counterparts such as Rivers and Anambra.

[338] See publication by former CBN governor Charles Soludo who spearheaded these reforms: Soludo (2004&2006)
[339] Interview, 27 May 2015, Nigeria
[340] Interviews, October 2015

Figure 7.15: Distribution of Bank Credit and Deposit in Economic Centres, 2015



Source: NBS (2016) **Banks Credit and Deposit by States in Nigeria: 2010-2015.**

As Figure 7.15 above shows (Table 33), in 2015, Kano accounted for 1.6% of total savings (deposits), but received 1.4% of total credit. Despite being the third largest economy, Kano received the fourth highest volume of credit, but accounted for the eighth highest share of bank deposits. There is clearly no massive imbalance between savings and lending in Kano, neither is it much different from other economic centres even in southern states with the exception of Lagos, which receives a disproportionate 78.5% of Nigeria's total loans while providing only 50.7% of its savings. Only Lagos appears to be disproportionately accessing credit, while Kano as all other regional economic hubs has limited access to credit.

Entrepreneurial Capacity: Failure to Transition from Trading to Industry

I argue here that Kano's entrepreneurial class has not successfully transitioned from its historic mercantile orientation to industry due to the ownership structure of industry, weak technical and managerial capacities and the challenges of capital accumulation on a scale to support an industrial transition and the business environment.

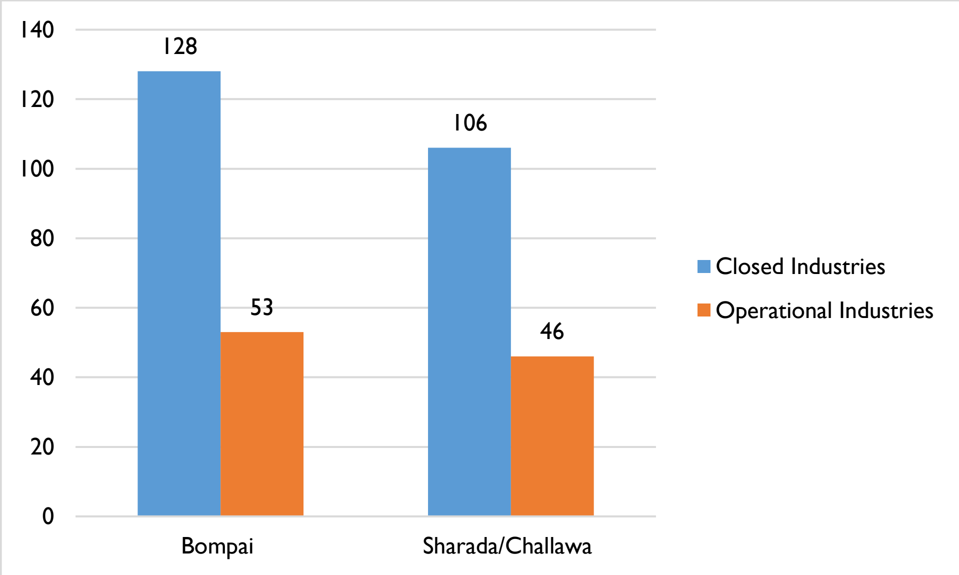
As the economic nerve centre of northern Nigeria, Kano has the most politically active and sophisticated entrepreneurs (Khan, 2012:16). Kano's centuries-old status as a commercial hub was built on artisan industry including leather works and traditional dyeing pits, and its attraction to commodities merchants from West, Central, East and North Africa. Many of Kano's leading businessmen descend from the long-distance traders of the precolonial past (Forrest, 1994:197). For instance, Alhassan Dantata, West Africa's richest man in the early 1900s, and Ibrahim Gashash who were appointed as Nigeria's first Licensed Buying Agents (LBA) in commodities, were progenitors of major industrial investors Aminu Dantata and the Gashash brothers. Other industrial investors who were initially in transport, haulage and trade include Muhammadu Nagoda, Haruna Kassim, Sani Marshal, Garba Bichi and Sons, Nababa Badamasi of Gaskiya Textiles, Baba Nabegu of Nabegu tannery etc. (ibid:200). In the 1950s and 60s, the aristocracy or 'sarauta' class whose sources of income had been eroded under colonial rule, became involved in business through board memberships of foreign firms and partnerships with the entrepreneurs for state contracts (Forrest, 1994:199).

Despite this robust history of entrepreneurship, this entrepreneurial class is overwhelmingly mercantile rather than industrial. 99% of Kano's 1.8 million MSMEs are in the trade sector. Even the well-capitalised prominent business families such as Dantata and Isiyaka Rabiu have barely moved up the value chain, although their other business holdings in construction and services remain profitable. As the Kano-based Vice-President of the National Chamber of Commerce (NACCIMA)[341]:

> this issue of capacity underscores the reason why most existing industries in Kano that are operating… are owned largely by foreigners…when you're talking of industrial production, you don't talk of those producing bottled water… not even the one which produces food… grains… and package[s] them... Not much value is added. By now, we would have thought that it could have graduated to producing goods for export in a very large scale… and… for sale to other parts of the country. That is not happening…

[341] Interview, 12 August 2014, Kano Nigeria

Figure 7.16: List of Industries in Two of Kano's Main Industrial Estates as at September 2013



Source: MAN (2010 & 2013) List of Closed Down Industries in Kano Sharada/Challawa Branch; MAN (2010 & 2013) List of Closed Down Industries in Kano Bompai Branch

As Figure 7.16 illustrates (Table 40), of the 181 industrial establishments in Bompai industrial estate, 128 or 70.7% are non-operational. At the Sharada Industrial Estate, 106 or 69.1% of the 152 establishments were closed as at September 2013 according to MAN (MAN Kano, 2010a, 2010b, 2013a, 2013b). The remaining firms operate at less than 40% capacity, nearly 40% of Nigeria's closed textile firms are in Kano (Kano State Government, 2012) and over 90% of its enterprises are small-scale and informal. I identify four dimensions of the entrepreneurial landscape which explain this stalled transition to industrial entrepreneurship.

The Foreign Ownership Structure of Industry

Manufacturing industry in Kano is largely dominated by foreigners: Levantine (Lebanese, Syrian and Israeli), Asian (Indian and increasingly Chinese) and a few indigenous entrepreneurs[342]. This foreign participation dates back to 1917, when the arrival of Lebanese and Tripolitanian Arabs started challenging the position of Hausa traders (Forrest, 1994:18). This displacement intensified after World

[342] Interviews at MAN Kano branch, 20-21 August 2014

War II when colonial developmentalist reforms paved way for the strategic withdrawal of European firms such as UAC, Leventis and G.B. Oliver and their replacement by Eastern firms[343]. The Lebanese in particular were central to the promotion of industry in the 1950s (Olukoshi, 1985 in Forrest, 1994:201). Entrepreneurs like K. Maorun, George Calil and the Moukarim brothers diversified from the groundnut trade to oil milling, confectionery and sugar products, plastics, iron and wood processing and textiles.

In the early post-independence period, it was expected that the Nigerian business elite in trading, transportation, and even public service would steer the industrial transition. As discussed in Chapter Three, the Indigenisation policies of the 1970s aimed to nurture this transition by nationalising and restricting the oil industry, light manufacturing, services and retail trade to Nigerians. In Kano, research by Hoogvelt (1979:61-67) shows that entrepreneurs received business assistance directly or through SOEs supported by the Kano State Investment Corporation, although the foreign partners retained technological control. As the Kano-based Vice-President of NACCIMA explained to me[344], at this time, indigenous trading families such as the Dantatas acquired shares in Flour Mills, while the state government established the Kano State Oil and Allied Products (KASOP), Kano Textile Printers and other SOEs. On the realisation that local firms lacked the capacity to drive this industrial take-off, there was a re-entry of foreign capital, especially Eastern and Levantine, into light manufacturing, food processing and CTG. This was further enabled by the NIPC Act of 1995 which allowed for 100% foreign ownership.

Since 1999, the greater diversification of the ownership structure in Kano's industry is indicative of the failed domestic industrial transition. Of Kano's two operating textile manufacturers, African Textiles has Lebanese shareholders while Tofa Textiles is fully Kano-owned; tanneries are also foreign dominated such as Lebanese-owned Mamuda Ltd, which exports leather to Europe. Even the major trading supply-chains are largely southern Nigerian multinationals, a few Lebanese (pharmaceutical products), Chinese (textiles and apparels) and Kano businesses (household goods,

[343] Interviews with industrialists in Kano, August 2014
[344]Interview, 12 August 2014, Kano Nigeria

building materials, agricultural produce) although a few fairly big indigenously-owned 'super markets' such as Sahad Stores, Jifatu and Country Mall have emerged recently (Kano State Government, 2012). Most of the enterprises established with the equity participation of the Kano State Government are now moribund[345].

This indigenous de-industrialisation occurred alongside the proliferation of MSMEs across the entire state economy. Kano's micro enterprises constitute 99.5% of MSMEs, and employ 2.3 million people (NBS/SMEDAN, 2013). The informal MSME sector is a safety net for millions of vulnerable people who lack the resources and skills to operate in the formal economy. Besides, the decline of these agro-allied firms and their increasing reliance on foreign inputs has disrupted supply chains between manufacturing firms and the local economy. The causal mechanisms of these disruptions merit further research beyond the scope of this study.

Weak Technical and Managerial Capacities

Kano's indigenous entrepreneurs have weak technical and managerial capacities in modern business operations. These capacity gaps include proper accounting techniques, product costing and pricing, inventory management and knowledge of market structures and demand (Larossi et al., 2009). Consequently, many firms run on a deficit until the loss becomes large enough that it is no longer feasible (ibid). This is linked to the low level of formal education and the skills gap for accountants, economists, business development professionals and other technical personnel in modern business, as interviews with entrepreneurs and representatives of MAN and KACCIMA revealed[346]. More detailed research through enterprise surveys is required. While these capacity deficits are more prevalent with the ubiquitous MSMEs, they also feature among the medium and large-scale firms. As Figure 7.15 shows, about 70% of large manufacturing firms have closed since the 1990s, and there are 3609 micro firms for every 1 medium enterprise.

[345] These include the National Truck Manufacturers Limited, Union Carbide Nig. Limited, Giwarite Nig. Limited, Northern Nigeria Flour Mills, Nigerian Medical Pharmaceutical Products Limited, Ceramic Manufacturers Limited, Garment Manufacturers Limited etc. (Kano State Government, 2012).
[346] Interviews with MAN, KACCIMA and industrialists, August 2014, Kano Nigeria

Religious Norms Undermine Capital Accumulation

Some prevailing norms in Kano characterise the persistence of a mercantile orientation by undermining capital accumulation and concentration on a scale to support industry in two ways.

As a predominantly Muslim society, it is possible that businessmen are reluctant to obtain commercial loans for entrepreneurial expansion and capitalisation due to a religious aversion to interest-banking[347]. Partly to address this problem, in 2011, the CBN licensed Nigeria's first Islamic bank, Jaiz Bank Plc. and introduced non-interest banking products among conventional banks[348]. There was a strong financial inclusion rationale as well. According to the Chairman of Jaiz Bank, Umar Mutallab[349]: "The whole idea of the [Islamic] banking option is to bring more people into banking in Nigeria that provides banking without interest." This development also fit a global trend post-financial crisis and driven by Islamic revivalism, in recognising the demand for non-interest financial instruments among Muslim populations[350]. Jaiz Bank branch networks expanded from an initial three in 2011 to 17 in 2014[351], and its asset base also increased from N6 billion in 2012 to N44 billion in 2014[352]. An extensive assessment of the actual impact of these growing non-interest instruments on entrepreneurial expansion will require further research beyond the scope of this study.

Relatedly, Islamic inheritance law may be impeding capital accumulation and concentration to support industry in Kano. Kuran (2010:81; 201) makes the compelling argument that "certain elements of Islamic law dampened individual incentives to build larger and longer-lasting commercial organizations, thus limiting entrepreneurial possibilities". This provides another explanation for the prevalence of MSMEs and informality in a place like Kano. On the inheritance system specifically, Kuran (2010:69) has this to say:

> …the Islamic inheritance system made it difficult to preserve a successful enterprise. By premodern standards the Islamic inheritance system is highly egalitarian. It mandates individual

[347] Sharawy (2001:161) explains that "Islamic law prohibits interest because it fosters the accumulation of wealth that is not a product of work". For an extended explanation on Islamic rulings on interest, see: Sharawi (2001) and Chapra (2000)
[348] The Central Bank adopted an expansive definition of non-interest banking to cover any financial intermediation system based on established rules and principles including Islamic. See: Panafrican Capital (2014)
[349] See: Vanguard (2012) Nigeria's First Islamic Bank Begins Business in Three Branches.
[350] On the potential of the risk-reward sharing system of non-interest banking to mitigate the volatility of the international financial system, see Chapra (2007 & 2011); Ejaz and Khan (2014)
[351] See: Ado (2014)
[352] See: Channels TV (2015) and Channels TV (2016)

> shares for all members of the nuclear family, male and female, and…also for the decedent's more distant relatives. Thus, for all its distributional advantages, it led to the fragmentation of successful enterprises… The problem was particularly acute for highly successful businessmen, because they tended to have more children, often from multiple wives.

As a confirmation of this thesis, representatives of the MAN Kano branch explained[353] that many of Kano's notable indigenous manufacturing firms collapsed after their founders' death. Gaskiya textiles, Kaura biscuits, Nabegu and Ila tanneries to mention a few, established in the 1970s by some of the indigenous industrial investors mentioned earlier were run down largely by inheritance squabbles. In a few cases where the heir remains fully committed to the enterprise's continuity, it survives. For instance, Dala Foods, one of Kano's leading indigenous food and beverages companies set up in 1979 is being sustained by Ali Madugu who was committed to the legacy of his father's business right from his adolescence, despite almost floundering due to initial inheritance battles with his family. It is thus possible that interpretations of Islamic rulings on interest and inheritance may be undermining capitalisation for manufacturing industry. An area that would merit further research is whether publically listing these firms on the stock exchange would mitigate this challenge.

This assessment of Kano's resource endowments demonstrates their weak coordination to drive growth and economic development. The key challenges are to attract new investments, reverse de-industrialization, improve competitiveness of agriculture and manufacturing firms, streamline and reposition the informal sector (Kano State Government, 2012). The responsibility for this lies with both national and sub-national governments. The next section identifies the institutional underpinnings of these government policy failures which have undermined Kano's industrial transition.

NATIONAL INSTITUTIONAL CONSTRAINTS UNDERMINE KANO'S AGRO-ALLIED INDUSTRIAL TRANSITION

In this section, I argue that the national policy environment since the transition to democracy in 1999 has been unfavourable to Kano's agro-industrial endowment structure. Previous chapters outlined the constraints on the national executive which enabled some market reforms and their

353 Interviews at the MAN Kano branch, 20-21 August 2014, Kano, Nigeria.

alignment with the endowment structure in Lagos. This has not been the case in Kano. As the managing director of Kano Flour Mills pointed out to me[354]:

> As Chairman of MAN, for seven years within that period, most of the private companies in Kano closed down… more than what had occurred in the previous [military] governments. We had so many closures for no other reason than, one, the issue of energy which was not there, and two, the opening of our borders in sectors like textiles… you could bring in anything without being challenged. Substandard goods were coming in, especially from Asia.

Since energy and trade policy are determined by the federal government, the national institutional environment has affected Kano's economy, its revenue dependence and human development in two ways. First, the orientation of post-military economic reforms towards a service economy did not align with Kano's agro-industrial endowment structure. Second, weak inter-governmental policy coordination in areas critical to economic productivity such as power, finance, transport infrastructure and regulation have undermined Kano's industrial transition. I discuss these below.

The Non-Alignment of Post-Military Market Reforms with Kano's Agro-Industrial Endowment Structure

Post-military economic reforms have not engendered industry in Kano and other industrial centres. As discussed in Chapter Three, the structural adjustment reforms from 1985 began the process of economic liberalisation – to 'diversify' the economy from the oil sector – which was given greater emphasis from 1999 under Obasanjo's administration. As discussed in Chapters Four and Five, the focus of economic reforms towards the 'quick wins' of liberalisation in ICT, financial services and trade – and their capital- and skills- as opposed to labour intensity were not suitable to and did not drive growth in Kano's agro-industrial endowment structure. Although agriculture also grew, this remained largely small-scale, subsistent and unconnected to a broader manufacturing or service economy. Trade deserves a more detailed elaboration because it is vital to understanding the detrimental consequences of this non-alignment for Kano's economy broadly, and its manufacturing capabilities in particular.

[354] Interview, 15 August 2014, Kano, Nigeria

For decades, successive administrations aimed to diversify Nigeria's GDP and exports through trade policy. Under NEEDS and Vision 20:2020, this entailed protection for domestic industries in critical manufacturing sub-sectors – in agro-allied industry, minerals and metals, and oil and gas – to reduce import dependence, and facilitate export competitiveness (NPC, 2004:82; WTO, 2011:16). Tariffs were the main instrument "to provide temporary protection to firms and industries that need to restructure and upgrade their…operations in light of global trends or to allow the government to address the high cost of doing business" (NPC, 2004:82-83; WTO, 2011:1). This was called 'gradual liberalisation' *(ibid)*. From 2014 Nigeria has been harmonising its trade, investment and industrial policies under the National Industrial Revolution Plan (NIRP), previously under the purview of a multitude of MDAs[355] which were not closely integrated around trade issues. As the Minister of Industry, Trade and Investment (2011-2015), Olusegun Aganga explained to me[356], the NIRP, was the first attempt since the structural adjustment disruption to integrate investment, industrial and trade policies.

In theory, this trade strategy should support Nigeria and Kano's agro-allied economy. However, its actual implementation within a specific national and global economic context made trade liberalisation detrimental to manufacturing industry in Nigeria and Kano in particular for these five reasons.

First, the unmanaged effects of globalisation during the process of 'gradual liberalisation' undermined Kano's competitiveness in areas of its comparative advantage, the CTG and the food and beverage industries. In this period, China joined the World Trade Organisation (WTO) in 2001, expanding its trade relations with Africa, especially in textiles[357]. As Africa's most populous country, Nigeria was a natural destination for cheap Chinese manufactures, and Northern Nigeria in particular

[355] The Federal Ministry of Industry, Trade and Investment has the main responsibility for making and implementing trade policy. Other MDAs also have primary or shared responsibility for trade in some products, such as the Ministry of Petroleum Resources, responsible for trade policy for hydrocarbons, the Central Bank, the Ministry of Finance and the Ministry of Transport. Several specialised Agencies also provide input to trade policy making, such as Nigeria Customs Service, Nigeria Ports Authority and the Nigeria Export Promotion Council. See: WTO (2011:13).
[356] Interview, 20 September 2014, London United Kingdom.
[357] According to Brautigam (2009:267), China's ascension to the WTO in 2001 was followed by the expiration of the Multi-Fibre Agreement (MFA) quotas on textiles by the WTO in 2005. This expiration led to a surge of Chinese textiles imports across the world, especially in Africa.

was a target for Chinese imitations of the local cotton wax print and brocade garments. These cheaper imitations of local fabrics decimated the region's CTG industries. According to an assessment by the Kano State Government (2012), more than 90% of the goods sold in Kano's Kwari market, one of Nigeria's largest textile centers, come from China crowding out indigenous merchants. This is despite various import bans by the federal government to promote local industry[358]. Trade liberalisation amidst the rise of China as the 'factory of the world' decimated industry in Kano in the north, while in parts of the south it contributed to a booming service and trade economy.

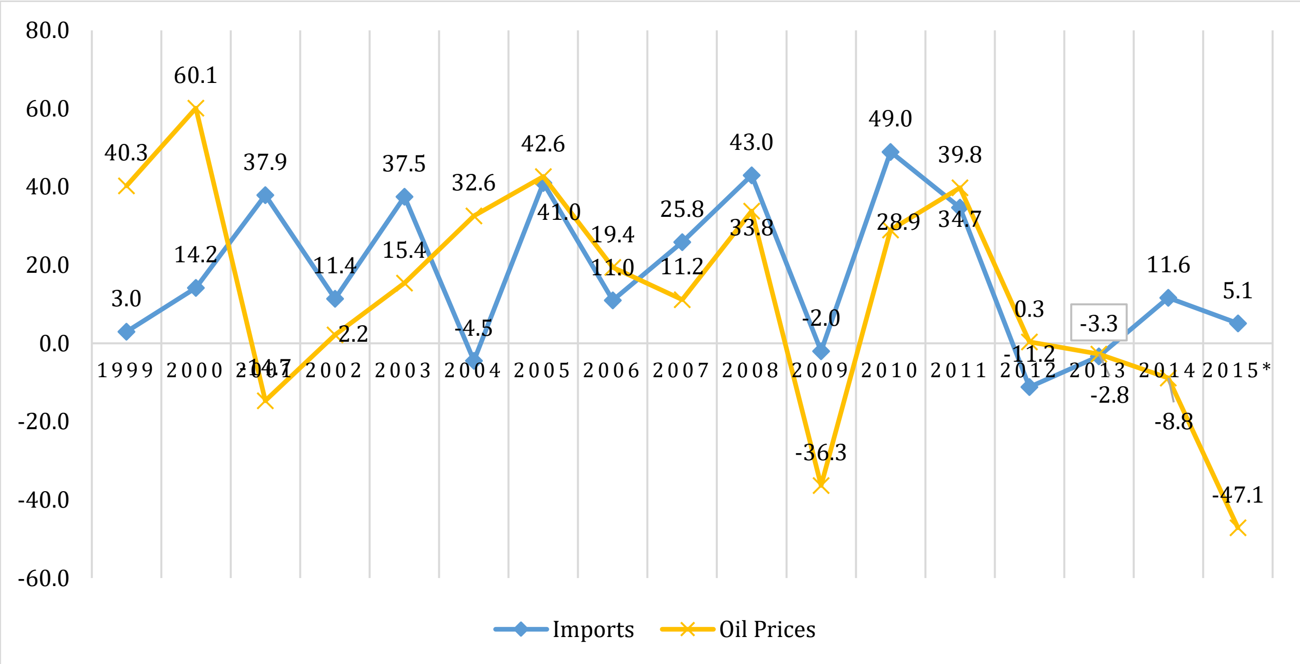
Second, as local manufacturing became increasingly uncompetitive, the government was unable to address business constrictions affecting productivity which it had identified as part of its trade strategy. The acceleration of trade liberalisation occurred at a time when Nigeria's business environment faced infrastructure and regulatory constraints. Nigeria ranked 124 of 140 countries in the World Economic Forum's Global Competitiveness Index for 2016, and 169 of 189 countries in the World Bank's Ease of Doing Business Index (WEF, 2016 and World Bank, 2016). Declining power supply since the 2000s despite deregulation, deterioration in transport infrastructure, high cost of credit, multiple taxation, regulatory constraints and the pervasiveness of smuggling all stifled domestic industry. Even foreign-owned firms struggle to stay afloat, as executives at Lebanese-owned African Textiles and Chinese-owned Lee Plastics explained to me, often rationing their operations[359]. In the absence of adjustment support, many MSMEs either closed or moved into the informal economy for survival. To that effect, Kano has the highest number of closed industries and the third highest number of micro and small enterprises across Nigeria.

Thirdly, there was no genuine commitment to this 'gradual liberalisation' because rising global oil prices from 2003 provided surplus petro-dollars to finance imports consumption. As Figure 7.17 (Table 41) shows, imports closely mirrored the fluctuations in global oil prices. Thus, incentives were not aligned to promote industry despite government's policy rhetoric. Even though as Figure 7.18 (Table 42) shows, industrial and capital goods imports initially outstripped consumer goods, the latter

[358] See news reports on BBC News (2002 & 2003)
[359] Interviews with industrialists, August 2014, Kano Nigeria

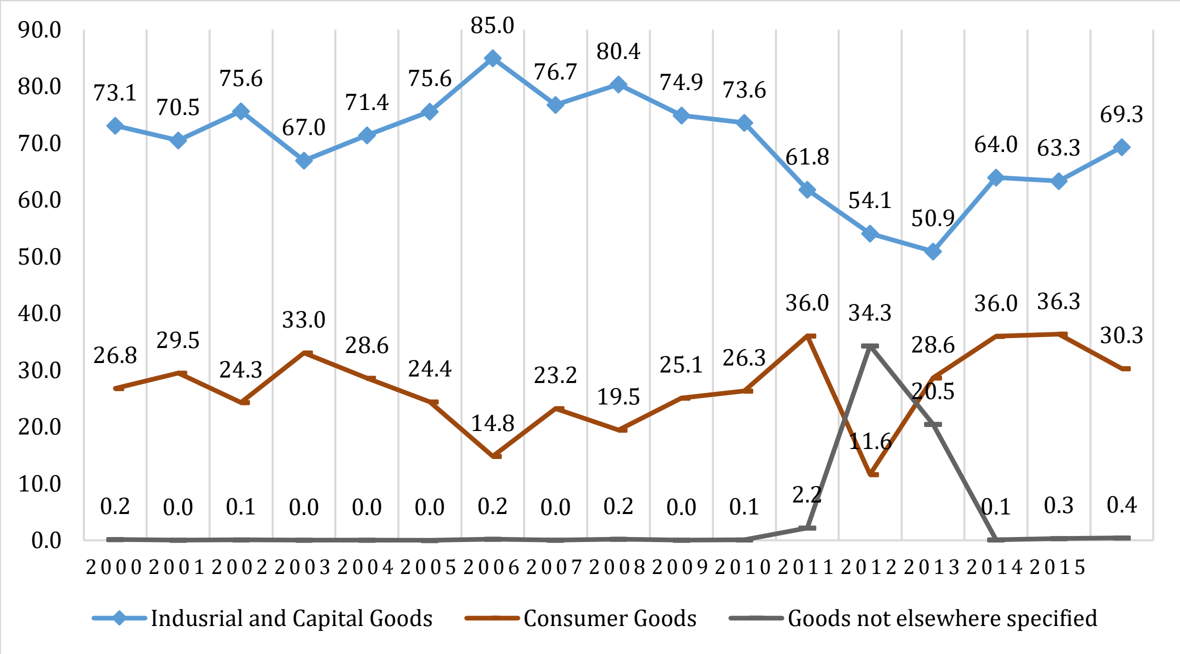
grew steadily. Since the collapse of oil prices from mid-2014, Muhammadu Buhari's government restricted certain consumer imports including rice, margarine, processed meat and incense to save scarce foreign exchange and to stimulate local industry (Central Bank, 2015). Even within the surviving manufacturing firms, there is a heavy reliance on foreign inputs, including basic raw materials, as Figure 7.19 illustrates (Table 43).

Figure 7.17: Oil Prices and Growth of Imports (%) 1999-2015



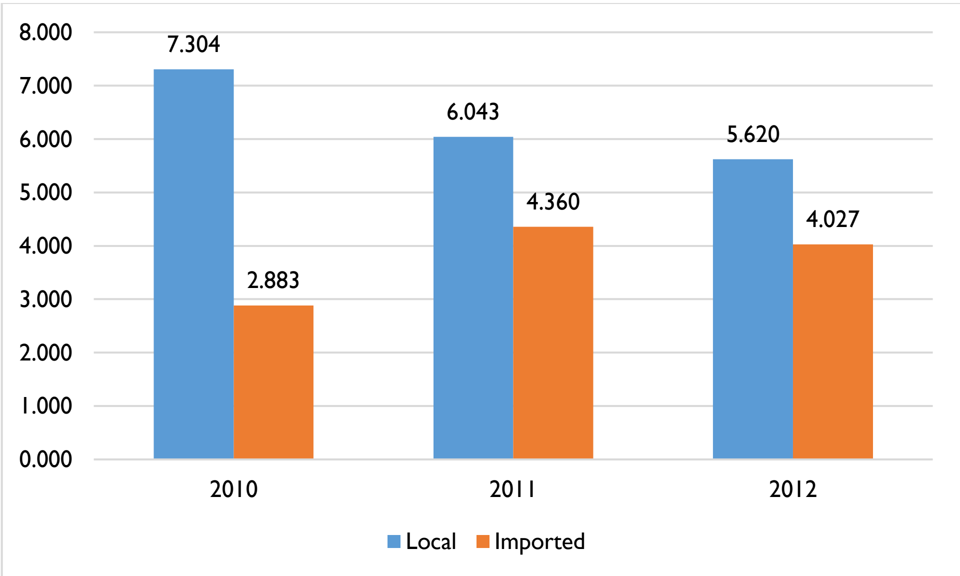
* Provisional Figures
Source: NBS and CBN Statistical Database (2015)- Includes CBN estimates for informal cross border trade; EIA (2016)

Figure 7.18: Broad Categories of Imports (%) 2000-2015



Source: NBS Data (2016)

Figure 7.19: Raw Materials by Source (N) Trillions, 2010-2012



Source: NBS (2014:30) Nigerian Manufacturing Sector: Summary Report 2010-2012

Four, trade and industrial policy is influenced by a few powerful large-scale private actors in certain manufacturing sub-sectors at the expense of MSMEs[360]. According to a Chatham House report on trade in Nigeria, there is a critical lack of inclusion of non-government stakeholders in the actual process of trade policy formulation and implementation (Hoffman and Melly, 2015:9). In particular, MSMEs marginalised in formal negotiations are often unaware of policy incentives such as Pioneer Status, Manufacturing-in-Bond Scheme, Export Expansion Grant, the Agriculture Development Fund and the Textiles Development Fund, which have all favoured large-scale firms with political connections over small ones (Kano State Government, 2012; Khan, 2012; Hoffman and Melly, 2015:9). The manufacturers I interviewed in Kano[361] spoke about the haphazard implementation of business assistance programmes in which the implementation vehicles were not well established or publicised, often suspended arbitrarily. For instance, information asymmetry obstructed Kano youth participation in federal programmes for MSME development such as the youth entrepreneurship programme (YOU-WIN).

Conversely, powerful large-scale individual entrepreneurs are able to influence economic policy in their own favour. In particular, Aliko Dangote, the industrialist whose ability to secure government protection for the cement industry enabled his firm, Dangote Cement, and by implication Nigeria to become a cement exporter[362]. Arguably, the influence of entrepreneurs like Dangote on import bans which characterised the 'gradual liberalisation' strategy has promoted local sufficiency in cement. Contrastingly, a less benign form of influence prevented the government from combatting smuggling, such as the notorious northern smuggler, who until 2015, was a major financier of the ruling PDP. Therefore, the few large-scale manufacturers who exert considerable influence on national policy makers do so for individual rather than sector-wide benefits, to the detriment of MSMEs.

Fifthly, the instability of the policy environment has a detrimental effect on industrial productivity and competitiveness. One notable instance is the arbitrary import restrictions to 'promote

[360] Although even among the business groups, there is a historic rift between the traders, the NACCIMA, and the manufacturers, MAN. They take divergent positions on trade protectionism and liberalisation, most recently illustrated regarding the national automotive policy to rebuild Nigeria's capacity in auto manufacturing.
[361] Interviews, August 2014, Kano Nigeria
[362] See news report by Osagie (2015)

local industry', depending on the minister in charge or the relative power of specific sub-sector lobby groups at any point in time. This was explained to me[363] by the Managing Director of Flour Mills in Kano thus:

> ...they [Federal Government] said there will not be importation of rice, they put duties, when they realised the thing wasn't going to work, they reversed it. One of our problems is policy somersault, today they will do one thing, then they realise it is not going to work and reverse it. Instead of doing things gradually, and take all stakeholders along, they tend to do it as a kind of military order…

The perception by business is that government unilaterally imposes or withdraw policies. This haphazardness in policy is rooted in Nigeria's turbulent succession politics which generates a high turnover rate of cabinet ministers. In many cases, successive ministers become preoccupied with their own flagship policies, rather than continuing with existing ones. In this context, it is not clear whether the NIRP, initiated by Segun Aganga, a minister under Goodluck Jonathan's administration (2011-2015) will be retained under the new government of Buhari.

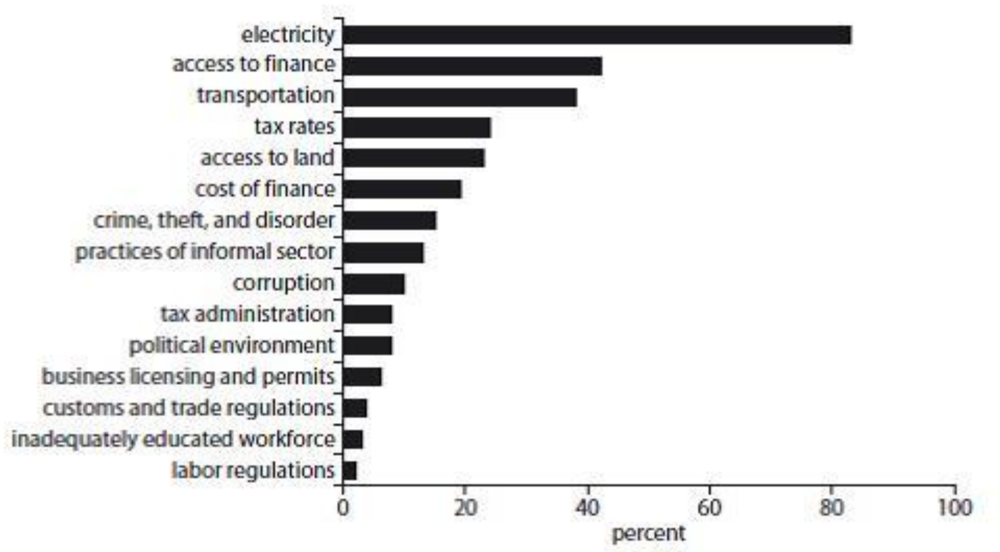
Therefore, post-military market reforms did not align with Kano's agro-industrial and labour-abundant endowment structure. In particular, trade liberalisation within the context of limited adjustment support for industries in a dynamic global economy, weak business environment and political incentives due to high global oil prices, the disproportionate influence of a few large-scale entrepreneurs to the detriment of MSMEs and policy discontinuities all ensured that national market reforms actively undermined the prospect for Kano's industrial transition.

Weak Inter-governmental Coordination to Address Business Constrictions

As a federation, policies critical to sub-national business and investment climate reside within the federal government's constitutional jurisdiction in the Exclusive List. The items in the Exclusive List are vast, including energy, security, transportation, trade, fiscal and monetary policy and customs. Tellingly, the top five constrictions identified by Kano firms in a 2009 and 2011 Investment Climate Assessment (ICA) study by the World Bank are mainly in the Exclusive List, reflective of weak inter-governmental coordination.

[363] Interview, 15 August 2014, Kano Nigeria

Figure 7.20: Share of Firms Ranking of Top Constraints



Source: Larossi et al. (2009:5) **An Assessment of the Investment Climate in Nigeria.**

These business constraints identified by order of priority include power, finance, transportation and tax. Similarly, a UNIDO survey identifies physical infrastructure and access to credit as the two main constraints to manufacturing firms (Malik et al., 2006). There are primary constraints which affect all firms (power and finance), and secondary constraints (transportation, tax rates, customs and trade regulations etc) whose impacts depend on the industry and the location of a firm's operations (Larossi et al., 2009:xiii and Larossi and Clarke, 2011). Within these secondary constraints, there are two sources of variation. One is sectoral: Nigeria's manufacturing sector bears additional costs and MSMEs are more severely affected (ibid). The other is complementarity: the success of federal government reforms depend on the extent to which they are complemented by state-specific reforms (Larossi, et al., 2009:8). Thus, a state is acutely disadvantaged when: (1) its endowment structure is agro-industrial with a concentration of MSMEs; (2) federal government policies are weak; (3) complementary state government reforms are weak.

In this section, I assess four of the most important business constrictions within the 'primary' category (power and finance) and steps (1) and (2) of the 'secondary' category (transportation and customs regulation) to illustrate the federal government's weak institutional capacity and its consequences for Kano's industrial productivity and competitiveness. The role of the state government is analysed in a subsequent section.

Power Supply

The problem of power supply, the most critical of Nigeria's vast infrastructure challenges, boils down to the federal government's weak institutional capacity and coordination problems in two ways.

First, the federal government has been unable to supply adequate and consistent electricity. Power generation, transmission and distribution from the national grid are weak and unreliable, especially to the far northern states. The challenges, the detailed assessment of which goes beyond the scope of this study, broadly include bureaucratic and regulatory inefficiencies in the public utility, the Power Holding Company of Nigeria (PHCN), sabotage of transmission architecture and gas pipelines and weak infrastructure (Adeola, 2010). In 2013, the power sector was finally privatised with the expectation that market forces would unravel the structural challenges[364]. However, huge debts, over-estimated assets, limited gas supply etc., have prevented a full take-off[365].

Within this context, the federal government's stop gap measure of providing alternative energy especially low pour black oil for manufacturing firms has not been effective. As several company executives[366] explained to me, the low pour oil is typically hoarded by the NNPC for exclusive supply to a handful of large influential firms. Additionally, the haphazard deregulation of AGO-diesel fuel for generators has hurt manufacturers. As the Managing Director of Flour Mills in Kano explained to me[367]:

> …They said by deregulation, private investors could supply fuel [diesel] from outside the country... Something we were buying for less than N50 shot up to… N100, all of a sudden… The consequence was that people [who] were operating three shifts…went down to two shifts, then to one shift and not working Saturdays and Sundays, and some…had to close down. As we are speaking now, not more than… two textile industries are operating in Kano, while those days, we had more than 15 textile industries…

364 See news report by Brock (2013)
365 See analysis by Soleye (2014)
366 Interviews with industrialists, August, 2014, Kano, Nigeria
367 Interview, 15 August 2014, Kano Nigeria

Like Lagos, Kano has also been delayed by approvals from the federal government in pursuing its IPP because their two dams, Tiga and Challawa, are managed by the federal government[368]. Few attempts have been made to explore alternatives such as solar or the country's abundant coal reserves.

Access to and Cost of Finance

The problem of limited access and high cost of finance is attributable to the federal government's fiscal and monetary policies which have distorted the incentives of financial institutions from lending to productive sectors, especially firms in northern states. According to the annual Bankers' Committee (2009) report, which includes the CBN and all financial institutions, aggregate credit is channelled mainly to government, financial market operators and traders to the neglect of the real economy: agriculture, power and transport infrastructure, and manufacturing. In particular, MSMEs are more disadvantaged by finance constraints than big business.

A World Bank report attributes weak lending to MSMEs to information asymmetries of MSMEs in financial accounts, business plans and feasibility studies; a high risk profile and low returns on MSME finance (Larossi et al., 2009). To mitigate this risk, commercial banks over-collateralise in excess of 100% of the loan, often in shape of guarantee by land (Larossi and Clarke, 2011). Since most MSME's barely own land, collateral became a problem as well as high interest rates, short repayment periods of less than 3 years[369] and limited diversity of credit instruments. In Kano as with other northern states, the difficulty for farmers and small business owners to access credit is linked to the Land Use Act. According to a former chief economic adviser to Nigeria's president[370]:

> The law has made it difficult for farmers to use their land as collateral to access credit, because a state governor must give his approval for a Certificate of Occupancy [C of O] to be issued. Therefore fewer than 1000 [northern] farmers have C of O. Most governors…do not realise the utility of land ownership to wealth creation. Now it is too late. Even if C of Os are issued, the regional banks, state-owned and cooperatives designed for this purpose [no longer exist]…

The risks in MSME lending have made financial institutions rely on well-capitalised clients: governments, large corporations, and oil and forex traders. Even the northern owned banks in the past

[368] Interview with Commissioner for Budget and Planning, 18 August 2014, Kano Nigeria
[369] This is lower than South Africa (5–6 years), China (4 years), and India (4 years) (Larossi and Clarke, 2011:27)
[370] Interview, 27 May 2015, Nigeria

hardly lent to 'risky' MSMEs[371]. The micro-finance model imported to Nigeria in the early 2000s has not been a success either. Many micro finance banks have been embroiled in client defaults and fraud, and like other developing countries such as India, Morocco, Nicaragua, and Pakistan where micro-credit sectors collapsed, they failed to live up to their lofty objectives[372].

In some ways, federal financial sector reforms undermined financial inclusion affecting manufacturing broadly, and Kano industry in particular. In an economy with high informality, the evisceration of financial institutions in between the extremes of the big banks and microfinance undermined financial inclusion in the North. Specifically, the banking recapitalisation of 2004 preceded the collapse of regional, northern banks which could not meet the requirements of N25bn. According to the former chief executive of a Nigerian bank[373] most northern banks collapsed after the recapitalisation reforms because the state governments which could have stepped in to the rescue were limited by financial regulation which restricted public sector equities to 10%, and also by fiscal constraints due to dwindling federal revenue allocations. This severely affected MSME lending especially in the north since banks do allocate loans in ways that are not based upon economic criteria (Larossi and Clarke, 2011:25).

A number of initiatives spearheaded by the CBN have aimed to address these access and cost of finance challenges through financial inclusion. These include the reintroduction of a tiered banking structure: national, regional and commercial banks, the introduction of non-interest banking and the establishment of Nigeria's first Islamic bank Jaiz Bank Plc., the establishment of a N200 billion intervention fund targeting MSMEs, and the Nigeria Incentive-Based Risk-Sharing System for Agricultural Lending (NIRSAL) to de-risk agriculture lending (Bankers of Committee, 2010; BOI, 2016). There are also business support programmes for young entrepreneurs such as the YOU-WIN, the Youth Entrepreneurship Scheme (YES) and private initiatives such as the Tony Elumelu

371 ibid
372 On the failure of microfinance, see: Bateman (2014)
373 Interview, October 2015, United Kingdom

Entrepreneurship Programme (TEEP)[374]. Others target specific industrial sub-sectors such as the N100 billion CTG intervention fund and the EEG which have been inconsistent (NIPC, 2016).

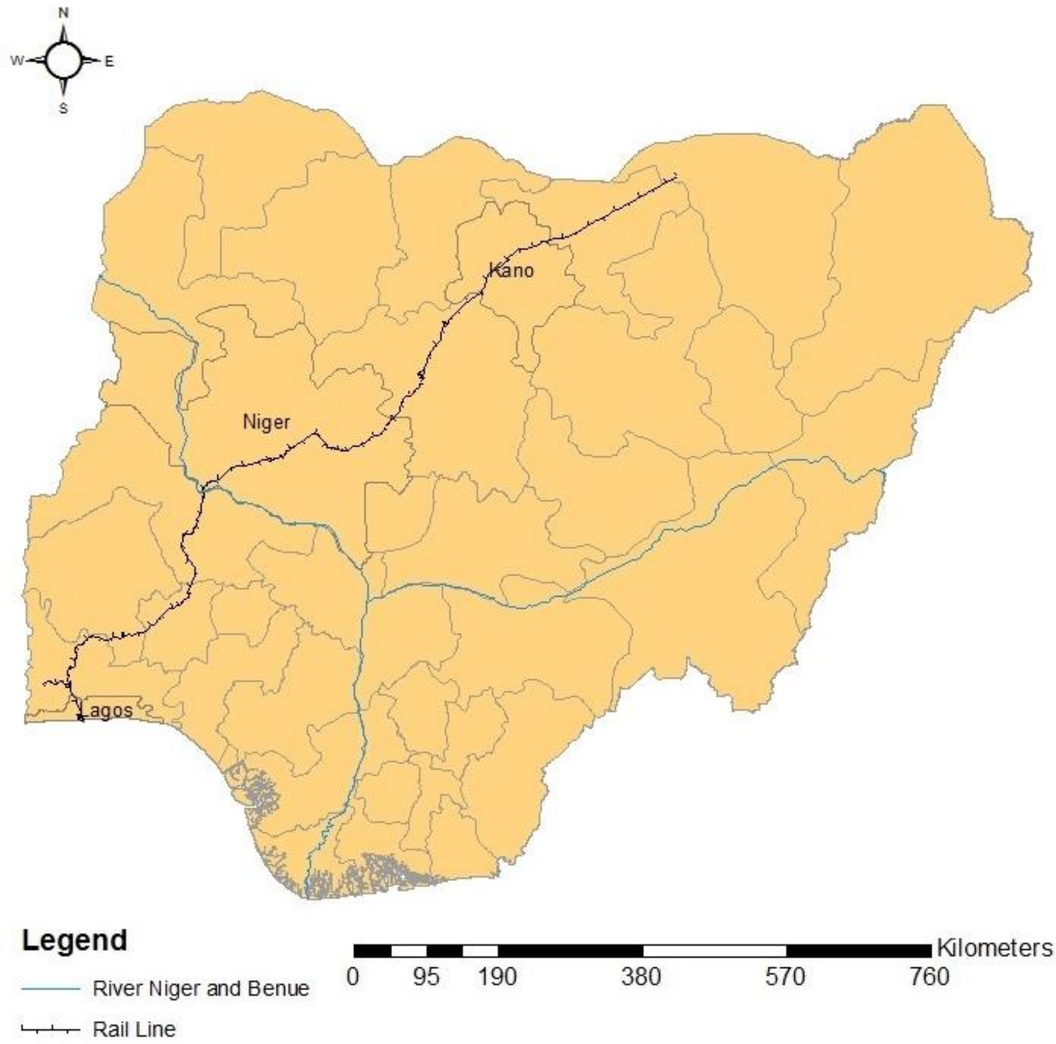
Transportation

Transport infrastructure as with other infrastructure deficits across Nigeria adds costs to industry. According to a Chatham House report, the expansion of transport infrastructure has not kept up with the needs of farmers and agro-businesses inland, the growth of urban centres, and has not improved rural-urban connectivity (Hoffman and Melly, 2015: 28). It can take a month to deliver a container by road from shipside in Lagos to its destination in Kano by road, whereas rail transport can almost halve this time (ibid). Although from 2014, the revival of the Lagos-Kano rail line restored a weekly freight service of 20 containers, this is negligible, representing only 1% of the volume of daily freight bound for northern destinations (ibid). Road transport is therefore critical to the entire economy because more than two-thirds of all Nigerian manufacturing inputs are delivered by road (Larossi et al., 2009:6), especially for hinterland areas like Kano. The serial misappropriation of funds for roads rehabilitation[375] left them in a terrible state generating indirect costs to firms due to delays, breakage, spoilage, or theft, in the order of 4% of total sales (ibid:24; Hoffman and Melly, 2015:14).

To unravel these rail and roads transportation bottlenecks, the use of inland waterways has been considered. This would mean shipping northern-bound goods from the southern ports up the River Niger.

[374] See: BOI (2016), Kopf (2015) and Gundan (2015).
[375] Over N300bn of funds meant for the rehabilitation of Nigeria's roads were famously misappropriated in the transport ministry under the stewardship of a top PDP politician, Anthony Anenih. See: Oota (2008)

Figure 7.21: Map showing Lagos-Kano rail line with River Niger trajectory



This would require dredging over 572 kilometres of the river – the removal of silt – from Baro in Niger state in central Nigeria to Warri in the Niger Delta for the river to be navigable by large vessels[376]. Kano businessman and former chairman of KACCIMA explained thus[377]:

> …If they are able to make the river ports functional, and if the dredging is done and certain tonnage of ships could come all the way, it is going to reduce the journey to the hinterland by half. Once you get to the River Niger, you've gone halfway. Therefore you'll do the rest on both railway and by road. You… reduce the cost of doing business…therefore you can have goods from anywhere in the world… to…any of these ports in Nigeria, and then the smaller vessels would have the goods transferred to them and within hours, you have the goods delivered to the destination

376 See news report by BBC News (2009)
377 Interview, 12 August 2014, Kano Nigeria

If the dredging is completed, it would ease these transportation challenges which have made it difficult to haul consumer and capital goods from the southern seaports to the northern hinterland undermining Kano's industrial competitiveness.

Weak Regulatory Capacity to Address Ports Congestion and Smuggling

The federal government's weak capacity to address ports congestion and smuggling has been detrimental to industry in Kano. The delay in customs clearance from the Lagos Port Complex add significant costs to business. It takes 46 days to clear imports in Nigeria, higher than comparator countries like Brazil, Kenya, South Africa and India (Larossi et al., 2009:7). Despite privatisation, ports concessions, and investments in modern technology which have improved turnaround times, the port remains inefficient (Hoffman and Melly, 2014:13-14).

An alternative to bypass these inefficiencies is to establish inland dry ports to directly transport and clear goods at destination. To that effect, Nigeria's pioneer inland dry port, the Kano Dala Inland Dry Port and Logistics Park is situated at Zawachiki Kano. It constitutes 35 hectares as the inland port, while 165 hectares is a Special Economic Zone (SEZ) for industrial production. The chairman of the Dala Port, Alhaji Ahmad Rabiu a leading Kano entrepreneur explained to me[378] how the federal government has stalled the project for more than a decade:

> The concept of inland dry port was borne out of the need to decongest seaports…It was realised that the best thing to do is… as cargo arrives at the seaport, the one meant for the hinterland such as Kano would be set aside as a transit cargo to be transported… to the inland dry port facility. The project started in 2002, we…signed the agreement in 2006 and we have been at various stages to get this project to take off… It has components of an industrial park…from packaging to assembly and warehousing… We need the government to make a declaration of the port as a port of origin and destination, but that is still being awaited… Now we have been talking about this from 2002… I got [foreign] partners… but they cannot invest a kobo until we are ready to move to the next level, we have not been able to do that… the frustration remains that a declaration is needed from the government, and for over a decade…that hasn't been done. If this had been done, my project would have been functional…supporting industry and commerce in Nigeria

[378] Interview, 12 August 2014, Kano Nigeria

The federal government, across several administrations has delayed the take-off of the Kano inland dry port for over a decade.

Smuggling is another major impediment to the productivity of manufacturing enterprises in Kano and the northern states broadly. Consumer goods, textiles and some light manufactures which are officially under varying degrees of protection are routinely smuggled or dumped from India and China into the Kano market, sometimes unfinished, as the manager of a Chinese-owned manufacturing firm explained[379], to the detriment of higher-quality local equivalents. While it is difficult to quantify the scale of smuggling, my interviews with Kano industrialists all point to the same problem[380], that smuggling kingpins are politically connected. One of the most powerful smuggling coordinators in the northern states, expanded his operations during Umaru Yar'adua's presidency (2007-2010) whose election he financed, and was tolerated under Goodluck Jonathan (2010-2015), possibly to appease certain northern factions in the PDP, but also due to progressively weakening regulatory capacity.

Another business constraint, which deserves at least a passing mention, is insecurity, which is cyclical rather than structural. According to MAN Kano officials[381], it principally affects the demand-side of the market for goods rather than supply-side or production operations. Interviews with executives of large retail and shopping centres reveal that the escalation of attacks by Boko Haram since the first major bomb attack in Kano in 2012 until 2014 led to a 5-10% decline in sales for supermarkets and departmental stores[382]. According to the chair of the Kano Supermarkets Association[383], the Boko Haram insurgency affected their customer base, in two ways: the relocation of upper middle class clientele comprising of 'southern' Nigerians and expatriates, and the deterioration of the purchasing power of their local consumers including government. Many small businesses folded up within this period while some medium-scale firms relocated.

In sum, the federal government's weak institutional capacity is evident in energy, finance, transport and regulatory business constraints to Kano's productivity and competitiveness. Although

[379] Interview with manager, Lee enterprises, 20 August 2014, Kano, Nigeria
[380] Interviews, August 2014, Kano, Nigeria
[381] Interviews at MAN Kano, 21-22 August 2014, Kano Nigeria
[382] Interview with manager of Ado Bayero Mall, and with the chief executive of Country Mall, 11-22 August 2014
[383] Interview with the chief executive of Country Mall, 11 August 2014

these are the primary responsibility of the federal government, federal reforms in these areas must be complimented with specific sub-national reforms (Larossi et al., 2009:8). The next section outlines and assesses the fiscal and political resources available to sub-national governments to implement reforms, and outlines Kano state government's failure to effectively utilise these in addressing these business constraints to the take-off of its agro-industrial economy.

THE FAILURE OF SUB-NATIONAL POLICIES TO FACILITATE KANO'S AGRO-INDUSTRIAL TRANSITION

Kano state's public policies have not facilitated its agro-industrial transition. Since democratisation in 1999, Kano's direction of governance has lacked a clear economic development objective, but has been in the spotlight for the controversial implementation of Shari'ah law in censoring the local film and publishing industry, religious violence, and state-sponsored mass marriages[384]. Discontinuities across the administrations of governors Rabiu Musa Kwankwaso (1999-2003), Ibrahim Shekarau (2003-2011), the second-coming of Kwankwaso (2011-2015) and Abdullahi Ganduje (2015-present) undermined a coherent economic agenda. Unlike Lagos, successive Kano state governments until 2011, have neither maximised their fiscal and political autonomy, nor exhibited dynamic leadership in exploiting the state's comparative advantage in commodities and building capabilities in agro-industry. Although from 2011 to 2015 in Rabiu Kwankwaso's second term[385], there were notable albeit short-lived, improvements in PFM, non-oil revenue generation, urban renewal and social development. In the rest of this chapter, I analyse the institutional foundation and political character of Kano state's inability to maximise its fiscal and political autonomy and to articulate and sustain a coherent economic agenda.

[384] See analyses by McCain, Hausawa and Alkanawy (2009) and BBC News (2012)
[385] Rabiu Kwankwaso was elected governor of Kano state in 1999 on the platform of the PDP. In 2003, he lost his re-election bid to ANPP's Ibrahim Shekarau. He ran for the same position again eight years later, in 2011, and won. In 2013, Kwankwaso defected to the newly formed APC.

Institutional Foundation: Kano's Fiscal and Political Autonomy

In Chapter Six, I explained that Nigeria's constitution bestows on every state, vast fiscal and political authority. Yet, Kano ruling elites have not utilised these constitutional powers towards specific economic objectives.

Kano's Minimal Attempts at Maximising its Fiscal Autonomy

Until 2011, Kano did not utilise its fiscal powers to effectively envision an economic agenda, formulate economic policy, generate revenue and make allocative decisions within its jurisdiction. Between 1999 and 2011, there was barely any growth strategy as successive state governments subsisted on federal revenue allocations. As Figure 7.5 shows, IGR was less than 20% before 2010. There was a paradigm shift however, under the administration of Governor Rabiu Kwankwaso (2011-2015) which embarked on specific institutional reforms with an evident economic objective. An extensive assessment of these reforms goes beyond the scope of this study and what follows is at best, a short summary of their three main pillars. Due to poor documentation, the evidence here is qualitative, derived mostly from interviews with government officials and analysts.

The first pillar of reforms is PFM for fiscal prudence, revenue generation and infrastructure projects. One notable initiative is the digitisation of land administration, with the establishment of the Kano Geographic Information System (KANGIS) in January 2014[386]. Seven months after inception, KANGIS raised N700 million just from issuing formal land titles to land owners, as the agency's director-general explained to me[387]. Relatedly, initial reforms at the Board of Internal Revenue (BIR) resulted in an IGR increase from N500 million per month in June 2011 to N1.2 billion in early 2012 (Sagagi, 2012; Kano State Government, 2012). To block leakages, the expenditure of all MDAs and local councils were centralised to the office of the governor[388], and by 2014, they were saving over N6 billion per annum on overheads[389]. In instituting transparency in public contracting, Kano state was the

[386] KANGIS is modelled along the federal government's Abuja Geographic Information Systems (AGIS). It is run by a former AGIS director.
[387] Interview, 11 August 2014, Kano, Nigeria
[388] Interviews with Kano state government officials, August, 2014, Kano, Nigeria
[389] Interview with Commissioner for Women and Social Development, 26 August 2014

first state to publish its Executive Council (cabinet) proceedings in national newspapers and social media[390]. The government also strived to rebalance the ratio of recurrent to capital expenditure, from a high of 80:20 in 2011, to 25:75 by 2014[391]. The overall aim of these PFM reforms was to block leakages and free up resources to finance infrastructure projects, as the Kano Commissioner of Budget and Planning explained to me[392].

However, unlike Lagos, Kano has not maximised its fiscal autonomy to diversify revenue generation. The focus has largely been on the efficient use of existing resources, rather than private and external finance as explained earlier in this chapter. Part of this may have to do with the populist anti-debt discourse of successive Kano state governments, although this often glosses over the reality of indebtedness. In 2015, Kano owed over N250 billion in contractor liabilities, salaries and abandoned projects[393]. Besides, donor partners generally focus on social development such as public health and education, and lately PFM reforms. Therefore, private and external finance have not been effectively explored as revenue diversification possibilities.

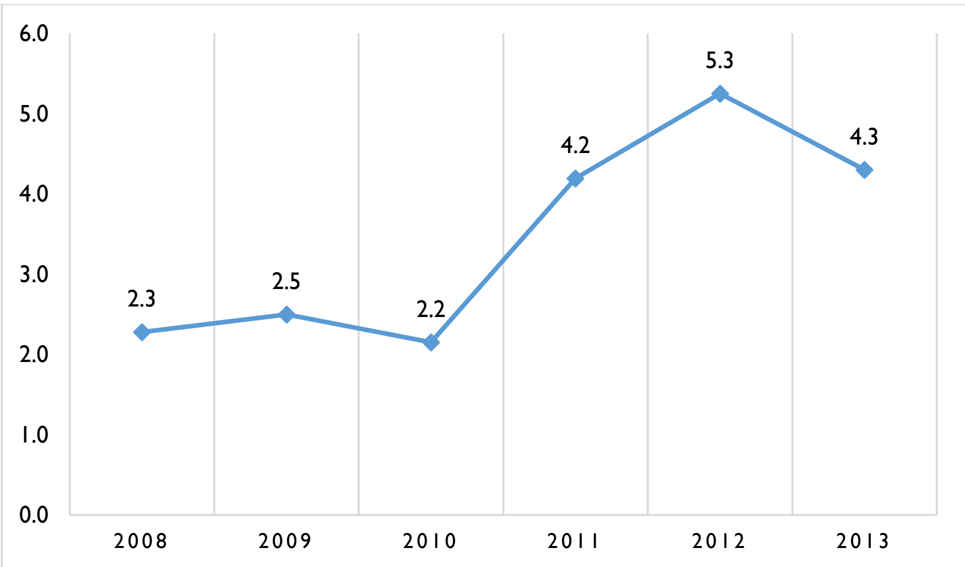
The second pillar is anchored on improving the business environment through urban renewal, infrastructure rehabilitation and institutional reforms. Notable urban renewal initiatives include the establishment of the Kano Road Transport Agency (KAROTA) for a dual regulatory and employment generation role, garbage collection, streets electrification and greater security in the wake of Boko Haram attacks. Infrastructure included the construction of roads and overhead bridges within Kano city and five kilometre length of roads in each of the state's 44 local governments[394]; a 42 kilometre Kano metro project connecting Dawanau grains market financed by Chinese partners[395] and IPP at Tiga and Challawa hydro-projects to power industrial areas. There were also institutional reforms to ease bureaucratic business bottlenecks. For instance, stemming from consultations with business leaders the state legislature passed a law in 2013 to harmonise over 220 taxes and levies to 18, according to

390 ibid
391 Interview with Secretary to the State Government, 26 August 2014, Kano Nigeria
392 Interview 18 August 2014, Kano Nigeria
393 See report by Ahmad (2015)
394 Interview with the Secretary to the State Government, 26 August 2014, Kano, Nigeria
395 Interviews with journalist, 20 August 2014, Kano, Nigeria

industrialist, MD of Kano Flour Mills[396]. Microfinance banks were also established in each local government for small business lending, according to the Secretary to the State Government[397]. Overall, there was an attempt to maximise the state's fiscal autonomy towards a business-friendly agenda.

The third pillar of Kwankwaso's reforms was jobs creation, poverty reduction and social development with a visible gender component. For instance, in the newly established North West University, 47% of the 1,000 pioneer students were female, and entrepreneurial and business assistance programmes specifically targeted women. 26 educational and vocational training institutes were established in modern farming (fishery, livestock, crop production and horticulture), entrepreneurship, film industry and journalism, and seed capital provided upon completion[398]. There was rising public expenditure in education at all levels. This increased from N1.58 billion or 2.2% of total expenditure in 2010 to a high of N6.2 billion or 5.3% of total expenditure in 2012, as Figure 7.22 below illustrates (Table 39). As the Secretary to the State Government[399] explained to me, this was seen not only as "a social service, but indirectly as a way of generating employment…"

Figure 7.22: Kano State Education Expenditure as (%) of Total Expenditure, 2008-2013



[396] Interview, Kano, 15 August 2014.
[397] Interview, 26 August 2014, Kano Nigeria
[398] Interviews with Kano state cabinet officials, August 2014, Kano Nigeria
[399] Interview, 26 August 2014, Kano Nigeria

Source: Kano State Government (2009, 2010, 2011, 2012&2013) Report of the Accountant-General of Kano State Together with the Audited Financial Statements for the Year

The aim was to increase enrolment and completion rates especially for girls through the provision of school uniforms, teacher recruitment and training, a school feeding programme for up to 3 million pupils by mid-2014 and the construction of schools and facilities such as a girls' boarding school at Magwan touted as the largest in West Africa. In higher education, Kwankwaso established two state universities: University College Wudil and North-West University to complement the one federal university, the Bayero University of Kano. There was also an overseas scholarship scheme for more than 2,000 postgraduate students in medical sciences, engineering and aviation[400]. Other social schemes included the supply of 3,000 units of affordable housing per annum in Kwankwasiyya Amana and Bandirawo cities (Kano State Government, 2012).

These are the broad thrusts of the Kano state government's governance reforms and social development initiatives since 2011 by maximising its fiscal autonomy. Clearly unlike its predecessors, the Rabiu Kwankwaso's administration had an economic rejuvenation strategy unprecedented in northern Nigeria since 1999.

Kano's Weak Efforts to Maximise its Political Autonomy

Since the transition to electoral rule in 1999, successive Kano state governments have not maximised their political autonomy to sustain a coherent political vision for the state. They have neither linked their political philosophy to broad economic goals nor have they leveraged the state's economic weight to constitute a leading voice in northern and national politics. Rather, the Kwankwaso, Shekarau and now Ganduje administrations have had mutually antagonistic political agendas. They have, like most other state governors, been preoccupied with political survival or the appeasement of narrow constituencies through religious populism. Rabiu Kwankwaso's first term (1999-2003) as governor

400 Interviews with Kano state government officials, August 2014, Kano, Nigeria.

responded to populist demands for the implementation of Shari'ah law which swept northern states at that time. For instance, in his second-term inaugural speech in 2011, Kwankwaso stated that[401]:

> It is an indelible record of history that shari'ah was launched in Kano state during my first tenure of office… We ensured the existence of a legislation enforcing compliance with the shari'ah not only in the conduct of governance but as a way of life to all Muslims in the State. We established the Hisbah and set the machinery for a systematic and gradual implementation of the shari'ah…

His successor, Ibrahim Shekarau's eight year tenure (2003-2011) preoccupied with burnishing his Islamist credentials, empowered Shari'ah law enforcement institutions such as the Hisbah board[402]. There were severe public rifts between Shekarau and Kwankwaso as they accused one another of 'corruption' and leaving behind an 'empty treasury'[403]. In Rabiu Kwankwaso's second coming (2011-2015), there was a paradigm shift from an overt shari'ah-orientated governance philosophy towards an economic 'revival' of Kano, partly reflecting the public disillusionment with Shekarau's remarkably poor performance in 2003-2011. Astonishingly, the present governor Abdullahi Ganduje's relationship with his predecessor Kwankwaso, who enabled his ascension to the position has deteriorated immensely[404]. Evidently, the discontinuity of these successive administrations undermined their abilities to sustain a coherent political philosophy. The pursuit of populist religious causes as an end-goal of political mobilisation by Kano ruling elites contrasts the economic and political-hegemonic goals of their Lagos counterparts, despite having a succession of Muslim governors. Another contrast would be the Gulf Arab monarchies operating under shari'ah law but simultaneously pursuing clear economic objectives.

The political discontinuities and the zealous pursuit of political shari'ah without a sound economic basis has undermined Kano's ability to maximise its political autonomy to assert itself as a force in national politics. As Nigeria's most populous state, its third largest economy and a centuries-old commercial centre, Kano is well-placed to lead the northern governors' and counter the federal government. However, this has not necessarily been the case. To his credit, Rabiu Musa Kwankwaso

401 Rabiu Kwankwaso's inauguration speech on 29 May 2011, reproduced in NGF (2013:477)
402 On Hisbah, see: Adamu (2008)
403 See Kwankwaso's inauguration speech in NGF (2013).
404 See report by Ugwuanyi (2016)

became increasingly vocal in 2011-2015 as his relationship soured with President Goodluck Jonathan, he defected to the APC, challenged the federal government on the SURE-P subsidy reinvestment fund, spoke up 'for' northern states in the petroleum industry debates as discussed in Chapter Five, and contributed to the APC's electoral landslide in the state in the 2015 presidential elections. However, these have been incidental interventions rather than a calculated strategy of regional and national hegemony, unlike the hegemonic strategy of successive Lagos state governors.

The Political Character of Kano State: Brief Idiosyncratic Reform Orientation in a Context of Institutional Stasis

As the analysis in the previous section demonstrated, Kano, unlike Lagos has not effectively maximised its fiscal and political autonomy towards, the economic objectives of an agro-industrial transition. Using the analytical framework outlined in Chapter One, I argue that in Kano, the nature of constraints, vertical-societal redistribution demands rather than horizontal-elite or external fiscal crises, on the ruling elite have not engendered reform-orientated leadership. Even where some horizontal-elite pressures led to a brief reform-orientation under Governor Rabiu Kwankwaso, there was limited bureaucratic capacity and resources for sustained reforms due in part to the absence of a growth coalition with the domestic business class. A short time horizon worked against policy continuity and institution building.

The Limited Constraints on Kano's Ruling Elite for Reform-Orientated Leadership

After the transition to electoral rule in 1999, Kano like much of Nigeria was at a critical juncture facing significant socio-political and economic problems. Yet, these problems did not catalyse sustained reform-orientated leadership, as was the case at the federal level under Obasanjo's administration (2001-2007), and in Lagos state (1999-2015). Instead, rising vertical-societal distribution demands translated into populist fervour for the implementation of Shari'ah law. There were minimal external-fiscal constraints since ruling elites were not on any developmental course requiring volumes of new revenue. This was until the second-coming of Rabiu Kwankwaso, in which his individual experience of political isolation inspired a brief spell of reform-orientated leadership.

As with much of Nigeria, there were minimal horizontal-elite competitive pressures in the post-military political settlement in Kano. Although there were demographic pressures from a rapidly growing youthful population and Nigeria's highest incidence of poverty, these translated into a different kind of vertical-societal pressure, a clamour for the implementation of shari'ah law. The bottom-up pro-shari'ah clamour voiced public disenchantment at decades of venal rule of secular military rulers, which shari'ah would address by enthroning a 'just' system of administration and creating economic opportunity. It is plausible that Kwankwaso's ruling elite feared a populist backlash if they resisted, while his successor Shekarau, campaigned on an overtly religious platform and enforced shari'ah with vigour. For instance, of these four proclaimed achievements of Shekarau's first term in office, two relate to Shari'ah and none relates to the economy[405]: "(a) protecting the sanctity of Islam; (b) providing security to the populace; (c) Upholding and preserving our religious and cultural values; and (d) promotion of education…to build a disciplined society".

However, in Kwankwaso's second coming (2011-2015), the personal challenges he faced constrained him to be reform-orientated and informed his personalistic approach to reform. He had a burning desire to make a real difference and immortalise his name alongside Kano's revered leaders such as military governor Audu Bako and Abubakar Rimi, but also position himself as a pro-masses national figure, like President Muhammadu Buhari in the North[406]. The catalyst was Kwankwaso's descent into political oblivion after losing his re-election bid in 2003 according to his cabinet members and aides. Although he was Defense Minister in 2003-2007 a ministerial position did not command the same executive power as the governor of Nigeria's most populous state. In political obscurity, he vowed to immortalise his legacy if given a second chance as governor, as opposed to merely enriching himself[407], This bitter experience of electoral defeat was Kwankwaso's personal drive for having a somewhat reformist orientation, with a determination to carve a niche among Kano's revered leaders by seeking to emulate the reforms in Lagos state.

[405] Ibrahim Shekarau's 29 May 2007 inauguration speech, reproduced in NGF (2013:477)
[406] Interview with political analyst, 20 August 2014, Kano Nigeria
[407] Interview, August, 2014, Kano, Nigeria

Kwankwaso was strongly motivated to do things differently, to build legacy infrastructure and improve the lives of people, to be permanently etched in the public imagination. Although there were significant external-fiscal pressures, to expand and diversify the government's finances, rising poverty and a youth bulge, these were not perceived by the ruling elite as crises. In 2011, oil prices were at a historic high and federal allocation flows to the state were steady. Thus the main impetus for reform was the very personal desire of Rabiu Kwankwaso to immortalise his legacy, which he set out to do within his second four-year term.

The Limited Capacity of Kano's Fragmented Ruling Elite to Address Existing Threats

As I outlined in Chapter One, the capacity, i.e. resources available to a ruling elite to address existential crises determine the effectiveness of policy responses. In the absence of an urgent external-fiscal crisis in Kano and the weak perception by the ruling elite that rising poverty could trigger social unrest, there was no impetus to pursue a clear economic agenda in the first decade of democratic rule. However, from 2011, the Kwankwaso administration driven by the governor's personal ambition to immortalise his legacy, took a decidedly reform-orientated path. In this section, I explain how Kwankwaso's idiosyncratic and personalistic reforms undermined his administration's bureaucratic capacity and antagonised the very business class that could form a growth-coalition.

Although Kwankwaso had an evident pro-reform mind-set, the absence of a competent team of bureaucrats to actualise this vision personalised policy around the governor. As the chief executive of a government agency explained to me[408], "he ha[d] the intention and the will, but he lack[ed] a competent and credible team". One of his first tasks after his inauguration in 2011 was to undertake a study tour in Lagos to "learn their ways". However, Rabiu Kwankwaso made unilateral decisions in a hierarchical manner, rather than delegate authority. The three high-level reform committees in the Ministry of Commerce, including the Investment Climate Committee and the Technical Advisory Committee 'copied' from Lagos, met about twice a year only, they were "committees on paper"[409].

[408] Interviews in Kano, Nigeria, August 2014
[409] ibid

Contracts were awarded without a defined economic objective, there was a weak record-keeping culture and 70-80% of government policy was issued verbally[410].

Furthermore, revenues for MDAs and local councils were completely centralised in the governor's office. Unlike Ibrahim Shekarau's administration, in which there was no accountability for funds disbursed monthly to MDAs[411], under Kwankwaso, every line of expenditure had to be approved personally by the governor. As one of the cabinet commissioners explained to me[412]:

> Before I became commissioner, the ministry's monthly overhead used to be N5 million per month, now it is just N300,000 per month, and we are doing well... This is how the administration blocked off all excesses. Before now, [ministries] were just given money, spen[t] it, and retire[d] it. But this administration… based on cogent reasons decided MDAs didn't need all that money, if it is insufficient, come and justify the need for increase …very few MDAs have justifiable reasons for increase.

Although this micro-management blocked leakages, it deprived cabinet commissioners of financial autonomy, making them institutionally and personally 'broke'. They could not dispense patronage to political cronies who frequently stirred trouble in popular call-in radio programmes (which I listened to while in Kano) because they assumed their patrons were 'selfishly' withholding largesse.

This absence of an economic team, the personalistic approach to governance was not coincidental, but stemmed from Kwankwaso's own personal experiences while in political oblivion between 2003 and 2011. Since his personal ambition was to join the ranks of 'great' Kano leaders, he felt he had all the answers. Despite having a doctorate in engineering, Kwankwaso, preferred to be the initiator of all bright ideas, did not appreciate intelligent input from his cabinet and therefore, his decisions were final[413]. Consequently, the commissioners, who should be part of an economic team actualising the governor's vision, were formally deprived of autonomy and informally deprived of resources to grease their patronage networks, and became quietly resentful.

[410] ibid
[411] There is a popular story that Shekarau once visited a community where hundreds of millions of naira were meant to have been spent by a commissioner to rehabilitate the roads. Seeing clearly that the roads were in a terrible state, Shekarau confronted the commissioner who owned up to not doing anything, to which Shekarau responded "I leave this matter to God to decide", and that was the end of it.
[412] Interview, August 2014, Kano Nigeria
[413] Interview, August 2014, Kano Nigeria

Secondly, there was an absence of a coherent horizontal-elite consensus on an economic agenda. Like most states in Nigeria, Kano lacks a coherent growth coalition of the political and economic elite to guide governance, economic policy and social development. According to the Emir Muhammad Sanusi II, the former CBN governor, "there is no structured coordinated thought for northern Nigeria of the type in south-western Nigeria… there are too many internal conflicts in the North to allow for this kind of structured thinking"[414]. Although Kano state elite desire to "reposition the state back to its leading role economically, politically, socially and morally"[415], and the political, business and traditional elite aspire to transform Kano back to its glory days of commerce, there is no consensus on how to proceed with this economic revival[416]. There is also some complacency founded on Kano's historic status as commercial centre that undermines the urgency to respond to a changing national and global economy[417]. This lack of consensus is indicative of elite fragmentation as is explained below.

In the first fissure within the political elite, the partisan rift between the ruling APC and the opposition PDP is especially acrimonious because power has swung between the two parties since 1999. More critical is the rift within the APC ruling coalition, between former governor Kwankwaso and his successor Ganduje. Since Abdullahi Ganduje who was Kwankwaso's deputy, became governor in 2015, their relationship progressively deteriorated into a full-blown animosity by early 2016. Unfortunately, the casualty has been Kwankwaso's numerous flagship projects. Most of the 26 entrepreneurial training institutes have been abandoned[418]. Scholarship schemes and other empowerment programmes have been discontinued. The fragmentation within the ruling elite is rolling back the modest gains attained under Kwankwaso's administration.

The second fissure, within the economic elite, undermines their collective bargaining power for resources and favourable policies[419] from the state. The economic elite in Kano is fragmented on at least

[414] Interview, 23 August 2014, Kano Nigeria
[415] Interview with former commissioner for budget and planning, 18 August 2014, Kano Nigeria
[416] Interview with economist and political analyst, 10 August 2014
[417] ibid
[418] See news report by Ibrahim (2016)
[419] Although Kano entrepreneurs are ostensibly members of local and national business associations which tend to speak with one voice. These include the Manufacturers Association of Nigeria (MAN), the National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), the Supermarkets Associations, among scores of others.

three levels. At one level it is between indigenous and foreign enterprises, in which the latter is more capitalised, technologically superior, autonomous, and highly regarded by the political class while local business, especially merchants are regarded as dependent. One cabinet commissioner described local business thus[420]: "some of them want to be beggars, they are… dependent on the government…" Many entrepreneurs instrumentalise access to the state governor for personal favours: plots of land or inclusion in official foreign trips, putting them in a weak negotiating position to make programmatic sector-wide demands. Consequently, Kwankwaso's disdain for merchants whom he generally dismissed as 'parasitic' was widely perceived as enabling the Chinese displacement of local traders in the garment trade in Kantin Kwari textile market.

At another level, the rift between industrialists who favour protectionism, and the merchants who support liberal trade, inhibits collective action[421]. For instance, business is unable to present a united front against the smuggling of contraband commodities and dumping of cheap imports, because many merchants, from local markets to upscale supermarkets, are beneficiaries of the smuggling industry[422], thereby crippling local industries. Some of the executives of big retailers I spoke with were dissatisfied with the governor's disdain towards them[423], while large manufacturers and MAN had positive reviews about government support[424], indicating a fragmentation of the business class.

At a final level, even among manufacturers, the rift between individual politically-connected large-scale industrialists and the others impedes the business elite's cohesion to present a front for favourable regional or sectoral policies. For instance, Aliko Dangote, Nigeria and Africa's most prominent industrialist, one of a few in the entire country to successfully transition to manufacturing, and who is originally from Kano, is widely accused of leveraging his deep political connections to monopolise benefits individually. Many firms had difficulties obtaining low-pour black oil because

420 Interview, August 2014, Kano Nigeria
421 Interview with economist and political analyst, 10 August 2014, Kano, Nigeria.
422 Interviews, August, 2014, Kano, Nigeria,
423 Interview with the chief executive of departmental store, 11 August 2014
424 Interview with KACCIMA President, 18 August 2014; Interview with industrialist and Managing Director of Dala Foods and Vice President of MAN, 20 August 2014, Kano Nigeria.

Dangote's firms crowd out demand[425]. These fissures within the economic elite obstruct cohesion for collective action in advocating for policies favourable to industry.

The multi-level fragmentation within the political and business elites invariably translates into economic policy being detached from economic realities. Even under Kwankwaso's brief reform-orientated administration, governance was guided not by an overarching economic philosophy, but by the governor's personal idiosyncrasies. While increased capital expenditure on education, the overseas scholarship scheme, infrastructure projects and entrepreneurial support aimed to rejuvenate Kano's economy, in reality these initiatives were not aligned with the specific needs of industry. For instance, it is difficult to see the economic benefit of over $6.7 million expended in training over 100 commercial pilots given that Kano is no longer a large aviation hub, has no state airline and has a few private ones, within a context of national supply glut of commercial pilots[426]. Neither is the establishment of microfinance banks in the state's 44 local governments. Roads, bridges and flyovers are concentrated in the city of Kano rather than linking rural farmers to urban centres.

Figure 7.23: Flyover constructed by the Kwankwaso government painted in the red 'Kwankwasiyya' colour

The one alliance successive state governments, including the reform-orientated Kwankwaso administration, established successfully was with the grassroots shari'ah movement. The Hisbah board was a strategic partner for the Ministry of Women Affairs and Social Development in vocational and entrepreneurial training for women; in the sensitisation programmes for the participation of female students in the overseas scholarship scheme; in the state-sponsored mass marriage schemes and the

[425] Interview with industrialists, August, 2014, Kano, Nigeria
[426] See news report by Abdallah et al (2016)

rehabilitation of young drug addicts. This state-religious alliance, at least under Kwankwaso's second coming, may have been a strategy to secure popular legitimacy for his social programmes, especially the empowerment of unmarried females in a conservative Muslim society.

Although Kano experienced a brief reform period (2011-2015), this was neither supported by a technocratic cabinet nor a growth-coalition. The impetus for these reforms was Governor Kwankwaso's personal crusade resulting in personalistic institutional reforms, rather than external-fiscal constraints on the ruling elite as a collective which would necessitate the resolution of collective action problems towards an overarching economic vision. Like much of northern Nigeria, in the absence of an economic consensus, the ruling elite's legitimacy in Kano was derived from a sectarian pro-shari'ah community.

A Short Time Horizon for Policy Continuity and Institution-Building in Kano

The third critical pillar of effective leadership is the time horizon for a ruling elite to sustain policies and build institutions. Unlike the continuity of one ruling coalition in Lagos since 1999, Kwankwaso's brief reform-orientated administration had a very short time horizon such that most of his reforms, had limited prospects of being institutionalised. As already discussed, the idiosyncratic drive of Kwankwaso's reforms within the context of elite fragmentation undermined the ability to build a growth coalition with the bureaucracy and domestic business, which, alongside a short time horizon resulted in a failure to establish a political hegemony and consequently undermined policy continuity and institution-building.

The centralisation of governance reforms around the individual whims of Rabiu Musa Kwankwaso made them unsustainable. Driven by a credible objective of revenue optimisation, the centralisation of PFM in the office of Governor Kwankwaso deprived cabinet commissioners of any financial and decision-making autonomy. This was reflective of his distrust for his cabinet and a business community he mostly considered 'parasitic', thereby alienating the bureaucratic and economic allies who would ideally constitute a growth coalition to sustain this vision after his departure.

The perils of centralising policy and alienating key constituencies were aggravated by the brevity of Kwankwaso's time in office. Within the context of Nigeria's turbulent succession politics, Kwankwaso's was in a precarious situation due to constitutional term limits – being in his second term, he could not seek re-election. Perhaps, it was in recognition of this time limitation that Kwankwaso came up with the so-called 'Kwankwasiyya' slogan. Derived from his name and symbolised by the colour red, 'Kwankwasiyya' attempted to reinvent the pro-masses politics of First Republic grassroots politician Malam Aminu Kano. One cabinet commissioner explained the reasoning behind 'Kwankwasiyya' thus[427]:

> When there is an ideology, it is easier to get people to rally around issues. The directive in my own ministry…is that no correspondence…spend more than 48 hours on my desk without being attended to. Kwankwasiyya is a rallying point, it stands for a number of things: humility, service to humanity, honesty, sincerity of purpose, hard work, efficiency in governance...

Kwankwasiyya also had the practical objective of sustaining his projects as Figure 7.23 illustrates. The Secretary to the State Government explained to me[428] that: "we write Kwankwasiyya on our projects as a stamp because of our previous experience. Rabiu Musa Kwankwaso in his first term did a lot of projects which the succeeding [Shekarau] administration decided to hijack as their own achievements. If you go to Sani Abacha stadium, they wrote AAS [Shekarau]". They also enacted legislation to ensure continuity in education and health initiatives, and against child domestic labour, and begging.

Kwankwaso was not fully prepared for his succession in 2015. According to a journalist[429], he did not have total control of his political party the APC Kano chapter, and having defected from the PDP he wasn't as influential in the national APC. Although Kwankwaso's deputy, Abdullahi Umar Ganduje eventually succeeded him, the prevailing narrative is that he was a reluctant choice for Kwankwaso. Crucially, Ganduje's disposition of restoring the 'business-as-usual' unproductive patronage politics that Kwankwaso's personalistic PFM had severed may have secured him the backing of the very political class including disgruntled commissioners, whom Kwankwaso's reforms had

[427] Interview, August 2014, Kano Nigeria
[428] Interview with commissioner for women and social development, 26 August 2014, Kano Nigeria
[429] Interview, 20 August 2014, Kano Nigeria

alienated[430]. Kwankwaso and his successor had a public fall-out in which among other things, Ganduje claimed he met an 'empty treasury'. So far, there is no indication that Ganduje shares Kwankwaso's vision to 'leave a legacy', he is neither constrained either by external-fiscal or vertical-societal distributional pressures. It is thus likely that some of the Kwankwaso administration's flagship projects may be discontinued or the public infrastructure – classroom blocks, overhead bridges – emblazoned with the 'Kwankwasiyya' label could be deliberately abandoned.

Lastly, both the personalisation of reform initiatives and the high political turnover in the Kano governorship elections undermined any prospect of a 'political hegemony' to sustain policy and build institutions. With the constant turnover of the PDP-ANPP-CPC-PDP-APC parties over a 16 year period, no ruling coalition survived long enough to craft an economic agenda with the buy-in of crucial bureaucratic, business and grassroots constituencies. Whereas Kwankwaso briefly attempted a personalistic and idiosyncratic 'Kwankwasiyya' as a rallying ideology, Ibrahim Shekarau's administration certainly had no vision beyond enveloping the state in a duplicitous cloak of political shari'ah.

CONCLUSION

In this chapter, I have shown that the largely agrarian and mercantile economic structure, the oil-dependent revenue structure and the below national average development profile of Kano state, are engendered by the non-alignment of both the federal government's market reforms and the Kano state government's policies with Kano's agro-industrial endowment structure. In particular, I have shown how the federal government's services-orientated market reforms, such as the liberalisation of trade, which were policy responses to the constraints in the post-military political settlement have not aligned with Kano's labour-abundant agro-industrial endowment structure. Critically, the state government has not consistently responded with state-level governance and economic policies, barring the brief reform period of Governor Rabiu Kwankwaso's second term (2011-2015).

[430] Telephone interview, 03 April 2016

Using the political settlements analytical framework outlined in Chapter One, I have argued that successive Kano state ruling elites were not constrained by horizontal-elite pressures or external fiscal crises to form growth coalitions with a bureaucracy and the domestic business class, and shift resources accordingly. Instead, they were constrained by vertical-societal pressures which they responded to, not with actual economic redistribution policies, but by extending the scope of shari'ah law and empowering religious institutions such as the Hisbah. In other words, rising poverty, unemployment and general underdevelopment in the context of high global oil prices did not generate an economic reform impulse, perhaps with the notable exception of Kwankwaso's brief four years in office, who also antagonised the bureaucracy and economic elites. Rather, Kano's ruling elites were constrained to respond to populist clamour for shari'ah which swept across northern Nigeria in the early 2000s.

Therefore, like most other state governments around the country, successive Kano state ruling elites were unable to in the first instance maximise their fiscal and political autonomy to diversify and increase revenue generation, but also to craft a distinct political vision, and secure the buy-in of key constituencies. Despite having an endowment structure as a centuries-old commercial centre of a large youthful population, and a robust entrepreneurial and business community, these did not constitute intellectual, financial and managerial resources to constrain ruling elites to be reform orientated. Most unfortunately, Kano's business elites systematically weakened by the acceleration of de-industrialisation since the late 1990s, their inability to transition from mercantilism to industry and their fragmentation, have been unable to collectively constrain the ruling elites to be business-orientated. Most importantly, the frequent political alternations between the rival PDP and the ANPP-CPC-ACN-APC political machineries in leading Kano since 1999 deprived successive ruling elites of the time horizon to ensure policy and ideological continuity.

CONCLUSION

In this thesis so far, I have examined Nigeria's struggles in diversifying its economy. I employed the political settlements analytical framework to analyse the political processes of decision making which at any point in time favour one policy choice over the other in resource-rich and plural societies such as Nigeria, and the economic and development outcomes of these policy choices. In exploring the causal relationship among the three variables of 'constraints', 'policies' and 'economic and development outcomes', that is the political processes which create conditions in which certain policies are preferred over others, I employed the political settlements analytical framework to unveil the institutional environment within which these political processes occur. In this concluding section, I summarise the study's main findings in light of the three research questions enumerated in Chapter One. Then, I outline the implications of the findings for the economic diversification agenda in Nigeria as many other resource-rich African countries. Finally, I outline the implications and contributions of the study to theory-building in: operationalising the political settlements analytical framework and thereby enhancing our understanding of persistence and change of institutions and in theorising about the political economy of Africa, the resource-curse, ethnic pluralism and the politics of economic development.

WHY HAS THE NIGERIAN ECONOMY REMAINED DEPENDENT ON THE OIL SECTOR DESPITE YEARS OF ECONOMIC REFORM AND RAPID ECONOMIC GROWTH?

Exploring this question yielded two main findings.

First, the extent of diversification depends on the specific economic indicator in question. As presented in Chapter Four, Nigeria's GDP has become relatively diversified. The oil sector accounted for 6.4% of GDP in 2015 down from 48.9% in 2000. By 2014, the number of economic activities accounting for almost 80% of GDP increased to six, (including agriculture, oil, trade, ICT, manufacturing and real estate) up from the three activity sectors in 1999 (oil, agriculture and trade) which accounted for over 80% of GDP in 1999. Although, as discussed, much of these changes had to do with the statistical revisions of the GDP base year in 2014. The story is however different when one considers export earnings, for which oil and gas constitute over 90%. The diversification of GDP is not translating into a diversification of export earnings due to the size of the informal economy at 41.4% of GDP in 2015, the small scale of production in which micro enterprises constitute 99.8% of all MSMEs and weak industry where the manufacturing sector is less than 10% of GDP. Fiscal revenues also remain overwhelmingly dependent on earnings from oil and gas exports, although the actual figures have slightly declined from 98.4% in 1999 to 92.5% in 2015. Similarly, a broader GDP structure has not translated into a broader revenue base due to weak tax systems and the difficulty of taxing the informal economy, which constitutes almost half of GDP.

Second, Nigeria's sub-national or state economies are less diversified. They are highly dependent on oil and gas revenue disbursements from the centre and their economies are non-industrial. Only Lagos state, the country's commercial centre comprising 21.9% of Nigeria's economic activity, the nucleus of the non-oil growth in the service economy, is able to generate at least 50% of its fiscal revenue from internal, non-oil sources. All other 35 states remain highly dependent on oil revenue disbursements from the federal government for more than 50% of their revenue. Lagos is atypical in this regard because it has captured some of the non-oil growth through improved tax systems, as discussed in Chapter Six.

One area which merits further research is a detailed assessment of the extent to which these new non-oil growth-driving sectors are endogenous to the oil and gas sector. This is because since mid-2014, lower oil prices and aggravated by renewed militancy in the oil-rich Niger-Delta have slowed growth sharply and led to macroeconomic imbalances. These have led to shortfalls in non-oil revenues, a fall in international reserves, a further deterioration in finances of state and local Governments and deepening disruptions in private sector activity due to constraints on access to foreign exchange (IMF, 2016). Thus, growth slowed from 6.3% in 2014 to 2.8% in 2015, oil GDP growth declined from -1.3% in 2014 to -5.4% in 2015, non-oil GDP growth from 7.3% to 3.6%, and total exports growth fell from -

13.3% in 2014 to -40.7% in 2015 (ibid). By the first quarter of 2016, Nigeria experienced a contraction of the economy of -0.36%, from 2.11% in the fourth quarter of 2015, for the first time in over two decades (NBS, 2016e). The contraction of the non-oil economy is indicative of the endogeneity of the service economy to the oil sector, and would thus merit an extensive analysis[431].

WHY HAS RECENT ECONOMIC GROWTH NOT BEEN DRIVEN BY INDUSTRIALISATION?

Exploring this question yielded three key findings.

First, economic growth after military rule driven by non-oil services sectors rather than manufacturing, was unleashed by specific policies and reforms. Although manufacturing recorded some growth between 2011 and 2014, it only expanded to about 10% of GDP. The Nigerian economy has not industrialised because growth was neither driven by nor resulted in an industrial expansion and transformation. As discussed in Chapters Four and Five, starting with the 'due-process' reform of public procurement and telecommunications liberalisation in 2001, the NEEDS unveiled in 2003 was the blueprint for a series of economic and governance reforms including privatisation of public enterprises, partial deregulation of the oil industry, plans to privatise and deregulate the power sector, a 'gradual' trade liberalisation process, anti-corruption, civil-service and other institutional reforms. Some of these reforms were sustained across the administrations of the three successive governments of Obasanjo, Yar'adua and Jonathan, as medium-term goals under the rubric of a Vision 20:2020 agenda, to propel Nigeria into the league of the world's Top 20 economies by the year 2020.

Second, these reforms were policy responses to specific pressures on the post-military ruling elite constraining them to make specific policy choices which did not engender industrialisation. As analysed in Chapters Four and Five, external constraints of low oil prices and donor insistence on

[431] Some of this endogeneity is explained in by the IMF (2016:4). Since Nigeria's fiscal and external accounts are highly dependent on oil receipts, lower oil prices reduce aggregate demand from the public sector and affect growth in the non-oil sector through consumption, investment, asset prices, and cost channels. A lower supply of foreign exchange adversely impacts corporate sector activity, and combined with high costs of doing business weakens balance sheets in corporate and banking sectors and lowers investment and growth. Although the banking sector is relatively small, the transmission of shocks has widespread impact as conditions in the formal sector have trickle-down effects on informal credit and trading activities (IMF, 2016:4).

institutional reform as a precondition for debt relief pressured Olusegun Obasanjo's administration to reform public procurement and contracting, liberalise the telecommunications sector, and prepare the NEEDS blueprint for other market and institutional reforms. There was an emphasis on reforms which delivered 'quicker results' in the capital- and skills-intensive service economy in ICT, the financial sector, real estate, construction and public service, rather than manufacturing and industry which required long-term institutional reforms, infrastructure and other investments. However, historic high oil prices from 2009 may have induced inertia by alleviating the immediate fiscal pressures on the ruling elites, and at the same time gave them resources to dispense patronage to patch-up the fragmenting PDP ruling coalition. This was most evident in the oil sector: in the expansion of fuel subsidies and fuel importing contracts, the depletion of countercyclical savings in the ECA and Nigeria's foreign reserves despite high oil prices, and rolling back some market reforms.

Third, horizontal constraints within the ruling coalition had at least two effects in further undermining prospects for industrialisation. In the telecommunications sector, a group of private sector actors allied to the PDP's ruling coalition provided the financial resources in partnership with foreign telecoms such as MTN and Econet, to make the telecoms liberalisation a success. Conversely in the oil sector, these very horizontal constraints exacerbated opacity and distributional pressures through the state oil corporation, the NNPC, the use of oil marketing licenses, crude lifting contracts and other forms of oil sector patronage to placate aggrieved members within the fragmenting PDP ruling coalition in the wake of the collapse of the zoning power-sharing consensus. Lastly, vertical-societal distribution demands from trade unions, civil society and violent militant groups feeling the brunt of rising costs of living and declining welfare constrained successive ruling elites to pursue short-termist direct redistribution policies rather than a long-term focus on industrialisation. Thus, rather than pursuing sustainable poverty reduction, income improvement and jobs creation, the ruling elites maintained expensive fuel subsidies and provided direct financial payoffs to militants in the Niger-Delta through the Amnesty programme.

WHY HAS RECENT GROWTH NOT TRANSLATED INTO POVERTY REDUCTION?

Exploring this question yielded three key findings.

First, economic policies and institutional reforms pursued in the post-military political settlement were growth-enhancing without being poverty-reducing. As explored in Chapters Four and Five, the NEEDS reforms and to an extent those of successive governments under the Vision 20:2020 rubric empowered capital- and skills-intensive services sectors rather than those in labour-intensive industry and their jobs creation and income generation implications. Although the $1billion per annum saved from debt relief was channelled directly towards the Millennium Development Goals via the Virtual Poverty Fund, this targeted public health and primary education, rather than jobs creation and income generation. Relatedly, in the absence of significant industrial expansion and its backward linkages to smallholder production, increasing economic precarity may have pushed small-scale economic actors into informality in agriculture, trade and industry, as the number of micro-enterprises and the size of the informal sector GDP show.

Second, the regional concentration of the drivers and benefits of economic expansion limited the poverty-reducing effects of growth. As discussed in Chapters Four to Seven, post-military economic reforms (and their economic outcomes) aligned with the services-orientated endowment structure of southern states like Lagos, rather than the agro-industrial base of more populous northern states like Kano. Therefore, the benefits of services-orientated growth were concentrated in Lagos through an economic boom in trade, property, ICT, and financial services. Lagos witnessed jobs creation, incomes augmentation, a rising middle class and some noticeable poverty reduction albeit with a large informal economy. The Lagos state government was also able to capture the benefits of this boom through improved taxation. However, the agro-industrial economic base of Kano languished. There was massive deindustrialisation of its agro-industrial medium and large-scale firms – about 70% of firms in Kano's industrial estates closed between 1990 and 2010. Although the agriculture sector recorded some growth nationally, in Kano, this remained small-scale, rural and informal, the trade sector with the exception of a few large firms was largely small-scale and informal and with weak links to local industry.

Therefore, northern states like Kano, which also happen to be the most populous did not capture the benefits of the economic expansion through jobs creation and rising incomes, but had a higher incidence of poverty.

Third, the policy priorities of sub-national governments are also decisive in whether growth has poverty-reducing effects. In the Nigerian federation's three-tiered structure of administration, the policy direction of state governments in complimenting national economic policies, by pursuing a growth-enhancing agenda, a predatory agenda or a sectarian one, are critical. In Lagos state as the analysis in Chapter Six shows, successive state ruling coalitions, were constrained by external threats of fiscal insolvency, vertical-societal pressures of violent crime and urban decay, and horizontal-elite pressures of political factionalisation within the AD-ACN-AC-APC ruling coalition. This led to governance reforms in public financial management, improved taxation for revenue generation, infrastructure rehabilitation, urban renewal, significant headway in building a growth coalition with the private sector and in instituting policy continuity, all enabled by the political hegemony of former governor Bola Tinubu's political machinery. The growth agenda which underpinned reforms by successive Lagos state governments complemented federal government policies, enabling the Lagos economy to drive and capture the benefits of national economic expansion, and thereby reduce poverty.

By contrast, in Kano as analysed in Chapter Seven, successive state ruling elites faced vertical-societal populist and religious pressures which were not directly distributional. Kano's ruling elites were neither constrained by external fiscal pressures nor by horizontal-elite pressures from an autonomous private sector. Instead, they zealously pursued a sectarian policy agenda of extending and institutionalising shari'ah law, from private civic matters to the criminal code and other facets of public life. The brief 'reform moment' under Rabiu Kwankwaso's administration (2011-2015) was not sustained due to its personalistic characteristics, absence of a technocratic cabinet, the absence of a growth coalition, the weak technical capacity, weak autonomy and the fragmentation of the business class, and the absence of a political hegemony to sustain these nascent policies. Consequently, Kano has been unable to compliment federal reforms and has not captured the benefits of recent economic growth.

One area of further research would be a comprehensive analysis of the national poverty headcount and sub-national poverty distribution over the sixteen year post-military period. This could also be complimented by a historical analysis of the deep roots of horizontal and spatial inequalities between the North and the South, the persistence of these inequalities, and their interaction with the more proximate causes of the current regional distribution of poverty. Firm-level case studies and their experiences in the services and agro-industrial sectors of the two sub-national cases would also be worth assessing to further highlight the causal relationship among 'constraints', 'policies' and their 'outcomes'.

IMPLICATIONS FOR THE POLITICAL AGENDA OF ECONOMIC DIVERSIFICATION IN NIGERIA

Based on the study's findings so far, there are five important implications for the economic diversification project in Nigeria.

First, 'economic diversification' is clearly a political agenda rather than a purely technocratic fix. For economic diversification to be pursued in an effective and sustainable manner, it must be recognised as a political project towards stabilising the country's political economy and generating shared prosperity for competing interests, rather than a purely economic objective of 'building a strong economy', 'industrialisation' or 'poverty reduction'. In the context of strong differentiations in regional endowment structures, economic diversification based on industrialisation requires integrated economic policies which can coordinate the services, agro-allied, oil and mineral-orientated endowment structures of Nigeria's states across the North and the South. In the context of competing elite and societal pressures, the formulation and implementation of these integrated economic policies is contingent on resolving the collective action problems among these horizontal-elite and vertical-societal interests. In other words, there has to be a shared consensus acknowledging the need to industrialise the economy away from oil, which will grow the pie for the elite, foster economic and social inclusion, and mitigate the violent competition for access to national political power and therefore oil rents, by creating regional growth poles across the Northern and the Southern states.

Second, this political agenda of sustainable economic diversification must be a long-term objective. It must be proactive with a view to addressing structural economic distortions rather than an ad-hoc reactionary response to external constraints of oil shocks or donor pressures. The sustained implementation of the necessary integrated policy instruments for structural economic reforms within a weak institutional context requires a long planning horizon. This can be engendered by a shared vision for this agenda among competing horizontal-elite and vertical-societal groups, which outlasts the short-term political calculations of electoral transitions. Resolving these collective-action problems does not equate to the emergence of a stable political settlement overnight. At its most, it basic entails the forging of new elite bargains and peace agreements which set the 'rules of the game' for critical sectors that matter. Marked by junctures at which bargains and agreements are periodically forged and (re)negotiated (such as the constitutional conferences which ushered the post-independence political settlement in 1960, the elite bargains within the military which underlay the post-civil war military political settlement from 1967 and the elite bargains within the PDP which led to the post-military political settlement from 1999), the Nigerian political settlement is perhaps distinct in this regard. However, the frequent collapse of these elite bargains due to breaches and non-compliance, and the severe instabilities they generate signify the absolute necessity of abiding by these agreements, compliance by stakeholders and effective enforcement.

Third, the post-military political settlement within which this political agenda of economic diversification is to be pursued is characterised by parallel processes of economic and political fragmentation. Since 1999, the diversification of GDP, political liberalisation and the process of democratic consolidation have been eroding the scope of state power economically, politically and spatially.

Economically, the growth of non-oil sectors through market reforms has empowered private economic actors who are autonomous but not completely independent of the state. These include the 'Organised Private Sector': the bankers and financial sector elites, the manufacturing conglomerates including Dangote, Innoson and Heir Holdings, which are relatively autonomous, functional, not necessarily tied to regional-elite networks, but also largely southern-based. Politically, democratic rule has empowered new political actors within formal democratic institutions which are displacing old institutions. These include state governors and legislators displacing the old guard military actors and traditional rulers; and the social media commentators and bloggers, militant and religious movements and other new civil society actors displacing traditional media, trade unions and ethnic associations.

These new actors are increasingly beyond the state's direct reach, especially the federal government, which often attempts to violently 'reassert its control. Notably is the consistent viciousness by the police, the military and other security agencies in containing any threat to law and order. There is extensive evidence of human rights abuses in the course of the war against the Boko Haram insurgency in the North East[432], against militants in the Niger Delta, the shootings of pro-Biafra protesters in the South East and the extrajudicial killings of over 347 members of the Shiite sect in the northern town of Zaria[433]. This is indicative of the state's inability to establish what Migdal (1988:22) refers to as 'social' or 'infrastructural' control within society in successfully subordinating behaviour sought by various, social organisations in favour of the behaviour prescribed by state rules. Thus Nigeria appears to fit into his description of "web-like societies [which] have survived with social control dispersed among various social organizations having their own rules rather than centralized in the state" (Migdal, 1988:40). This economic and political fragmentation is undermining the ability of the state to act as a sphere of collective action among these diverse actors in the political settlement, affecting its cohesion and thus its capacity to effectively facilitate an industrial economic transition.

The spatial dimension to this fragmentation is that non-oil economic growth has largely benefitted and has been mostly captured by southern economic actors. Although there are exceptions in northern outliers like Dangote, the finance, telecommunications, real estate, oil and other major economic sectors across the board are dominated by southern business. The main implication is that southern economic elites may become disproportionately influential in dictating future economic

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[432] See: Amnesty International (2015) Stars on their Shoulders. Blood on their Hands: War Crimes Committed by Nigeria's Military. AFR44/1657/2015 London: United Kingdom

[433] See: Amnesty International (2016a) Nigeria – Unearthing the Truth: Unlawful Killings and Mass Cover-Up in Nigeria. AFR 01/3883/2016 London: United Kingdom; Amnesty International (2016b) Nigeria: Killing of Unarmed Pro-Biafra Supporters by Military Must be Urgently Investigated.

policies and by implication in institution building, permanently shifting the balance of power, giving southern elites more of what Khan (2010) refers to as 'holding power', a rooted capacity to organise and contest the distribution of resources. Although in theory, this southern economic domination could herald a hegemony of ideas on economic policy and institution building, it would in reality exacerbate this process of economic and political fragmentation. This is because the 'South' has never been a cohesive economic, political or cultural block. Any doubts about the economic, political and cultural differentiation between the Yoruba south-west, the Igbo south-east and the multifarious ethnicities in the oil-producing Niger-Delta (south-south) was dispelled by the 'Lagos is a No Man's Land' controversy which at once revealed the extent of these divisions, and the simmering tensions regarding the capture of economic gains by the Yoruba south-west (as discussed in Chapter Six). Without measures of effective management, this regional economic differentiation is likely to heighten tensions and the potential for violent instability.

Fourth, the establishment of regional growth coalitions are critical to the resolution of collective action to mitigate national economic and political fragmentation. The relatively equal power of the three main regionally-based ethnic groups, as well as the coalition of ethnicities in the oil-producing Niger-Delta, means that no one group can singularly establish an enduring hegemony without destabilising the political settlement to the point of violent collapse. As discussed in Chapters Three and Four, the severe instabilities from various unilateral hegemonic agendas led to the collapse of the First Republic in 1966, the Civil War in 1967, the succession of military coups by largely northern military factions in the military period, Obasanjo's failed Third-Term bid in the mid-2000s, and the collapse of the PDP in 2015 after Jonathan's breach of the 'zoning' power-sharing agreement in 2011. Therefore, maintaining a stable balance of power through a shared consensus over the political agenda of economic diversification requires the resolution of collection action problems in the regions, a process well underway in the Yoruba south-west spearheaded by former governor Bola Tinubu's political hegemony. Regional coalitions emerging from a pro-growth economic agenda, underpinned by a consensus among core business, traditional, ruling elites and other stakeholders in these regions, and the ability to articulate this regional agenda coherently at the centre to contribute to an integrated national economic diversification agenda, will create a stable national political settlement overall.

Lastly, the effective coordination of the differentiated endowment structures across Nigeria's regions require distinct but complimentary economic and political systems to create regional growth poles. This study's findings suggest that Nigeria has not one, but roughly four distinct economies, which are regionally differentiated but also complimentary. As discussed in Chapter Four, there is an oil economy in the Niger Delta, a service economy in the south-west and to an extent the south-east, an agricultural and solid minerals economy in the middle belt north-central, and an agro-industrial economy in the north-west and north-east. As the analyses of the two sub-national cases of agro-industrial and services-orientated regional economies of Kano and Lagos respectively show, these regions require distinct but complimentary systems of economic management and governance.

Lagos and most of the south-west, are well-suited to a market economy driven largely by an already existing private sector and foreign investors. With higher literacy rates and stronger civil society presence, both of which can constrain ruling elites to be reform-orientated, the region is also suited to a participatory liberal democracy. Due to the severe weakness of the private sector among a number of other market failures, Kano as much of the North for the time being would best flourish under a more statist economic model. A stronger state would coordinate an optimal allocation of labour, capital and technology within its endowment structure. The region's low literacy, weak civil society presence and their low formal participation in the policy process which weakens the prospects of demand-side accountability makes the region more suited to some version of benevolent democratic authoritarianism. This could push through necessary economic and institutional reforms, such as the regulation of religious preaching, to counter sectarian influences, until economic growth and poverty reduction empower more secular or reform-orientated forces.

IMPLICATIONS FOR THE POLITICAL ECONOMY OF AFRICAN DEVELOPMENT

In using the political settlements approach to explore questions of economic diversification, there are four implications for social science theory.

The first is that, as many scholars have already argued, economic development is a deeply political process rather than a technical, policy process. This is especially the case in weak institutional contexts in which private economic actors are weak, where the state has to play multiple roles either as an economic actor, as a sphere of social conflict and collective action among competing interests or as a facilitator of the activity. In understanding these political processes underpinning economic policies and their development outcomes, it is crucial not to reduce this complex dynamic to a 'democracy versus authoritarianism', 'electoral process', 'civil society participation' or some political representation argument. The political settlements analytical framework enables a more comprehensive assessment of the political processes underpinning policy making and its various development outcomes.

The second implication is that using the political settlements framework provides a comprehensive understanding of the causal relationship between political processes and economic development outcomes. By unveiling a country's institutional configuration, identifying the 'constraints' on a ruling coalition, the range of policy choices available to them, and the economic development outcomes (as well as the regional distribution of the gains of economic expansion) of these policy choices, the political settlements framework explains the specific mechanisms through which seemingly 'good' or 'bad' policies are preferred by a ruling elite. With a focus on Nigeria, this study provides a robust operationalisation of the political settlement as conceptualised by Khan (2010). This is both as a phenomenon encapsulating the entirety of a society's institutional configuration, and as an analytical framework for understanding the drivers and constraints of decision-making.

Consequently, it is implicit throughout the study, that the political settlement is not a precondition for successful economic policy and outcomes as some scholars such as Booth (2015) and Booth et al. (2015:11) are wont to argue. On the contrary, the political settlement evolves simultaneous to the process of economic change and is often shaped by this process of change. It is neither a single event nor "a process of never-ending politics" (Laws, 2014). This is what makes the four elements of the political settlement which I define – elite bargains, wider coalitions with societal groups, economic agenda and institutionalisation – important in marking the emergence or evolution of a society's institutional configuration. Elite Bargains, as conceptualised by DiJohn and Putzel (2009) and which I also identify as one of four elements of a political settlement and their potency within a specific period mark the emergence, evolution or collapse of the underlying political settlement within a specific period. Therefore, it is hoped that this study makes an important contribution to the literature on institutional persistence and change. Specifically, it is hoped that it contributes to our understanding of how institutions emerge, evolve and collapse based on an interplay of a gradual process of change in the economic structure, in the ownership of resources or defacto political power, and in influence over formal institutions or dejure political power.

Thirdly, the vast array of insights provided by employing this political settlements analytical framework brings into sharp relief, the inadequacy of competing theoretical frameworks in explaining the challenges of economic transformation in developing countries. For one thing, it is clear that oil and mineral resources are just one of several main sources of pressures identified in the eco-system of the political settlement constraining leaders to pursue specific courses of action. This contrasts sharply with rentier state and resource-curse theories which regard oil and resources as the sum-total of drivers of decision-making. By isolating external constraints of oil shocks or donor pressures, the political settlements approach thus provides a precise understanding of the intricacies of decision-making during resource booms and busts, the constraints they exert on a ruling elite and windows for reform.

Furthermore, the political settlements framework enables the identification and assessment of significant temporal, sectoral and spatial variations in economic development outcomes within the weak institutional contexts of so-called neopatrimonial societies. In contrast to neopatrimonaialism's view that informal institutions undermine political stability, economic efficiency and development, the political settlements frameworks regards them as the actual distribution of power which have varying consequences across time and space for efficiency and development outcomes. The analyses in Chapters

Three, Four and Five showed temporal variations, where certain Nigerian military and civilian administrations over time were constrained to be more reform-orientated than their predecessors or successors. Chapter Five also showed sectoral variations in the successful liberalisation of the telecommunications sector contrasted with the stagnation and decline of the oil sector. In Chapters Six and Seven the political settlements framework enables the analysis of spatial variation among sub-national and regional economies in Kano and Lagos, and their relationships to the national economy. This entails the analysis of different configurations of power, state-business relations and resource endowments at national and sub-national administrative levels within a federation such as Nigerian state which are not captured by the generic concept of neopatrimonalism. The findings on the economic and revenue diversification in Lagos in contrast to the failed industrial transition in Kano go beyond ahistorical analyses like LeBas and Cheeseman (2013) which attribute this to a social contract.

Lastly, by analysing the economic outcomes of policy choices especially the shifts in a country's economic structure and their implications for future distribution of power, the study makes a critical contribution to our understanding of the drivers and implications of the ongoing structural transformation without industrialisation in African countries, especially resource-producing ones.

APPENDIX I: LIST OF FIELD WORK RESPONDENTS

- Serving and former officials of ministries and agencies of and relevant to key economic sectors under analysis:
  - Ministry of Finance
  - Ministry of Industry, Trade and Investment
  - Ministry of Agriculture and Rural Development
  - National Planning Commission (Ministry of National Planning)
  - Ministry of Petroleum Resources: including NNPC and NEITI
  - Ministry of Mines and Steel Development
  - National Planning Commission (Ministry of National Planning)
  - Office of the Chief Economic Adviser to the President
  - Central Bank
  - National Bureau of Statistics
  - Kano and Lagos State Ministries of Economic Planning and Budget, Finance, Women Affairs, Lands and Physical Planning, Secretary to the State Government, Office of the Governor
- Private sector actors in key economic sectors:
  - Bankers
  - Industrialists
  - Traders
  - Entrepreneurs (including Tech Entrepreneurs)
  - Business associations: Manufacturers Association of Nigeria (MAN), National and State Chapters of the Chambers of Commerce, Industries, Mines and Agriculture, Supermarket associations and other traders' association
- Key political institutions:
  - The Presidency
  - The Legislature, that is, the National Assembly
  - Political Parties
  - Governors' Forum: Nigeria Governors' Forum (NGF) and All Progressives' Governors' Forum (PGF)
- Key social institutions:
  - Christian Association of Nigeria and Jama'atul Nasril Islam
  - Independent Muslim and Christian clerics
  - Ethnic associations
- Media and Civil Society Actors:
  - Local and foreign Journalists and newspaper editors

  - Academics
  - NGOs
  - Bloggers
- Development Partners and other external actors:
  - DfID and other bilateral donors
  - World Bank and African Development Bank
  - Western diplomatic mission

APPENDIX II: DATA TABLES

Table 1: Major Export Commodities, 1950 and 1960

		Volume (tons. '000)		Value (£) millions		Value (%)	
	Sector/Commodity	**1950**	**1960**	**1950**	**1960**	**1950**	**1960**
1	Cocoa	100.0	180.0	19.0	35.0	21.5	21.1
2	Palm Kernels	420.0	420.0	16.5	25.0	18.6	15.1
3	Groundnuts	143.0	619.0	15.2	22.0	17.2	13.3
4	Palm Oil	167.0	197.0	12.1	13.2	13.7	8.0
5	Benniseed	9.0	27.5	0.7	1.8	0.8	1.1
6	Cotton	42.0	151.0	3.0	5.9	3.4	3.6
7	Petroleum*	-	847.0	-	4.4	-	2.7
8	Sawn Timber	548.0	2,000.0	0.2	1.1	0.2	0.7
9	Timber Logs	9,218.0	22,000.0	2.2	5.9	2.5	3.6
10	Rubber	13.7	58.0	2.8	14.2	3.2	8.6
11	Other Exports			16.8	37.1	19.0	22.4
	Total (excludes Other Exports)			**71.7**	**128.5**	**81.0**	**77.6**
	Total (inclusive of Other Exports)			**88.5**	**165.6**	**100.0**	**100.0**

*Exports in 1958 were 245,000 tons

Source: National Development Plan, 1962-1968, p.11

Table 2: Sectoral Share of GDP and Growth Rates (%), 1962-70

	(%) Share of GDP								(%) Growth Rate							
SECTOR	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**	**1968**	**1969**	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**	**1968**	**1969**
Agriculture,	61.2	61.1	59.2	56.4	54.9	55.9	54.6	53.0	-	8.2	-0.5	0.5	-0.2	-6.0	-1.4	-0.5
Mining	2.0	2.2	3.2	5.3	7.2	3.5	3.8	4.5	-	16.8	51.8	73.5	38.8	-55.0	8.0	23.0
Manufacturing & Crafts	5.8	5.4	5.4	5.9	5.9	7.4	8.6	9.4	-	1.2	2.6	16.4	1.5	17.0	16.0	13.0
Electricity and Water Supply	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.7	-	21.7	11.0	13.6	16.3	-6.5	5.0	6.7
Building and Construction	4.4	4.6	4.4	5.2	5.1	4.9	5.0	5.0	-	14.8	-1.5	23.1	1.6	-11.1	1.5	4.0
Distribution	12.2	12.7	13.3	13.1	12.7	13.3	12.9	12.6	-	12.3	7.7	4.0	-0.9	-3.5	-1.5	-0.5
Transport	4.2	4.3	4.1	3.6	3.4	3.4	3.4	3.3	-	11.6	-3.4	-6.2	-4.1	-6.0	-0.6	1.2
Communication	0.4	0.5	0.5	0.6	0.6	0.5	0.5	0.5	-	13.6	17.9	16.5	2.2	-17.0	0.0	3.8
General Government	3.9	3.6	3.6	3.3	3.3	3.3	3.3	3.4	-	0.0	1.6	-1.0	0.0	-6.8	2.1	5.9
Education	2.7	2.7	2.9	2.8	3.0	3.2	3.2	3.3	-	5.9	13.8	1.6	10.3	-3.9	2.2	4.0
Health	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	-	4.2	25.3	4.3	-5.1	-3.2	1.1	6.6
Other Services	2.1	2.0	2.1	2.3	2.6	3.2	3.4	3.6	-	-1.1	10.0	17.9	14.4	14.0	7.0	6.9

Source: FRN (1970) Second National Development Plan 1970-74

Table 3: Disaggregation of Export Commodities (N) millions, 1965 to 1979

Year	Oil	Non-oil	Total	Oil	Non-oil	Total
1965	68.1	195.4	263.5	25.8	74.2	100.0
1966	92.0	186.7	278.7	33.0	67.0	100.0
1967	72.1	166.0	238.1	30.3	69.7	100.0
1968	37.0	169.5	206.5	17.9	82.1	100.0
1969	136.0	184.1	320.1	42.5	57.5	100.0
1970	509.8	375.6	885.4	57.6	42.4	100.0
1971	980.4	312.9	1,293.3	75.8	24.2	100.0
1972	1,186.4	247.8	1,434.2	82.7	17.3	100.0
1973	1,958.9	319.5	2,278.4	86.0	14.0	100.0
1974	N/A	N/A	N/A	93.0	7.0	100.0
1975	4,563.1	357.1	4,920.2	92.7	7.3	100.0
1976	6,321.3	421.2	6,742.5	93.8	6.2	100.0
1977	6,648.2	493.6	7,141.8	93.1	6.9	100.0
1978	6,253.4	667.6	6,921.0	90.4	9.6	100.0
1979	10,578.3	652.7	11,231.0	94.2	5.8	100.0

Source: FRN (1970), 1970-74, p.23; FRN (1980), 1981-1985 and World Development Indicators (2015). 1965-1969 figures are in (£) millions, 1970-1979 figures are in (N) millions

Table 4: Disaggregation of Federal Government Revenue (N) millions, 1961 to 1980

Year	Total Federally Collected Revenue	Oil Revenue	Non-oil Revenue	Oil Revenue (%)	Non-oil Revenue (%)
1961	223.65	0.00	223.65	0.0	100.0
1962	447.00	0.00	447.00	0.0	100.0
1963	498.19	0.00	498.19	0.0	100.0
1964	554.14	0.00	554.14	0.0	100.0
1965	654.34	0.00	654.34	0.0	100.0
1966	612.88	0.00	612.88	0.0	100.0
1967	654.34	0.00	654.34	0.0	100.0
1968	569.53	0.00	569.53	0.0	100.0
1969	755.96	0.00	755.96	0.0	100.0
1970	634.00	166.60	467.70	26.3	73.8
1971	1,168.80	510.10	658.70	43.6	56.4
1972	1,405.10	764.30	640.80	54.4	45.6
1973	1,695.30	1,016.00	679.30	59.9	40.1
1974	4,537.40	3,724.00	813.40	82.1	17.9
1975	5,514.70	4,271.50	1,243.20	77.5	22.5
1976	6,765.90	5,365.20	1,400.70	79.3	20.7
1977	8,042.40	1,749.80	1,961.80	21.8	24.4
1978	7,371.00	4,555.80	2,815.20	61.8	38.2
1979	10,912.40	8,880.80	2,031.60	81.4	18.6
1980	15,233.50	12,353.30	2,880.20	81.1	18.9

Source: CBN Statistical Database

Table 5: Sectoral Share of GDP and Sectoral Growth Rates (%), 1970-1974

	Sectoral Share of GDP (%)					Sectoral Growth Rates (%)				
SECTOR	**1970**	**1971**	**1972**	**1973**	**1974**	**1970**	**1971**	**1972**	**1973**	**1974**
Agriculture	36.0	32.0	27.9	24.7	23.4	-	5.2	-6.3	-3.1	3.9
Mining and Quarrying	33.1	39.3	43.4	45.1	45.5	-	40.4	18.4	13.9	10.5
Manufacturing and Crafts	5.0	4.1	4.8	4.8	4.7	-	-3.1	23.9	9.9	9.2
Electricity and Water Supply	0.3	0.3	0.4	0.4	0.4	-	20.6	18.8	22.6	12.9
Building and Construction	3.5	4.1	4.7	5.4	5.7	-	41.2	23.2	25.3	15.6
Distribution (Trade)	9.0	8.1	7.4	6.9	6.7	-	6.2	-2.7	3.2	6.7
Transport & Communications*	1.8	1.9	2.1	2.1	2.3	-	21.8	23.0	8.0	16.8
General Government	6.3	5.5	4.6	5.8	6.3	-	3.4	-10.3	38.6	18.0
Education	2.7	2.6	2.5	2.4	2.6	-	15.0	2.0	3.4	20.4
Health	0.8	0.7	0.8	0.8	0.9	-	3.3	24.4	19.1	20.2
Other Services	1.4	1.4	1.4	1.5	1.5	-	13.8	13.8	13.8	9.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	-	**18.4**	**7.3**	**9.5**	**9.7**

Source: FRN (1975) Third National Development Plan 1975-80

Table 6: Percentage Distribution and Growth Rate of the Manufacturing Sector, 1962-1980

Year	Manufacturing (Millions)	Manufacturing's Share of GDP (%)	Growth Rate (%)	Total GDP
*1962	75.9	5.8	n/a	1,315.4
1963	76.8	5.4	1.2	1,425.7
1964	78.8	5.4	2.6	1,463.4
1965	91.7	5.9	16.4	1,543.0
1966	93.1	5.9	1.5	1,583.1
1967	108.9	7.4	17	1,462.4
1968	126.3	8.6	16	1,476.2
1969	142.7	9.4	13	1,513.8
1970	475.1	5.0	n/a	9,442.1
1971	460.3	4.1	-3.1	11,177.9
1972	570.1	4.8	23.9	11,993.1
1973	626.5	4.8	9.9	13,135.5
1974	683.9	4.7	9.2	14,410.7
1975	1,532.0	5.6	56.6	27,364.7
1976	1,554.5	5.2	1.5	29,746.2
1977	1,555.0	4.9	0.0	31,992.0
1978	1,923.8	5.9	23.7	32,347.7
1979	2,076.4	5.9	7.9	35,196.4
1980				

*Figures for 1962-1969 are in (£) millions. From 1970 onwards, figures are in (N) millions

Source: FRN (1970) Second National Development Plan 1970-74; FRN (1975) Third National Development Plan 1975-80 and FRN (1981) Fourth National Development Plan 1981-85 (p.15)

Table 7: Disaggregation of Export Earnings (N) Millions, 1980-1995

Year	Oil Exports	Non-Oil Exports	Total Exports	Oil Exports (%)	Non-oil Exports (%)
1980	13,632.3	554.4	14,186.7	96.1	3.9
1981	10,680.5	342.8	11,023.3	96.9	3.1
1982	8,003.2	203.2	8,206.4	97.5	2.5
1983	7,201.2	301.3	7,502.5	96.0	4.0
1984	8,840.6	247.4	9,088.0	97.3	2.7
1985	11,223.7	497.1	11,720.8	95.8	4.2
1986	8,368.5	552.1	8,920.6	93.8	6.2
1987	28,208.6	2,152.0	30,360.6	92.9	7.1
1988	28,435.4	2,757.4	31,192.8	91.2	8.8
1989	55,016.8	2,954.4	57,971.2	94.9	5.1
1990	106,626.5	3,259.6	109,886.1	97.0	3.0
1991	116,858.1	4,677.3	121,535.4	96.2	3.8
1992	201,383.9	4,227.8	205,611.7	97.9	2.1
1993	213,778.8	4,991.3	218,770.1	97.7	2.3
1994	200,710.2	5,349.0	206,059.2	97.4	2.6
1995	927,565.3	23,096.1	950,661.4	97.6	2.4

Source: CBN Statistical Database

Table 8: Disaggregation of Federal Government Revenue (N millions), 1980-1995

Year	Total Federally Collected Revenue	Oil Revenue	Non-oil Revenue	Oil Revenue (%)	Non-oil Revenue (%)
1980	15,233.50	12,353.30	2,880.20	81.1	18.9
1981	13,290.50	8,564.40	4,726.10	64.4	35.6
1982	11,433.70	7,814.90	3,618.80	68.3	31.7
1983	10,508.70	7,253.00	3,255.70	69.0	31.0
1984	11,253.30	8,269.20	2,984.10	73.5	26.5
1985	15,050.40	10,923.70	4,126.70	72.6	27.4
1986	12,595.80	8,107.30	4,488.50	64.4	35.6
1987	25,380.60	19,027.00	6,353.60	75.0	25.0
1988	27,596.70	19,831.70	7,765.00	71.9	28.1
1989	53,870.40	39,130.50	14,739.90	72.6	27.4
1990	98,102.40	71,887.10	26,215.30	73.3	26.7
1991	100,991.60	82,666.40	18,325.20	81.9	18.1
1992	190,453.20	164,078.10	26,375.10	86.2	13.8
1993	192,769.40	162,102.40	30,667.00	84.1	15.9
1994	201,910.80	160,792.40	41,718.40	79.6	20.7
1995	459,987.30	324,547.60	135,439.70	70.6	29.4

Source: CBN Statistical Database

Table 9: Annual Growth Rate, 1981-1999

Year	Total (GDP)	% Growth
1981	251.05	-
1982	246.73	-1.7
1983	230.38	-6.6
1984	227.25	-1.4
1985	253.01	11.3
1986	257.78	1.9
1987	256.00	-0.7
1988	275.41	7.6
1989	295.09	7.1
1990	328.61	11.4
1991	328.64	0.0
1992	337.29	2.6
1993	342.54	1.6
1994	345.23	0.8
1995	352.65	2.1
1996	367.22	4.1
1997	377.83	2.9
1998	388.47	2.8
1999	393.11	1.2

Source: National Bureau of Statistics (NBS) Data

Table 10: Percentage Distribution of Key Economic Sectors in GDP, 1963-1979

Year	Agriculture	Mining	Manuf.	Building & Construction	Wholesale & Retail Trade	Agriculture (%)	Mining (%)	Manuf. (%)	Building & Construction (%)	Wholesale & Retail Trade (%)	GDP
1963	870.8	31.3	76.8	66.0	180.9	61.1	2.2	5.4	4.6	12.7	1,425.7
1964	866.7	47.5	78.8	65.0	194.9	59.2	3.2	5.4	4.4	13.3	1,463.4
1965	870.9	82.4	91.7	80.0	202.7	56.4	5.3	5.9	5.2	13.1	1,543.0
1966	869.5	114.4	93.1	81.3	200.9	54.9	7.2	5.9	5.1	12.7	1,583.1
1967	817.3	51.5	108.9	72.3	193.9	55.9	3.5	7.4	4.9	13.3	1,462.4
1968	805.8	55.6	126.3	73.4	191.0	54.6	3.8	8.6	5.0	12.9	1,476.2
1969	801.8	68.4	142.7	76.3	190.0	53.0	4.5	9.4	5.0	12.6	1,513.8
1970	3,399.7	3,127.9	475.1	326.0	854.5	36.0	33.1	5.0	3.5	9.0	9,442.1
1971	3,575.3	4,392.7	460.3	460.2	907.1	32.0	39.3	4.1	4.1	8.1	11,177.9
1972	3,351.8	5,202.9	570.1	567.1	882.5	27.9	43.4	4.8	4.7	7.4	11,993.1
1973	3,246.5	5,927.6	626.5	710.8	910.6	24.7	45.1	4.8	5.4	6.9	13,135.5
1974	3,372.7	6,552.3	683.9	821.4	971.2	23.4	45.5	4.7	5.7	6.7	14,410.7
1975	7,465.9	6,275.7	1,532.0	2,979.6	5,718.9	27.3	22.9	5.6	10.9	20.9	27,364.7
1976	7,206.9	7,694.7	1,554.5	3,625.8	6,133.6	24.2	25.9	5.2	12.2	20.6	29,746.2
1977	7,473.8	7,905.0	1,555.0	4,072.2	6,771.7	23.4	24.7	4.9	12.7	21.2	31,992.0
1978	7,271.8	7,446.9	1,923.8	4,684.2	6,896.9	22.5	23.0	5.9	14.5	21.3	32,347.7
1979	7,430.0	8,836.5	2,076.4	5,582.5	7,039.0	21.1	25.1	5.9	15.9	20.0	35,196.4

Source: *Figures for 1962-1969 are in (£) millions. From 1970 onwards, figures are in (N) millions. FRN (1970) Second National Development Plan 1970-74; FRN (1975) Third National Development Plan 1975-80 and FRN (1981) Fourth National Development Plan 1981-85 (p.15)

Table 11: Percentage Share of Key Economic Sectors in GDP (%), 1981-1995

	1981	**1982**	**1983**	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**
1. Agriculture	33.6	35.1	37.0	35.6	38.3	41.4	40.1	41.2	40.5	37.2	39.4	39.3	39.5	40.2	40.8
2. Petroleum & Natural Gas	29.1	26.5	25.8	29.4	28.5	27.5	27.0	25.7	24.5	25.5	27.8	27.8	27.4	26.5	26.5
3. Solid Minerals	0.9	1.0	0.8	0.7	0.4	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
4. Manufacturing	5.6	6.4	4.8	4.3	4.8	4.6	4.8	5.1	7.2	12.4	5.0	4.6	4.4	4.3	4.0
5. Building & Construction	2.8	2.3	2.2	1.8	1.1	1.1	1.2	1.2	1.2	1.7	1.8	1.2	1.2	1.2	1.3
6. Wholesale & Retail Trade	14.2	15.0	15.7	14.7	13.7	13.9	14.9	15.1	14.7	12.9	13.4	14.1	14.3	14.2	13.9
7. Services	13.7	13.7	13.7	13.5	13.2	11.4	11.8	11.4	11.7	9.9	12.4	12.8	13.0	13.4	13.4
Transport	*4.5*	*3.5*	*3.2*	*3.0*	*3.3*	*2.9*	*2.9*	*2.7*	*2.6*	*1.4*	*2.4*	*2.5*	*2.6*	*2.6*	*2.5*
Communication	*0.4*	*0.4*	*0.3*	*0.4*	*0.5*	*0.5*	*0.5*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*
Utilities	*3.7*	*4.1*	*4.3*	*4.6*	*4.6*	*3.0*	*3.1*	*3.0*	*3.1*	*2.8*	*2.9*	*3.2*	*3.2*	*3.4*	*3.3*
Hotel & Restaurant	*0.7*	*0.7*	*0.6*	*0.6*	*0.5*	*0.5*	*0.5*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*	*0.4*
Finance & Insurance	*1.4*	*1.8*	*1.9*	*1.6*	*1.4*	*1.6*	*1.8*	*2.0*	*2.6*	*2.4*	*3.7*	*3.7*	*3.8*	*3.9*	*4.0*
Real Estate & Bus. Services	*1.5*	*1.5*	*1.6*	*1.7*	*1.5*	*1.5*	*1.5*	*1.5*	*1.4*	*1.4*	*1.3*	*1.4*	*1.4*	*1.4*	*1.4*
Producers of Govt. Services	*1.1*	*1.1*	*1.2*	*1.2*	*1.1*	*1.1*	*1.2*	*1.1*	*1.1*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*
Comm., Social & Pers. Serv.	*0.4*	*0.5*	*0.5*	*0.4*	*0.3*	*0.3*	*0.3*	*0.3*	*0.1*	*0.1*	*0.3*	*0.3*	*0.3*	*0.3*	*0.4*

Source: NBS Data

Table 12: Sectoral Growth Rates (%), 1981-1995

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
1. Agriculture	-	2.4	-1.4	-5.0	19.5	10.2	-3.7	10.4	5.3	2.3	6.0	2.4	1.9	2.6	3.6
2. Petroleum & Natural Gas	-	-10.5	-9.0	12.5	7.9	-1.9	-2.5	2.6	2.1	16.0	8.8	2.5	0.2	-2.6	2.4
3. Solid Minerals	-	1.4	-23.7	-14.0	-38.0	-46.6	10.7	10.2	7.3	39.1	-22.4	3.3	4.9	3.1	2.7
4. Manufacturing	-	13.0	-30.9	-11.7	26.1	-3.7	4.0	13.9	52.4	92.1	-59.9	-4.5	-3.7	-1.3	-5.2
5. Building & Construction	-	-20.2	-11.8	-18.5	-31.1	-0.2	9.3	10.2	4.2	61.5	2.9	-31.7	5.0	3.0	2.7
6. Wholesale & Retail Trade	-	4.3	-2.4	-7.7	4.0	3.5	6.3	9.1	4.0	-2.2	3.9	7.8	3.0	0.0	0.1
7. Services	-	-1.9	-6.5	-3.1	8.8	-12.2	3.0	4.3	9.7	-5.4	24.8	5.9	3.5	3.5	2.0
Transport	-	*-22.1*	*-15.6*	*-6.7*	*21.7*	*-11.9*	*0.4*	*1.1*	*2.7*	*-39.3*	*70.5*	*5.0*	*4.6*	*0.9*	*1.5*
Communication	-	*-4.4*	*-32.7*	*40.5*	*18.6*	*-0.4*	*1.0*	*1.1*	*2.0*	*6.5*	*-4.1*	*5.2*	*3.4*	*1.0*	*4.7*
Utilities	-	*9.8*	*-2.3*	*4.6*	*11.3*	*-33.9*	*4.7*	*1.2*	*11.9*	*1.2*	*4.5*	*11.3*	*1.7*	*7.2*	*-1.5*
Hotel & Restaurant	-	*-5.5*	*-16.0*	*-15.8*	*-7.7*	*1.5*	*1.5*	*0.2*	*1.0*	*6.4*	*-4.1*	*2.0*	*1.5*	*0.5*	*1.0*
Finance & Insurance	-	*26.4*	*-1.4*	*-20.2*	*-2.7*	*20.7*	*8.2*	*22.6*	*41.2*	*2.0*	*53.0*	*4.0*	*3.8*	*3.0*	*4.1*
Real Estate & Bus. Services	-	*0.9*	*1.9*	*0.5*	*1.5*	*1.4*	*1.1*	*1.0*	*1.5*	*17.3*	*-7.4*	*3.8*	*4.2*	*3.0*	*3.2*
Producers of Govt. Services	-	*2.3*	*2.3*	*2.2*	*2.2*	*2.1*	*2.1*	*2.0*	*2.0*	*3.8*	*-0.7*	*2.9*	*2.9*	*1.4*	*-0.1*
Comm., Social & Pers. Serv.	-	*2.7*	*-4.1*	*-16.2*	*-9.8*	*3.0*	*0.9*	*0.8*	*-61.8*	*-25.8*	*269.8*	*6.9*	*9.1*	*11.1*	*13.5*

Source: NBS Data

Table 13: Distribution of Capital Expenditure on Areas of Major Emphasis (All Governments) 1955-61 and 1962-68

	1955-61 Plan		1962-68 Plan	
Item	**Expenditure (£ Million)**	**Percentage of Plan Expenditure**	**Expenditure (£ Million)**	**Percentage of Plan Expenditure**
Primary Production	8.7	3.70%	91.8	13.60%
Trade and Industry	6.9	2.90%	90.3	13.40%
Education	18.8	8%	69.8	10.30%

Source: (First) National Development Plan 1962-68 (1962)

Table 14: Sectoral Growth Rate (%), 1999-2009

Activity Sector	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**Average**
1.Agriculture	5.3	2.9	3.9	55.2	7.0	6.3	7.1	7.4	7.2	6.3	5.9	10.4
2.Crude Petroleum & Natural Gas	-7.5	11.1	5.2	-5.7	23.9	3.3	0.5	-4.5	-4.5	-6.2	-1.3	1.3
3.Solid Minerals	3.8	3.8	9.9	4.3	5.4	17.6	9.5	10.3	12.7	12.8	12.1	9.3
4.Manufacturing	3.4	3.4	7.0	10.1	5.7	11.9	9.6	9.4	9.6	8.9	7.9	7.9
5.Building & Construction	3.8	4.0	12.0	4.3	8.7	-6.8	12.1	13.0	13.0	13.1	12.3	8.1
6.Wholesale & Retail Trade	2.5	1.6	2.5	6.5	5.8	36.7	13.5	15.3	15.2	14.0	11.3	11.3
7.Services	4.3	3.9	36.9	18.8	2.1	19.5	8.0	9.2	9.9	10.4	10.9	12.2
a)Transport	*4.0*	*3.5*	*4.7*	*17.4*	*1.2*	*49.9*	*6.3*	*6.9*	*7.0*	*7.0*	*6.9*	*10.4*
b)Communication	*6.2*	*6.7*	*595.3*	*27.0*	*23.8*	*55.8*	*29.6*	*33.7*	*33.8*	*34.0*	*34.2*	*80.0*
Telecommunications	*5.2*	*6.1*	*1056.2*	*24.4*	*26.9*	*58.9*	*30.5*	*34.6*	*34.6*	*34.7*	*34.7*	*122.4*
Post	*7.4*	*7.5*	*8.0*	*63.1*	*-8.2*	*10.8*	*10.8*	*10.9*	*10.9*	*10.9*	*10.5*	*13.0*
c)Utilities (Education & Health)	*1.9*	*2.5*	*740.2*	*13.7*	*16.8*	*16.8*	*6.6*	*4.9*	*4.9*	*3.7*	*3.3*	*74.1*
d)Hotel & Restaurant	*3.5*	*3.7*	*4.5*	*6.8*	*4.6*	*144.1*	*10.4*	*12.9*	*13.0*	*12.9*	*12.4*	*20.8*
e)Finance & Insurance	*3.5*	*4.0*	*4.5*	*29.4*	*-9.6*	*2.7*	*2.8*	*5.0*	*5.0*	*4.8*	*4.0*	*5.1*
f)Real Estate & Business Serv.	*3.8*	*3.9*	*5.0*	*3.3*	*3.1*	*10.2*	*10.6*	*11.3*	*11.4*	*11.4*	*10.7*	*7.7*
Real Estate	*3.8*	*3.9*	*5.0*	*3.0*	*3.0*	*10.8*	*11.1*	*11.7*	*11.7*	*11.8*	*11.0*	*7.9*
Business Services	*4.4*	*4.3*	*5.0*	*6.5*	*4.4*	*3.4*	*5.3*	*6.7*	*6.7*	*6.7*	*6.2*	*5.4*
g)Producers of Govt. Services	*1.7*	*1.6*	*1.6*	*15.5*	*1.2*	*10.8*	*5.4*	*5.9*	*5.9*	*6.0*	*5.8*	*5.6*
h)Comm., Social & Pers. Services	*19.0*	*8.6*	*10.2*	*14.1*	*1.6*	*10.8*	*10.3*	*10.4*	*10.4*	*10.5*	*9.8*	*10.5*

Source: NBS Data

Table 15: Sectoral Contribution to GDP Growth (%), 1999-2009

Activity Sector	***1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	***Average**
1.Agriculture	445.1	19.9	16.5	88.7	29.9	25.6	44.4	50.6	46.5	44.0	37.6	40.4
2.Crude Petroleum & Natural Gas	-602.6	62.9	20.1	-8.4	57.2	8.7	2.0	-18.2	-15.4	-20.3	-3.5	8.5
3.Solid Minerals	2.6	0.2	0.3	0.1	0.1	0.4	0.4	0.5	0.6	0.6	0.6	0.4
4.Manufacturing	34.7	2.7	3.5	2.0	2.1	4.1	5.4	5.9	5.8	6.0	4.9	4.3
5.Building & Construction	17.5	1.5	2.8	0.4	1.5	-1.1	2.7	3.3	3.3	3.8	3.4	2.1
6.Wholesale & Retail Trade	80.1	4.0	3.9	3.8	6.1	36.5	26.8	34.8	35.2	37.9	29.5	21.8
7.Services	122.6	8.8	52.9	13.5	3.1	25.8	18.3	23.2	24.0	28.0	27.5	22.5
a)Transport	*21.8*	*1.5*	*1.3*	*1.8*	*0.3*	*9.3*	*2.6*	*3.0*	*2.9*	*3.1*	*2.8*	*2.9*
b)Communication	*1.6*	*0.1*	*7.9*	*0.9*	*1.8*	*4.5*	*5.4*	*8.1*	*9.6*	*13.1*	*15.0*	*6.7*
Telecommunications	*0.7*	*0.1*	*7.9*	*0.8*	*1.8*	*4.5*	*5.3*	*8.0*	*9.5*	*13.0*	*14.9*	*6.6*
Post	*0.8*	*0.1*	*0.0*	*0.1*	*-0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
c)Utilities (Education & Health)	*2.0*	*0.2*	*38.6*	*2.2*	*5.2*	*5.4*	*3.6*	*2.9*	*2.7*	*2.2*	*1.7*	*6.5*
d)Hotel & Restaurant	*1.7*	*0.1*	*0.1*	*0.1*	*0.1*	*2.3*	*0.6*	*0.8*	*0.8*	*0.9*	*0.9*	*0.7*
e)Finance & Insurance	*43.2*	*3.8*	*2.8*	*6.9*	*-5.0*	*1.1*	*1.8*	*3.3*	*3.0*	*3.1*	*2.3*	*2.3*
f)Real Estate & Business Serv.	*17.2*	*1.4*	*1.1*	*0.3*	*0.5*	*1.4*	*2.4*	*2.8*	*2.8*	*3.2*	*2.8*	*1.9*
Real Estate	*15.6*	*1.3*	*1.0*	*0.2*	*0.4*	*1.4*	*2.3*	*2.7*	*2.7*	*3.0*	*2.7*	*1.8*
Business Services	*1.6*	*0.1*	*0.1*	*0.0*	*0.1*	*0.0*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
g)Producers of Govt. Services	*4.8*	*0.4*	*0.2*	*0.8*	*0.1*	*1.0*	*0.8*	*0.9*	*0.9*	*0.9*	*0.8*	*0.7*
h)Comm., Social & Pers. Services	*30.3*	*1.2*	*1.0*	*0.5*	*0.1*	*0.7*	*1.1*	*1.3*	*1.3*	*1.4*	*1.2*	*1.0*

*The Average column covers 2000-2009. It does not include 1999 figures because the data for this year is highly divergent, possibly due to technical or administrative changes.

Source: NBS Data

Table 16: Sectoral Growth Rate and Sectoral Contribution to GDP Growth Rate (%), 2010-2015

	Growth rate (%)							(%) Contribution to GDP Growth						
ACTIVITY SECTOR	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Average**	**2010**	**2011**	**2012**	**2013**	***2014**	**2015**	**Average**
Agriculture	N/A	2.9	6.7	2.9	4.3	3.7	4.1	N/A	13.1	37.2	12.8	16.0	30.6	21.9
Crop Production	*N/A*	*2.9*	*7.5*	*2.5*	*4.1*	3.5	*4.1*	*N/A*	*11.5*	*37.3*	*10.0*	*13.9*	*25.7*	19.7
Livestock	*N/A*	*2.0*	*-2.7*	*6.0*	*5.4*	5.9	*3.3*	*N/A*	*0.7*	*-1.1*	*1.8*	*1.4*	*3.4*	1.2
Forestry	*N/A*	*5.0*	*2.6*	*5.6*	*4.6*	3.7	*4.3*	*N/A*	*0.2*	*0.2*	*0.2*	*0.2*	*0.3*	0.2
Fishing	*N/A*	*8.3*	*7.8*	*9.0*	*6.7*	5.9	*7.5*	*N/A*	*0.7*	*0.9*	*0.8*	*0.5*	*1.1*	0.8
Oil & Gas	N/A	2.3	-4.9	-13.1	-1.3	-5.4	-4.5	N/A	6.8	-17.6	-32.5	-2.4	-20.4	-13.2
Solid Minerals	N/A	14.5	19.7	16.5	14.9	7.7	14.7	N/A	0.3	0.5	0.4	0.3	0.4	0.4
Manufacturing	N/A	17.8	13.5	21.8	14.7	-1.5	13.3	N/A	22.0	23.5	31.7	21.8	-5.2	18.7
Construction	N/A	15.7	9.4	14.2	13.0	4.4	11.4	N/A	8.5	7.1	8.6	7.5	6.0	7.5
Trade	N/A	7.2	2.2	6.6	5.9	5.1	5.4	N/A	22.4	8.8	19.9	15.7	30.6	19.5
Services	N/A	4.1	5.0	9.4	7.1	4.5	6.0	N/A	27.0	40.5	59.1	41.0	58.1	45.2
Services and Trade	*N/A*	*5.1*	*4.1*	*8.5*	*6.7*	4.7	*5.8*	*N/A*	*49.3*	*49.3*	*79.0*	*56.7*	*88.7*	64.6
Info & Communication	*N/A*	*2.1*	*3.0*	*8.2*	*7.0*	6.2	*5.3*	*N/A*	*4.4*	*7.7*	*15.6*	*12.0*	*24.1*	12.8
Finance & Insurance	*N/A*	*-26.9*	*21.0*	*8.6*	*8.1*	7.1	*3.6*	*N/A*	*-17.7*	*12.1*	*4.4*	*3.8*	*7.5*	2.0
Real Estate	*N/A*	*0.4*	*5.6*	*12.0*	*5.1*	2.1	*5.1*	*N/A*	*0.6*	*9.7*	*16.0*	*6.4*	*5.8*	7.7
Professional & Tech.Services	*N/A*	*18.7*	*7.8*	*3.4*	*5.5*	5.3	*8.1*	*N/A*	*11.0*	*6.6*	*2.3*	*3.2*	*6.7*	6.0
Public Administration	*N/A*	*15.5*	*-20.3*	*-0.5*	*2.5*	-12.3	*-3.0*	*N/A*	*10.7*	*-19.4*	*-0.3*	*1.2*	*-12.3*	-4.0
Other Services	*N/A*	*16.0*	*15.3*	*15.9*	*11.2*	8.7	*13.4*	*N/A*	*18.0*	*23.9*	*21.1*	*14.4*	*26.2*	20.7

Source: CBN Statistics Database (2016)

Table 17: Disaggregation of the Formal and Informal Sectors in GDP 2015

Activity Sector	**Nominal GDP**	**Share of Informal Sector (%)**	**Share of Formal Sector (%)**	**Value of Informal Sector GDP**	**Value of Formal Sector GDP**
Agriculture	19,636,969	91.8	8.2	18,035,680	1,601,289
Oil, Gas & Mining	6,100,009	0.4	99.6	26,123	6,073,886
Manufacturing	8,973,773	12.1	87.9	1,090,276	7,883,497
Construction	3,472,255	11.6	88.4	401,390	3,070,865
Trade	18,028,895	55.7	44.3	10,041,419	7,987,476
ICT	10,781,077	12.2	87.8	1,314,797	9,466,280
Financial Sector	3,260,496	0	100	-	3,254,811
Real Estate	8,187,548	64.7	35.3	5,295,736	2,891,813
Arts & Entert.	210,415	89.1	10.9	187,417	22,999
Other Services	14,850,983	17.3	82.7	2,574,642	12,276,342
1.Accommodation and Food Services	*893,670*	*52.1*	*47.9*	*465,602*	*428,068*
2.Transportation and Storage	*1,361,065*	*18.1*	*81.9*	*246,229*	*1,114,837*
3.Professional, Scientific & Technical Serv	*3,927,298*	*2.3*	*97.7*	*91,051*	*3,836,246*
4.Administrative & Support Services	*22,252*	*47.1*	*52.9*	*10,481*	*11,771*
5.Public Administration	*2,552,450*	*0*	*100*	-	*2,552,450*
6.Education	*2,116,348*	*2.1*	*97.9*	*44,211*	*2,072,138*
7.Human Health and Social Services	*682,697*	*17.7*	*82.3*	*121,098*	*561,599*
8.Others	*3,295,203*	*48.4*	*51.6*	*1,595,970*	*1,699,233*
TOTAL GDP	**94,144,960**	**41.4**	**58.6**	**39,004,077**	**55,135,199**

Source: NBS (2016) Formal and Informal Sector Split of Gross Domestic Product 2015

Table 18: Disaggregation of Sectoral Contribution to GDP (%) in Current Prices, 1999 to 2009

S/No.	Activity Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.	Agriculture	40.1	36.4	26.8	35.0	36.5	32.6	34.2	32.5	32.0	32.7	32.9	37.1
2.	Oil & Gas	27.7	32.8	48.9	36.3	34.6	41.5	37.2	38.8	37.6	36.5	37.4	29.9
3.	Solid Minerals	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.2
4.	Manufacturing	9.9	9.1	7.0	7.8	6.5	4.7	3.1	2.8	2.6	2.5	2.4	2.5
5.	Construction	1.2	1.1	0.9	1.1	1.2	1.2	1.5	1.5	1.3	1.3	1.3	1.4
6.	Trade	13.2	12.3	9.3	11.1	11.8	11.0	13.0	13.2	14.8	14.7	14.4	16.5
7.	Services	7.7	8.1	7.0	8.7	9.3	8.9	10.9	11.1	11.5	12.1	11.5	12.5
	Telecommunications	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.9	1.2	1.0	1.0
	Post	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Finance & Insurance	0.9	0.8	0.7	0.8	1.0	0.8	0.9	0.9	1.6	1.7	1.6	1.8
	Real Estate	2.5	2.8	2.5	2.7	2.8	2.9	3.9	4.7	4.1	4.2	4.1	4.6
	Business Services	0.2	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.3	0.3	0.3
	Comm., Social & Pers. Services	0.0	0.0	0.0	0.8	0.9	0.8	0.9	0.9	0.9	1.0	1.0	1.1
	Producers of Govt. Services	0.9	0.9	1.2	1.5	1.4	1.2	1.1	1.0	0.9	0.9	0.9	1.0
	Other Services	3.2	3.2	2.4	2.7	2.9	2.8	3.7	3.2	2.9	2.9	2.5	2.7
	Services & Trade	20.9	20.4	16.3	19.7	21.1	19.9	23.9	24.3	26.3	26.9	25.9	29.0

Source: NBS Data

Table 19: Disaggregation of Sectoral Contribution to GDP (%) in Current Prices, 2010 to 2015

S/No.	**Activity Sector**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
1.	Agriculture	23.9	22.3	22.1	21.0	20.2	20.9
2.	Oil & Gas	15.4	17.5	15.8	12.9	10.8	6.4
3.	Solid Minerals	0.1	0.1	0.1	0.1	0.1	0.1
4.	Manufacturing	6.6	7.2	7.8	9.0	9.8	9.5
5.	Construction	2.9	3.0	3.1	3.3	3.6	3.7
6.	Trade	16.5	16.4	16.5	17.1	17.6	19.2
7.	Services	34.7	33.5	34.7	36.6	37.9	40.3
	Telecommunications	9.0	8.3	8.3	8.3	8.3	8.7
	Publishing	0.0	0.0	0.0	0.0	0.0	0.0
	Motion Pictures, Sound recording & Music	0.9	0.8	0.8	1.0	1.1	1.2
	Broadcasting	1.0	1.0	1.0	1.2	1.3	1.6
	Finance & Insurance	3.5	2.4	2.8	3.0	3.1	3.5
	Real Estate	7.6	7.3	7.7	8.3	8.4	8.7
	Professional, Scientific & Technical Serv.	3.1	3.5	3.7	3.7	3.8	4.2
	Public Administration	3.7	3.9	3.1	3.0	3.0	2.7
	Other Services	6.0	6.3	7.3	8.1	8.8	9.8
	Services & Trade	51.2	49.9	51.2	53.7	55.5	59.4

Source: CBN Statistics Database (2016)

Table 20. Sectoral Share of Growth (%) 1999-2009

Activity Sector	**1999***	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**Average**
1.Agriculture	445.1	19.9	16.5	88.7	29.9	25.6	44.4	50.6	46.5	44.0	37.6	40.4
2.Crude Petroleum & Natural Gas	-602.6	62.9	20.1	-8.4	57.2	8.7	2.0	-18.2	-15.4	-20.3	-3.5	8.5
3.Solid Minerals	2.6	0.2	0.3	0.1	0.1	0.4	0.4	0.5	0.6	0.6	0.6	0.4
4.Manufacturing	34.7	2.7	3.5	2.0	2.1	4.1	5.4	5.9	5.8	6.0	4.9	4.3
5.Building & Construction	17.5	1.5	2.8	0.4	1.5	-1.1	2.7	3.3	3.3	3.8	3.4	2.1
6.Wholesale & Retail Trade	80.1	4.0	3.9	3.8	6.1	36.5	26.8	34.8	35.2	37.9	29.5	21.8
7.Services	122.6	8.8	52.9	13.5	3.1	25.8	18.3	23.2	24.0	28.0	27.5	22.5
a)Transport	21.8	1.5	1.3	1.8	0.3	9.3	2.6	3.0	2.9	3.1	2.8	2.9
b)Communication	1.6	0.1	7.9	0.9	1.8	4.5	5.4	8.1	9.6	13.1	15.0	6.7
Telecommunications	0.7	0.1	7.9	0.8	1.8	4.5	5.3	8.0	9.5	13.0	14.9	6.6
Post	0.8	0.1	0.0	0.1	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
c)Utilities (Education & Health)	2.0	0.2	38.6	2.2	5.2	5.4	3.6	2.9	2.7	2.2	1.7	6.5
d)Hotel & Restaurant	1.7	0.1	0.1	0.1	0.1	2.3	0.6	0.8	0.8	0.9	0.9	0.7
e)Finance & Insurance	43.2	3.8	2.8	6.9	-5.0	1.1	1.8	3.3	3.0	3.1	2.3	2.3
f)Real Estate & Business Serv.	17.2	1.4	1.1	0.3	0.5	1.4	2.4	2.8	2.8	3.2	2.8	1.9
Real Estate	15.6	1.3	1.0	0.2	0.4	1.4	2.3	2.7	2.7	3.0	2.7	1.8
Business Services	1.6	0.1	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
g)Producers of Govt. Services	4.8	0.4	0.2	0.8	0.1	1.0	0.8	0.9	0.9	0.9	0.8	0.7
h)Comm., Social & Pers. Services	30.3	1.2	1.0	0.5	0.1	0.7	1.1	1.3	1.3	1.4	1.2	1.0
Services and Trade	*202.7*	*12.8*	*56.8*	*17.3*	*9.2*	*62.3*	*45.1*	*58.0*	*59.2*	*65.9*	*57.0*	

*1999 Figures are different from other years due to administrative or technical issues. Therefore, the average does not include 1999 figures

Source: NBS Data

Table 21: Disaggregation of Exports 1999 to 2015

	Exports (N' Billions)			Exports (%)	
Year	**Oil**	**Non-Oil**	**Total**	**Oil (%)**	**Non-Oil (%)**
1999	1,169.5	19.5	1,189.0	98.4	1.6
2000	1,920.9	24.8	1,945.7	98.7	1.3
2001	1,839.9	28.0	1,868.0	98.5	1.5
2002	1,649.4	94.7	1,744.2	94.6	5.4
2003	2,993.1	94.8	3,087.9	96.9	3.1
2004	4,489.5	113.3	4,602.8	97.5	2.5
2005	7,140.6	106.0	7,246.5	98.5	1.5
2006	7,191.1	133.6	7,324.7	98.2	1.8
2007	8,110.5	199.3	8,309.8	97.6	2.4
2008	9,861.8	525.9	10,387.7	94.9	5.1
2009	8,105.5	500.9	8,606.3	94.2	5.8
2010	11,300.5	711.0	12,011.5	94.1	5.9
2011	14,323.2	913.5	15,236.7	94.0	6.0
2012	14,260.0	879.3	15,139.3	94.2	5.8
2013	14,131.8	1,130.2	15,262.0	92.6	7.4
2014	12,007.0	953.5	12,960.5	92.6	7.4
2015	8,184.5	660.7	8,845.2	92.5	7.5

Sources: NBS and CBN Data (2016) - Includes CBN estimates for informal cross border trade

Table 22: Composition of Government Revenue in (N) Billions, 1999-2015

Year	Total Revenue	Oil Rev	Non- Oil Rev	Oil Rev (%)	Non-Oil Rev (%)
1993	192.77	162.10	30.67	84.1	15.9
1994	201.91	160.19	41.72	79.3	20.7
1995	459.99	324.55	135.44	70.6	29.4
1996	523.60	408.78	114.81	78.1	21.9
1997	582.81	416.81	166.00	71.5	28.5
1998	463.61	324.31	139.30	70.0	30.0
1999	949.19	724.42	224.77	76.3	23.7
2000	1,906.16	1,591.68	314.48	83.5	16.5
2001	2,231.60	1,707.56	523.46	76.5	23.5
2002	1,731.84	1,230.85	500.99	71.1	28.9
2003	2,575.10	2,074.28	500.82	80.6	19.4
2004	3,920.50	3,354.80	565.70	85.6	14.4
2005	5,547.50	4,762.40	785.10	85.8	14.2
2006	5,965.10	5,287.57	677.54	88.6	11.4
2007	5,727.50	4,462.91	1,264.60	77.9	22.1
2008	7,866.59	6,530.60	1,336.00	83.0	17.0
2009	4,844.59	3,191.94	1,652.65	65.9	34.1
2010	7,303.67	5,396.09	1,907.58	73.9	26.1
2011	11,116.85	8,878.97	2,237.88	79.9	20.1
2012	10,654.75	8,025.97	2,628.78	75.3	24.7
2013	9,759.79	6,809.23	2,950.56	69.8	30.2
2014	10,068.85	6,793.72	3,275.12	67.5	32.5
2015	6,912.50	3,830.10	3,082.41	55.4	44.6

Sources: Federal Ministry of Finance & CBN (2016)

Table 23: Disaggregation of State Government Revenue, 2013

States	Federal Allocation	Internally Generated Revenue	Total	% Federal Revenue Allocation	% Internally Generated Revenue
Lagos	139.4	157.3	296.7	47.0	53.0
Kano	93.9	50	143.9	65.3	34.7
Ogun	58.1	26.2	84.3	68.9	31.1
Rivers	245.3	84.3	329.6	74.4	25.6
Edo	75.3	18.1	93.4	80.6	19.4
Oyo	72.1	17.1	89.2	80.8	19.2
Cross River	57.1	12.7	69.8	81.8	18.2
Sokoto	61.5	11.7	73.2	84.0	16.0
Bauchi	68.7	13	81.7	84.1	15.9
Gombe	53	9.5	62.5	84.8	15.2
Abia	62.2	10.8	73	85.2	14.8
Yobe	56.7	8.6	65.3	86.8	13.2
FCT	76.1	11	87.1	87.4	12.6
Osun	54.8	7.9	62.7	87.4	12.6
Plateau	70.2	9.2	79.4	88.4	11.6
Kwara	96.1	12.1	108.2	88.8	11.2
Anambra	63.3	7.6	70.9	89.3	10.7
Ebonyi	52.5	6.3	58.8	89.3	10.7
Taraba	56.8	6.2	63	90.2	9.8
Imo	68.6	7.3	75.9	90.4	9.6
Adamawa	71.7	7.5	79.2	90.5	9.5
Ekiti	51.7	5.3	57	90.7	9.3
Katsina	70.8	6.9	77.7	91.1	8.9
Nassarawa	50.7	4.9	55.6	91.2	8.8
Kogi	59.2	5.3	64.5	91.8	8.2
Ondo	88.8	7.6	96.4	92.1	7.9
Enugu	56.1	4.4	60.5	92.7	7.3
Kebbi	62	4.7	66.7	93.0	7.0
Delta	237.9	16.7	254.6	93.4	6.6
Niger	67.5	4.3	71.8	94.0	6.0
Kaduna	74.5	3.9	78.4	95.0	5.0
Zamfara	57.7	2.8	60.5	95.4	4.6
Akwa Ibom	301.3	12.5	313.8	96.0	4.0
Jigawa	64.9	2.5	67.4	96.3	3.7
Borno	69	2.6	71.6	96.4	3.6
Bayelsa	221.6	6.2	227.8	97.3	2.7
Benue	63.5	1.2	64.7	98.1	1.9
TOTAL	**3250.6**	**586.2**	**3836.8**	**84.7**	**15.3**

Source: CBN Annual Report, 2013, p.350

Table 24: Multidimensional Poverty Headcount Ration, From Highest to Lowest, 2015

State	Population Share	Population in Multidimensional Poverty (%)
Zamfara	3.5%	91.9
Yobe	2.6%	90.2
Jigawa	3.7%	88.4
Bauchi	3.2%	86.6
Kebbi	3.6%	86.0
Sokoto	2.9%	85.3
Katsina	4.2%	82.2
Taraba	2.1%	77.7
Gombe	1.6%	76.9
Kano	8.9%	76.4
Borno	3.5%	70.1
Niger	4.5%	61.2
Benue	3.5%	59.2
Adamawa	2.1%	59.0
Kaduna	5.2%	56.5
Ebonyi	2.5%	56.0
Nasarawa	1.7%	52.4
Plateau	1.8%	51.6
Cross River	1.8%	33.1
Oyo	4.0%	29.4
Bayelsa	0.8%	29.0
Enugu	2.1%	28.8
Ondo	2.0%	27.9
Ogun	2.4%	26.4
Kogi	1.8%	26.1
Delta	2.1%	25.1
Akwa Ibom	2.0%	23.8
Kwara	1.5%	23.7
FCT-Abuja	0.8%	23.5
Rivers	2.8%	21.1
Abia	1.3%	21.0
Imo	2.2%	19.8
Edo	1.7%	19.2
Ekiti	0.8%	12.9
Anambra	2.4%	11.2
Osun	1.9%	10.9
Lagos	4.6%	8.5

Source: Alkire, S., et al. (2015) "Multidimensional Poverty Index, winter 2014/2015: Brief Methodological Note and Results." OPHI Briefing 27, University of Oxford, January.

Table 25: University Admission Statistics by State, 2008 to 2010, in Descending Order from 2010

State	**2008**	**2009**	**2010**
Abia	7,064	11124	10,351
Adamawa	2,644	5170	5,784
Akwa Ibom	5,334	10934	11,340
Anambra	11,530	20395	17,864
Bauchi	1,577	2941	3,895
Bayelsa	3,484	3338	4,501
Benue	8,837	15427	16,605
Borno	952	2717	3,927
Cross River	3,515	10018	8,686
Delta	9,032	17827	15,559
Ebonyi	4,583	8423	7,541
Edo	6,612	16464	14,085
Ekiti	5,536	9981	9,532
Enugu	8,166	15913	14,206
Gombe	1,356	3478	4,235
Imo	13,474	22460	18,640
Jigawa	567	2258	3,171
Kaduna	4,140	10771	11,267
Kano	3,308	8068	8,953
Katsina	2,463	4893	7,716
Kebbi	984	1954	2,050
Kogi	6,314	14721	13,489
Kwara	4,999	11514	10,853
Lagos	4,485	8622	7,576
Nassarawa	2,812	4618	7,052
Niger	1,797	4911	4,744
Ogun	9,002	20070	17,425
Ondo	6,195	16535	14,947
Osun	9,017	20753	17,497
Oyo	31,248	17028	13,837
Plateau	1,806	5686	8,004
Rivers	4,880	8894	5,778
Sokoto	837	1559	1,234
Taraba	1,163	3015	4,060
Yobe	627	1901	2,699
Zamfara	587	1251	1,374
FCT (Abuja)	213	695	751
Foreigners	771	592	355
Total	**191,911**	**346919**	**331,583**

Source: NBS (2012:347) Annual Abstract of Statistics

Table 26: Federal Revenue Allocation per Capita (N' Billions) in Descending Order, 2013

Rank	States	Federal Allocation	Internally Generated Revenue	Total Rev (Billions)	Population* (2006 Figures) Billions	Federal Allocation Per Capita
1	Bayelsa	221.6	6.2	227.8	0.170	1300.1
2	Akwa Ibom	301.3	12.5	313.8	0.390	772.2
3	Delta	237.9	16.7	254.6	0.411	578.5
4	FCT	76.1	11	87.1	0.141	541.2
5	Rivers	245.3	84.3	329.6	0.520	471.8
6	Kwara	96.1	12.1	108.2	0.237	406.3
7	Nassarawa	50.7	4.9	55.6	0.187	271.2
8	Ondo	88.8	7.6	96.4	0.346	256.6
9	Taraba	56.8	6.2	63	0.229	247.5
10	Yobe	56.7	8.6	65.3	0.232	244.3
11	Ebonyi	52.5	6.3	58.8	0.218	241.2
12	Edo	75.3	18.1	93.4	0.323	232.9
13	Adamawa	71.7	7.5	79.2	0.318	225.5
14	Gombe	53	9.5	62.5	0.237	224.1
15	Plateau	70.2	9.2	79.4	0.321	218.9
16	Abia	62.2	10.8	73	0.285	218.6
17	Ekiti	51.7	5.3	57	0.240	215.5
18	Cross River	57.1	12.7	69.8	0.289	197.4
19	Kebbi	62	4.7	66.7	0.326	190.4
20	Kogi	59.2	5.3	64.5	0.331	178.6
21	Zamfara	57.7	2.8	60.5	0.328	176.0
22	Imo	68.6	7.3	75.9	0.393	174.7
23	Enugu	56.1	4.4	60.5	0.327	171.7
24	Niger	67.5	4.3	71.8	0.395	170.7
25	Sokoto	61.5	11.7	73.2	0.370	166.1
26	Borno	69	2.6	71.6	0.417	165.4
27	Osun	54.8	7.9	62.7	0.342	160.4
28	Ogun	58.1	26.2	84.3	0.375	154.9
29	Lagos	139.4	157.3	296.7	0.911	153.0
30	Anambra	63.3	7.6	70.9	0.418	151.5
31	Benue	63.5	1.2	64.7	0.425	149.3
32	Jigawa	64.9	2.5	67.4	0.436	148.8
33	Bauchi	68.7	13	81.7	0.465	147.6
34	Oyo	72.1	17.1	89.2	0.558	129.2
35	Katsina	70.8	6.9	77.7	0.580	122.0
36	Kaduna	74.5	3.9	78.4	0.611	121.9
37	Kano	93.9	50	143.9	0.940	99.9

*Population is based on 2006 figures
Revenue is for the year 2013

Source: NBS (2012) Annual Abstract of Statistics, p. 16; Central Bank of Nigeria Annual Report, 2013, p.350

Table 27: Disaggregation of Federal Government Expenditure (N) Billions 1999-2015

Year	Total Expenditure	Recurrent Expenditure[1]	Capital Expenditure*	% Recurrent Expenditure	% Capital Expenditure
1999	947.69	449.66	498.03	47.4	52.6
2000	701.06	461.60	239.45	65.8	34.2
2001	1,018.03	579.30	438.70	56.9	43.1
2002	1,018.16	696.80	321.38	68.4	31.6
2003	1,225.97	984.30	241.69	80.3	19.7
2004	1,426.20	1,032.70	351.30	72.4	24.6
2005	1,822.10	1,223.70	519.50	67.2	28.5
2006	1,938.00	1,290.20	552.39	66.6	28.5
2007	2,450.90	1,589.27	759.32	64.8	31.0
2008	3,240.82	2,117.36	960.89	65.3	29.6
2009	3,452.99	2,127.97	1,152.80	61.6	33.4
2010	4,194.58	3,109.38	883.87	74.1	21.1
2011	4,712.06	3,314.51	918.55	70.3	19.5
2012	4,605.39	3,325.16	874.83	72.2	19.0
2013	5,185.32	3,689.06	1,108.39	71.1	21.4
2014	4,578.06	3,417.58	783.12	74.7	17.1
2015	4,988.86	3,831.95	818.37	76.8	16.4

*Capital Expenditure includes capital repayments on debt service, other transfers and net lending

Source: CBN Statistics Database 2016, House of Representatives (2012)

Table 28: Distribution of Lagos State Revenue (%), 1999-2013

Revenue & Grants	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Int. Generated Rev.	65.9	42.9	44.9	49.7	52.7	51.8	50.0	45.5	43.5	46.6	67.5	60.6	59.9	61.1	61.7
Statutory Allocation	17.8	38.3	35.1	32.9	30.7	36.0	34.3	25.2	18.7	17.9	16.0	18.3	20.5	18.2	18.7
VAT	15.2	13.7	15.2	15.7	16.6	12.1	15.2	12.4	11.9	11.6	15.1	16.5	17.1	17.1	17.8
Investment Income	0.0	5.1	0.0	0.0	0.0	0.0	0.5	0.0	10.2	0.0	0.0	0.0	0.0	2.2	0.0
Grants	1.1	0.0	4.8	1.8	0.0	0.0	0.0	0.5	0.5	0.6	1.4	4.5	2.6	1.4	1.8
Debt Stock	-	-	-	-	-	-	-	16.4	15.3	23.2	50.8	71.3	72.1	93.8	112.4

Source: 1999-2005: World Bank (2007) State Finances Review and Agenda for Action. Washington D.C.: World Bank
2006-2008: Lagos State Government (2013) Lagos Digest of Statistics 2013
2009-2013: Lagos State Ministry of Economic Planning and Budget (2014) 5 Year Revenue, Expenditure and Debt Profile of Lagos State

Table 29: Distribution of Lagos State Expenditure (%), 1999-2013

Expenditure	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Recurrent (P+O+S)	81.4	68.0	71.6	78.1	63.3	62.7	57.8	62.1	57.9	40.9	33.6	37.2	40.1	47.0	46.4
Public Debt Charge	1.3	1.1	18.5	6.5	18.7	20.8	17.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	17.2	30.9	9.9	15.4	18.0	16.5	24.4	37.9	42.1	59.1	66.4	62.8	59.9	53.0	53.6
Total Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: 1999-2005: World Bank (2007) State Finances Review and Agenda for Action. Washington D.C.: World Bank
2006-2008: Lagos State Government (2013) Lagos Digest of Statistics 2013
2009-2013: Lagos State Ministry of Economic Planning and Budget (2014) 5 Year Revenue, Expenditure and Debt Profile of Lagos State

Table 30: Poverty Headcount Ratio (%): National Average, Lagos and Kano

Region	Poverty Headcount 2010	Multidimensional Poverty Headcount 2015
National Average	69	53.2
Lagos	48.6	8.5
Kano	65.6	76.4

Source: NBS (2012) Nigeria Poverty Profile 2010. Abuja: National Bureau of Statistics; Alkire, S. et al. (2015) "Multidimensional Poverty Index, Winter 2014/2015: Brief Methodological Note and Results." OPHI Briefing 27, University of Oxford, January

Table 31: Distribution of Youth (15-35) by Level of Education, 2012

	Total Number			(%) Distribution		
Level of Education	**National**	**Kano**	**Lagos**	**National Avg**	**Kano**	**Lagos**
Below Primary (Male)	1,204,724	170,296	47,755	1.9	4.7	1.2
Below Primary (Female)	1,390,230	282,975	18,457	2.2	7.7	0.5
Total Below Primary	*2,594,954*	*453,271*	*66,212*	*4.0*	*12.4*	*1.7*
Primary (Male)	3,665,005	468,549	135,092	5.7	12.8	3.5
Primary (Female)	4,467,119	576,198	79,591	7.0	15.8	2.0
Total Primary	*8,132,124*	*1,044,747*	*214,683*	*12.7*	*28.6*	*5.5*
Secondary (Male)	15,589,081	520,227	1,059,159	24.3	14.2	27.3
Secondary (Female)	14,167,692	356,911	1,187,954	22.1	9.8	30.6
Total Secondary	*29,756,773*	*877,138*	*2,247,113*	*46.4*	*24.0*	*57.8*
Post-Secondary (Male)	5,071,444	121,311	712,745	7.9	3.3	18.3
Post-Sec (Female)	4,188,468	57,630	487,789	6.5	1.6	12.6
Total Post-Secondary	*9,259,912*	*178,941*	*1,200,534*	*14.4*	*4.9*	*30.9*
Total Literate (Male)	24,325,530	1,110,087	1,906,996	78.4	69.9	95.0
Total Literate (Female)	22,823,279	990,739	1,755,334	69.0	48.0	93.5
Total Literate Youth	47,148,809	2,100,826	3,662,330	73.6	57.5	94.3
Total Youth (Male)	**31,009,292**	**1,588,600**	**2,007,409**	**-**	**-**	**-**
Total Youth (Female)	**33,077,506**	**2,064,070**	**1,877,813**	**-**	**-**	**-**
Total Youth Population	**64,086,797**	**3,652,670**	**3,885,222**	**100.0**	**100.0**	**100.0**

Source: NBS (2012:72-3) National Baseline Youth Survey. NBS

Table 32: Distribution of Youth With/Without Computer Literacy by State & Gender, 2012

Total Number				(%) Distribution		
State	**Kano**	**Lagos**	**National Avg**	**Kano**	**Lagos**	**National Avg**
With Computer Literacy (Male)	102,702	1,280,801	7,557,628	2.8	33.0	11.8
With Computer Literacy (Female)	38,262	780,009	6,010,939	1.0	20.1	9.4
Total With Computer Literacy	*140,964*	*2,060,810*	*13,568,567*	3.9	53.0	21.2
Without Computer Literacy (Male)	1,473,855	726,608	23,396,934	40.4	18.7	36.5
W/Out Computer Literacy (Female)	2,004,737	1,097,805	26,992,086	54.9	28.3	42.1
Total Without Computer Literacy	*3,478,592*	*1,824,413*	*50,389,020*	95.2	47.0	78.6
Total Youth Population	**3,652,670**	**3,885,222**	**64,086,797**	**100.0**	**100.0**	**100.0**

Source: NBS (2012:72-3) National Baseline Youth Survey. NBS

Table 33: Distribution of Bank Credit and Deposit in Major Economic Centres, 2015

State	**(%) of Total Credit**	**(%) of Total Deposit**
Lagos	78.5	50.7
Rivers	5.1	5.8
FCT (Abuja)	3.1	13.4
Kano	1.4	1.6
Enugu	0.9	1.6
Anambra	0.3	2.2

Source: NBS (2016) Banks Credit and Deposit by States in Nigeria: 2010-2015. Abuja

Table 34: Political Parties' Share of Votes (%) in the Lagos Governorship Elections 1999-2015

	Votes Cast			(%) Share of Votes	
Year	**APC***	**PDP**	**Total Valid Votes Cast**	**APC***	**PDP**
1999	841,732	184,900	1,149,375	73.2	16.1
2003	911,597	740,406	1,889,934	48.2	39.2
2007	828,484	389,088	1,361,975	60.8	28.6
2011	1,509,113	300,450	1,862,513	81.0	16.1
2015	811,994	659,788	1,534,029	54.4	44.2

*The APC in Lagos was previously AD until 2007, then it became ACN, then AC, and then APC from 2013
Source: African Elections Database/INEC Figures/Matthew Page (CFR)

Table 35: Distribution of MSMEs in Kano (%) 2013

Micro Enterprises	**Small Enterprises**	**Medium Enterprises**	**Total**
1,794,358	7790	496	1,802,644
99.54	0.43	0.03	-

Source: NBS & SMEDAN (2013) SMEDAN and National Bureau of Statistics Collaborative Survey: Selected Findings

Table 36: The Number and Distribution of SMEs by Activity in Kano, 2012

Activity	**Number of SMEs**	**% of Total**
Agriculture, Forestry and Fishing	45	2.5
Mining and quarrying	9	0.5
Manufacturing	978	53.5
Building and Construction	11	0.6
Wholesale and Retail Trade/Repair of Vehicles/Household Goods	427	23.3
Hotels and Restaurants	121	6.6
Transport/Storage and Communications	60	3.3
Financial Intermediation	0	0.0
Real Estate	45	2.5
Education	17	0.9
Health and Social Work	50	2.7
Other Community, Social and Personnel Services activity	66	3.6
Total	1,829	100.0

Source: NBS/SMEDAN 2012 in Kano State Development Plan (2012:27)

Table 37: Kano State Revenue Distribution (%), 2008-2013

Revenue	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Statutory Allocation	53.2	37.2	40.8	50.5	45.0	47.5
Miscellaneous	18.6	26.6	9.9	15.8	0.6	0.1
Excess Crude & SURE-P	0.0	0.0	0.0	0.0	5.9	3.6
Other Receipts (inc. VAT)	*10.7*	*11.2*	*10.4*	*9.9*	*19.9*	22.6
Grants /Subventions	0.0	0.3	0.0	0.0	1.9	0.5
*Revenue from Federation Account**	82.5	75.3	61.1	76.1	73.2	74.3
Internal Loans	0.0	0.0	0.0	0.0	0.0	0.0
External Loans	2.4	7.2	0.0	0.0	0.0	0.0
IGR	*15.2*	*17.5*	*38.9*	*23.9*	*26.8*	*25.7*
Total Revenue	**100**	**100**	**100**	**100**	**100**	**100**

*Revenue from Federation Account includes Statutory Allocation, Excess Crude and SURE-P, VAT, Federal Grants and other Miscellaneous Receipts
Source: Kano State Government (2009, 2010, 2011, 2012&2013) Report of the Accountant-General of Kano State Together with the Audited Financial Statements for the Year

Table 38: Composition of Kano State Internally Generated Revenue (%), 2008-2013

Internally Generated Revenue	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Fines & Fees	10.4	8.6	25.8	12.0	16.2	22.0
Rent on Govt. Properties	1.9	2.0	0.5	1.3	4.7	1.0
Interest & Dividends	11.4	13.6	10.1	1.8	3.6	2.7
Miscellaneous Receipts	0.0	0.0	13.1	27.1	5.9	0.3
Earning & Sales	40.0	41.2	23.2	12.1	17.3	7.5
Grant & Reimbursement	0.0	0.0	0.8	4.4	7.1	6.0
Licenses	0.0	0.0	0.3	1.1	3.2	1.9
State Taxes	36.2	34.6	26.1	40.1	41.9	58.6
Total IGR	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Kano State Government (2009, 2010, 2011, 2012&2013) Report of the Accountant-General of Kano State Together with the Audited Financial Statements for the Year

Table 39: Composition of Kano State Expenditure (%), 2008-2013

Recurrent Expenditure	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Personnel & Overhead Cost	23.6	23.2	31.3	50.0	33.0	38.8
Pension & Gratuities	2.5	2.1	2.3	1.7	3.5	3.2
Consolidated Revenue	0.0	2.7	0.0	0.0	0.0	0.0
Fund Charges	1.9	0.0	1.5	2.5	0.1	0.0
Public Debts Charges	2.2	3.9	0.9	1.0	2.8	0.2
Recurrent Grants & Subv.	24.0	25.8	5.8	4.6	6.2	4.9
Miscellaneous (inc. Subsidies & IGR to LGAs)	3.0	3.5	3.2	9.7	0.0	0.0
Contingencies Fund Reserve	0.0	0.0	0.6	0.0	0.0	0.0
Recurrent Expenditure	**57.3**	**61.1**	**45.5**	**69.5**	**45.5**	**47.2**
CAPITAL EXPENDITURE						
Economic Sector						
Agriculture, Livestock, Forestry & Fisheries	5.7	3.0	0.7	1.3	1.4	0.5
Manuf, Industry, Commerce & Tourism	0.2	0.0	1.0	0.0	0.1	0.0
Infrastructure (Power, Water, Security etc.)	1.7	0.3	0.3	9.3	40.8	41.2
Info & Comm Technology	0.0	0.0	0.0	0.1	0.1	0.1
Sub-Total Economic Sector	7.6	3.3	2.0	10.7	42.3	41.8
Social Service Sector						
Education	2.3	2.5	2.2	4.2	5.3	4.3
Health	1.5	2.0	1.0	0.3	2.7	1.1
Housing	0.4	0.4	0.9	0.0	0.0	0.0
Others (inc Environ, Women, Youth)	24.8	25.4	25.0	1.1	0.1	0.1
Sub-Total Social Service Sector	29.0	30.3	29.1	5.7	8.1	5.5
Regional Dev. Sector						
Urban & Regional Dev.	0.9	0.6	1.0	0.0	0.0	0.0
Survey & Mapping	0.000	0.003	0.164	0.000	0.000	0.000
Rural & Community Development	0.01	0.000	8.0	11.5	1.5	0.8
Sub-Total Regional Dev. Sector	0.9	0.6	9.1	11.5	1.5	0.8
Governance & Administration Sector	5.2	4.8	14.3	2.6	2.7	4.7
Capital Expenditure	**42.7**	**38.9**	**54.5**	**30.5**	**54.5**	**52.8**

Source: Kano State Government (2009, 2010, 2011, 2012&2013) Report of the Accountant-General of Kano State Together with the Audited Financial Statements for the Year

Table 40: List of Closed Industries in Kano as at September 2013

Industrial Estate	Closed Industries	Operational Industries	Total	Closed Industries (%)	Open Industries (%)
Bompai	128	53	181	70.7	29.3
Sharada/Challawa	106	46	152	69.7	30.3

Source: MAN (2010 & 2013) List of Closed Down Industries in Kano Sharada/Challawa Branch; MAN (2010 & 2013) List of Closed Down Industries in Kano Bompai Branch

Table 41: Oil Prices and Growth of Imports (%) 1999-2015

Year	Imports	Exports	Total Trade	Oil Prices
1998	-	-	-	-
1999	3.0	58.1	29.1	40.3
2000	14.2	63.6	42.9	60.1
2001	37.9	-4.0	10.1	-14.7
2002	11.4	-6.6	1.0	2.2
2003	37.5	77.0	58.7	15.4
2004	-4.5	49.1	27.5	32.6
2005	41.0	57.4	52.5	42.6
2006	11.0	1.1	3.8	19.4
2007	25.8	13.4	17.1	11.2
2008	43.0	25.0	30.8	33.8
2009	-2.0	-17.1	-11.9	-36.3
2010	49.0	39.6	43.2	28.9
2011	34.7	26.9	30.0	39.8
2012	-11.2	-0.6	-5.1	0.3
2013	-3.3	0.8	-0.8	-2.8
2014	11.6	-15.1	-4.9	-8.8
2015	5.1	-31.8	-15.2	-47.1

Source: National Bureau of Statistics and Central Bank of Nigeria - Includes CBN estimates for informal cross border trade; Energy Information Administration (2016)

Table 42: Broad Categories of Imports (%) 2000-2015

Year	Indusrial and Capital Goods	Consumer Goods	Goods not elsewhere specified	Total Imports
2000	73.1	26.8	0.2	100.0
2001	70.5	29.5	0.0	100.0
2002	75.6	24.3	0.1	100.0
2003	67.0	33.0	0.0	100.0
2004	71.4	28.6	0.0	100.0
2005	75.6	24.4	0.0	100.0
2006	85.0	14.8	0.2	100.0
2007	76.7	23.2	0.0	100.0
2008	80.4	19.5	0.2	100.0
2009	74.9	25.1	0.0	100.0
2010	73.6	26.3	0.1	100.0
2011	61.8	36.0	2.2	100.0
2012	54.1	11.6	34.3	100.0
2013	50.9	28.6	20.5	100.0
2014	64.0	36.0	0.1	100.0
2015	63.3	36.3	0.3	100.0
2016 YTD	69.3	30.3	0.4	100.0

Source: National Bureau of Statistics 2016

Table 43: Raw Materials by Source (N) Trillions for the Manufacturing Sector, 2010-2012

Raw Materials by Source (N) Trillions				(%) Distribution		
	2010	2011	2012	2010	2011	2012
Local	7.304	6.043	5.620	71.7	58.1	58.3
Imported	2.883	4.360	4.027	28.3	41.9	41.7
Total	10.187	10.403	9.647	100	100	100

Source: NBS (2014:30) Nigerian Manufacturing Sector: Summary Report 2010-2012

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