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ASSESSMENT OF SELECTED WORLD BANK POLICIES AND THEIR IMPLICATIONS ON THE FIGHT AGAINST POVERTY IN NIGERIA

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ABSTRACT

The review x-rayed some World Bank policies and their implications on the fight against poverty in Nigeria. World Bank policies on education, structural adjustment programme, water privatization, deregulation/liberalization and their implications on the fight against poverty in Nigeria were analyzed. In the review it was found that rather than assist in the reduction of poverty, these policies have brought about increasing inequality, hardship, poor health status, and entrenchment of poverty among the Nigerian populace. Based on the findings the following recommendations were proffered, among others: the Nigerian government should seek for ways to increase the funding of tertiary education, by creating a ministry for tertiary education; government should increase the funding of social services in Nigeria.

INTRODUCTION

Poverty has become both national and global issues. O'Neill (2004) observed that poverty is a product of the way a society is administered. He further noted that poverty is endemic and the biggest cause of ill health. According to National Center for Economic Management and Administration –NACEMA (2003), poverty refers to the lack of physical necessities, assets, and income. It is a condition of general deprivation whose manifestation in the form of social inferiority, isolation, physical weakness, powerlessness, among others.

In recent times world economies seem to be closing down or merging, and there has been a great effort by individual and corporate bodies geared towards making the world a global village. The World Bank has been found to play a significant or leading role in this direction. Thus, terms such as globalization or liberalization can be used to describe such practices in emerging world economics. However, the force of globalization or liberalization is latent with both planned and inadvertent consequences, especially on developing countries such as Nigeria. This paper assessed the effects of some policies of the World Bank on the bid to eradicate poverty in Africa, with Nigeria in focus. Thus, the objective of this review is to expose the negative effects of selected policies of the World Bank on the fight against poverty in Nigeria. In her history, Nigeria has not staged a conscious fight against poverty since its independent in 1960 as she is doing now. Thus, the significance of this paper is to enable policy makers and Nigerians as a whole to identify some of these World Bank policies that could make our effort towards eradication of poverty to be counterproductive.

World Bank: Historical overview

World Bank is a term used to describe an international financial institution that provides leveraged loans to developing countries for capital projects. One of World Bank's stated goal is the reduction of poverty (World Bank, 2008). The World Bank comprise mainly of two institutions.

(i) The International Bank for Reconstruction and Development (IBRD) and
(ii) The International Development Association (IDA).

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It may be important to note that World Bank is different from World Bank Group. World Bank Group in addition to IBRD and IDA incorporates International Finance Cooperation (IFC), Multilateral Investment Guarantee Agency (MIGA) and International Center for Settlement of Investment Disputes (ICSID)(World Bank, 2007). The World Bank was established in 1944 at the Betton Woods Conference. Delegates from many countries attended the conference but Goldman (2005) observed that United States and United Kingdom were the most powerful countries in attendance and they dominate negotiations.

Analysis of growth and development of the World Bank by Goldman (2005) observed that from the World Bank's inception (in 1944) to 1967, lending was relatively very low. From 1968 to 1980, the bank concentrated on meeting basic needs of people in the developing countries. Goldman reported that the size and number of loans to borrowers greatly increased, loans targets were expanded from infrastructures into social services and other sectors. The period between 1980 and 1989 witnessed another dimension of lending as lending was mainly to service Third World Debt. From 1989 to date, the World Bank witnessed a lot of criticism and protests such as 'the World Bank OSW 2002 protest" (Gibbs, 2002); "October Rebellion" (the Washington Post, 2007); and "Battle of the Seattle" (Kimberly, 2008); among others.

This public criticism has begun to cause some changes such as incorporation of NGOs and Africans into the administration of her programs. According to Goldman (2005) this has not yet yielded a far reaching positive result. This paper is thus an attempt to assess the effects of World Bank activities, programmes, and policies on the Nigerian economy and populace in general. Especially now that Nigeria is on the path to breaking away from poverty and its scorch, it becomes important to unveil the role of the World Bank through her programmes, policies and activities, in the perpetuation of poverty in Nigeria.

World banks' educational policies and poverty

World Bank policies have been found to be negative towards higher education in Nigeria in particular and Africa as a whole. Tilak (2009) observed three among several maladies on higher education in sub-Saharan African to include:

(i) The long colonial rule, when the colonial powers had not cared for development of higher education in their colonies.

(ii) World Bank policies on higher education in Africa that have been clearly against expansion of higher education and

(iii) Myopic national policies on higher education which did not provide for comprehensive long term plans for development of higher education in African nations for a long period.

Tilak (2009) further observed that (ii) and (iii) are closely related. This according to him is because the national policies and approaches were considerably and greatly influenced by World Banks polices. World Bank (1986 and 1988) in her policy paper on "financial education in developing countries and sub – Saharan Africa in particular", strongly argued against expansion of higher education.

World Bank advocated that, higher education expenditures have a sharply repressive effect on income inequalities. This bias against higher education is reflected on its lending policies and also in their policy prescription (Bennell, 1996). World Bank (1988: 77) clearly stated that "the real public education expenditure devoted to tertiary education cannot expand further and in some cases may have to contract". This implies that the funding of tertiary institutions should be discouraged by government in sub-Saharan African. This means that infrastructural development in tertiary institutions, staff employment and welfare as well, should be reduced or stopped.

As opposed to World Bank view stated above, experts in the educational sector had strongly noted that the major setback to the growth of higher education in Nigeria and African in general is basically the lack of funds. Tilak (2009) noted that "higher education received a very small percent of GDP in Africa, much below 0.5% in Francophone African and 0.8% in Anglophone Africa". Although interestingly, only one-fifth of the total expenditure on education is devoted to higher education, the above figures are a clear indication that higher education is grossly underfunded.

Biao (2009) observed that World Bank has published a lot of papers that has not encouraged the establishment and development of universities in developing countries for the following reasons:

(i) Estimated rates of social and economic returns on primary and secondary education were found to be higher than those on tertiary education.

(ii) A declining rate of return by increasing level of education was established.

(iii) Public expenditure per student as a percentage of GDP was found to be higher in the case of higher education students than in the case of primary and secondary schools students.

Biao (2009) noted that the damage caused to the psyche of African leaders and citizens by the acceptance of the view that higher education yields very low social and economic returns or out rightly leads to social unrest is grave and subsists to this day. Yet existing evidence has proved the opposite of what the World Bank has canvassed these many years. Bio (2009) posited that it has been established that higher education does produce private and public benefits such as:

(i) Better employment prospects

(ii) Higher salaries

(iii) Greater ability to save and invest

In the same vein, Tilak (2009) has observed that the fragile higher education system might be one of the most important constraints for the region (Africa) to attain high levels of socioeconomic development. a continent with a population of 720 million hardly has four million students in higher education (Tilak 2009:3).

In summary, the authors of this review observe the fact that primary and secondary education which World Bank favours against university education cannot empower Africans. It cannot equip or empower them enough to make any meaningful contribution to personal and societal development. Thus, a primary and secondary level of education without university education is entrenchment of poverty, hunger, poor economic development and poor health among Africans, and Nigeria in particular. Thus, our leaders need to review their stand on this World Bank policy on education, with the aim of improving the funding of tertiary education in Nigeria.

Structural adjustment and poverty

According to Goldman (2006), 1968 to 1980 marked increased lending by the World Bank to the developing world. The size and number of loans to borrowers was greatly increased by the World Bank. Loans targets expanded from infrastructure to social services and other sectors, such as building schools, hospitals, improving literacy and agricultural reforms. Rotberg (1994) observed that one consequence of the period of poverty alleviation lending was the rapid rise of Third World debt. Toussaint (1999) posited that debt of developing world rose at an average rate of 20% annually. The researchers of this paper observe that at this period of increase in lending, Nigeria was not poor as such. Oil had already been discovered. They suggest that this increased lending by World Bank was a deliberate trap by the World Bank to enable her control the economy of Nigeria and other rich countries in Africa. Indeed the World Bank has used this weapon to impoverish Nigeria and Africa in general.

By 1980 lending now shifted from developmental purpose to something that is crippling. Cornia (2008) posited that lending to service Third World debt marked the period between 1980 and 1989. This marked the introduction of Structural Adjustment Programme (SAP) policies by the World Bank which was aimed at streamlining the economies of developing nations.

SAP policies were detrimental and inflicted untold hardship on developing nations. Inflation at this period in focus was unprecedented in Nigerian history. UNICEF in Cornia (2008) submitted that in the late 1980's, the Structural Adjustment Programmes (SAP) of the World Bank were responsible for the reduced health, nutritional, and educational levels of tens of millions of children in Asia, Latin America, and Africa.

The structural adjustment loans, as aid to struggling countries were given while the World Bank enforced policy changes to reduce inflation and fiscal imbalance. Some of such policies included encouraging production, investment, and labour intensive manufacturing, changing real exchange rates and altering the distribution of government resources. This, according to the reviewers of this paper constitutes modern colonization of the Third World. Other scholars (Cornia, 2008; Rotberg, 1994; among others) observed that in some countries, particularly in Sub-saharan Africa, economic growth regressed and inflation worsened. The above authors further and rightly observed that alleviation of poverty was not a goal of structural adjustment loans. The circumstances of the poor often worsened due to reduction in social spending and increase in price of food, since subsidies were withdrawn (De Vries, 1996 and Tan 2007).

The researchers of this paper conclude that this period of reduced social spending resulted to decay of public infrastructure especially in the health and educational sectors in Nigeria. Increase in the price of food and other social services resulted to poor health and untold hardship. In another dimension it encouraged the looting of public funds by corrupt leaders and neglect of the wellbeing of the lower class. The inequality gap greatly expanded, and poverty was further entrenched and institutionalized. Majority of Nigerians are yet to recover from the afflictions of this period of SAP.

Water privatization and poverty

Water is fundamental to human life as the air we breathe. Despite the fact that access to water is indisputably the right of every citizen, the situation in recent times begs for serious intervention from both individual and corporate organization, government and non-governmental organizations. According to UNICEF (2001), less than one dollar per day income group was almost twice likely to draw their water from the stream than those earning more than one dollar per day. UNICEF (2006) also observed that spread of diseases such as diarrhea, pneumonia neonatal disorder, etc have been found to have strong relationship with unsafe and insufficient quantity of water, especially in developing countries. What then will the situation become if essential commodity such as water is privatized?

Goldman (2005) opined that these days, an indebted country cannot borrow capital from the World Bank or International Monetary Fund (IMF) without a domestic water privatizations policy as a precondition. This model of development being utilized by the World Bank, as observed by Goldman is a "Washington consensus" model of development. Going by this model, the World Bank will be forcing countries, even the developing countries, to commodity their water resources. Rather than using their expertise to acknowledge and promote water as a universal human right and an essential public service to all and sundry that must not be neglected by government, the World Bank is creating a more complicating and difficult situation were access to portable water in sufficient quantity will become a right reserved for only the rich.

The push for water privatization by World Bank is blamed on failure of the public sector. The World Bank acknowledged that much of the world lacks affordable clean water (Goldman, 2005). But rather than pushing for commodifying of water as a condition for accessing loan by poor or needy countries, it is the opinion of the authors of this paper that the World Bank should rather ask such countries to give attention to provision of water resources to her citizens as a conation for assessing loans. This in the view of the authors of this paper will yield better result in the crusade against poverty, which the World Bank claims it pursues.

If the World Bank succeeds in pushing through the commodifying of water resources, this will result to an unprecedented inaccessibility, shortage and lack of water resources to citizens within such countries, except for the privileged few. The implications of this water privatization if pushed through would mean gross shortage of portable water which will mean insufficient water for drinking, washing of clothes, flushing and cleaning of toilet, among others. This situation in turn may lead poor hygiene and dirty environments, spread of communicable diseases, among others. This will result to spending little available resources on medication, as a result of ill health, a condition which further entrenches poverty among the already poor. It may be important to add that this may negate any result being realized through the Millennium Development Goals (MDG) being pursued by the government of African countries, and Nigeria in particular.

Deregulation/Liberalization and poverty.

Stigiliz (2006) observed that in the 1990s, the World Bank forged the "Washington Consensus" polices among which included deregulation and liberalization of markets, privatization and the downscaling of government. Though the Washington consensus as stated above was conceived as a policy that would best promote development, it has been seriously criticize for ignoring equity, employment, and how reforms like privatization were to be carried out.

Oyefusi and Umoh (2004) posited that whole trade liberalization based on neutral trade regime, may be good for developed countries, it is almost certainly an inappropriate liberalization strategy for developing countries. It creates an unfavorable competitive ground for developing countries such as Nigeria. many scholars and NGOs now agree that the Washington Consensus placed too much emphasis on the growth of GDP and not enough on the permanence of growth, or on whether growth contributed to better living standards. Some analysis shows that the World Bank through the mechanism of liberalization, globalization, privatization, etc has increased poverty and extended inequality especially in developing countries (Uvin, 2002).

Uvin (2002) and Hertz (2004) submitted that the World Bank has consistently pushed a non-liberal agenda, imposing polices on developing countries which have been damaging, destructive and anti-developmental, such as the liberalization, globalization and privatization policies. Structural Adjustment Programme (SAP), according to Ogbeifun (2005) ushered in economic reforms such as deregulation, liberalization, privatization, etc which successive governments of Nigeria have vigorously pursued as if it were the antidote to Nigeria's economic quagmire. Ogbeifun observed that rather than do any good to the nations' economy, liberalization, and deregulation of Nigeria's foreign exchange, for instance, has led to unprecedented and disastrous devaluation of the naira.

Ogbeifun (2005) further posited that while liberalization and deregulation of telecommunication sub sector yielded increased teledensity from 1:440 in 1985 to about 1:65 in 2004, improvement in transactions and dearth of distance employment opportunities for many Nigerians among others; deregulation and liberalization of the banking sector did not produce any impressive result. Deregulation of the banking sector led to a geometric increase in the number of banks in the country, paving way for higher interest rate from 30-50 percent between 1988 and 1990. The consequent high lending rate was disincentive to manufacturers which forced many manufacturers out of business. This has led to unemployment, poverty and untold hardship for many Nigerians.

Experts have warned that introduction of privatization and deregulation policies to all sectors of the economy will further create worsening income inequality and increase/deepen poverty in Nigeria. Thus, deregulation as a policy prescription for Nigeria and other developing countries of Africa cannot be applied as in the case of developed countries. Governments of African countries must tread with care.

CONCLUSION

In this review the history and development of World Bank has shown that the institution was established primarily to assist in providing leveraged loans to developing countries. The World Bank has used this weapon in colonizing the economy of especially the developing countries in sub-Saharan Africa, Nigeria, inclusive. The promulgation of several policies as a condition of accessing loans or benefiting from the programmes has rather been oppressive.

As the reviews indicated, only very few of the World Banks policies have had any positive economic impact on Nigerians, such as deregulation of telecommunication sub-sector. Other policies such as SAP, privatization of water resources, undermining of tertiary education, etc have brought untold setback, poverty, hunger, and poor health to the majority of Nigerian populace. The situation may women if caution is not taken in the manner government pushes such policies, as experts have warned, especially now that the country is staging a serious war against poverty. If caution is not applied in this direction, the crusade on poverty alleviation in Nigeria may end in futility.

RECOMMENDATIONS

Based on the finding in this view, the following recommendations were proffered.

(i) The government of Nigeria should seek for ways to increase the funding of tertiary education, such as the creation of a ministry of tertiary education in the country.

(ii) The government should also make university degree or certificate from any tertiary institution the minimum basic standard for all Nigerians. This will enable her vast human resources contribute meaningfully to their personal and societal development.

(iii) Government should increase funding for social services, especially those that will have positive impact and improve the standard living of the lower class citizens.

(iv) Nigerians and government should reject any push by the World Bank to commodity/privatize the water resources of the country. The public should be properly educated on the implications of this policy to Nigerians, should it be fully enforced.

(v) Implementation of World Bank policies by Nigerian government should be selective. Such policies government intends to adopt should be subjected to honest public debate, and modification made where necessary to suit the Nigerian situation.

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