GLOBAL ECONOMIC MELTDOWN: IMPLICATIONS FOR POVERTY REDUCTION IN AFRICA

By

R. M. ABOHO
Department of Curriculum and Teaching,
Benue State University,
Makurdi.

IJIR ELISHA
Dean, School of Education,
College of Education,
Katsina-Ala.

And

O. G. AGI
Department of Curriculum and Teaching,
Benue State University,
Makurdi.

Abstract
The current global economic meltdown has severe impact on global economy than the previous ones. Globalization and economic interdependence has prompted the devastating effects of the meltdown on Nigeria and other developing economies. This paper, therefore, traces the history of world economic crises and examines the impact of the economic meltdown as well as poverty situation in Nigeria such as food security, dwindling stock market, loss of jobs, drastic decrease in healthcare delivery budget etc. Attempt is made to trace the history of successive poverty alleviation programmes like Operation Feed the Nation (OFN), Better Life Programme (BLP), Peoples Banks of Nigeria (PBN), etc highlighting the factors that led to their failure. In addition, the implicative measures of recession such as increased poverty, disease, malnutrition as well as prices and demand of primary commodities and capital flow are discussed. Suggestions on how to turn the meltdown into a blessing are made. Which include, the need for "Down-top" approach, increased agricultural production as well as for the people in charge of
poverty alleviation programmes to eschew bribery and corruption in discarding their official responsibilities.

History has recorded three major economic crises in the United States of America. The first was the economic depression of the 1830s whose impact was highly restrictive because of limited communication. About one hundred years later, in the 1930s a most vicious economic depression was witnessed. The impact of this great depression was felt in many parts of the world perhaps because of advancement in communication technology.

The current global economic meltdown which began by the last quarter of 2008 also originated in the United States of America. It has since spread to other parts of the world and most especially to Nigeria. Most developing economies of the world are being threatened by the recession, an indication of global economic interdependence. As a developing country Nigeria cannot be spared of the devastating effects of the economic recession. It is therefore, the focus of this paper to examine the implications of the meltdown on the process of alleviating poverty in Africa and Nigeria in particular. Impact of the Global Economic Meltdown on Nigeria.

The negative Impact of the current economic meltdown on Nigeria as identified by Iyela (2009) among others, include dwindling foreign reserves; declining resource allocation, fall in excess crude account, increasing capital flight, increasing job losses. In specific terms, the crisis has negative impact on global vis-à-vis the Nigerian economy in various ways. Some of these have affected other African countries.

There is a downward trend in the prices of world commodities which threatens many economies. Already, the copper mines in Zambia and Congo are shut down while the giant of Africa, Nigeria, wobbles due to falling price of crude oil. Nigeria's oil price fell from $140 to $40 per barrel (Agbo, 2009). Nigeria earned $435.40 billion in December 2008 but due to OPEC quota reduction she earned $285.58 billion in January 2009. This amount to a shortfall of $150 billion. The declining exchange rate of the Haifa in comparison to other major world currencies negatively affects foreign business transactions. The Central Bank of Nigeria (CBN) projected the credit lines may dry up for some bank (Soludo, 2009).

It has been estimated that the economic meltdown could add another 50 million to the global unemployed. The global employment trends according to the International Labour Organization (2009) revealed that:

*The lowest un-employment rate was once again observed in East Asia at 3.8%, followed by South Asia and South East Asia and the pacific where*
respectively 5.4% and 5.9% of the labour force was unemployed in 2008. The three Asian regions South Asia, South East Asia and the Pacific and East Asia accounted for 57% of global employment creation in 2008. The largest increases in a regional unemployment rate was observed in the developed economies and European union region. From 5.7 to 6.4%. The number of unemployed in the region jumped by 3.5 million in one year, reaching 32.3 million in 2008. Sub-Saharan Africa and South Asia stand out as regions with extremely harsh labour market conditions and with the highest shares of working poor of all regions (ILO, 2009:1).

The global market capitalization has witnessed a sharp drop. In Nigeria for example; Stock Exchange Commission (SEC), Nigeria Stock Exchange (NSE) and all capital market operators reduced their fee by 50%. The selected world stock market percent indices from December 2007 to November 14, 2008 displayed in Table 1 attests to the above assertion.

Table 1: Selected World Stock Market Indices (% change) (December 2007 November 14, 2008)

<table>
<thead>
<tr>
<th>S/No</th>
<th>Country</th>
<th>%</th>
<th>S/No</th>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Argentina (MERV)</td>
<td>52.8</td>
<td>12.</td>
<td>Saudi Arabia (Tadawal)</td>
<td>50.3</td>
</tr>
<tr>
<td>2.</td>
<td>Brazil (BEL 20)</td>
<td>44.0</td>
<td>13.</td>
<td>Singapore</td>
<td>49.2</td>
</tr>
<tr>
<td>3.</td>
<td>Britain (FISE 100)</td>
<td>34.6</td>
<td>14.</td>
<td>South Africa (JSEAS)</td>
<td>34.1</td>
</tr>
<tr>
<td>4.</td>
<td>Canada SSPTS X)</td>
<td>33.3</td>
<td>15.</td>
<td>South Korea (KOSPI)</td>
<td>42.6</td>
</tr>
<tr>
<td>5.</td>
<td>China (SSEA)</td>
<td>63.3</td>
<td>16.</td>
<td>Spain (Madridse)</td>
<td>43.1</td>
</tr>
<tr>
<td>6.</td>
<td>K.mexg.Vng, Market MSCty</td>
<td>57 A</td>
<td>17.</td>
<td>Switzerland ^MI1)</td>
<td>a\s</td>
</tr>
<tr>
<td>7.</td>
<td>France (CAC 40)</td>
<td>41.8</td>
<td>18.</td>
<td>Turkey (ISE)</td>
<td>54.7</td>
</tr>
<tr>
<td>8.</td>
<td>Japan (NIKKEI)</td>
<td>44.7</td>
<td>19.</td>
<td>USA (DIJA)</td>
<td>33.9</td>
</tr>
<tr>
<td>9.</td>
<td>Malaysia (EMAS)</td>
<td>49.8</td>
<td>20.</td>
<td>USA (S&amp;P 500)</td>
<td>40.9</td>
</tr>
<tr>
<td>10.</td>
<td>Nigeria (NSE)</td>
<td>35.6</td>
<td>21.</td>
<td>World D (MISC)</td>
<td>44.6</td>
</tr>
<tr>
<td>11.</td>
<td>Russia (RTS)</td>
<td>72.9</td>
<td>22.</td>
<td>World (all) (MSCI)</td>
<td>46.2</td>
</tr>
</tbody>
</table>

Source: Soludo, 2009: Global Financial and Economic Crises: How vulnerable is Nigeria?
Apart from the negative picture portrayed in the foregoing Table, Onu (2006) submits that other impacts created by the global financial and economic crises in Nigeria include, a portrayal of less confidence in the financial market; weakened finance in form of take-over and bankruptcy as well as decline in real output growth. He reflected further, that the IMF projected Nigeria's economic growth at 2.9% for 2009 and 2.6% for 2010 as against Central Bank's (CBN) growth projection which ranges between 5 and 6% for 2009. He also disclosed that the inflation figure in Nigeria stood at 14.6% in February and 14.4% in March 2009, thus exceeding the Federal Government's projection of 8.95 for 2009.

**Poverty Situation in Nigeria**

Development as perceived by Kwanashie (2005) is a process by which people use available resources to produce the goods and services they need to increase their human, institutional and technical capacity as well as to achieve sustainable improvement in the quality of their lives. He further asserted that when poverty is reduced to its barest minimum, Nigerian masses would gain access to adequate food, clothing, shelter and other essentials of decent life.

The alarming poverty situation in Nigeria is succinctly presented in a survey conducted by the National Bureau of Statistics (NBS, 2006). The study revealed that 77.5% of people in North East Zone considered themselves poor while South East recorded 76.8%. Other geopolitical zones are South-South with (66.1%), North Central with (62.8%), South-West with (61.4%) and the North West with (50.2%).

In another development, the survey also revealed that majority of the active population of Nigerians were employed in private households (96.3%) small private enterprise (18.9%), state government (4.2%), local government (2.7%), federal government (2.2%), large enterprises (2.1%), Parastatals (0.4%) and international organizations (0.1%). In terms of industry, agriculture employed 39.3% of the employed persons in Nigeria, 24.3% in trade, 11.8% in services, 4.5% in manufacturing while only 1.1% were engaged in fishing (NBS, 2006).

Other indices of poverty in Nigeria include lack of income and productive resources sufficient to ensure sustainable livelihood, hunger and malnutrition, limited or inaccessibility to education and other basic services, inadequate housing. Unsafe environments and social discrimination as well as exclusion from participation in decision making in civic, social and cultural life are part of indices of poverty in Nigeria.
Poverty Reduction Programmes in Nigeria

Attempts by successive government in Nigeria to combat, reduce and eradicate the menacing scourge of poverty among Nigerians can be traced to Gen. Gowon's National Accelerated Food Production (NAFPP) of 1972 and consequent establishment of Nigerian Agricultural Co-operative Bank (NACB). Operation Feed the Nation (OFN) was introduced in 1976 to get university undergraduates to become involved in agricultural production,

There was also the Green Revolution Programme of 1979 aimed at: curtailing food importation and boosting of crop production. Go Back to land Programme of Buhari-Idiagbon regime also targeted food production and poverty reduction.

In 1986, two anti-poverty institutions were established they include Directorate of Food, Roads and Rural Infrastructure (DFRRI) and the National Directorate Employment (NDE) to improve the infrastructural development in the rural areas and to provide jobs for unemployed youths and graduates. Better Life Programme (BLP) was launched in 1987 to empower rural woman with skills acquisition.

In order to make credit facilities accessible to the poor, People Bank of Nigeria (PBN) and Community Banks (CB) were established in 1989 and 1990 respectively. Other past poverty alleviation programmes are Family Support Programme (FSP) in 1994, and Family Economic Advancement Programme (NAPEP) which was launched in 2001 as well as the National Economic Empowerment and Development Strategy (NEEDS) in 2004. These programmes were launched to provide health care delivery, encourage youth development, access to credit facilities to establish cottage industries and to reduce poverty to its barest minimum by empowering the people to make appropriate use of the natural resources available within their environment. The recently established microfinance banks are in the right direction however, caution should be taken so that it does not end the way the previous poverty alleviation programmes have ended.

Despite their laudable aims and objectives, the aforementioned poverty alleviation programmes could not impact much on the poor Nigerians due to some reasons. A number of these are briefly stated below:-
The poor who are the target group of poverty alleviation programmes are usually not actively involved in setting the goals and priority of the programme. The usual practice has been "top-down approach" where by, the policy plans are made by the "big-men" and imposed on the poor irrespective of whether the plans are suitable for them or not. Resources meant for poverty alleviation programmes are sometimes diverted, mismanaged and embezzled by government officials in charge of such programmes.

The beneficiaries of poverty alleviation programme in Nigeria may not necessarily constitute the real target group. For instance, the beneficiaries of Better Life Programme (BLP) are usually not the rural women who are purportedly designed or meant for.

Successive governments in the country come and go with their version of poverty alleviation programmes. This does not allow the programmes to impact meaningfully on the people. In most cases, poverty alleviation programmes are used as political gimmicks to boost a regime's political influence by settling political supporters. The programmes are sometimes used as avenues to siphon government resources for personal gains.

Implications of Global Economic Meltdown on Nigeria

The implications of the present global economic meltdown on the overall Nigerian economy and the living conditions of the people are summed up by Chigbo (2009:1) as follows:

While an economic recession in a developed nation results in increased social spending, a recession in a typical African nation results in increased poverty, disease, malnutrition and death. The current economic and financial crisis affects all drivers of African growth, prices and demand for primary commodities, capital flows, diaspora remittance and foreign direct investment and regional integration in low-income countries and fragile states.

In specific terms, some of the implications of current global economic meltdown for poverty alleviation schemes and institutions in Nigeria are stock market, food security, health care delivery, loss of jobs and so on. The Nigerian stock market which came as a succour for the emancipation of the middle class suddenly crashed due to the global economic crises. The down slide movement of the market has serious consequences for the economy and the individual share-holders. The market which opened in January 2008 at 110.8 trillion market capitalizations dropped down to N6.95 trillion (Iyela, 2009). According to Ahmed (2010), 2 trillion was lost to depressed stock
market in Nigeria in January 2009 while about 388 billion loan from banks to stock broking companies and individuals to purchase shares are yet to be recovered.

The implications of the economic crises on food security in Nigeria cannot be underestimated as already, the production of some food crops are threatened. The under-privileged poor farmers constitute about 70% of the Nigeria farmers but condemned to subsistence, barely producting to feed their family members (Nicholas, 2007). There is no doubt that the economic meltdown would lead to less food security and quality of nutrition in Nigeria.

From all indications the global economic crises would lead to a cut down in HIV/AIDS budget. Accordingly, about 70% of people on HIV treatment in Africa are expected to be negatively affected by the crises within the next twelve months (http://alatico.comlstories/ 2008). This will invariably put more stress on already weak health system in Nigeria. More Nigerians have lost their jobs due to the crises. Most state governments as well as parastatals and agencies have placed embargo on employment in reaction to the crises (Iyela 2009).

The global economic meltdown will further affect the already shrinking education system in Nigeria. This problem ranges from inadequate provision of infrastructural facilities, instructional materials, equipments to poor remuneration of teachers as well as training and retraining of personnel. Poor housing is a major index of poverty in Nigeria. Inadequate housing is a familiar phenomenon in most part of the country in both rural and urban areas. For instance, a study revealed by National Bureau of Statistics (2006) is that about 682% of household in Nigeria lives in single rooms. With the escalating prices of building materials it is clear that owning a house is eluding the poor in Nigeria. Even as tenants in Katsina State for instance, it is noted that housing takes greater part of ones annual budget when a flat costs between 120,000 and N150, 000 per annum.

Obasanjo-Soludo reforms in this sector saved Nigerian Banks from the devastating effects of the meltdown. However, with the crashing stock market, financial institutions cannot be spared of some doses of economic loss. Nigerian Banks have not recovered N388 billion loan granted stock brokers and individuals to purchase shares (Ahmed, 2010).

**Conclusion**

There is no doubt that the global economic meltdown is really shaking the world economy. However, efforts must be made by government, national and international agencies, groups and individuals to absorb the effects of the crises. It must
be seen as an avenue to look inwards as a way of finding lasting solutions to our economic problems.

**Recommendations**

In an attempt to make the poverty reduction programmes in Nigeria relevant, the following recommendations are proffered:

1. There is the need to plan and implement poverty reduction programme with full participation of the poor using down-top approach.
2. There is need to revive the ailing industries to boost employment and tackle poverty.
3. There is urgent need for increased agricultural production to ensure food security. A strong agriculturally-based economy would reduce dependence on oil revenues and stimulate local economic of the country.
4. Government should take urgent measures to stabilize the stock and foreign exchange market.
5. There is need to strengthen micro financial institutions in order to boost small medium enterprises (SME) in agriculture, trade artisanship etc.
6. Indigenous capital formation is necessary to improve domestic savings and investment. There is also need to block indigenous capital flight.
7. The federal government should supply adequate electricity to boost economic activities in both rural and urban areas. Many industries would be able to have regular power supply to meet their production targets.
8. There is need for officials in-charge of poverty alleviation programmes to be sincere, committed and eschew corruption;
9. To reduce poverty to its barest minimum in Nigeria, the leadership must be visionary and focused in diversifying from one-horse economy to more viable and sustainable sectors.

**References**


