COVID-19 PANDEMIC AND NIGERIA'S POLITICS OF ECONOMIC DIVERSIFICATION

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Abstract

Covid-19 pandemic obviously took the world by surprise, but it particularly had a devastating effect on Nigeria's economy given its impact on international trade and the crash in oil prices, upon which the country's economy depended. Nigeria's government as a result, introduced some panic measures essentially to cope with the problem. It for instance, withdrew and re-packaged its 2020 National Budget and embarked on massive external borrowing to fund its activities. But the pandemic has once more brought to the fore the country's lingering politics of economic diversification. Using the Prebisch-Singer Hypothesis and the Mun and Davenant Ideologies, the paper argues in favour of economic diversification, which will engender sustainable development. It however analyses why economic diversification has been reduced to mere political propaganda by successive Nigeria's leaders, thus revealing the overbearing influence of socio-political factors on economic management. The paper concludes that Nigeria must have to tackle its nation-building challenges to be able to diversify its economy and grow sustainably.

Keywords: Nigeria, Economy, Diversification, Oil, Politics

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Introduction

Nigeria's economy entered the panic mode in the first quarter of 2020 following the economic disaster that befell international trade and in particular oil prices as a result of the Covid-19 pandemic. This was not the first time, in fact, it has now become a recurring affair with each oil price slump, given the country's almost total dependence on oil exports. Every time there is an oil price crash, Nigeria's economy goes into a recession, the government embarks on massive unsustainable borrowing with the currency crashing in value, despite the wasteful interventions by the country's Central Bank (Udemezue 2020). In fact, towards the end of the first quarter of 2020, the country's economic managers had every reason to worry following the persistent downward trend in the global price of oil. A lot of panic measures were introduced to forestall the looming crisis. However, the recent trend also points to the fact that Nigeria has not used its oil resources creditably. The poor development conditions of the country are indeed sufficient evidence that the endowment of natural resources, whether discovered, exploited or deposited is not a necessary precondition for economic growth and development. For, central to the development agenda is the attitudinal content and commitment of a people, both horizontally and vertically. Regrettably these moral requisites are to a large extent not present in Nigeria (Mohammed & Nsemba 2017).

Nigeria's near total dependence on oil exports is however a post-independence development. Back in the 1950s and up till the end of the country's First Republic in 1966, the economy was largely diversified with agriculture and solid minerals playing dominant roles. By then, the different Regions (North, East, West and Mid-West) were perpetually in competition, over their contribution to the national treasury. But, all of that changed once oil was discovered in the country's Niger Delta first in 1956, and later in commercial quantities in 1958. Things got to a peak early in the 1970s, when the country witnessed its first oil boom, in spite of having just emerged from a gruesome 30-month Civil War. The frequency of such experience (oil boom) over the years, which usually led to skyrocketing oil prices, brought so much wealth to it that Nigeria willingly got infected with the "Dutch Disease". However, unlike some other oil rich countries especially from Southeast Asia and the Middle East, Nigeria has unfortunately not utilized its oil resources to develop the other sectors of its economy, to the point that up till now, revenue from oil sales still accounts for over sixty per cent of the country's wealth and close to ninety per cent of its foreign exchange earnings (see Table 3). Of course, this has come with a great price. The economy has remained import dependent, externally controlled and dominated even as it is continually exposed to the vagaries of fluctuating prices in the international market, thus lending credence to the saying that 'Nigeria's oil is divine, its exploitation is external, while its pricing is international'.

This paper seeks to show the avoidable negative impact that Nigeria has suffered over the years as a result of not diversifying its economy. It argues that the latest challenge resulting from the Covid-19 pandemic is only one in a series, given that the country's economy had previously gone into recession anytime there was a crash in international oil prices. The paper links the country's inability to diversify the economy to its nation-building challenge, which revolves around social, economic and political factors. It submits that the trend will continue until these challenges are resolved to enable her open up multiple sources of income aside from oil exports.

The Covid-19 Challenge

The recent Covid-19 pandemic exposed the fundamental weaknesses of Nigeria's economy. By the time the country recorded its index case on 27 February 2020, its economy was already characterized by a poverty-stricken population with over 40% living below the poverty line according to the National Bureau of Statistics. Aside from this, there was an overwhelming evidence of a weak and neglected healthcare system obviously unprepared to cope with the fallouts of the novel pandemic as well as a near-prostrate economy that was neither able to support its different sectors nor provide palliatives for its teeming population. Moreover, while the near absence of reliable data and demographic statistics for economic planning and management did not help matters, Nigeria's serious debt over hang with huge implications for debt servicing did not make the ensuing pandemic a cheering news for its citizens.

These were compounded by the drastic fall in the price of oil with debilitating consequences on the national budget and the economy as a whole. Oil prices between January and April 2020, plummeted from about $64 per barrel to below $20. In fact, on 20 April 2020, the futures for oil US benchmark went into the negative territory – meaning that for the first time in history, producers were to pay traders to take oil off their hands. The price of Nigeria's oil benchmark (the Brent Crude) was luckier although it still crashed to $19 per barrel (Udemezue 2020). This obviously had grave implications for the country given its almost total dependence on incomes from oil exports for its foreign exchange earnings. As the pandemic persisted globally, people were no longer travelling as several countries placed their economies on lockdown essentially to prevent the rapid spread of the virus. This unfortunately led to a sustained fall in the demand for both aviation and automobile fuel, which also affected Nigeria's net oil revenue and by extension its foreign reserve. This aside, there were also supply shocks in the global supply chain as many exporters shut down their factories with almost every country closing its borders. Considering that Nigeria's economy is mostly import dependent, it was only a matter of time before it began to witness shortages in crucial supplies like pharmaceuticals, spare parts, construction materials and finished goods (Ozili 2020).

The immediate consequence of these was a serious shortfall in government revenue resulting in an inability to meet its obligations. And worst hit was the 2020 national budget, which was predicated on an oil price of $57 per barrel and a production quota of 1.7million barrels. With the almost total collapse of oil prices, the entire budget had to be repackaged to reflect the new reality. For instance, the oil benchmark was reduced to $28, while the production quota was brought down to 1.4 million barrels. Government also had to embark on massive external borrowing to the tune of $5.5 billion essentially to fund its national budget.

Government's inability to meet its financial obligations at this time also had implications for the citizens who immediately began to show resistance to several government policies and programmes, especially those targeted at the lockdown of the economy to combat the rampaging COVID-19 pandemic. In Lagos, Nigeria's economic and commercial capital for instance, the citizens resistance led to the emergence of several armed gangs including the 'One-Million Boys', who operated freely within the city's slums and suburbs terrorizing citizens and dispossessing them of their monies and other valuables. There were also pockets of demonstrations by citizens in several other cities, who openly complained of hunger amidst the lockdown of their economic activities. This ugly situation was further exacerbated by the poor handling of government palliatives, which in most cases were either distributed along political party lines or mostly to favour political party faithful and stooges of people in government. If only Nigeria had a robust and diversified economy perhaps, the situation may not have been this bad. Unfortunately, its economy depended primarily on crude oil exports.

Literature and Conceptual Clarifications

The issue of Nigeria's economic diversification has attracted considerable attention in scholarly literature. However, majority of the existing works have rather concentrated on the reasons why Nigeria should diversify its economy (Onyeje and Tyokohol 2019; Dike and Njoku 2019; Akpomujere 2017; Ekol *et al* 2013; Nwosa *et al* 2019; Uzonwanne 2015; Nwanna and Eyedayi 2016; and Igberaese 2013). There are also other works that have highlighted the benefits that may accrue to Nigeria from economic diversification (Abba 2018; Suberu *et al* 2015; Dike and Njoku 2019; Bello and Aliyu 2016).

On the impact of Covid-19 on Nigeria's economy findings from Andam et al (2020) indicate that Nigeria's GDP fell 23% during the lockdown. Agri-food system GDP fell 11%, primarily due to restrictions on food services. Household incomes also fell by a quarter, leading to 9% points increase in the national poverty rate.

Given this scenario, they therefore concluded that Nigeria is unlikely to escape a deep economic recession. For Olubusoye & Ogbonna as a result of the Covid-19 pandemic, global oil prices, which is highly volatile, will significantly affect Nigeria's general price levels, foreign exchange earnings and gross domestic product (GDP) given its dependence on crude oil exports. Since crude oil accounts for a significant proportion of the nation's foreign earnings as well as federal government revenue, economic productivity is bound to be undermined by the oil price shock that led to the crash in global oil prices. Hence, a rise in COVID-19 cases is also likely to impact economic growth negatively through oil price and government revenues. Furthermore, Ololo, Onyedikachi & Iheonu's (2020) work show that the strict containment and mitigation measures enforced by government of various territorial entities and units to contain the spread of the virus will have adverse consequences on global value chains and convergence, global supply of food and primary commodities, and foreign financial flows, particularly, in the area of remittance, which serves as a source of revenue for the government and various households in Nigeria. Moreover, with crude oil price in the global market falling below the oil benchmark price projected as a guide for the Nigeria budget, Nigeria will operate at deficit level in terms of budget as crude oil remains the chief export earner for the country. Ozili's (2020) study finally shows that Nigeria's recent economic downturn was triggered by a combination of declining oil price and spill overs from the COVID-19 outbreak, which not only led to a fall in the demand for oil products but also stopped economic activities from taking place when social distancing policies were enforced. The above negative impact of the pandemic therefore reinforces the numerous benefits that the country stands to gain, if it were to diversify its economy.

Arising from the existing literature is the yawning gap on the reasons behind Nigeria's inability to diversify her economy. This paper therefore, is an effort fill this gap. It focuses mainly on the reasons why successive Nigeria's leaders have reduced the country's economic diversification to mere political propaganda.

The paper also highlights the overbearing influence of socio-political factors on economic management.

Scholarly explanations of the theoretical models of economic diversification are equally varied. But a few of them stand out for mention. This study however, will be based on two models, the Prebisch-Singer Hypothesis (PSH) and the Mun and Davenant Ideology. The Prebisch-Singer Hypothesis (PSH) originated from the works of Raul Prebisch (1950) and Hans Singer (1950). The authors highlight the relevance of export diversification to economic growth. They argue in their works that the price of primary commodity exports usually declined when compared to that of manufactured goods over the long-term thus leading to the deterioration of the terms of trade of primary commodities. According to them, manufactured goods have a greater elasticity of demand than primary goods considering that individuals taste and preferences usually rise or get better as their income rises. Hence, it is in the interest of developing countries to increase the variety of their export products and this is considering that product diversification will enable such countries to survive the frequent commodity shocks usually associated with primary products, while also boosting their terms of trade. They also argue that even a revenue windfall gain from high world commodity prices may be temporary and also threaten the macroeconomic stability of such countries. This is given that a fall in world demand and prices for a primary commodity will equally cause a rise in the trade deficit as well as the fiscal deficit of the exporting country. The writings of Brainard & Cooper (1968), Cadot, Carrere, & Strauss-Kahn (2007) as well as Hesse (2006) all support the Prebisch-Singer Hypothesis.

Nevertheless, the Prebisch-Singer Hypothesis has been criticized for generalizing issues. For instance, it is not in all cases that manufactured goods have an advantage over primary commodity exports. An example is the commodities boom of the 2000s, which place the terms of trade of several developing countries over and above those of East Asian economies, whose exports were mostly manufactured goods. Moreover, in the determination of terms of trade, the Prebisch-Singer Hypothesis considers only demand conditions to the detriment of supply conditions, which could change overtime. In any case, the continuing significance of the Prebisch-Singer Hypothesis lies in the fact that barring major changes in the structure of the world economy, the gains from trade will continue to be distributed unequally between nations exporting mainly primary products and those exporting manufactures (Toye & Toye 2003).

Next is the Mun and Davenant Ideology, which is associated with Thomas Mun (1664) and Charles Davenant (1699). The details of their thesis is contained in their different essays on international trade, which revolves around the challenge of weak industrial base of nations resulting from their export of mainly primary commodities. Writing during the Mercantilist period, Mun emphasized why a nation must strive to ensure that its exports exceeded its imports, essentially to achieve a favourable balance of trade. Being an official of the East Indian Company, he was primarily concerned with how England could achieve economic stability leading to the publishing of his foremost work *A Discourse of Trade from England Unto the East-Indies.* For him, foreign trade was the easiest way to increase a nation's wealth with exports being more than imports. Little wonder, why he argued in his *England's Treasure by Foreign Trade* that "we must sell more to strangers yearly than we consume of theirs in value". He believed that "foreign trade ought to be encouraged, for, upon it hinges the great revenue of the king, the honour of the kingdom, the noble profession of the merchant, the supply of our poor, the improvement of our lands and the means of our treasure" (Rekhi 2005).

Davenant's thoughts and ideas are in the field of political-economy. Prominent among his several books are: *An Essay on the East Indian Trade (1697), Two Discourses on the Public Revenues and Trade of England (1698), An Essay on the Probable Means of Making the People Gainers in the Balance of Trade (1699)* and *A Discourse on Grants and Resumptions and Essays on the Balance of Power (1701).* He is believed to be the first to discuss the importance of the Balance of Trade in the economy of a nation. He discouraged the idea of a nation importing more goods than it is exporting arguing that it will lead to an outflow of currency, which in the long-run will be harmful to the society.

They Mun and Davenant Ideology demonstrates how a nation could create a basket of wealth through diversification. They argue that aggregating exports through both agricultural and industrial production, would create more wealth resulting from both finished and unfinished goods. This avenue to wealth they suggest, is usually more enduring and self-sustaining than depending on a mono product economy. The work is therefore anchored on both the Prebisch-Singer Hypothesis and the Mun and Davenant Ideology given their support for economic diversification as the easiest means through which a nation can create wealth on a sustainable basis.

Nigeria and Economic Diversification

Economic diversification, which is defined as the process of shifting an economy away from a single income source toward multiple sources from a growing range of sectors and markets (UNFCCC 2019) is a prerequisite for sustainable growth and development. It is also the shift toward a more varied structure of domestic production and trade with a view to increasing productivity, creating jobs and providing the base for sustained poverty-reducing growth (World Bank Group 2019). It is in fact, in the interest of every nation to diversify its economy considering that the inability to diversify makes such economies less resilient and more vulnerable to external shocks, which can undermine the prospects for long-term development. Diversification also promotes growth and development through the mobilisation of savings from surplus sectors for use in the development of deficit sectors of an economy.

Economic Diversification became popular in the 1930s, following the Great Depression of the period, which brought down the economies of several nations. Hence, diversification was seen as the way out of the problem as its proponents argued that increasing the variety of industries in the different economies will spread the risk and reduce the likelihood of a single or few industries suffering a downturn at the same time to the detriment of the economy (Iwuagwu 2019).

Several opportunities abound in multiple sectors for diversifying the economy of any nation including agriculture, entertainment, financial services, industrialisation, information and communication technology, tourism, etc. (Eko *et al* 2013). Similarly, there are advantages that accrue from the successful diversification of any economy. The first is that it helps to manage volatility and provide a more stable path for equitable growth and development. Secondly, diversification assists in increasing the number and quality of jobs given that trade expansion is central to creating new and higher productivity jobs, which further facilitates growth through structural transformation (World Bank Group 2019).

That Nigeria has not yet diversified her economy as Table 1 below shows is self-evident. This is also what has made her economy not only to be vulnerable to the numerous economic shocks associated with international oil market but also to be deprived of the numerous benefits that accrue from economic diversification.

Table 1: Oil & Non-Oil Revenue as % of GDP, 2003 - 2018

Year	Oil	Non-Oil
2003	20.9	5.1
2004	29.4	5.3
2005	32.7	5.7
2006	28.5	4.0
2007	19.5	5.3

2008	27.4	5.6
2009	12.9	6.7
2010	18.3	6.5
2011	13.9	3.5
2012	11.1	3.6
2013	8.4	3.6
2014	7.5	3.4
2015	4.0	3.1
2016	2.7	2.7
2017	3.6	2.9
2018	4.3	3.0

Source: CBN Annual Report & Statement of Accounts, Various Issues

Examples abound from some Southeast Asian and Middle Eastern economies (mainly oil producing countries), on the innumerable benefits that usually accrued with successful economic diversification.

Malaysia for instance, is a country, which like Nigeria, is endowed with natural resources, but which has successfully diversified its economy over the past half-century to give impetus to sustainable growth and development. Malaysia's economy within this period has shifted from one, dominated by agriculture and the export of agricultural commodities and tin to one, that is now more industrialized, given that manufactured exports form a sizable share of total exports (Ali 2016; Lebdioui 2019; Arip 201;

and Nambiar 2010). This aside, diversification and economic growth in Malaysia have also contributed to the reduction of absolute poverty (Yusof 2012). The successful implementation of diversification policies in the country has reduced the overall share of agriculture in the economy, even as it has raised the contribution of manufacturing and services. Some of the macroeconomic policies implemented by Malaysia to encourage economic diversification include, keeping the economy open in order to attract foreign direct investment, promoting export-oriented industrialization, and a massive investment in human capital and infrastructure. The country also promoted specific strategic industries to achieve the maximum technological transfer possible. Above all, being an oil producing nation, Malaysia effectively utilized its oil resources to facilitate the development of other sectors of the economy. The state oil company, Petronas is indeed, reputed to be a very efficient and globalized firm, operating in more than 30 countries, involved in exploration, exploitation, refining, and numerous oil-related complex activities. It is also ranked among the most profitable firms in the world (Yusof 2012). An assessment of diversification in Malaysia shows that the country adopted different strategies to achieve economic diversification including: selectively encouraging foreign direct investment in exports, especially in electronics; reliance on free trade zones; offering lower taxes; and, providing stable business environment as well as ensuring an educated workforce with competitive wages (Yusof 2012).

Indonesia is yet another success story in economic diversification. Like several other oil producing countries, Indonesia implemented the Import Substitution Industrialization Strategy (ISIS) in the 1970s with government intervention in the economy using a number of big State-Owned-Enterprises (SOEs). Towards the end of the 1980s, Indonesia embarked on a massive policy of industrialization and export-led manufacturing. The main instruments of this policy were the creation of free trade zones, introduction of tax incentives, easing of tariff restrictions and nontariff barriers and promoting the largest exchange rate devaluation among developing nations in the 1980s. All these resulted to a substantial growth in labour-intensive manufacturing (mainly in textiles, footwear and electronics) due to attractive wage levels (Dobbs et al 2012; Booth 1986; and Rosser 2007). In fact, Indonesia was perhaps, the only member of the Organization of Petroleum Exporting Countries (OPEC) that used the highest share of its oil resources to develop its productive capacity, especially in agriculture (Cherif *et al* 2016).

In the Middle East, the United Arab Emirate (UAE) is also an example of an oil producing country that has successfully tried to reduce its dependence on oil by diversifying into other sectors with appreciable results. The country has in fact, departed from being an oil dependent nation (90% in 1980) to one of the least oil dependent countries (50 – 60% by 2004). This transformation came after years of a resource-based growth strategy, which focused on subsistence agriculture and other natural resources as primary contributors to the economy. To ensure diversification, the UAE adopted an outward-oriented development strategy, which involved trade liberalization as well as improved business environment and infrastructure development (Schiliro 2013; Ahmed 2015; Haouas & Heshmati 2014; and Babayer 2019). The country's diversification process first began with its domestic industries (fertilizers, aluminum, cement and petrochemicals) and later moved to more diversified products such as electronics, machinery and transport equipment. Its non-hydrocarbon sector received a major boost through the establishment of Free Trade Zones (FTZs), which attracted companies producing electronic products and manufactured goods (Igberaese 2013).

A review of Nigeria's economic history shows that the economy has not always depended on oil export proceeds for its revenue. Prior to its political independence and in fact, all through the first decade of independence, Nigeria's agricultural production was strong, employing up to 70% of the working population and contributing more than 42% to its Gross Domestic Product (Metu *et al* 2018). At independence in 1960, the economies of Nigeria's different regions depended mainly on agriculture with the North concentrating on Groundnuts, Cotton and Cattle; the West on Cocoa, Palm Kernels and other root crops; while the East, produced mainly Palm Oil and Kernels as well as other root crops. Throughout this period, Nigeria was famous for its agrarian economy through which cash crops like Palm produce, Cocoa, Rubber, Timber and Groundnuts were exported, thus making her a major exporter of agricultural produce. The country in addition had 19 million heads of cattle, perhaps the largest in Africa (Uzonwanne 2015).

Table 2: Sectoral Contribution to Nigeria's Gross Domestic Product (GDP), 1960 – 1970

SECTOR	1960	1970
Agriculture	64.1%	47.6%
Manufacturing	4.8%	8.2%
Crude Petroleum	0.3%	7.1%
Others	30.8%	37.1%

Source: 'B. Adedipe (2004). "The Impact of Oil on Nigeria's Economic Policy Formulation". **https://www.odi.org/sites/odi.org.uk/files/odi-assets/events-documents/117.pdf**

Table 2 above shows the contribution of the different sectors of the economy to Nigeria's GDP between 1960 and 1970. It is evident based on the Table that the contribution of oil during the period was almost insignificant as agricultural exports contributed by the different zones, played a dominant role. However, this was to later change from the mid-1970s when the country experienced its first oil boom.

The development of Nigeria's petroleum industry however began early in the twentieth century, starting with exploration activities by the German Bitumen Corporation. In 1937, an oil prospecting licence was granted to Shell D'Arcy Exploration Parties, while Mobil Exploration Nigeria Incorporated was in 1955 granted concession over the whole of the Northern region. The commercial discovery of oil however occurred in 1957 by Shell, while it later started production in 1958. The Federal Government in 1961 further issued ten oil-prospecting licences on the continental shelf to five companies with each licence covering an area of 25, 600 square kilometres. Once oil was discovered in commercial quantities at Oloibiri in the Niger Delta and later Afam and Boma, Nigeria became firmly established as an oil-producing nation (Ekol *et al* 2013). Thus, began the story of Nigeria's romance with oil and the economy's ultimate dependence on oil exports.

There is every reason to suggest that successive Nigeria's leaders were fully aware of the need to diversify the country's economy and the benefits that could accrue from it. In fact, it is primarily because of this that economic diversification has remained the buzz phrase of the country's leadership class especially since the oil glut and financial crisis of the late 1970s. Surprisingly, despite the fact that economic diversification has remained a sing song or 'mantra', among the country's leaders, only lip service has been paid to it (Okeke 2020). A brief history of Nigeria's economic development trajectory will justify this fact.

The economic policy orientation of Nigeria during the 1970s, left it largely unprepared for the eventual collapse of oil prices that was to follow. This is considering that the military regimes of Generals Yakubu Gowon and later Murtala Mohammed/Olusegun Obasanjo concentrated public investment mainly in costly, and sometimes inappropriate infrastructure projects with questionable rates of return and sizable recurrent cost implications. Nigeria's industrial policy under the different military administrations was seriously inward-looking, with a heavy emphasis on protection and government controls, which always made the manufacturing sector uncompetitive (Moser *et al* 1997). Marwah (2015) has also observed that one of the most significant though gradual changes arising from the military takeover of government in Nigeria was the concentration of power in, and control of government revenue by the federal government.

The Murtala Mohammed/Olusegun Obasanjo regime, which took over power in 1975 had a programme of creation of new states, which weakened the powers of the regions in favour of the centre, as well as a transition which had already begun with the growth of oil revenues, which was apportioned from the centre (Marwah 2015). The concentration of power at the centre not only weakened the states and regions but also introduced a fierce struggle among the states and between the states and the centre, over the sharing of the country's resources. This was the background to the events that eventually led to economy sliding into its first crises with the fall in oil prices of the period.

In 1979, the military handed political leadership back to the civilians. Thus, Alhaji Shehu Shagari, became Nigeria's first Executive President. Under him, Nigeria's undiversified economy was again confronted with a major crisis following a collapse in oil prices. As a way out of the crisis, the Shagari administration introduced a set of austerity measures, even as it made efforts to diversify the economy. The President in his inaugural address committed to diversifying the economy through the expansion of agricultural produce. To this end, he introduced the Green Revolution Programme, which according to him would transform Nigeria's agriculture with a view to making it self-sufficient in food production, while ensuring that the money is more effectively utilized. Government also committed to devoting manpower and technological resources to increase its agricultural productivity and expand agro-based industries. An essential part of the strategy was to encourage Nigerians to engage in fruitful agricultural activities, while promoting joint ventures with foreign partners to establish farming as commercial and profitable enterprises to produce food and raw materials (Shagari 1979).

However, even with government's introduction of the Green Revolution Programme, most of the expectations were never realized, as the economy now relied on food imports especially rice and other grains to supplement local production. Unfortunately, even the little effort being made to promote agriculture was to be abandoned once the fortunes of oil in the international market improved.

The military once more took over political leadership in 1983 through Major-General Muhammed Buhari and Brigadier Tunde Idiagbon. The new administration did not do much in terms of economic diversification except perhaps, its avowed crusade against corruption and profligacy in public office. It was rather the administration of General Ibrahim Babangida (1985 – 1993) that made conscious efforts in this respect. Not only did it bring back the earlier austerity measures, it also introduced the Structural Adjustment Programme (SAP), which was targeted at economic restructuring and diversification. The stated objectives of SAP, which was introduced in 1986 were, to restructure and diversify the productive base of the economy in order to reduce dependency on the oil sector and on imports; achieve fiscal and balance of payments viability over the period; lay the basis for a sustainable non-inflationary growth; and, reduce the dominance of unproductive investment in the public sector, improve that sector's efficiency and enhance the growth potential of the private sector (Anyanwu 1992).

Nevertheless, a review of the implementation of SAP in Nigeria during this period shows that the programme initially seemed to have achieved its goals as efforts were made to eliminate the corrupt import licensing system, which almost crippled the manufacturing sector to a reduced performance of 25%. Also, government's initial efforts stimulated some rise in industrial production, even as the period witnessed considerable efforts aimed at reawakening the fortunes of agricultural produce. However, many have also criticized SAP for leading to the devaluation of Nigeria's currency and deregulation of interest rates – a process that grossly affected the sourcing of loans and in fact, doing business in general especially with financial institutions. Things actually got so bad that overtime it seriously affected manufacturing and other sectors of the economy leading to unemployment and poverty.

The regime of General Sani Abacha (1993 – 1998) upstaged the short-lived interim government of Chief Ernest Shonekan. There was no doubt that the Abacha regime’s repressive and dastardly acts seriously undermined the economy with inflation rising to its peak even as double standards became the rule of operation especially in the foreign exchange market considering that friends and relatives of the administration consistently bought foreign currency at "official rates" and in large quantities only to resell at high prices at the parallel "black” market. This was to the detriment of manufacturers and other genuine users of foreign exchange. The economy thus, suffered some fundamental structural defects, and remained in a persistent state of disequilibrium all through the period. Moreover, its productive and technological base were relatively weak, outdated, narrow, inflexible and externally dependent (Mudasiru and Adabonyon 2001). Nevertheless, it was also this same regime that for the first time attempted to introduce an economic vision for the country, which was targeting long-term economic planning and restructuring. This was the Vision 2010 Programme, although it was never implemented following the sudden death of General Sani Abacha, which marked the end of the regime.

The return of governance structures once more to the civilians in 1999 also brought with it some level of sanity, proper planning and accountability in administration. Within the eight years of President Olusegun Obasanjo’s administration, some institutional reforms that helped to strengthen the economy towards diversification nay sustainable development were undertaken. For instance, the fight against corruption was institutionalized through the establishment of the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC). Furthermore, the country considerably reduced its external debt burden following an agreement with the

Paris Club of Creditors in which it was granted a 60% reduction of its debt of $30 billion amounting to $18; immediate payment of the arears of $6 billion, while the remaining 40% of the debt stock (about $12 billion) was to be settled through buyback operation (Odiadi 2008). Considerable efforts were also made towards economic diversification by way of encouraging agricultural production and exports, while the fortunes of Small and Medium Enterprises improved especially with the setting up of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). However, most of the administration's efforts at improving the economy seems to have been frustrated by the country's serious infrastructure deficit considering that the efforts made towards improving electric power supply during the period did not yield any appreciable dividend, with the result that the economy still continued to depend on the proceeds from its oil exports.

The period 2007 – 2015 for Nigeria's economy saw more of continuity than change under Presidents' Umaru Yar'Adua and later Dr. Goodluck Ebele Jonathan. The reliance of the economy on oil exports continued, and this was despite an opportunity for diversification offered by the global recession of 2008. Once the recession abetted and oil prices bounced back, things went back to normal as nothing more was done towards implementing economic diversification. However, from 2015 under President Muhammadu Buhari and following another fall in oil prices, government once more picked up the diversification crusade as it introduced fresh strategies to improve the economy especially by encouraging agricultural production both for local consumption and exports. During the administration's first tenure (2015 – 2019), government encouraged the production of local Rice, while discouraging the consumption of imported Rice. This yielded some dividend especially given that government gave some incentives to farmers and industrialists, who were willing to go into Rice production resulting in the setting up of several Rice farms and Rice Mills across the country. However, the momentum as in the past slowed again following the rise in oil prices in the international market.

From the foregoing, it would be seen that as the fortunes of oil blossomed at any given point, agriculture and indeed all other sectors were neglected by the country's leaders. Agriculture in particular has suffered from long years of neglect, mismanagement, inconsistent and poorly conceived government policies, lack of government meaningful incentive to farmers, absence of basic infrastructure and a lot of bureaucratic bottlenecks in executing policies and agricultural programmes among government agencies (Uzonwanne 2015). Indeed, it is not only agriculture that has suffered neglect but the entire non-oil sector of the economy. All these points to the fact that Nigeria has not managed its oil revenues well enough to stimulate the desired growth levels and sustainable economic development (Uzonwanne 2015). The neglect of other sectors of the economy has also left majority of the country's work force unengaged or under-engaged, thereby creating a large pool of unemployed hands that have become easy tools for crime (Anyaehie and Areji 2015). It is these inadequacies that have once more been exposed by the Covid-19 pandemic, which perhaps more than ever before yet provides Nigeria with fresh opportunities for economic diversification.

Table 3: Composition of Nigeria's Exports, 2002 - 2017

YEAR	**SECTOR**	
	OIL	**NON-OIL**
2002	94.5	5.4
2003	96.9	3.1
2004	97.5	2.5
2005	98.5	1.4
2006	98.1	1.8
2007	97.6	2.4

2008	97.5	2.4
2009	96.5	3.5
2010	96.6	3.4
2011	96.5	3.4
2012	94.1	5.8
2013	92.5	7.4
2014	92.6	7.3
2015	92.5	7.5
2016	92.2	7.7
2017	92.3	7.6

Source: CBN Annual Report & Statement of Accounts, Various Issues

Table 3 above shows the composition of Nigeria's exports between 2002 and 2017. It indicates a heavy and unhealthy reliance on oil exports to the detriment of the Non-Oil exports. Although some progress seems to have been made since 2013 in the area of Non-Oil exports, but this is still infinitesimal compared to Oil exports. It is also not enough to cushion the debilitating consequences of oil price fluctuations in the international market as the recent Covid-19 pandemic has shown.

Why Economic Diversification is Difficult for Nigeria

It is self-evident that Nigeria is poor and underdeveloped in spite of its abounding resources (human and material) even as several other nations that do not have a portion of its resources are far ahead in terms of economic development. Of course, the major reason for this is because Nigeria's economy has remained undiversified and almost totally dependent on oil exports. But this unfortunate situation, has also subsisted not because the country's leaders are not convinced on the benefits of economic diversification but because of several other extraneous reasons resulting to what has been termed "Nigeria's politics of economic diversification". These reasons could be classified into political, economic and social. Each of them has over the years frustrated the different efforts targeted at diversifying the economy. Among the political reasons are: the country's lingering nationhood challenge, which often manifests in the lack of political will to enforce decisions; absence of visionary leadership; and, poor and oftentimes uncoordinated governance structures. The economic factors include: poor economic planning and management, especially the penchant for short-term adhoc plans; inadequate/poor funding; and, unreliable infrastructures. The social factors include, corruption in governance; and, the lack of citizens trust in government resulting to poor followership, which manifests mainly in the inability of citizens to hold political leaders accountable.

i. Political Factors

A major political reason that has frustrated several efforts at diversifying Nigeria's economy over the years is the country's nationhood challenge, which manifests mainly in the lack of political will by people in government to take long-term decisions in the interest of the country. It is this same reason that has fueled division rather than unity among the different ethnic groups that make up the country. On the issue of Nigeria's nationhood challenge, Edosa (2014) has opined that Nigeria is a seriously divided country. This division he says, is accompanied by serious suspicion, distrust, and antagonism among the different peoples. Somehow, these problems have also had grave consequences for the good health, orderly growth, development, stable democratic government, unity and survival of the nation. Unfortunately, all the measures and approaches designed and employed by successive governments to unite, preserve and generally keep the country afloat have not been effective as the polity is daily faced with increasingly monumental crisis of insecurity, sectarian violence, ethnic strife, political instability and threats of disintegration (Edosa 2014). It is as a result of this that majority of the country's leaders prefer to concentrate resources towards developing their own regions or ethnic groups to the detriment of other parts of the country believing that Nigeria will someday be divided. It is also because of this that the country's leaders are not always in a hurry to undertake long-term enduring policies in the interest of the country including the diversification of its economy given their belief that the country will eventually break up. What is surprising however, is that Nigeria's nationhood challenge, which manifests in different forms including ethnicity, religion, class, federalism, revenue allocation, and constitutionalism, have remained unresolved more than a century since the country was amalgamated in 1914.

It is the view of Nwokedi and Ngwu (2018) that Nigeria's crises stem from the fact that the different ethnic groups that make up the country were never consulted before they were incorporated into the modern Nigeria. Moreover, no serious effort has been made over the years to address the challenges inherent in the union with a view to promoting national integration. Hence, for many, Nigeria remains 'an African place created by Europeans' and 'a telling reality of a country where 'nested identities' exist from the village to the national levels. Rather than debunk such sarcastic appellations, the palpable tension between nationhood and state-building in Nigeria since independence has merely helped to reinforce them (Nwokedi and Ngwu 2018).

The point to note is that there is no shared commitment on the side of both the leaders and citizens to ensure that the Nigerian project worked. The available resources of the country, and in particular oil upon which its economy depends, is therefore seen as a national cake, which must be shared equitably among the different groups that make up the country. In other words, neither the leaders nor the followers are bothered about how to create new wealth for the country (in this case through economic diversification) as much as how to share the existing wealth. It is therefore largely because of this, that there has not been any serious interest by successive Nigerian leaders to explore avenues towards generating fresh resources particularly through the diversification of its economy to create additional wealth. It is also for this same reason that it is pretty difficult to hold the country's political leaders accountable for their actions or inactions in government, as individuals and groups rather see governance as opportunities for both personal and group aggrandizement.

Yet another dimension to the political challenge is the lack of visionary leadership among the country's political class. Nigeria seems not to have been blessed with visionary leaders, who are committed to the service and development of their fatherland. This agrees with the views of acclaimed novelist and creative writer Chinua Achebe, who in his book *The Trouble with Nigeria*, blames the country's problems on the failure of leadership. According to him, Nigeria's "problem is the unwillingness or inability of its leaders to rise to the responsibility, to the challenge of personal example, which are the hallmarks of true leadership". Nigeria, he insists, 'can change today, if she discovers leaders who have the will, the ability and the vision' (Achebe 1983). It is self-evident that Nigeria has mainly been governed by mediocre, who are not usually driven by profound vision, and it is because of this that the nation has also not made any significant progress. Nigeria's leadership positions have often been occupied by people without leadership capabilities and with no clear-cut ideologies.

Majority of the country's leaders in most cases find themselves in such positions by accident and therefore have little or nothing to offer in terms of visionary leadership. They end up inflicting the nation with hopelessness and mediocrity, arising mainly from paucity of statesmen-wisdom and lack of visionary leadership (The Guardian Newspaper 2019). Indeed, everything suggests that Nigeria as presently constituted is a behemoth that is being consumed by bureaucratic inefficiency with the spirit of healthy competition among the constituent parts of the federation almost non-existent, while the over-dependence of the component parts on the centre for revenue from a single product (oil) is equally counter-productive (The Guardian Newspaper 2019). Such visionary leadership will no doubt realize the urgent need for the diversification of the nation's economy with a view to generating substantial revenue necessary for sustainable development.

There is also the issue of poor and uncoordinated governance structures. Nigeria's governance structure to all intents and purposes is unwieldly, expensive and uncoordinated. With thirty-six states, an executive and a bicameral legislature at the centre and a unicameral legislature with executives at both the state and local government levels, coordination among the different tiers of government remains poor, difficult and complicated. This is further worsened by the absence of a national vision or economic blueprint to which the centre and component states are committed. The result is that often times when the centre comes up with sound developmental objectives, without the cooperation and support of the corresponding states, such programmes hardly succeed. A clear example is the fight against the coronavirus pandemic, which has exposed the weaknesses of governance and the poverty of leadership capacity to tackle any national emergency, especially in the healthcare, transportation and intervention sectors. The weeks of lockdown are telling enough evidence (Olumide 2020), as most of the policies introduced by the federal government were hardly implemented by some states. Nigeria's uncoordinated governance structures have therefore frustrated the country's economic diversification efforts to the extent that even the little push being made by the federal government in that direction is oftentimes rebuffed by the state governments, who rather prefer the equitable distribution of existing resources.

ii. Economic Reasons

Perhaps, Nigeria's greatest challenge in its bid to diversify her economy is the absence of a proper economic management strategy or vision encapsulated in long-term planning. Resulting from this, planning has in most cases been left to the whims and caprices of politicians, who oftentimes exploit it to their advantage. The examples of several developed economies however suggest that majority of them adopted long-term economic planning models with well-established strategies to attain their current levels of development. These plans are usually insulated from the day-to-day activities of politicians. Hence, no matter the government or party in power, the core of the plans is held sacrosanct. Such long-term plans or visions are usually implemented using short and medium-term planning interventions mainly as a means to an end. This also makes the implementation of the overall plan easier given that the goals and direction of the plan are already well known. Unfortunately, the situation in Nigeria is different considering that long-term planning or vision is non-existent even as planning is mostly short-term. Moreover, planning is left in the hands of the government of the day with the result that most of the plans are never harmonized between the federal and the component states or are in most cases partially implemented. The point to note therefore is that it is because over the years economic diversification has either not been taken seriously or does not appear as a cardinal policy of government that it has not yet been realized in Nigeria.

There is also the related issue of lack of sufficient funds to execute government policies and programmes. The point has already been made that Nigeria's economy currently depends on oil export proceeds, which has not been helped by the low price of oil in the international market. Added to this is the large debt overhang that has confronted the country in recent years, thus making whatever revenues generated insignificant to execute the country's economic policies and programmes. Therefore, Nigeria's inability to accomplish economic diversification has also resulted from the lack of funds to implement associated policies towards realizing economic diversification including the provision of basic infrastructure and investment in related fields essentially to make the nation investor friendly. Perhaps, economic diversification would have been the realistic option or even a priority of government but the issues already highlighted above and the ones we are still going to discuss have combined to ensure that it is not realized.

Another economy related reason, is the country's inadequate and unreliable infrastructure. This constitutes a serious problem for economic development given that it negatively impacts on the cost of doing business. Indeed, bad road network, erratic power supply, scarce portable water, poor healthcare facilities, poor transportation and communication network, scarcity of investible funds, as well as poor and unstable educational system are among the many constraints to economic development and in particular diversification. This is incognizance of the fact that improved infrastructure will create ample opportunity for the people to be innovative and productive, and further boost production of goods and services for both local consumption and export (Anyaehie and Areji 2015).

iii. Social Considerations

Corruption is a major social malaise in Nigeria. Needless to say, that it is primarily because of it that several government policies and programmes are either not executed or not properly implemented? In the first place, it is due to corruption that wrong people end up in public offices. Furthermore, huge amounts of money have been diverted into private pockets because of corruption thereby leaving the country with mounting internal and external debts. Moreover, it is equally due to corruption that Nigeria is now saddled with the near non-existence of both social and economic infrastructure, the existence of which foster economic growth and development (Ubi *et al* 2012). It has been argued that even the effectiveness of economic policies can be seriously undermined by corruption. This could happen in three ways. First, the political and bureaucratic elites who make laws for regulating the economy may engage in making self-serving laws and legislations. Second, spurious data and information may be generated and policies based on these may be misleading and ineffective. And thirdly, corrupt officials can also exploit loopholes in existing legislations (Ubi *et al* 2012). That all of these manifests in Nigeria's situation is to restate the obvious.

Corruption also poses a serious danger to Nigeria's economic diversification in the sense that even the limited resources that would have been channeled to various sectors of the economy to encourage diversification efforts are thwarted through illegal leakages. We are told for instance that only about a third of the construction investment recorded in national accounts between 1976 and 1985 actually took place, as public funds were diverted from their official channels into private hands to the extent that most were never invested in the intended capital goods (Marwah 2015). Moreover, poor corporate governance on the side of political leaders as well as weak government institutions and parastatals also do not favour economic diversification (Bello and Aliyu 2016). One can then conclude based on the foregoing that corruption perhaps more than anything else is the major impediment to Nigeria's economic diversification.

Unfortunately, these corruption related issues have led to the lack of citizens trust and support of the leaders and programmes of government resulting in poor followership in terms of the inability of citizens to hold political leaders accountable. Over the years Nigerians seem to have totally lost confidence in their political leaders to the extent that they have become nonchalant with people in government and with government policies and programmes. In fact, it is because people in government are aware of this very fact that they have always treated the electorate anyhow. This is against the backdrop that the beauty of democracy rests in the power of the masses to continually hold their leaders and institutions accountable. We therefore argue that it is because there is no love lost between Nigeria's leaders and citizens that an important economic policy such as diversification has over the years been reduced to a subject of politics.

Conclusion

It is obvious that any country that has its economy depending on income from one resource alone especially on a natural resource, is in danger of instability (Euchi *et al* 2020). The case of Nigeria over the years justifies this fact. It is evidently because of this that the country has not been able to develop sustainably. Examples from both the developed and developing economies especially those in Southeast Asia and the Middle East equally show that the sustainability of any economy largely depends on the diversity of its resources.

With numerous resources (human and material), which should engender successful diversification, Nigeria has lagged behind in matters of development essentially due to the fact that its economic diversification has been politicized. Hence, the essence of this paper, which is to demonstrate the influence of socio-political factors (as in the case of Nigeria) on economic management. The paper concludes that these issues must be resolved, for Nigeria to successfully diversify her economy, which in the long-run will enable her to grow sustainably. Economic diversification will also reduce the country's over dependence on oil as a primary source of revenue, even as it will provide the high and growing number of newcomers into the labour market with productive jobs (Cherif 2016).

What the Covid-19 pandemic has done to Nigeria is to expose the fundamental weaknesses its economy, which makes it imperative for its political and economic leaders to grab the opportunity and hasten to diversify the economy given that its one-tracked, monolithic reliance on oil has failed. The country desperately needs to build an economy that is resilient to the volatility of international oil and gas markets. Such resilience requires political cohesion, economic diversification, investments in education, science and technology as well as manufacturing capacity (Okubor 2020). Furthermore, the ongoing campaign for climate change initiatives, increasing demand for more fuel-efficient transportation, emergence of electric cars and machines innovations, continuous improvement in the alternative energy sources, artificial intelligence (AI), as well as other innovations that tend to reduce human activities all make economic diversification the realistic way forward. They also show that the future of oil as a primary driver of human and industrial activities is bleak (Udemezue 2020). There cannot be a better time than now for Nigeria to comprehensibly deal with this problem.

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