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# **Nigeria After COVID-19:**

**Subordinate Integration  
Into The World Economy And  
Burgeoning Popular Discontent**



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## **Subordinate Integration Into The World Economy And Burgeoning Popular Discontent**

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# Abstract

This report considers the multiplicity of crises that have shaped Nigeria's economy and society between 2019 and 2023 and their underlying causes. The turmoil includes the oil price crisis, capital flight, the labour market crisis, the COVID-19 health emergency, and the shadow pandemic of gender-based violence and the connected police brutality crisis. The report places these moments of crisis within the recent systemic and historical transformation of Nigeria. The analysis draws on the different forms of money and finance that affect Nigeria's economy, the inequalities that mark its society and the patterns of rent extraction that ensure income for the upper social strata. Taken together these factors comprise the material foundations of Nigeria's subordinate integration into the capitalist world economy and help explain the profound difficulties faced in confronting the pandemic and the period that followed.

Keywords: COVID-19, Nigeria, Oil, Monetary System, Subordinate Integration, Financialisation

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Tushar	Art-collective Lagos	01.03.2022
Olubumi Fabanwo	GT Bank	02.03.2022
Betty Adah	CeeHope	30.03.2022
Angela Odah	RLS Abuja	08.03.2022
Isaac Botti	Social Action	10.03.2022
John Odah	OTUWA	11.03.2022
Ime Obot	Zenith Bank Plc	12.03.2022
Abdurrahman	CBN	17.03.2022
Chris Quintero	Consultant crypto	20.03.2022

# Introduction

The COVID-19 pandemic and its connected multiple crises revealed two crucial characteristics of several countries on the African continent, and of Nigeria in particular. First, the continent possesses enormous resilience and innovative drive with respect to preventative health measures. These are evident at the level of both state and community, despite very limited resource availability. Second, the continent demonstrates severe economic and broader social vulnerabilities brought about by its history of forced dependency and unequal engagement with the world capitalist economy.

On January 30, 2020, the World Health Organisation (WHO) declared the novel human coronavirus disease (COVID-19) outbreak, which began in Wuhan, China on December 8, 2019, a Public Health Emergency of International Concern (PHEIC) (WHO, 2020). It would take another four weeks, however, for the first case of COVID to arrive in Nigeria, probably imported from Italy. The actual health crisis, therefore, had an elite origin, triggered by those with sufficient income to travel abroad, but then through community transmission spread widely and rapidly across the country.

The time lag in the transmission of the virus to Nigeria gave to the government time to learn from other countries and their

responses, and thus prepare for what was to come. Recent academic work helps explain Nigeria's COVID-19 response (Jacobs/Okeke 2022; Onuh 2021; Dixit et al. 2020). However, the actual health emergency was only one among several crises that erupted at that time across the world and befell Nigeria. This report contextualises the health emergency within the multiplicity of crises that emerged directly and indirectly from the global pandemic.

Nigeria's crisis chronology began already in 2019 with falling oil prices, reaching a nadir in 2020 during the oil price war effectively launched by Saudi Arabia and Russia. The oil crisis was followed by a severe capital flight due to global financial market turmoil and anxieties around the approaching health and economic blow. In preparation for the health emergency, the Nigerian government enacted preventative measures, including lockdowns and curfews, which in combination with global supply chain disruption and the high degree of informality of the Nigerian labour market structure, led to a severe labour market crisis.

Formal unemployment escalated to above 20% (Hossain/Hossain 2021) and vulnerabilities and poverty spread across those employed in the informal sector. The actual blow of the disease came after that as the virus spread widely. The country then witnessed a wave of gender-based violence and abuse against domestic workers. Finally, a combination of the above as well as the historical residue of past oppression led to an acceleration of police brutality

attempting to impose pandemic-related restrictions in an environment of severe economic distress and desperation.

The structural conditions that induce outbreaks of severe epidemics in Africa (as well as the unequal and disproportionate provision of altogether deficient health care) have long been recognized, and the COVID-19 crisis is no exception. This report, however, focuses on Nigeria to outline some of the most prominent contemporary mechanisms of subordination for African countries, while stressing their historical continuities. These include the form of access to financial markets, the currency regime, the lack of sovereign rights over oil reserves, and the related issues of government revenues and budget. The report highlights the specific forms of subordinate integration of Nigeria in the world economy, with a special focus on financial subordinate integration. Subordination has crucially shaped Nigeria's response to the pandemic emergency and the associated crises.

To be more specific, there are at least three characteristic features of economic vulnerability for Nigeria. First, the exchange rate of the Naira has been under downward pressure for a long time, leading to higher inflation and devaluation against the US Dollar, which can only be understood in combination with Nigeria's crude oil export but import dependent on refined oil as a constant drain of foreign exchange reserves. Second, Nigeria's financial markets depend heavily on short-term capital flows in the form of portfolio investment, which is subject to high risk of capital flight in

times of crisis. Third, the basket of goods produced in Nigeria is relatively small and undiversified which means that the country is not benefitting from a depreciation of its currency. Moreover, Nigeria could not easily rely on domestic production to substitute for imports in times of global supply chain disruptions.

At the centre of this study lies the nexus between the financial system, including currency regimes and forms of money in circulation, and Nigeria's real economy with its productive capabilities and the forms of ownership and control over resources. Major distortions arise that prevent Nigeria from utilising available resources more efficiently to improve the well-being of its people as well as to increase its economic sovereignty (Ickes 2015: 504).

## **Multiple Crises:**

### **Oil Price War, Capital Flight, Health Pandemic, Labour Market Disturbance, and Police Brutality**

At the onset of the pandemic, Nigeria had already experienced five troubled years with major macroeconomic variables generally deteriorating. The inflation rate was highly volatile, standing at 8.2% at the beginning of 2015, peaking at 18.72% in early 2017, and falling to around 12% just before the global pandemic hit (CBN inflation data 2023). Unemployment jumped from 9% in 2015 to 22.6% in 2018, and the Naira depreciated by 57% between 2015 to 2019 (Onyeiwu 2021). In January 2020, inflation rose to 12.3% and the country's current account deficit totalled \$5 billion, after 5 quarters of deficits (Nwakoby et al. 2021: 2). Furthermore, concern was also created by long-term dependency on oil to generate government revenues and foreign exchange reserves coupled with decreasing foreign capital inflows that had shifted towards shorter-term financial assets. The global crisis induced by COVID-19 met (and exacerbated) pre-existing structural weaknesses and systemic dependencies across Nigerian society, economy and politics.

Soon after the onset of the pandemic, it became clear that the health blow of COVID-19 would be part of a multiplicity of crises following distinct patterns in different countries. In the specific conditions of Nigeria's, marked by subordinate integration into the world economy with its origins in British colonial rule, the chronology of crisis included the following:

**i) An oil price crisis.**

The first crisis hit Nigeria in December 2019 as the oil price fell due to decreasing oil demand by China long before the arrival of the health crisis. After the initial phase of oil price falls, Saudi Arabia and Russia launched an oil price campaign in February 2020 by lowering production quotas. Nigeria was forced to adjust its fiscal budget by cutting government spending in view of an approaching public health emergency.

**ii) A capital flight crisis.**

The second crisis arrived due the generalised and unprecedented withdrawal of international capital fleeing the periphery to find safe haven in core economies and their financial markets in anticipation to the unfolding global health pandemic.

### **iii) A health crisis.**

Only after those two major economic and financial crises had emerged, destabilised the economy and the government budget for public investment, the health emergency also arrived in Nigeria but much more slowly and mildly compared to core countries of the world economy.

### **iv) An economic and labour market crisis.**

The fourth crisis emerged as a result of the preventative measures to fight the health emergency in the form of lockdowns and closure of key infrastructures. Thus, a labour market crisis appeared that was part of a broader economic crisis. Lack of food and hunger escalated, and could not be assuaged by cash and food transfers. Furthermore, due to the high level of informality within the Nigerian labour market, lockdowns and restrictions gave rise to the shadow pandemic of gender-based violence.

### **v) A political crisis accompanied by excessive police brutality.**

Excessive state force and police brutality to enforce lockdowns finally sparked a political crisis that included strong protests and public demands for radical change in 2020.

The following subsections present a detailed analysis of the

several Nigerian crises, starting with the oil price crisis in late 2019 and finishing with the political crisis due to police brutality crisis and the public protests under #EndSARS.

## **The Oil Price Crisis**

“We are oil. For Nigeria to function well, we depend entirely on the revenue from the oil and gas sector” (Botti 2022)

The first of multiple crises was due to falling global oil prices after December 2019, mostly due to the falling oil demand by China. As the first country to detect the then novel SARS-19 virus, China closed its borders and suspended production, trade and social engagements in an attempt to control the virus spread. At the onset of the pandemic, China imported approximately 20% of world oil output, but after the first lockdowns “China encountered a downfall in industrial production to 13.5 percent, retail sales declined to 20.5 percent, and fixed asset investments slumped to 24.5 percent as compared to the same period in 2019” (Sing 2020: 26).

As a result, the “world oil consumption had dropped by 4.2 million barrels per day (mbpd) in February 2020 from the same month [2019] in the wake of the pandemic” (ibid: 25) and oil prices started declining rapidly. OPEC responded promptly in mid-December 2019 with a first resolution to reduce oil production by 2.1 million barrels per day coming

into effect on January 1, 2020. The fall in oil prices was followed by an orchestrated production cut which had severe implications for oil exporting economies, their revenue base and fiscal position.

Since the 1970s, oil has been the lifeline of the Nigerian state in respect to government revenues as well as foreign currency reserves since trading in oil in the world market is denominated in US\$. Estimates vary, suggesting that the percentage of Nigerian government revenues that rely on oil and gas lie between 47% (Burns/Owen 2019) to 75% (Uduu 2021). In addition, crude oil and other oil product exports, which are also traded in US\$, made up 87.7% of Nigeria's foreign exchange earnings in the first quarter of 2018 (Okpi 2018). At the same time, the oil and gas sector taken together contribute less than 10% to Nigeria's GDP hinting at low levels of tax collection in other sectors and the government's overreliance on oil.

In view of the economic impact of the coronavirus pandemic and the OPEC production reduction, the Nigerian government announced a N320 billion cut in its budget for 2020. The Nigerian budget cut resulted, first, from a decrease in oil production from 2.18 million barrels to 1.70 million per day and, second, from a reduction in the crude oil price benchmark from the previous \$57 per barrel to \$30 (Udo 2020).

Throughout February 2020 global demand for oil further diminished and prices fell at record pace. However, the lack of

agreement between the two leading oil exporters, Saudi Arabia and Russia led to the launch of an oil price war on March 6th 2020 (Sing 2020: 24). To punish Russia for not participating in the OPEC guidelines to reduce production, Saudi Arabia decided to flood the already over-satiated market with more oil. The result was an unprecedented price fall (see crude oil price development in Appendix A), with US oil reaching negative prices. In an extraordinary development, producing countries run out of storage capacity and paid customers to take oil off their hands.

The strategic use of oil prices to achieve geo-economic goals is not a novelty. Indeed, it is an important means of gaining resource sovereignty and control over prices for producer countries as well as causing severe anxiety for the rest of the world. The 2020 oil price war was one instance among many of Saudi Arabia manipulating the oil price to achieve political and economic aims, for instance, in 1985-86, 1997-1999, and 2014. However, the pace of the decline in 2020 – from \$60 per barrel in February 2020, to less than \$13 in April 2020 – was unprecedented and put oil producers, and particularly Nigeria, in an extremely difficult position at the onset of a health emergency.

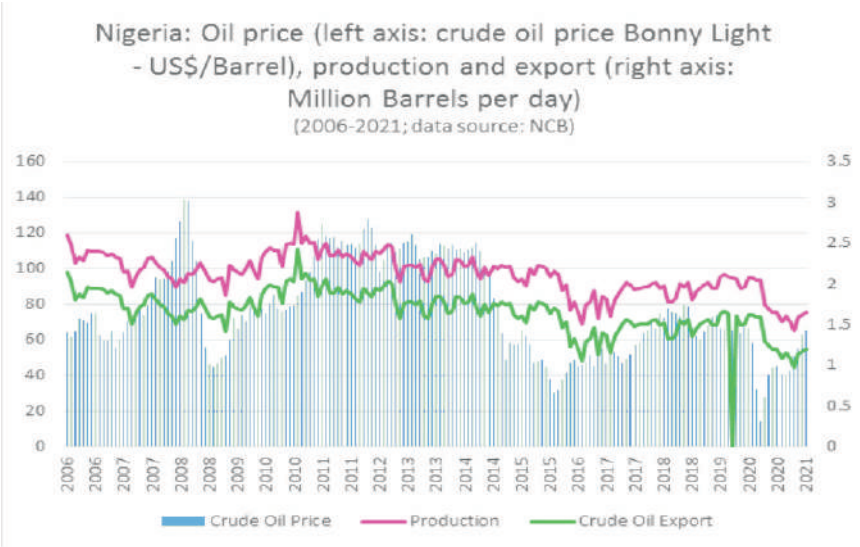
The centrality of oil for the Nigerian economy can be clearly seen in two related ways. First, via its effect on government revenue, leading to pressures to obtain external debt to fill the budgetary hole emerging from low oil prices. Second, via its impact on foreign reserve accumulation, which has a

direct link to the value of the Naira. Figure 1 depicts the persistent long-term volatility in crude oil prices, which has repeatedly impacted Nigeria's oil revenues, as well as the overall decreasing trend in Nigeria's oil production and exports.

The decrease in global oil demand in 2019 is visible in Nigeria's collapse of crude oil exports followed by the free fall of oil prices in early 2020 as a result of the price war. With record low oil prices and decreased oil production, Nigeria's public revenues declined dramatically, and foreign reserves were used extensively to intervene and stabilise the currency following the first of multiple devaluations after the falling oil prices in late 2019 (see figure 3). Once the health crisis hit and international lockdowns were instated, further need to finance the 2020 and 2021 budget turned towards external reserves.

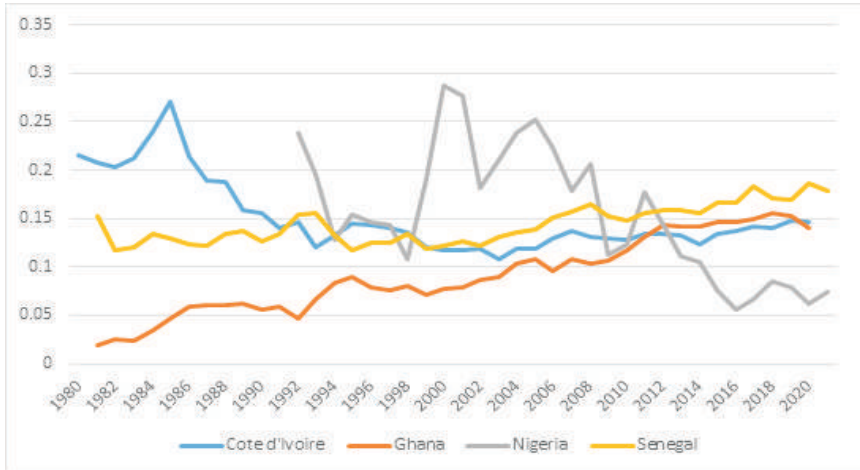
At a crucial moment in the health crisis, as the need for fiscal and monetary expansion became acute, Nigeria was forced by the international oil markets and the associated geo-economic rivalries to confront the approaching pandemic with limited public revenue room to manoeuvre. In May 2020, “the government predicted that 2020 oil revenues could be as much as 80 percent lower than planned. In July, the minister for finance, budget and national planning stated that Nigeria experienced a 65 percent decline in projected net revenues from the oil and gas sector in the first half of the year” (Chinery 2020).

**Figure 1: Oil price, Nigeria's oil production and export (2006-2021)**



Data source: author's calculation based on NCB Crude Oil Price (US\$/Barrel), Production (mbd) and Export (mbd)

**Figure 2: Public revenue: West African countries compared**



Source: United Nations University UNU-WIDER: Total Revenue Data (1980-2021)

The price war of 2019 and early 2020 therefore increased short-term funding insecurities and the risk of an emerging debt crisis. Despite Nigeria's relatively low levels of external debt, the sustainability of its debt crucially depends on the oil price. In that regard, Nigeria's financial and economic subordination takes on a particular form because it is a direct result of its sovereign rights over its natural resources rather than simply the global ranking of its currency.

At first glance, Nigeria's debt would appear to be sustainable. As of March 2021, Nigeria's external debt stock was about US\$32.9 billion with domestic debt representing 62.3% and external debt 37.6% (Onyeiwu 2021). Of this amount, debt to multilateral institutions such as the World Bank accounted for 54.3%, followed by commercial debt (33%), and bilateral debt (12.7%). Over the past decades, Nigeria's debt service ratio fell from 23% in 1990, to an all-time low of 7% in 2019, lower than other major African countries: Angola (27%), Ethiopia (29%), Kenya (38%), South Africa (16%), and Tanzania (14.7%). However, debt repayments are often made directly from fresh revenue generated through the volatile oil sector. Nigeria has one of the lowest ratios of government revenue to GDP ratios in Africa, standing at less than 5%. The average for sub-Saharan African countries is almost 20%, and roughly 30% for oil exporters.

Uncertainty in the global oil market and low revenue growth, as well as the negative impacts of COVID-19 on the economy, created the danger that Nigeria would face difficulties

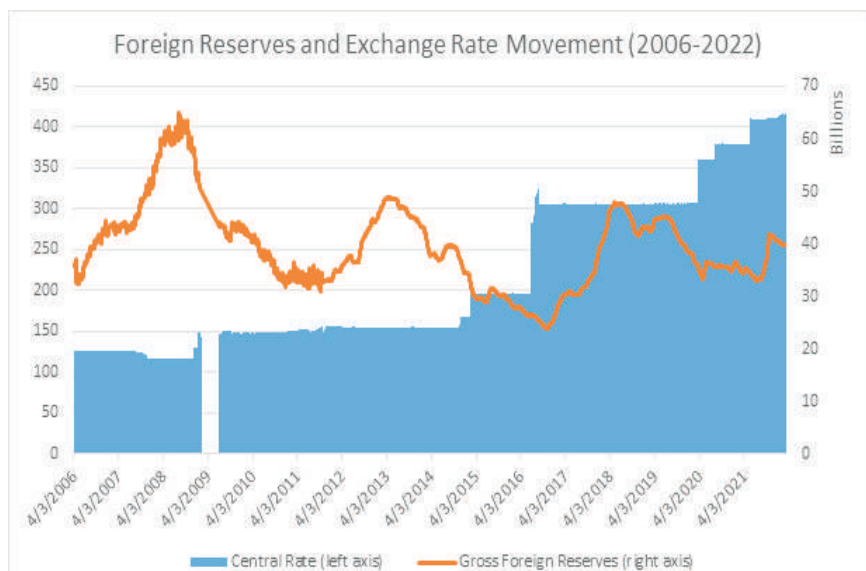
generating enough revenue to service its debt in the near future, and would probably have to borrow internationally to repay. By October 2020, only 64% of the revenue expected from oil for that year had been generated. Meanwhile, government expenditures grew faster than expected, demanding still more external debt to cover the budgetary deficit.

The Nigerian government was thus forced to take two devastating economic policy decisions in 2020. First, despite rising COVID-19 infection rates, the government proposed in early June to cut the 2020 health budget by 43% due to falling revenues from oil exports. Second, as a response to the falling oil price, the Nigerian government decided to close its remaining government-owned oil refineries because, apparently, the low oil price made it inefficient to keep the refineries running. This decision made Nigeria and its population dependent on imports of refined oil, which is the backbone of energy supply and transportation, and therefore of food security. Financing relief came in August and September of 2021 in the form of IMF Special Drawing Rights (SDRs) amounting to \$3.35 billion and one month later Nigeria raised \$4 billion in Eurobonds (Oyekanmi 2023).

Turning to its foreign exchange reserves, as a result of the low oil prices, Nigeria also faced dollar shortages which worsened with the disruptions linked to COVID-19. The Nigerian central bank devalued the currency three times since March 2020, but

the Naira continued to weaken (Reuters 2021) – first on March 20th from N307/\$1 to N360/\$1, then on August 6th down to NGN381/\$1 and again on November 30st to N390/\$1 (see figure 3).

**Figure 3: Foreign reserves and exchange rate movement (2006-2022), Nigeria**



from N395/\$1 on March 27, 2020, to N495/\$1 as of November 27, 2020, exactly 8 months later (Olisah 2020).

The scarcity of US Dollars at the Nigerian Central Bank (NCB) but also at the commercial banks made it difficult for importers to obtain foreign exchange to pay for foreign goods. Consequently, both private business and individuals turned to the parallel money market - established in 2016 - seeking to obtain US\$ via Bureau De Change (BDC) institutions (more

detail on these from page 38). The attempt to obtain US\$ stress relief via the BDC parallel market led to an increasingly dramatic divergence between the NCB official exchange rate and the rate governing the BDC market. The divergence increased price instability, heightened inflation and provided opportunities for financial rent seeking to those with access to both markets, as is shown in the following sections.

## **The Capital Flight Crisis**

Shortly after the crisis sparked by the oil price shocks in early 2020 but still before the first case of COVID-19 was detected, Nigeria - together with other African countries – was subjected to an extraordinary flight of international capital. The volumes exceeded those observed during the 2008 Great Financial Crisis. Broadly speaking there are two different types of capital flight that characterize Nigeria.

First, there are illicit flows comprising wealth leaving the country to be held abroad. UNCTAD estimates that around \$88.6 billion per year leave the African continent (UNCTAD 2020). Of these flows, Nigeria is the sad champion accounting for “an estimated 46% of total capital flight from the continent, or \$40.7 billion per year, followed by Egypt (\$17.5 billion) and South Africa (\$14.1 billion). But the drain is more generalised than these outliers suggest: as a percentage of GDP, capital flight ranges from 2.7% in northern Africa to 10.3% in western Africa” (Kituyi 2020).

Second, there are licit flows entering and leaving Nigeria in a cyclical manner depending on risk and return decisions taken by international portfolio managers. The flows comprise, Foreign Direct Investment (FDI), portfolio investment, and debt flows. Remittances could also be considered in this connection although they are not technically part of the capital (or finance) account of a country. It is characteristic of these flows to developing countries to be subject to sudden stops and violent reversals.

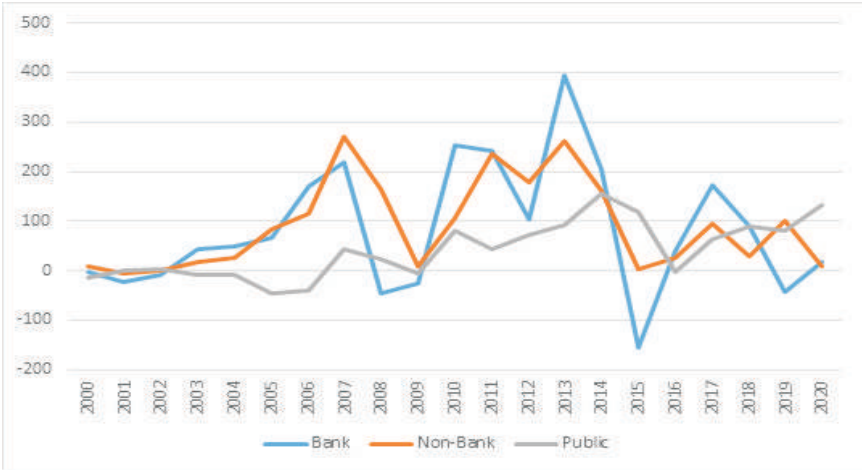
Thus, starting from the middle of January 2020 - two months before the official declaration of the outbreak of the COVID-19 pandemic – and until the middle of May 2020, roughly USD 103 billion were withdrawn from emerging market economies (OECD 2020: 5). This sudden stop and flow reversal was more rapid and violent compared to any previous crisis including the Great Financial Crisis of 2008, the so-called Taper Tantrum of 2013, and the Chinese stock market sell-off of 2015.

Figures 4 and 5 show the inflows and outflows of capital from and to peripheral countries in general. They depict great volatility particularly in bank inflows and an increasing trend of bank outflows since 2010.<sup>3</sup> Bank outflows, as is visible in figure 5, doubled between late 2019 and early 2020.

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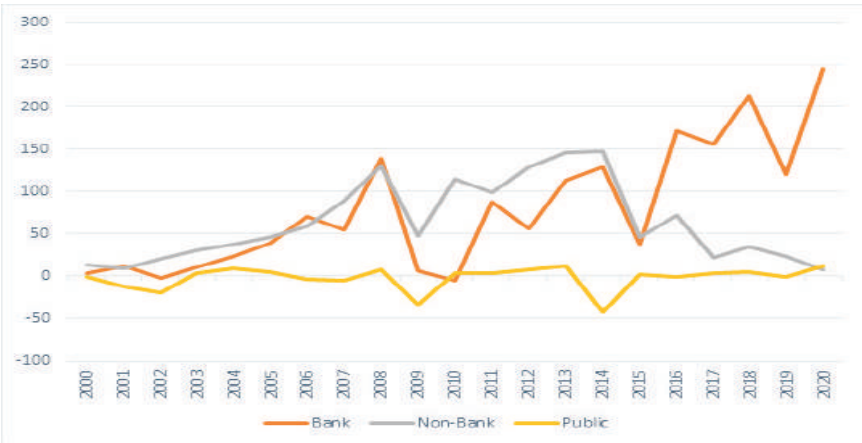
3. The dataset used to construct for figures 4 and 5 is collated and constructed from BIS (Working Papers No. 760), and consists of data from the IMF (Balance of Payments and International Investment Position), Locational Bank Statistics and Consolidated Bank Statistics from BIS (available at [bis.org](http://bis.org)), The International Debt Securities Statistics (also from BIS), Quarterly External Debt Statistics (from IMF and World Bank, available at [worldbank.org](http://worldbank.org)), and finally the Debt Reporting System data from World Bank (available at [worldbank.org](http://worldbank.org)). The foundation of the dataset is the Balance of Payments data – the other datasets are incorporated to fill gaps. For further detail, see “The State of Capitalism ...”

**Figure 4: Capital inflows, peripheral countries, US \$, bn**



Source: Constructed from data from BIS, IMF, and World Bank

**Figure 5: Capital outflows, peripheral countries, US \$, bn**



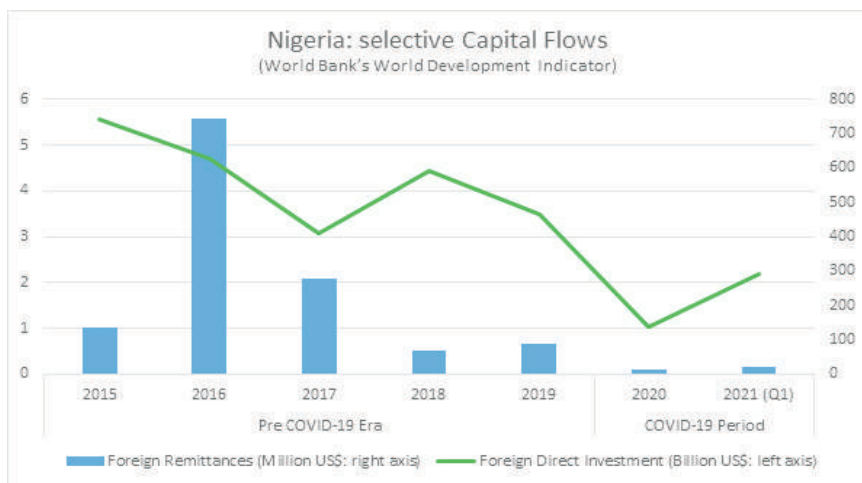
Source: Constructed from data from BIS, IMF, and World Bank

In this context, Nigeria faced a great and sudden capital outflow, destabilizing the currency and creating major difficulties for its productive enterprises. At the same time,

remittance flows from the Nigerian diaspora also dried up as the livelihoods of Nigerians abroad came under threat during lockdowns, economic downturns, and rising unemployment in the core countries of the world economy.

Figure 6 depicts the trajectory of FDI and remittances between 2015 and 2021. Inflows of foreign capital into Nigeria dropped by 60% in 2020, from US\$24bn in 2019 to US\$9.7bn in 2020. Remittances, which had already taken a huge blow in 2018, decreased by even larger amounts.

**Graph 6: Development of Foreign remittances and FDI into Nigeria**



*Source: Authors' calculations based on data from Nwakoby et al. (2021: 3)*

As the pandemic unfolded, in 2021 the CBN raised its interest rate in open market operations (OMO) auctions aiming to attract foreign portfolio investors in. Those efforts were however in vain and capital inflows continued on a downward

path in 2022. Given the turbulence of the Naira value and in view of political uncertainty since 2022 would be an election year, “capital inflow into Nigeria has reduced by 28.09% to \$1.573 billion in the first quarter of the fiscal year 2022 compared with the previous quarter”, according to the National Bureau of Statistics (NBS) (Anisere 2022).

Moreover, and fully in line with the broader literature on subordinate financialisation and the changing nature in international capital flows managed by large portfolio holders (Lapavitsas, ERENSEP Collective 2023; Powell 2013), Nigeria has witnessed radical reductions in long-term financial capital flows. In particular, FDI has increasingly given way to short-term financial asset investments, including portfolio flows “which accounted for 60.87% or \$957.58 million” (Anisere 2022).

Portfolio flows – due to being short term financial investments – typically target the banking sector (receiving US\$818.84 million or 52.05% of total capital imports in Q1 of 2022) and the financing sector (receiving US\$199.37 million or 12.67% of capital imports) (ibid.). The productive sector in comparison only received US\$223.67 million or 14.22% of capital imports (ibid.). The leading providers of capital to Nigeria are in 2021 were the United Kingdom (ranked top with 64.92% of capital imports valued at US\$1.021.21 million), followed by the Republic of South Africa and the United States of America (valued at US\$117.50 million (7.47%) and US\$82.07 million (5.22%) respectively (Anisere 2022).

# The Health Crisis

Following the deterioration of the economic environment through falling oil prices and capital flight, Nigeria detected its first COVID-19 case on February 27, 2020. According to Nigeria's track and trace system, the first cases were imported by members of the domestic elite and tourists arriving from Italy. As also happened in other African countries, Nigeria experienced the spread of the virus starting with the elite and then growing through community transmission. "Air travel is predominantly elitist in Nigeria because of the high rate of poverty. The political elite also bore the early brunt of COVID-19 with three state governors and some political appointees testing positive for COVID-19" (Amzat et al. 2020). These events were particularly prominent within the first 30 days of transmission.

What followed was two years of epidemic with four infectious waves (see appendix 1). The first wave peaked in late June 2020 with a maximum of 800 new cases per day, which was a mere fraction of the reported numbers in Europe and North America. The second wave lasted from mid-December 2020 and until early March 2021, reaching up to 2400 new cases per day. The third and fourth wave of COVID-19 infections followed similar length and case numbers of the first and second wave.

Upon the detection of the index case, the Nigerian Centre for Disease Control activated a multi-sectoral National Emergency

Operations Centre (EOC) to oversee the national response to COVID-19. The Presidential Task Force (PTF) for coronavirus control was inaugurated on March 9, 2020, only two weeks after the first case was detected. One of the first restrictions announced by the PTF was the closure of land and air borders. Travelers from 13 COVID-19 high-risk countries were restricted from entering the country (Amzat et al. 2020). On 30 March 2020 the first lockdowns were enacted in Lagos and Ogun state to prevent further community transmission and, furthermore, inter-state travelling was suspended. The Nigerian government declared a state of emergency, directing security agencies - including the military and the police - to take measures necessary to maintain law and order. They were instructed to enforce lockdown rules, including individual movement and travel, bans on public gatherings, and closure of markets, businesses and schools.

These harsh measures were slightly relaxed from 4 May 2020 and replaced by a curfew between 8pm and 6 am, while maintaining the restrictions on interstate movements. Workers in essential services, such as health workers, security personnel and those involved in the movement of essential commodities, including food and drugs, were exempt from those restrictions (Amzat 2020). Police violence and random checks and hardship however continued to be imposed on the population, which contributed to the later #EndSARS protests.

The first year of the pandemic for Nigeria witnessed the urgent search for resources via international loans with the aim of

funding health and economic support packages, obtaining COVID-19 tests and Personal Protective Equipment (PPE), and securing vaccines. Nigeria was hit harder by Covid-19 than its African neighbours, but the impact was much milder than in the European and North American epicenters of the pandemic.

The relatively low numbers of COVID-19 victims among Sub-Saharan African countries (with the exception of South Africa) gave rise to voices proclaiming a certain type of Afro-optimism built on different hypotheses about the causes. It was postulated, for instance, that the comparatively younger population of Africa was responsible for the lower infection numbers and low fatality rates (Diop 2020). It was further hypothesized that the relative lack of connection between urban and rural spaces limited the spread of the virus. It was also argued that previous experience of epidemics, such as Ebola, had put in place effective coping mechanisms, despite weak health systems, drawing strength from community solidarity, self-sufficiency and early government intervention tackling the spread of viruses (Graham et al. 2018). Others claimed that less deadly forms of earlier Corona viruses had increased the populations antibodies capable of coping with COVID-19 (Nordling 2020). The counter arguments included concerns about the quality of data, absence of tests even to detect infection rates and causes of death (Mogoathe 2020; Al-Mustapha 2020), queries regarding the level of urbanisation (Diop et al 2020) and lastly that the climate prevented the rapid spread of the disease (Sajadi et al. 2020; Chen et al. 2021).

In the summer of 2020, the emerged vaccine battles as countries tried to secure priority access for their populations, Nigeria dedicated a great deal of resources towards developing its own COVID-19 vaccine, which underwent successful pre-clinical trials in late summer of 2020. The Nigerian vaccine candidate was developed by Professor Christian Happi and his research team at the African Center of Excellence for Genomics of Infectious Diseases (ACEGID) in Nigeria - a WHO and Africa CDC Reference Laboratory for genomic research in Africa. The explicit aim was to develop vaccines that were specific to the genetic makeup, and diversity of the African population.

The reality, however, is that the great bulk of research and development for vaccines takes place in the core economies. Thus, developing a vaccine for the virus was largely based on the versions of SARS-COV-2 and the genetic diversities found in core economies, and only engaged in human trials in Africa. To reverse this dynamic and develop vaccines tailored for Africans, Happi and his team developed a vaccine candidate built on the genome sequences of lineages of SARS-Cov-2 circulating in Nigeria and other African countries. While the first clinical trials proofed to be successful and promising, the ACEGID lacked the necessary funds to proceed with human trials.

While the prospects of successfully developing a Nigerian vaccine diminished due to the lack of funds, Nigeria's president Muhammadu Buhari endorsed the global call for a People's Vaccine for COVID-19 to fight unequal access to vaccines based

on a country's monetary and financial strength. The People's Vaccine Alliance was a coalition of organizations, activists and countries uniting under the common aim of sharing knowledge of health prevention and promoting free vaccine provision for all. The international plead however, was unsuccessful and the Nigerian vaccine never went into production and distribution.

Nigeria remained subject to international competition driven by national vaccine production, which was based on large pharmaceutical enterprises in core countries, and only received donations of vaccines via the complex arrangements of COVAX – which is a “global collaboration to accelerate the development, production, and equitable access to COVID-19 tests, treatments, and vaccines” (WHO 2023). Until July 15, 2022, Nigeria had received 55,468,500 doses of COVID vaccines (COVID-19 tracker), which would serve about 13.8% of the population for a double vaccination under ideal conditions of vaccine storage and transportation.

More than the mere donation of vaccine doses, through COVAX collaboration, states and organisations cooperated and exchanged guidance on vaccine policy, regulation, safety and delivery, allocation and R&D. As a result of Workstream III of the COVAX Manufacturing Task Force, the South African mRNA Vaccine Technology Transfer Hub emerged in June 2021. Its prime objective was to provide technology transfer to low- and middle-income countries so they would be able to build permanent vaccine production capacities with an initial focus on producing COVID vaccines but with the potential to

produce vaccines for different illnesses. The South African technology transfer initiative is a comprehensive technology package including training and free of charge. Nigeria was chosen to be among six African countries to first establish their own mRNA vaccine production and the related technology transfer via the hub in the first quarter of 2022.

The Nigerian government employed early and rigid measures in terms of lockdowns, curfews, and social life in order to prevent the spread of the then novel virus also in light of deficient testing and vaccination capabilities. The restrictions imposed by the Nigerian government, however, gave rise to two further crises. First, a labour market crisis affecting especially workers employed in the informal economy and creating deep insecurity regarding employment and food provision. Second, and related to the first, a wave of gender-based violence against domestic workers, which came later to be called the shadow pandemic. Furthermore, the way in which the police enforced COVID-19-related restrictions, displaying high levels of brutality, sparked the #EndSARS protests.

## **The Economic and Labour Market Crisis:**

Lockdowns and restrictions to combat the virus affected the regular social and economic activities of Nigerians deeply. In

this respect, informal employment took the brunt of the blow – that is, employment in economic activities that are not within the formal ambit of government and are therefore neither taxed nor embedded in the official financial and information infrastructure created by the state.

Nigeria's informal economy accounts for 65% of the country's total GDP and employs more than 90% of the workforce (OTUWA 2020a: 14/15). Nigeria does not have unemployment benefits, and only 11% of the population are covered by at least one life-cycle benefit scheme, such as medicare, sickness benefit, unemployment benefit, old-age and employment injury benefit as well as family, maternity, invalidity and survivors' benefit (ibid). Only 5% of the population is covered by a social health scheme (OTUWA 2020a: 16). During the early lockdowns, approximately 50% of household heads lost the opportunity of finding work and more than two thirds of households reported a severe loss in income while experiencing rising prices for food and other essential items. Nigerian trade unions together with their West African coordinating body – the Organization of Trade Unions in West Africa (OTUWA) – organized the nations' health workers to strike when despite the unfolding health crisis, wages would not be paid, or paid months later (Odah 2022). According to government officials, the foreign exchange crisis and diminished public revenues were the central reason for outstanding wages, but the trade unions attributed a lack of prioritizing and called for strike action. The cycle of outstanding wages among doctors and

nurses, a grave lack of protective equipment, supply chain disruptions for general medicine and coupled increasing food insecurity endangered the nation's health beyond the SARS virus. It furthermore revealed the helplessness of the Nigerian state in times of low oil prices, its dependence on global supply chains for medicine and PPE as well as food (ibid.).

In an attempt to lessen the impact of the blow, the Nigerian government enacted a broad economic recovery package in July 2020 by obtaining COVID-19 recovery loans partly from the African Development Bank (AfDB) (US \$288.5 million) and mostly from the International Monetary Fund (IMF) (US \$3.4 billion). The stimulus delivered by the Nigerian government included a five billion Naira (US\$ 12.5 million equal to 1% of GDP) special intervention fund called the Nigerian Economic Sustainability Plan (Nying 2021). An additional ten billion Naira (US\$ 25 million) was also released to Lagos State, the epicenter of the outbreak.

The Nigerian Economic Sustainability Plan comprises efforts to address the economic problems arising from the pandemic but also to 'build back better' and be less dependent. The plan aims to stimulate and diversify the economy, retain and create jobs, and extend more protection to the poor. The projected recovery includes investments in clean energy, agriculture and infrastructure with a special emphasis on the Solar Homes Systems Project. The investment of \$619 million is meant to provide solar home systems for up to 5 million households,

serving about 25 million Nigerians, who are not currently connected to the national grid, with decentralised and renewable sources of energy (Nyong 2021). This is one of the “largest renewable energy COVID-19 stimulus interventions from a middle- or low-income country to date and is intended to increase energy access and equity.” (ibid)

In addition, the Economic Sustainability Plan also includes a National Medium, Small and Micro Enterprises (MSMEs) Survival Fund to cushion the impact of COVID-19. MSMEs are the engine of the Nigerian economy – there are more than 37 million MSMEs in Nigeria that contribute nearly 48% of the nation's GDP. COVID-19 severely constrained MSMEs in Nigeria, with many either laying off staff or even having to go out of business. The financial support for MSMEs took the form of a N59 billion Targeted Credit Facility (TCF), and it was the first of the packages launched, starting in March 2020. It was meant to support households and micro, small and medium enterprises that were affected due to the pandemic and the lockdowns. However, despite an effort to make the scheme widely available, only a very limited number of households managed to obtain support. For others the alternative was short-term loans often with predatory interest rates.

The financial support scheme was managed and disbursed by the microfinance bank NIRSAL and secured by the CBN through the TCF. The interest rate under the intervention was 5% p.a. but only until 28 February 2021. After that initial

period, the interest rate on the facility rose to 9% p.a. as from 1 March 2021. Household repayments of the loan however were slower than initially anticipated due to the prolongation of the pandemic and related restrictions as well as worsening economic conditions. In early February 2022, NIRSAL called for the repayment of the loans, which was met with public outrage. Many households who had received the loans did not have the means to repay the loans in an economic environment of soaring inflation and escalating fuel and food prices.

# A Shadow Pandemic - The Crisis of Gender-Based Violence

“The overriding factor in gender-based violence, overriding factor in the use of children, and young people as domestic workers, and the entire cycle of abuse around that area of work, is poverty” (Adah 2022).

The shadow pandemic was a poverty-fueled disaster that had the strongest impact on young women and girls via interweaved forms of violence. The Nigerian informal economy has an enormous demand for domestic helpers, who are usually under-privileged girls from the countryside, their families hoping to create opportunities for economic advancement by sending their children to the city.

These forms of labour migration and effectively forced domestic labour are highly structured. Once the domestic helpers arrive in a household to clean and cook, it is common for multiple forms of violence to take place (Adah 2022). The pandemic, the lockdowns, and the associated economic crisis hit domestic workers the hardest due to their severe dependence on their employers and complete absence of control over their own movements, or their ability to change their working and living conditions. Government restrictions on interstate movement made any attempt to leave such domestic work places even harder (Odah 2022).

In an interview for this report, Betty Adah described the

following situation, which is representative of the shadow pandemic:

“One classic example of what's going on in terms of children that are trapped in domestic work and the multiple abuses they suffer, and how vulnerable they are is the following: in 2016 I met a girl because someone called me and said, I know you work on children right? There's a case in the bus terminal. There's a girl who's been here for three weeks now. She's pregnant, she's a house help and now she's been impregnated. Can you come here and see her and take her to the government people? So, I went over to the bus terminal and I saw her, she was a 16 year old girl, she was about five to six months pregnant. She had no idea of who was responsible for the pregnancy. Because for the last six months, she had worked in four houses, and out of the four houses, she had been raped in three of them.” (Adah 2022)

The state response to such violence has traditionally been weak but state neglect was heightened during the pandemic, leaving it to civil society organisations to open women shelters and help those with courage enough to speak up and come forward. Grassroots reactions to the awful conditions created for the poor by the pandemic and the imposition of lockdowns were, however, far more forceful, as is shown in the final section of the report.

# The Political Economy of Responding to Covid-19

The chronology and acute features of the pandemic crisis highlight the historical continuities of economic, financial, and monetary subordination as well as a lack of food and energy sovereignty of Nigeria. These have greatly affected Nigeria's capacity to protect its people from the deadly impact of the SARS-Cov-2 virus and the associated socio-economic disruption. The inability adequately to respond further reflects Nigeria's particular form of subordinate integration into the world capitalist system, including recent developments of financialisation. The following sections consider these issues in further detail.

## **I) A history of colonial exploitation**

From the standpoint of Marxist political economy, the unevenness of economic development and the emergence of country-based division of labour on a global scale are systemic features of the world economy . The flipside of the coin is global hegemony by core countries – above all, the USA – and subordinate integration of countries in the periphery. The economic underpinnings of hegemony derive from dominant domestic accumulation in form of complex and diversified manufactured goods and services, and the hegemon's pivotal role in the flows of commodity capital, loanable capital,

productive capital, and world money (the dollar as reserve currency).

In Nigeria (and other Sub-Saharan African countries) subordinate integration presents itself as weak patterns of domestic accumulation, a price-taking position within global value chains, and absence of diversified and developed productive capacity with its historical roots in imperial domination. Today's weakness of production is accompanied by inadequate domestic banking structures and financial markets as well as a persistently low place for the Naira in the global currency hierarchy.

To be more specific, Nigeria's current position within the global division of labour is one of a primary commodity and raw material supplier to the world market, mostly crude oil. This position – resulting from what is effectively a wave of peripheral countries integrating into the world capitalist market during the last several decades – is a path-dependent product of the original waves of forced and subordinate integration through imperial violence, discussed briefly below. Prior to the British landing in Southern Nigeria in the middle of the 19th century, the geographical area of contemporary Nigeria comprised different kingdoms and trading hubs which connected West Africa with key trading routes to the North and East. Self-sufficient agriculture was predominant accompanied by a well-integrated luxury export sector ruled by indigenous elites.

What followed under British colonial rule was a violent and deep transformation of Nigeria's social, economic, political and

monetary systems. Samir Amin describes the various forms of colonies and relates them to the operation of the world capitalist economy as follows:

A key question is: what natural resources do the various regions of the continent possess? It seems to me that in this context we would understand what each of the three models of colonisation operated in Africa were: the trading economy incorporating a small peasantry into the world tropical products market by subjecting it to the authority of a market of controlled oligopolies making it possible to reduce the rewards for peasant labour to the minimum and to waste land; the economy of Southern Africa's labour reserves organised around mining, supplied with cheap labour by forced migration coming precisely from the inadequate 'reserves' to enhance the perpetuation of traditional rural subsistence [...]". (Amin 2014: 30/31)

Nigeria was transformed in the direction of a colonial economy managed by a foreign elite in the interests of its own home market. A dual economy emerged comprising a domestic and relatively self-sufficient economy, where traditional currencies remained the dominant medium of exchange long into the 20th century, together with an exporting sector run by the colonial power. "The British-dominated import/export sector expanded dynamically at the expense of the traditional sector by siphoning off the dynamic elements of the local economy into the export-oriented cash crop production" (Ofonagoro 1976: 24). While slowly transforming agriculture into an export-oriented sector, the British also undertook efforts to

explore Nigeria's oil and gas reserves by granting special exploration rights.

The general relationship was a model of exploitation via the extraction of profits and surpluses through direct transfers occurring via “overseas investment” (Ochonu 2006: 118), debt repayment in times of commodity price declines as well as direct taxation of the colonial governments. “More mundane but most general was colonial tax policy, which officials sometimes admitted was intended less to collect revenues than to require each household to make a minimum contribution to the cash economy” (Cooper 1981: 33). Taxation was a powerful instrument to create demand for colonial currencies as well as exercising tremendous social control over the population and organizing their integration into the colonial labour market away from self-sufficiency.

An important instrument for the British Empire to restructure Nigeria according to its own plans was the forced introduction and circulation of the British currency – the pound sterling. British rule imposed the use of the pound on the colonial government particularly through the adoption of laws to trade export goods and pay taxes exclusively in pounds, thus suppressing the use of rival international and local currencies.

At that point, Southern Nigeria was an international trading hub, hosting and trading with merchants from across the world. The financial infrastructure to facilitate such trade included usage of multiple international currencies including Mexican, Peruvian, Brazilian and Chilean dollars, as well as British gold, silver and copper coins, Spanish and South

American gold doubloons and half doubloons, American double eagles. For local use and transactions in the domestic economy on the other hand, the preferred currencies were “cowries and Maria Theresa dollars (Ofonagoro 1976: 8).

The broad introduction of the British pound, the use of which was dominated by a small number of traders, resulted in a financial drain from the Nigerian protectorates to the British Empire. By 1897, the colonial government accepted customs duty payment exclusively in British money forcing merchants to import the equivalent of the sums owed as customs duty payments. “The Government itself spent very little of its revenue locally, and merely re-exported the imported coins to England” (Ofonagoro 1976: 24). A closed circle emerged whereby merchants used British money to pay custom duties to the government, the government paid its staff in British money, and the money was then used to pay merchants for imported goods, thus shipping it back to the UK. This created a net transfer of value from the colony to the imperial country via forced currency use.

## **ii) Contemporary Nigeria: Rent extraction and Subordinate Financialisation**

The subordination of Nigeria, like other colonies, was a deliberate project of British imperialism targeting all aspects of social, political and economic life (Afigbo 1971; van der Linden 2017). After formal independence, these structural forms of subordination reproduced itself qualitatively both under the

peculiar Keynesian policy regime of import-substitution industrialisation immediately after independence as well as during the era of neo-liberal financialisation from the mid-1980s onwards (Udeogu 2015a). Complex structures including oil production licenses, trade agreements, currency overvaluation and financial dependency, as well as a brain-drain and low economic diversification fix Nigeria as a raw material and primary commodity supplier to the world market.

Important to understanding the subordinate integration of peripheral countries in the world economy is the concept of differential ground rent, particularly relevant to analysing agriculture-dominated economies. Ground rent is the basis of land prices and regulates the exploitation of primary sectors, such as agriculture, mining and oil extraction. It can be broadly analysed on the basis of absolute and differential rent, proposed by Marx. “Absolute rent is based on the sheer monopoly of owning a natural asset, be it land for agriculture, forestry or exploitation of mineral deposits” (Petersen 2017: 22). Differential rent, on the other hand, originates in David Ricardo's theory and is based on the differential fertility of the soil (or mines, etc.).

Marx proposed two forms of differential ground rent. The first, differential ground rent I, refers to extra profits realized in agriculture, mining or other extractive activities, when equal quantities of capital are invested on different land with unequal natural productivity. Lands with higher productivity allow the owners to obtain a return that is in excess of average profitability. The second, differential ground rent II, reflects a situation in which unequal amounts of capital are invested in

land with equal natural productivity, thus allowing the heavier investment to earn above average profits that result in rent obtained by the owners of the land. Both forms of differential ground rent are vital to accounting for surpluses generated by peripheral countries through agricultural production, which result in ground rent. The division of ground rent between foreign owners and a domestic elite is a crucial aspect of subordination.

Moreover, peripheral countries typically integrate into the industrial side of the world economy on the basis of low wages that potentially facilitate higher rates of exploitation. Their place in the world division of labour is largely dictated by cheap labour power and relatively low technological accomplishment. Colonial rule separated European, colonial, “regulating capital” from domestic, subordinate capital which produced at relatively lower levels of productivity (Shaikh 2016). Domestic capital faced higher unit costs and thus lower than average rates of profit. As a result, there remained a lack of domestic ability to mobilise resources to develop industrial production beyond the terms set by the global division of labour. The inability to diversify the Nigerian economy can be partly attributed to a systemic bias arising from the dictates of the world economy and the financial and bank markets in particular, as well as from domestic patronage and corruption.

The majority of small and medium enterprises in Nigeria are currently “engaged in basic textile, apparel and footwear production as well as in wood and wood products, basic metal, iron and steel fabrication, and plastic and rubber products. The potential high-growth (knowledge-intensive) sectors, on the

other hand, are dominated by a few centralised multinationals, which represent less than 5% of the businesses in the country” (Udeogu 2015a: 173).

The lack of productive diversification occurred despite government efforts during the periods of import substituting industrialisation in the 1970s actively to intervene in production. The government subsidised inputs for domestic industries; moreover, import controls in the form of licenses and quotas were put in place for goods and sectors that were supposed to be produced domestically. The adopted exchange rate regime however counteracted those efforts.

After the collapse of the dollar-gold system in 1971 until the early 1980s, Nigeria's CB exchange rate policies focused on the preservation of external reserves, equilibration of the BoP as well as the stabilisation, albeit high, exchange rate (Obadan 2006). The government's maintenance of an appreciated exchange rate resulting from the activities of the oil industry, thus caused loss of profitability for other sectors. Consequently, some commercial activities declined significantly including agricultural production, as resources were channeled to industrialisation of specific sectors (Udeogu 2015: 166).

The 1980s was a crucial decade of paradigm shift across social, economic and theoretical spheres. The early 1980s saw the collapse of world oil prices together with a slowing demand due to global economic stagnation which resulted in a sharp decline in oil export revenues for Nigeria transmitting to negative trends in economic growth (Apati 2012: 30), increasing debt

and deterioration of Nigeria's balance of payment (Metu, Nwogwugwu, and Okeyika, 2019; Ogbonna, 2012).

In an effort to counter the draining effects on 'unsustainable debt', the Nigerian government enacted the Economic Stabilisation Act of 1982 comprising austerity measures and counter-trade policy (Apati 2012: 30). The measures, however, turned out to not be enough and the Nigerian government was forced to adopt the Washington Consensus-inspired Structural Adjustment Programmes (SAPs) in 1986 as a conditionality for obtaining financial assistance from the IMF and the World Bank (Benería, 1999).

Two transformative decisions, taken in line with the financial deregulation and liberalisation policies embodied in the SAPs in 1986, continued to propel the financialisation of Nigeria's economy. First, the removal of interest rate ceilings and, second, the deregulation of its capital account as part of the broader exchange control liberalisation (Udeogu 2015:2). The Foreign Exchange (Monitoring and Miscellaneous Provision) Decree No. 17 of 1995 fully established an autonomous foreign exchange market (AFEM) and repealed the Exchange Control Act of 1962 and the Exchange Control (Anti-Sabotage) Decree 19. These two new decrees enshrined financial deregulation and “allowed foreign investors to repatriate their capital, profits or dividends – less tax – and to open domiciliary accounts” (Apati 2012: 32)

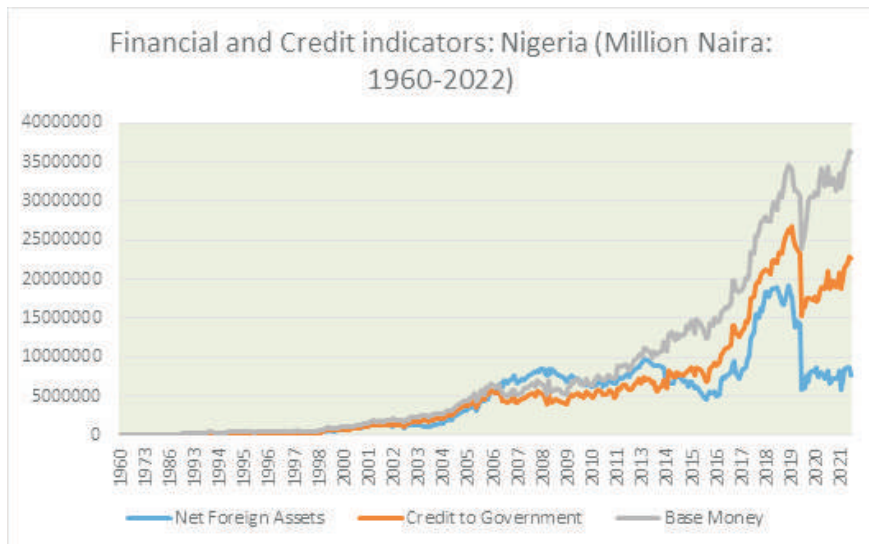
The long-term effects of this neoliberal restructuring set in motion a multiplicity of changes in the Nigerian economy and more widely in the country's social fabric. Nigeria displays

some characteristics of financialisation (Udeogu 2015a; 2015b; Alade 2022; Itaman/Wolf 2022). At the same time, the income from oil revenues – if and when it occurs – partially strengthens the government's position against financial interests (Dafe 2019). It is undisputed that financial deregulation has increased the size and the profits of the financial sector (Enendu et al. 2013); it has also increased the volumes of capital inflows and outflows (Udeogu 2015b: 10). Post 1995, the capital inflows into Nigeria have been mainly towards the financial sector – to its actors, institutions, and markets - and in form of rather short-term portfolio investment (ibid).

These tendencies were further strengthened after the 2005 bank consolidation act. Of all the sectors of the economy, only inflows into financial activities in the form of portfolio investment witnessed increases since 2007 (Udeogu 2015 a: 181). In 2013 alone, over 87% of the total capital inflows into Nigeria were channeled to accumulation of financial assets. The proportion of capital imports that goes to manufacturing peaked at 14% of the total inflow in 2010 but has since declined to an abysmally low 1.7% in 2013.

Figure 3 depicts some of the quantitative increases of financial flows and balance sheet increases. It makes it clear that the decrees of 1995 laid the ground for the expansion of foreign capital flows as well as an increase in government indebtedness and the creation of money by the central bank (base money). Rapid growth began after the 2005 bank consolidation act (Enendu et al (2013); it stopped only as a crisis emerged after 2019.

**Figure 7: Selected financial and credit indicators for Nigeria**



Source: CBN: Money And Credit Statistics (Million Naira)

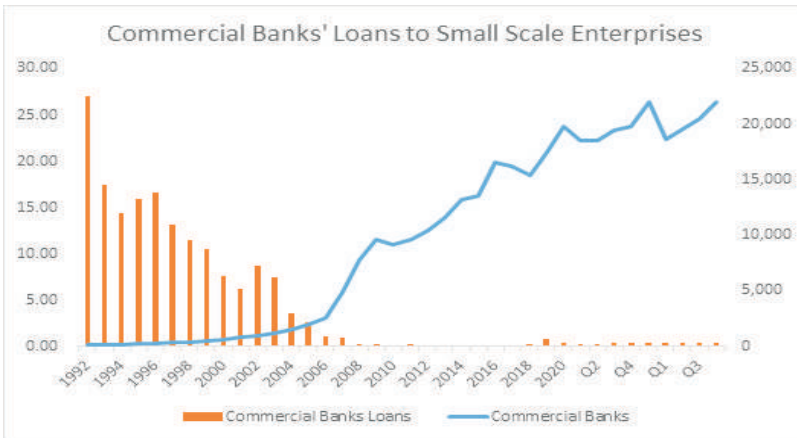
In this context, the total assets of the Deposit Money Banks (DMBs) in Nigeria also followed a strong upward trend increasing by N25,234.80 billion, from N15,343 billion in December 2008 to N40,577.80 billion in December 2019, representing a substantial growth of 164.47% within 10 years (Alade 2022: 24). At the same time, there occurred an extremely rapid drive of financial innovation perpetuating financial expropriation of households via mobile money consumer credits. Between 2008-2012 “an average of 17.21% of the total Gross National Income (GNI) of Nigeria was held as a foreign reserve [...], with over 15% as U.S treasury securities” (Udeogu 2015a: 242). The profits of banks, following the neoliberal reforms, began to rely greatly foreign exchange speculation and interest rate arbitrage as well as on plain fraud. (Udeogu 2015: 9).

### iii) Financial Expansion but Weak Support for Economic Growth

The tendencies of financialisation in the Nigerian economy had two major implications for the real economy and its productive capacities. First, and as already shown above, fewer funds were invested into the productive sectors; second, the massive inward foreign portfolio flows forced the CBN to adopt counter measures to prevent domestic inflation and hence the central bank maintained relatively high levels of lending interest rates. Higher rates increased the borrowing costs for productive enterprises, including small and medium enterprises, and created a business environment which is not conducive to growth for the real sector (Udeogu 2015b: 10).

The decline of credit advanced to small scale enterprises, particularly relative to total credit provision to the private sector, is evident in figure 8:

**Figure 8: Commercial Banks' Credit Allocation (1992-2021)**

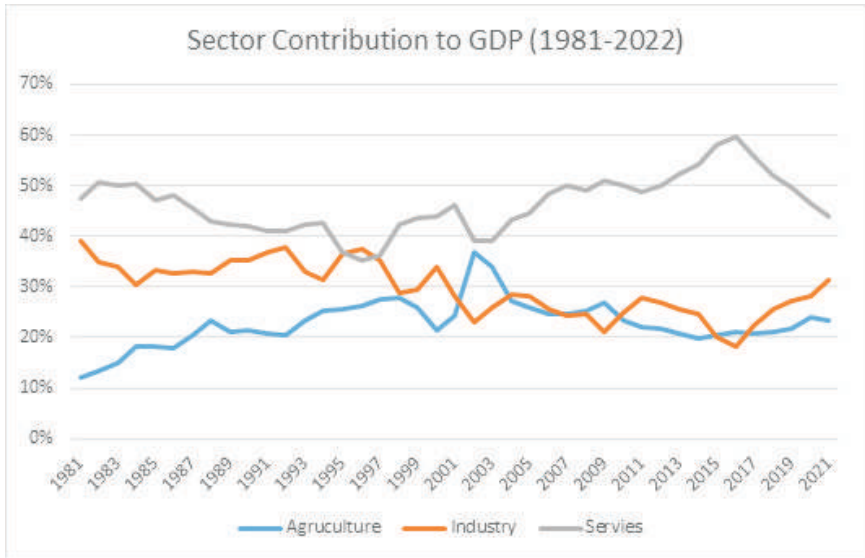


Source: Authors' computation from CBN Statistical Bulletin Financial Sector (2021)

Figure 8 confirms a steady decline in bank credit allocated to small enterprises in Nigeria while the total sum of credit has ballooned since 2005. This shift in credit allocation away from small scale enterprises did not occur for the first time in the 1990s. The systemic deficiency of credit toward the domestic economy – particularly toward Nigerian-owned small and medium enterprises – was a dominant feature of the colonial period and was crucial for the restructuring of the economy and the division of labour according to imperial interests (Koddenbrock et al. 2020) The relative absence of credit for the productive small-scale economy is certainly not a historic novelty; however, the forms it took and its impact since the 1990s are based on financialization. Its effects on growth, poverty and Nigeria's productive capacity deserve further attention.

Since the financial liberalisation reforms in the 1980s and 1990s Nigeria has faced high costs of capital as interest rates have risen tremendously. The prime lending rate, which averaged 7% from the 1960s to mid-1980s, increased to over 19% from mid-1980 to 2011. Similarly, while sub-prime chargeable rates (i.e., the maximum chargeable rate of interest) in the pre-reform era were around 11-13%, the equivalents in the post-reform era have averaged around 27-36% (Udeogu 2015a: 192). Those conditions have made it almost impossible for domestic SMEs to obtain feasible loans to expand their business endeavors. In that context, the sectoral composition on Nigeria's GDP has shifted away from industry and towards services as apparent in figure 9:

**Figure 9: Contribution to Nigeria's GDP by Sector (1981-2022)**



*Source: Authors' computation from CBN Statistical Bulletin (2021) 2021StatisticalBulletin\_RealSector.xlsx(live.com)*

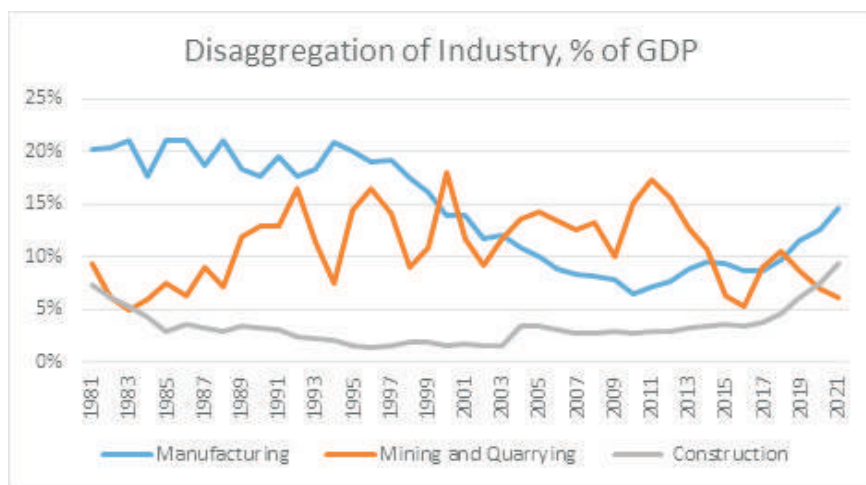
Especially notable is the divergence between industry and services starting in 1995. The tendency of services to take a steadily greater share of GDP together with a rising share of employment is not unique to Nigeria but rather frequently encountered in the context of 'de-industrialisation'. Early works have used the term to refer to the violent and deliberate efforts of imperial powers to de-industrialise their conquered colonies (Bagchi 1982. Today's main strands of literature refer to de-industrialisation as a process occurring mostly in core economies, typically with whereby the share of manufacturing in GDP declining after reaching a peak.

In Nigeria, similarly to other peripheral countries, de-industrialisation occurred prematurely with manufacturing

value-added at less than 15 percent of total employment (Rodrik, 2015; Owusu et al, 2020). Rodrik (2015) and Tregenna (2015) attribute premature de-industrialisation in African economies to the trade and financial liberalisation policies of SAPs, as well as global demand shifts, technological changes, and global competition. Since the late 1990s, the sector migration of labour moved from agriculture and manufacturing towards information and communication, transportation, business, and general services (Adeyinka, Salau, & Vollrath 2013; Rodrik 2013).

The patterns of de-industrialisation can be seen even more clearly by considering the sectoral disaggregation of industry depicted in figure 10, which shows the decline of the manufacturing sector:

**Figure 10: Disaggregation of the Industry Sector as % of GDP (1981-2022)**



Source: Authors' computation from CBN Statistical Bulletin (2021) 2021Statistical Bulletin\_Real Sector.xlsx (live.com)

Given the oil reserves of Nigeria, the evident volatility within mining and quarrying can largely be attributed to volatility of oil production. The oil sector, however, is not a significant contributor to industrialisation in the sense of technological advancements, diversifying transferable machinery and technology. Similar considerations apply to construction.

# The Role of Multiple Exchange Rates and Sovereign Rights over Resources

The COVID-19 pandemic accelerated the deterioration of key macroeconomic variables and highlighted the structural connection between Nigeria's currency and the volatility of its oil revenues. Declining foreign reserves, a depreciating currency, severe petrol and energy shortages, food insecurity and rising inflation posed the question of which policies could begin to reverse the downward spiral. Different policy recommendations gained momentum with major implications for Nigeria.

The IMF sees the existence of multiple and parallel exchange rates as the key obstacle to achieving investor trust, attracting FDI, controlling inflation, and using capital flows to improve agriculture and energy supply (IMF 2022: 19). In the first year of the pandemic the World Bank delayed its \$1.5 billion loan to Nigeria by stressing the condition of harmonizing the exchange rates (Ohuocha/George 2020).

The Governor of the CBN, Godwin Emefiele, has however defended the country's unconventional exchange rate regime and opposed the strong pressures by the multilateral institutions (Olisah 2022). Emefiele stressed that floating the Naira exchange rate at the current time would lead to uncontrollable spiral effects spurred by the depreciation of the

Naira. For the Governor, more important than changing the exchange rate regime would be to lower excessive imports, which are financed through foreign exchange reserves. In short, the CBN focuses on the productive sector and considers how to restructure the country's productive capacities to require less foreign exchange and reach more self-sufficiency. The call to transform the economy towards more self-sufficiency in food and energy provision, which would stabilise the currency, has also been echoed by heterodox economists (Mkandawire 2001; Sylla 2022; Gadha et al. 2022).

It is, therefore, instructive at this point to have a closer look at Nigeria's system of multiple and parallel exchange rates. Until recent years different forms of institutionalised, informal, and illegal parallel exchange markets were regularly found among developing countries (Ghei/Kamin, 1996: 498). The term “multiple exchange rates” is an umbrella category that describes any system in which two or more rates are applied to the same currency (ibid: 499). A parallel market for foreign exchange is, however, distinguished by the characteristic that at least one of the rates is market determined.

Nigeria is currently operating a multiple exchange rate system with multiple official, institutionalized, and legal rates as well as a parallel rate. The parallel rate is influenced by supply and demand in the money markets as well as central bank policy rate expectations and the flow of remittances. Unlike other countries experiences, the current parallel market is not an illegal or informal market but emerged via an active, though unconventional, central bank monetary policy intervention in 2016.

In the aftermath of the last oil price crash in 2016, the Nigerian Central Bank created a currency system of multiple, parallel existing exchange rates while simultaneously raising interest rates to attract foreign capital. The aim was to control which sectors receive foreign exchange, to prevent excessive imports, to regulate imports of goods that could be produced domestically, and to prevent currency depreciation through financial speculation. The three main exchange rates currently in existence are:

- I. The official CBN rate (1 US\$ = 415.62 ₦ on 07/06/2022). This is a managed regime that sets a stable value for the Naira. This rate applies exclusively to all government transactions including its foreign denominated debt payments.
- II. A managed rate for investors and exporters (the I&E window) called the Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX). This was established in 2017 to ensure international investors and exporters of access to foreign exchange.
- III. The parallel market rate traded mostly by a chain of Bureau de Change (BDC) (1 US\$ = 585-634 ₦ on 07/06/2022). The BDC structure is officially regulated by the CBN and was initially put in place to supply the great number of informal economy participants with foreign exchange.<sup>4</sup>

Several moments of crisis since October 2019 have put enormous pressure on this system, resulting in steady devaluation of the Naira and recent regime adjustments. In

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4. Data Source exchange rates: <https://www.ngnrates.com/market/exchange-rates/us-dollar-to-naira/black-market>

October 2019 the global oil price war started, leading to an unprecedented price fall that depleted Nigeria's foreign reserves, as was already mentioned. In the following months and leading up to the declaration of COVID-19 as a global pandemic, foreign capital flows reversed and fled the country in unprecedented sums. In an attempt to control government spending further, the state-owned oil refineries were shut down due to the low oil price.

Since 2020 the official exchange rate has been repeatedly devalued until it merged with the NAFEX rate in the third quarter of 2021, while the gap between BDC rates and the NAFEX continue to increase. Perfect conditions were created for those individuals who have access to both markets and can exploit the exchange rate difference. The earlier BDC licenses were rather cheap, and politicians and businessmen were able to obtain a license and run an exchange rate business on the side. Interviews with government officials revealed that the original intention of this unconventional monetary policy tool was to supply the informal economy with easy access to foreign exchange despite lacking official bank accounts and financial infrastructure (Abdurrahman 2022).

BDC offices were meant to support the informal economy and fill a gap in the monetary infrastructure that banking reforms had been unable to fill for decades. Unfortunately, the system proved most lucrative for financial rent extraction through buying foreign exchange at the cheaper official rate by using the BDC license and reselling it on the parallel market often at double the price. The NCB's supply of foreign exchange to BDC

however is more than double than its supply to the interbank market (CBN Economic Report 2020: 31).

While the IMF and the World Bank do not support – and even punish – the continuation of the so-called multiple currency practices (MCPs), such regimes should be viewed in relation to their broad potential. Exchange rates do not have to be simply passive monetary mirrors of a country's performance but can also be active policy instruments to facilitate domestic production and promote development. As was mentioned above in relation to Governor Emefiele, Nigeria's foreign exchange controls restrict excessive foreign exchange spending by industries, sectors, and individuals. Appendix 3 lists the goods, which are ineligible for foreign exchange at the CBN's official window on the grounds of being potentially produced domestically.

However, these exchange rate measures would be helpful only if there also was an active industrial policy aiming to strengthen and support the industries and sectors capable of supplying such import-restricted goods locally. Foreign exchange controls have to be matched by a strong industrial policy that promotes diversification via SMEs, job creation, and the attraction of technology into the country to scale up production. The measures could include tax breaks, infrastructural and financial subsidies. In theory, the combined effort of progressive industrial policy and multiple exchange rates could facilitate radical development options.

Unfortunately, industrial policy in Nigeria has a very limited scope and does not sufficiently support the industries that are

supposed to substitute imports, thus resulting in scarcity of goods, upstream supply chain constraints and low productivity. The current political reality is one of structurally supported profits for those with privileged access to foreign exchange markets, while artificially creating monopolies that systematically destroy SMEs.

An example would help make things clearer. During the pandemic, in 2020, the government of Nigeria added milk and other dairy to the original list of 41 items (see Appendix 3) ineligible for foreign exchange. The persistent problems with global supply chains, however, led the government to move toward creating monopolies in the field, while systematically destroying SMEs across the country. The government restricted the import of milk and dairy products to six dairy companies ostensibly to promote backward integration. The approved companies were all huge transnational companies: i) Friesland Campina WAMCO Nigeria Limited, ii) Chi Limited, iii) TG Arla Dairy Products Limited, iv) Promasidor Nigeria Limited, v) Nestle Nigeria Plc. (MSK only) and vi) Integrated Dairies Limited. Similarly, in July 2021 the government restricted sugar imports to three approved companies that received permits to obtain foreign exchange from official sources: BUA Sugar Refinery Limited, Dangote Sugar Refinery Plc, and Golden Sugar Company.

The point could also be made strongly in connection with the oil sector. As Africa's biggest oil producer, Nigeria has easy access to dollar reserves in comparison to other peripheral, non-oil producing countries. Exporting oil ensures a constant, thought volatile, stream of foreign reserves. Since the volatility of oil

prices – due to world market and OPEC+ decisions – cannot be controlled, Nigeria faces two fundamental problems in reducing imports, and thus its dependence on foreign exchange.

- I. Crude oil and other oil product exports made up 87.7% of Nigeria's foreign exchange earnings (Q1 2018) (Africa Check 2018) while the oil and gas sector in total contributes less than 10% to Nigeria's GDP

Economic activity in Nigeria takes place primarily within the service sector (53.2% of GDP) followed by agriculture (23.1% of GDP) and manufacturing (9.5% of GDP). These sectors must operate with a currency value that reflects neither their capacity nor their needs; they also depend exclusively on volatile foreign exchange earnings from oil and gas (Ministry of Budget and National Planning, Nigeria 2017: 53/54).

- II. Despite being Africa's biggest oil producer, Nigeria has to import the refined petroleum for domestic use creating a systemic but preventable leakage of foreign reserves

The lack of refining capacity and the complete absence of state-owned refining since 2020 facilitates a systemic leakage of foreign reserves out of Nigeria. The reserves earned through the export of crude oil have to be spent rapidly to import refined petroleum to satisfy domestic energy needs. The result is that foreign exchange reserves are under constant pressure and cannot be used to diversify the economy, including through technology imports.

The former president, Muhammadu Buhari, took office in 2015 pledging to fix the national refineries to meet domestic demand

but little progress has taken place. As was already mentioned, all four state owned refineries were shut down in early 2020 after the crash in oil prices in the attempt to make fiscal savings – a decision that has cemented the dependency on refined oil imports. The 2021 figures on crude oil exports and refined oil imports highlight the systemic drain. From January to November 2021, the Federal Government of Nigeria earned N4.5 trillion through crude oil while spending N4.56 trillion on importing refined oil as motor spirit (Enengedi 2022).

In addition to the unsustainability of the exports and imports of the oil sector, the government subsidizes motor fuel prices to make them affordable for the wider population. The subsidies cost the government an additional N4.56 trillion, which amounts to about \$10 billion in foreign exchange outflows. Yet, despite the subsidy, fuel prices rose from an average of N166.40 and N170.42 in January and February 2022 to N175.89 in June 2022 with continued tendency to increase. The failed refinery development and the resulting export/import patterns together with a trend of production reduction also caused by theft along production steps has resulted in Nigeria failing to benefit from the oil price increase after the onset of the Russian-Ukrainian war in 2022.

It is clear that mere harmonization of the multiple exchange rates by freely floating all rates will not solve the underlying economic problems faced by Nigeria in this regard. Only by reducing Nigeria's dependency on imports and focusing on domestically producing refined petrol could the currency be stabilized. But the problem of oil and development in the case of Nigeria goes still deeper than that.

# The Lack of Economic Sovereignty

Nigeria is often used as an example of a former colony that has managed to reorientate its colonial production pattern and escape the path-dependency of export-oriented colonial agricultural production. Its period as a presumably successful oil producer started in 1958, leaving behind the colonial agricultural society. The ensuing economic disasters are typically ascribed to the lack of capability by the newly independent governance structures, corruption, and weak leadership. It is an approach that is well known to peripheral countries, reflecting the theory of Dutch disease, the resource curse hypothesis, and the putative inability of peripheral country institutions to manage resources productively.

However, the revival of imperial business history since the late 1970s has re-emphasised the importance of European colonial rule and the transfer of wealth and resources. In light of that literature, the following subsection will sum up the power structures that have dominated Nigeria's oil extraction since the beginning of oil exploration in 1903.

Steyn (2009) identifies colonial roots to the two key dynamics in the Nigerian oil industry. Namely, first, the enclave nature of the industry, separated from the rest of the economy, and second, the establishment of oil as a national concern. These led to power entanglements that were crucial to newly independent Nigeria in 1960, which have facilitated what dependency and world-systems theorists called “the

development of underdevelopment.” In the words of the American Pan-Africanist civil rights activist and historian William Edward Burghardt Du Bois: “[w]hile the political control of colonies has greatly decreased, large parts of the world and its people remain under imperialism by economic power, [...] We might then regard the world outside Europe and the United States as still colonial.” (Du Bois 1960).

Colonial oil exploration can be broadly separated into two main phases. The first was the early exploration phase up to the First World War. It was “largely driven by smaller oil companies, in particular from the United States and Britain, with varying degrees of success” (Steyn 2007: 251). At the very early beginning of the 20th century oil explorations were business endeavors mainly undertaken by smaller oil companies and privately funded via financial markets in Europe. That however changed after a chain of failed oil explorations in Russia in 1910 that were connected to significant capital investments after which financial markets noticeably reduced their willingness to fund more oil adventures (Steyn 2007: 252). Consequently, smaller firms turned to government support and requested state financial assistance which was the beginning of a long marriage of private firms and powerful governments in the energy sector, often revolving around the issue of energy security.<sup>5</sup>

With financial markets withdrawing from financing oil endeavors and governments starting to be interested, two

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5. The US Defense Production Act of 1950 which was last enacted in 2018 states that “For purposes of this Act [sections 4501 to 4568 of 50 U.S.C.], “energy” shall be designated as a “strategic and critical material” after the date of the enactment of this section [June 30, 1980]” (: 6). Furthermore “The President shall take appropriate actions to assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilisation, and national emergency” (ibid.)

dominant companies took over the oil exploration in colonial Nigeria: Royal Dutch/Shell and British Petroleum, taking advantage of their advanced exploration technologies and abundant capital. What followed was the emergence of seven oil companies in the imperial core that took over the global oil exploration and early production as a de facto monopoly known as the Seven Sisters:

“Through a fine-spun series of cartel arrangements, five American companies – Socony-Vacuum (later Mobil), Standard Oil of California (Chevron), Standard Oil of New Jersey (Exxon), the Texas Company (Texaco), and Gulf – along with the British-owned Anglo-Iranian Oil Company (later British Petroleum), and Royal Dutch/Shell controlled over 90 percent of oil reserves outside of the United States, Mexico, and the Communist countries. The same companies, known as the Seven Sisters, accounted for nearly 90 percent of world oil production, owned almost 75 percent of world oil- refining capacity, and provided about 90 percent of the oil traded in international markets” (Dietrich 2017: 28)

After the anticolonial fights in the 1950s and 1960s leading to political independence in many formerly colonized countries, began the struggle for economic independence and particularly sovereign rights over domestic resources. The demand for sovereign rights gained influence partly because it expressed

the hopes and demands of the elites of the newly decolonised world.

The struggle in the 1950s mainly saw politicians of peripheral countries and anticolonial leaders seeking sovereign rights to confront the imperial interests of core countries. On one side there was Djalal Abdoh and others working in the UN to enshrine into international law the specific notion of 'permanent sovereignty over natural resource' (Pereira 2013). On the other were core countries seeking power and profits, but also exhibiting considerable anxiety regarding energy insecurity and uncertainty. The USA even instituted energy provision and security formally into its national defense protocols.

The demand for sovereign rights gained momentum in 1960 when the Seven Sisters agreed on cutting the oil price and driving it back down to the levels of the 1950s, effectively determining the fiscal space and oil revenues of oil possessing countries (Garavini 2011: 476). The movement shaped the political and intellectual matrix of two generations of anticolonial elites. It gradually became apparent that economic decolonisation “was not an absolute condition but a set of international relations characterised by success and failure, drastic change accompanied by equally stubborn continuity” (Dietrich 2017: 309). The final UN report on that matter concluded that “‘with regret that most of the proposals for structural changes in the international economic system’ had not been agreed upon. The anticolonial elites had fallen far short of the objectives envisaged for “a comprehensive and equitable program of action” for the New International Economic Order” (ibid.)

The dawning realization of defeat and the disappearing hope of formerly colonised oil producers to gain full sovereignty over their energy resources completed a profound reorientation for some anticolonial elites and their understanding of neo-colonialist continuities or what Abdullah al-Tariki calls the “history of petroleum colonisation” (Dietrich 2017). What followed the 1960s disappointments were the efforts to obtain as much price setting power as possible for oil producing countries through the creation and empowerment of OPEC. It soon however, became clear that it was far easier to reach consensus on the problems of the past than agree on practical means to achieve economic emancipation. The underlying difficulty found a sharp expression in the 2019/2020 oil price war between oil producers.

In Nigeria, the struggle over oil reserves is particularly severe and marked by a tremendous lack of sovereignty. In 1977, Nigeria formed its national oil company Nigeria National Petroleum Corporation (NNPC). Since then, the Nigerian oil sector has been dominated by joint-venture contracts between NNPC and private, mostly multinational, oil companies. On average, the NNPC owns a majority of roughly 57 percent of the joint ventures (Ukiwo 2008). The institutional set up of the NNPC however has been repeatedly criticised for inefficiency, lack of transparency and lack of funds, resulting in inability actively to shape and control the oil industry in Nigeria. “In contrast to many other state oil companies, NNPC is hardly involved in oil exploration and exploitation and operates mainly in a supervisory capacity. This fact clearly undermines capacity building within the NNPC, and it is deepening the

dependence of the Nigerian oil sector on private, mostly foreign oil companies (Ukiwo 2008: 76).

Due to their central role in the initial oil exploration and their early exploration licenses, the Seven Sisters - particularly Shell – found themselves in a key position to influence social dynamics and politics in Nigeria. Thus, Mähler (2010) examined the relation between violent conflict and oil and showed that Shell continues to influence and partly create violent conflicts in the Delta region (Mähler 2010: 19/20). First, Shell destroys the living conditions of the local populations via environmental pollution caused by oil production. Environmental destruction has been key to local resistance and violent protests including the formation of militarised groups also involved in oil theft and destruction of oil infrastructure. Second, multinational corporations have played an indirect role in the militarisation of society since colonial times, because of their demands for security in oil-producing regions. Due to their economic power and influence, those demands were often met by the government via increases in police and military presence, fueling other conflicts. Third, oil companies directly create and arm militant groups. “The oil companies also make use of private security services, some of which are extremely brutal. Some oil companies have also provided financial assistance to potential militant actors in order to “pacify” them [...] While this might reduce violence in the short term, the risks of further empowerment of militant groups in the long run are obvious (Hazen/Horner 2007: 38)” (Mähler 2010: 19/20). In this context, the weak political institutions of Nigeria cannot be separated from the oil sector

and particularly the ethnic and religious fragmentation policies used during colonial rule to instrumentalise regional differences (Brunner 2002: 132ff.)

The destructive effects of oil exploration in Nigeria on civil society and the environment has led activists to demand that oil should “remain in the ground and then let's diversify the economy [...]. And perhaps they will be able to return back to their own local economy and begin to grow to develop devices and sustainable agriculture around the region” (Botti 2022). The oil exploration has caused more suffering and destruction than delivered benefits to people's livelihoods and the country's wellbeing. The demand, striking as it is, points to deeper eddies of popular reaction and search for fresh answers that became prominent in the years of the pandemic. The realization that black gold is not eatable and that oil revenues do not only destroy the livelihood of some Nigerian communities but don't even protect against food emergencies in moment of global crisis, intensified the calls and active search for alternatives. Such alternatives not only need reasoning for environmental protection demand a rethinking of developmental ideology on a deeper level. Art collectives, activists and communities have hence been working on preserving and sharing knowledge and practices around agriculture, food and dietary diversity, architecture, production of clothing as well as medicine and advocate for a form of development without using oil revenues (Tushar 2022).

# The Burgeoning Popular Reaction to Covid-19:

## #EndSARS and the Systemic Pacification of Dissent

Twentieth of October 2020  
You carry army go kill many youth for Lekki  
Na so water o, water runaway  
May eyes  
Nothin' you go talk wey go  
Justify the case of their murder  
The Chief of Staff, the commander  
And the army wey carry order  
Mr President, Mr Governor  
Godfather, gbo gbo ijoba  
All your atrocities  
All of your corner corner  
Make all the dead body  
Disturb you for your dreams  
(Burna Boy songtext: 20 10 20)

This song by Burna Boy has become a symbol or remembrance for the horror of the Lekki shooting on 20 October 2020. After weeks of #EndSARS protests, the Nigerian Army opened fire on unarmed protesters and killed at least 12 people, leaving many more wounded.

The #EndSARS campaign started in 2017 aiming to address police brutality. However, it gained international momentum after a tweet by @AfricaOfficial on 3 October 2020 reporting on a young man's murder by members of the Special Anti-Robbery Squad (SARS), a tactical unit of the Nigerian Police Force (NPF). Taking place in the Ughelli Delta State, “[t]he tweet had claimed that the agents dropped his dead body on the road while making away with his car (Abimbade et al 2022: 1). What followed was an international outcry, manifested in numerous protests and resulting in financial support for NGOs and civil society actors around the globe to support Nigerian youth participating in #EndSARS.

The social anger finding expression in those protests was not merely a protest against police brutality but a broader response to the brutality of COVID-19 restrictions and their uneven impact on different social groups. With the enactment of lockdowns and curfews, the police were deployed to ensure fulfilment of restrictions and related rules. People who depended on day-to-day income, particularly workers in the informal sector, market workers and young men attempting to move during times of curfew were particularly at risk of being targeted by the police. Intended as a public health measure, police controls to enforce the lockdowns and curfew inflicted severe collateral damage, including arrests and detention, harassment, extrajudicial killings, destruction of wares, maiming and torture (Social Action 2020).

The escalation in violence and social conflict that occurred immediately after the first Covid-19 wave in Nigeria was

neither an accident, nor merely a reaction to incidental police brutality. It was, rather, a reflection of a deeper popular challenge and demand to change the societal mechanisms that deploy police forces and have instrumentalised SARS to support current power structures. These are precisely the power structures that led Nigeria to adopt the deeply unequal response the pandemic analyzed in the preceding sections. Cutting back on the health budget at the most critical and urgent of times was a direct result of years of austerity as well as financial dependency and lack of resource sovereignty, which is precisely the framework of power in contemporary Nigeria.

The establishment of the police SARS group dates to the 1980s, when Nigeria found itself in a chokehold by a domestic military regime that brutally enforced the internationally imposed Structural Adjustment Programmes. The late 1980s and early 1990s witnessed the deepening and entrenchment of poverty and destitution, including cutting back on social services and public investment. The result was rising crime across the country, which in turn led to the establishment of SARS. It was “an authoritarian government responding to this wider desire for some order in the midst of political and economic insecurity and turmoil.” (Husaini 2020).

In 1984 an Anti-Robbery Squad (ARS) was created to deal with violent crimes across Nigeria (Okpalaeke/Aboh 2022). In 1992, the retired Commissioner of Police, Simeon Danladi Midenda added “Special” to ARS, formally establishing SARS as a new tactical unit of the NPF. Initially those special units were intended to complement conventional police activities against

heavy crimes. Over time, however, increasing evidence has surfaced regarding extra-judicial killings and abuse, spreading fear by operating covertly and with unmarked vehicles. SARS is not the first, or only, special tactical unit accused of human rights abuses. During the period of military rule in Nigeria, the Mobile Police Force – referred to as “Kill and Go” – also engaged in excessive police brutality and were accused of human rights violations.

It is misleading to treat current developments regarding SARS as representing the failure of individual officers, and much less to view the NPF as a beneficent entity of law and order that generally preserves peace and property as well as fighting crimes. Ahire (1990) offers a compelling alternative understanding by analysing the functioning of Nigerian police since its origin under British colonial rule until independence. Police brutality and extra-judicial justice in Nigeria did not emerge in the 1980s under military rule but drew on decades of institutional memory during British colonial rule. The British Empire provided security forces, and later the NPF, with paramilitary training from the very beginning. The Nigerian police are a class-based mechanism aiming to protect the ruling structures, its main aim being “the pacification of dissent” (Ahire 1990: 156).

A brief reference to historical events is helpful in this connection. While external trade relations between Nigeria and other countries, or continents, are of long standing, its incorporation into colonial capitalism took place with the British intrusion in 1849. Following the dethroning of its king

and the eventual declaration of Nigeria as a British colony in 1851, a “complete political, cultural and economic domination by a settler and administrative colonial state” (Ahire 1990: 157) was instituted. According to Ahire (1990) three main groups demanded that colonial authorities provided security, thus leading to the establishment of what later became the NPF. First, British merchants demanding protection against indigenous but also other foreign competitors; second, British missionaries demanding protection for their efforts to encourage “lawful” trade as well as their propagation of Christianity; third, immigrants that were used by the colonial administration as bureaucratic officials, interpreters and trade middlemen.

To meet the demands of those three groups the colonial security forces were selected mostly from the members of the Hausa ethnic group, or from non-indigenous groups. They were primarily trained in paramilitary drill and were kept under direct political command to achieve the pacification of indigenous dissent. Hence, “[c]olonial policing had very little to do with the prevention and control of conventional crime. Instead, the police force emerged as an authoritarian imposition, and had as its explicit purpose the conquest, control, subjugation and exploitation of the indigenous people” (Ahire 1990: 156). The history of the NPF can thus be traced to the earliest periods of colonialism and is characterised by asserting and maintaining British colonial rule in conquered territories as well as actively facilitating the expansion of colonial territories.

After independence and under military rule, several of those initial characteristics and structures of NPF were maintained but were employed to stabilise the new power and social structures pivoting on the military. Continued victimisation of dissidents and political opposition coupled with the systemic negligence of welfare, internal victimisation, and controls on promotion and recruitment created destructive incentives for power abuse. “The post-independent administrations were thus complicit in retaining the imagery of enmity of the Nigerian police among the Nigerian public” (Abimbade et al. 2022: 2).

A historical pattern was established in Nigeria whereby social disorder came to be viewed as a community issue unrelated to economic problems and therefore subject to law enforcement that individualises penalties and achieves social cohesion via coercion. Since the 1980s the policing of poverty, destitution and crime - ultimately originating in social discontent - directed police brutality towards communities that were regarded as the producers of criminals: urban and poor communities, and primarily ethnic and religious minorities.

The 2020 #EndSARS protest however, created unity across those divides and addressed the connection between the history of Nigeria's police and its instrumental deployment to support the ruling social and political interests. Initially regarded as leaderless protests, key groups and individuals emerged to provide invaluable support and coordination efforts for the movement. Among those actors were Omoyele Sowore who has been a leader of the #RevolutioNow

movement for some years and ran for president on the African Action Congress as well as the Feminist coalition that gained prominence during the protest as key online organiser, distributor of information but also financial infrastructure provider.

Financial support for the movement became of crucial importance, given the lack of trust between citizens and the government, with far reaching effects. With the continuation of protests, international financial solidarity provided large sums to the feminist coalition for distribution. The government, in its efforts to crack down on the protests, began to use its entanglements with the financial sector to close down group and individual bank accounts to prevent accessing the funds. The transition to using crypto currencies was a major step to ensure short-term financial support for protests as well as financial security efforts against police units on the streets. Crypto currencies became an appreciated monetary structure to ensure community organisation against government threats.

In an attempt to calm the protests, on October 11, 2020, the Inspector General of Police, Mohammed Adamu, announced that the unit would be dissolved. Protests however continued to demand more far-reaching reforms and presented a list of five demands: i) Immediate release of all arrested protesters, ii) justice for all deceased victims of police brutality and appropriate compensations for their families, iii) setting up an independent body to oversee the investigation and prosecution of all reported police misconduct within a period of ten days, iv)

carrying out psychological evaluation and retraining of all disbanded SARS operatives before they could be redeployed and lastly, v) increasing police salaries and ensuring adequate compensation for protecting lives and property of the citizens.

SARS was disbanded and more than twenty state governments set up judicial panels to investigate human rights abuses conducted by the unit. In his New Year address in 2021, President Buhari stated that: “[t]his government heard, this government listened and this government is committed to fulfilling the five demands of our youths, fully understanding that we all wish well for Nigeria”. More than a year after the protests, however, progress is slow, and many are accusing the government of paying lip service rather than actively working towards fulfilling the five demands. Moreover, there is a real risk that the dissolution of SARS will “send a warning signal to other tactical squads. But the Special Anti-Robbery Squad is just a microcosm of the bigger problem – bad policing in Nigeria. Its dissolution will barely scratch the surface.” (Ikuteyijo 2020). The operatives of the squad will remain part of the NPF and only be redeployed to other units. Given the colonial origins of the NPF and its troubled history, there can be confidence that human rights considerations, transparency, and serving social needs will prevail.

# A Government Invented Crisis:

## The 2023 Naira Crisis

On October 26, 2022, the outgoing president Buhari had a few months left in office and was looking at the approaching election of his successor. On that day, the president and the Central Bank of Nigeria (CBN) announced the redesign of the currency with a roll-out date as soon as December 15, 2022 and the end of old Naira notes as legal tender set for end of January 2023. By January 2023, large movements of people from villages and towns took place, carrying their savings to banks in the hope of exchanging them for new notes. However, the Nigerian Security Printing and Minting Company Limited—the government-owned corporation responsible for printing currency locally, had printed only about N200 billion new Naira notes. In contrast, the banks and the CBN had withdrawn N2.73 trillion in cash from circulation since September 2022. . The inadequate amount of new versus old Naira notes together with the hasty timeline, the poor management and the threat of massive wealth destruction by 31 January 2023, when old naira notes would cease to be legal tender, meant that the government had manufactured a crisis - the 'Naira crisis'.

According to official reasoning, the Naira redesign policy had the declared goal of fighting currency fraud, corruption in the upcoming election, returning stolen money, targeting the growing kidnapping for ransom instances as well as lowering

the rate of inflation and controlling the amount of money in circulation. However, “[...] the policy meant for fighting corrupt politicians, criminals, and kidnappers ended up as something close to a war against its own citizens” .

In Nigeria, 55 percent of the adult population was unbanked in 2021 . Hence, demonetization is a class question and puts households at risk that are unbanked and less connected to banking infrastructure. It also disrupts the informal economy that heavily relies on cash transactions, and proportionately more than the formal economy including foreign business. Additionally, the continuous technological transformations impacting the financial sector meant that various providers of services were in pivot position to benefit from the disruption in the operations of millions of users. Fintech Chinese companies, such as Opay and Palmpay, had the facilities to deal with millions of operations instead. As they did not require a bank account but only a phone number and a national identification number, they quickly penetrated the Nigerian market.

When president Buhari and the CBN reiterated that 31 January would be the deadline for accepting old Naira notes, panic, frustration and chaos spread across the country. Initial forms of monetary resistance included the use of crypto currencies in technology hubs like Lagos, forms of barter among farmers and rural areas, as well as the usage of different currencies in the border regions with Cameroon and Niger where traders would use the Franc CFA instead. A ten-day extension for exchanging old Naira notes is granted on 10 February. However, two days before the second deadline, the Supreme Court ordered the CBN to continue using the old note until a final legal ruling has

been achieved which eventually set the finally deadline at 31 December 2023.

The Naira crisis can be understood as the height of the government's aim to transform Nigeria into a cashless economy and came after an unsuccessful launch of the e-Naira, the central bank's digital currency. It is part of the continuing financialization of the Nigerian economy that has had profound implications on the use of money by the population and was made more complex by the COVID-19 crisis. On October 25, 2021 Nigeria became the first African country to launch its own Central Bank Digital Currency – the e-Naira. The announcement came once month after the deadly Lekki massacre when many young Nigerians, protesting against police brutality, were killed by state forces. As was discussed in the previous sections, broad groups of activists and community organizations fell victim to government sanctions during the protests of the COVID-19 crisis and many lost access to their bank accounts.

The combination of government repression against protests and the closure of accounts by commercial banks on the instructions of the central bank led to the collapse of trust in the nexus of government and banks, thus creating a rocky path for the e-Naira. The sections of the population who would have been likely to use the e-Naira wallet to receive remittances and make payments, tended to use international banking services or even cryptocurrencies due to lack of trust in the new currency. The launch of the e-Naira proved a disappointment and it is unclear whether Nigeria will be able to continue down that path..

The e-Naira crisis was only the last in a series of crises that have afflicted Nigeria during the last four years. The turmoil started started in November 2019 with the oil price shocks, followed by the biggest capital outflow seen in decades that was triggered by financial market anxiety in core economies due to looming health emergency. Subsequently the crisis was hit by the health emergency of COVID-19, which was amplified by a labour market crisis. Just as the world was coming out of the third lockdown wave in 2021, Nigeria experienced a political crisis as the youth protested against police brutality in times of deteriorating economic conditions. The government-induced e-Naira crisis of 2023 was a further episode in the persistent disturbance of the country's financial and economic affairs since 2019.

In the early 2020s Nigeria found itself amidst considerable turmoil. The health emergency of COVID-19 was the catalyst of a multiplicity of crises. However, these crises had a clear historical context in colonialism and were ultimately driven by Nigeria's subordinate position in the world economy. Subordination was manifested in the country's overwhelming dependency on oil exports as well as its inability to prevent massive capital outflows that set the deteriorating terms at which the Nigerian government was even able to react to the health crisis. The popular demands for economic sovereignty and a more successful integration into global economic processes have assumed a fresh urgency.

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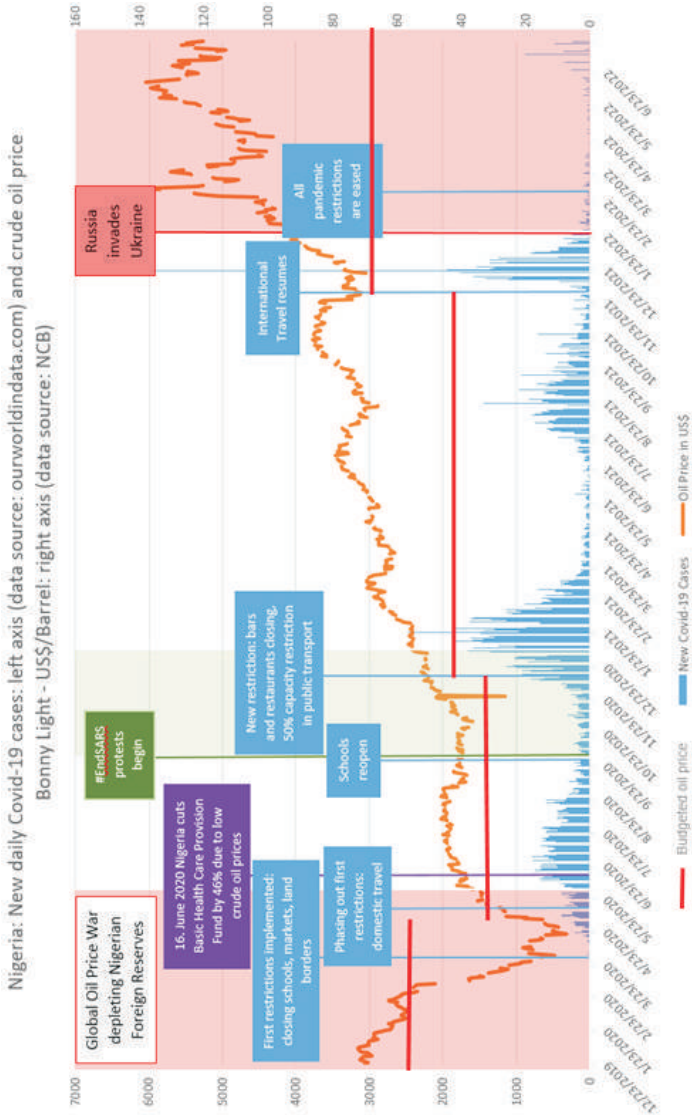
Central Bank of Nigeria (2023): Reserves

Central Bank of Nigeria (2023): Exchange Rates

United Nations University UNU-Wider (2023): Revenue 1980-2021

# Appendix:

## Appendix 1: Nigeria's crisis chronology



**Appendix 2: Petrol Crisis in Nigeria (March 2022) (foto source: author)**

a) Cue to a gas station



b) black-market petrol sold along the road



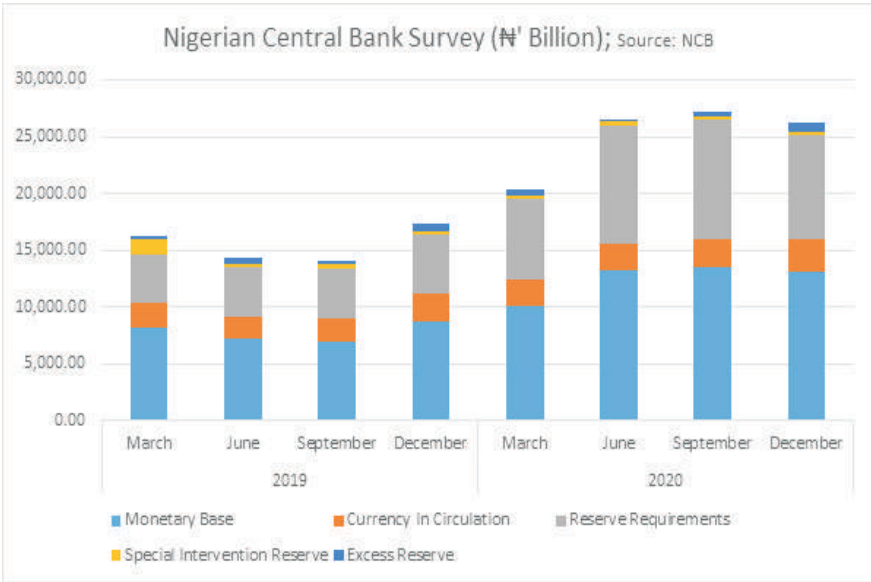
c) Traffic jam in front of a gas station in Abuja



**Appendix 3: List of goods, which are ineligible for foreign exchange at the CBN's official window.**

<b>Items ineligible for foreign exchange at the CBN's Official Window</b>		
<b>Food</b>	<b>Materials</b>	<b>Products</b>
Rice	Metal boxes and containers	Private airplanes/jets
Margarine	Enamelware	Indian incense
Palm kernel/palm oil products/vegetables oils	Steel drums	Tinned fish in sauce (geisha)/sardines
Meat and processed meat products	Steel pipes	Cold rolled steel sheets
Vegetables and processed vegetable products	Wire rods (deformed and not deformed)	Galvanised steel sheets
Poultry – chicken, eggs, turkey	Iron rods and reinforcing bars	Roofing sheets
Tomatoes/tomato pastes	Wire mesh	Wheelbarrows
	Steel nails	Head pans
	Wood particle boards and panels	Security and razor wire
	Wood fibre boards and panels	Furniture
	Plywood boards and panels	Toothpicks
	Wooden doors	Kitchen utensils
	Glass and Glassware	Tableware
	Tiles - vitrified and ceramic	Textiles
	Plastic and rubber products, polypropylene granules, cellophane wrappers	Woven fabrics
	Cement	Clothes
		Soap and cosmetics
		Eurobond/foreign currency bond/ share purchases

## Appendix 2a: Nigerian Central Bank Balance Sheet



## Appendix 2b: Nigerian Central Bank Balance Sheet

