



# African Institute for Applied Economics

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*In collaboration with*  
**Policy Analysis and Research Project, National Assembly**

## **NATIONAL POLICY SYMPOSIUM**

*Making Sense of the Global Economic Crisis: Taking the Right Lessons and Avoiding the Wrong Lessons for Sustainable Growth to 2020*

**HELD ON 18<sup>TH</sup> JUNE 2009, AT TRANSCORP HILTON, ABUJA**

### **MAIN OBSERVATIONS AND RECOMMENDATIONS**

1. The global economic crisis has clearly manifested in the Nigerian economy. However, Nigeria faces an underlying economic crisis characterized by structural imbalances, market distortions, poor infrastructure and weak public institutions. The transmission channel to the Nigerian economy is generally two-fold, namely, the contagion effects and second-round effects. Through the contagion effect, the Nigerian Stock Market lost large volumes of foreign portfolio investment. On the other hand, the second-round effects manifested through the sharp drop in the international price of crude oil, the losses of foreign direct investment, trade credit, remittances and other financial flows including foreign aid.
2. An anatomy of global economic crisis underscores the merit of a new market paradigm based on social responsibility and public accountability. Both historical and current developments question the presumptions of market self-correction.
  - a. Hence, it is necessary to enforce market discipline through regulatory controls that curb excessive greed and risks taking by market competitors. To ensure sound market regulation, there should be proper oversight of regulatory institutions devoid of political interference, just as regulatory agencies, themselves, should be held accountable for undiluted professional standards.
  - b. Despite the phenomenal growth of the Nigerian financial sector in recent years, the character and progression of the financial system should be closely guarded to avoid past and potential pitfalls. It is important to constantly build the technical and institutional capabilities of financial system regulatory agencies, to make them more reliable, credible and effective.

3. Given the evident volatility of the international oil market and its distortive consequences for fiscal stability and public expenditure, oil revenue management should be based on the establishment of National Stabilization Fund that is managed in a more systematical and transparent manner. In addition, better fiscal coordination between the federal, state and local governments is necessary for overall macroeconomic stability, hence inter-governmental organs involved in the coordination of fiscal policy and public expenditures should be strengthened.
4. The market system does not necessarily preclude the need for national economic planning. In fact, given the crucial role of national economic planning particularly for the smooth functioning of the market system, Nigeria should adopt a sustained planning framework characterized by longer-term (perspective) plan as basis for annual budget, medium-term and short-term strategies. Sound economic planning will ensure that the market mechanism is socially responsive and development-oriented.
5. Public expenditure systems at federal, state and local government levels need to be strengthened to ensure greater accountability, transparency and predictability. Improved disclosure of public expenditure and benchmarking of expenditure outcomes coupled with independent tracking by non-state actors will contribute to restoring public confidence. For this purpose, also, states and local governments are urged to domesticate (implement) the Fiscal Responsibility and Public Procurement Legislations.
6. The global economic crisis and its negative consequences on the Nigerian economy have unreinforced the urgent need for economic diversification away from oil. Such diversification entails the rapid and sustained development of the non-oil economy by improving the business environment and developing appropriate technological capabilities for enhanced competitiveness of private enterprise. Diversification strategies should take into account the rising prospects of renewable (alternative) energies for sustainable economic development.
7. In order to ameliorate the risky reliance on oil earnings as the predominant basis of public revenue and fiscal planning, governments at all levels should improve domestic resource mobilization by strengthening the tax system to make it more inclusive, transparent, credible and accountable. Credible tax reforms will entail mutual accountability and shared responsibility between the government and the people.

*Sgd.*

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