

Vol. 10, no. 3 (Summer 2011)**Nigeria's Future: Good Times Ahead?**

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The global economy is in the midst of a historic transformation that will spread economic welfare more widely across the world. While the large BRIC economies figure most prominently in publications on this shift, a host of other countries follow closely in their wake. When Goldman Sachs explored the bright economic future of the BRICs, their economists also identified the 'Next-11'¹. This group of medium-sized countries, they stated, may seriously rival large Western economies in the coming decades. The group includes countries like Korea, Egypt, Iran, Mexico, Philippines, Vietnam, Turkey and Nigeria. They have fast-growing, young populations, are already highly urbanized, and many of them possess a variety of natural resources. Which of these countries will be among the winners is hard to tell. How favorable global economic conditions may be, their future is surrounded by a range of country and region-specific uncertainties. As the recent developments in, for example, Egypt illustrate, these countries are often walking on a tightrope. Uncertainty about its future definitely holds for what is probably the biggest surprise in this group: Nigeria.

Nigeria's complex roots

It is impossible to explore Nigeria's future without understanding its past. With nearly 160 million people it is by far the most populous African country. Typical for Africa there is not one, but many Nigeria's. Nigeria hosts hundreds of ethnic groups that speak even more different languages, each with their own dialects. Nearly a third of Nigeria's population belongs to the Hausa-Fulani (29%), a Muslim tribe that lives in the North of Nigeria. The other large tribes are the Yoruba (21%), who live in the Southwest, and the Ibo (18%) in the Southeast. Tribal tensions have for long dominated Nigerian politics and have led to a series of violent conflicts and bloody wars.

Ever since its independence from the United Kingdom in 1960, Nigeria has swung back and forth between democracy and military dictators, who ruled the country for nearly thirty years. Ibo military officers were the first to end Nigeria's early democracy in 1966 through a military coup that was soon after counter-acted by Hausa who felt threatened. When the Ibo fled back to the Southeastern Niger Delta and proclaimed the independent Republic of Biafra, they were attacked by Nigerians from the North and the West only two months later. In the Nigerian civil war that followed and lasted for two and half years, millions of people died due to violence, starvation and diseases.

Nigeria, member of the OPEC since 1971, is in the top-10 of proven reserves for both crude oil and, although still hardly exploited, natural gas. Oil revenues account for only around 10% of Nigeria's GDP

but 80% of government revenues. Unfortunately, its rich pool of resources has been the main source of economic, political and environmental conflicts in the country. The roots of the violent conflicts in the Niger Delta go back to the 1970s when the growing oil revenues from this region flew into the pockets of the Northern military junta. Even though Nigeria's current president claims to work hard to fight corruption, up to this day the unequal distribution of oil revenues is still putting the country in a hold.

General Olusegun Obasanjo, a member of the Yoruba tribe, plays a central role in Nigeria's history. In 1979 he transferred power to a civilian regime, leading to four years of democracy that ended with another military coup in 1983 by General Buhari. In an attempt to stop corruption and the embezzlement of oil revenues by state officials and reaffirm security in Nigeria, he started his ironfisted 'war on indiscipline'. When, after sixteen years of military rule and a series of countercoups, democratic elections are finally held in 1999, Obasanjo decided to run for president himself. Despite little support from his own Yoruba tribe and criticism of flawed elections, he won two elections in a row and served for eight years as president of Nigeria. His successor, Yar'Adua, died in 2010 and was succeeded by Nigeria's current president Goodluck Jonathan, a former governor of Bayelsa State in the heart of the Niger Delta region. This year, new presidential elections will be held for which both Jonathan and Buhari are candidates.

A long way to go

If you want to know what Nigeria is like, visit Lagos. Home to more than ten million people, it is one of the fastest growing cities in the world. Lagos is the business and financial capital of Nigeria and was until the 1991 the official capital of the country. It is probably incomparable to any other city in the world. People love it or hate it. Lagos is chaos all day long. Good roads are hard to find. Modern offices are surrounded by shantytowns. Wherever you look, people try to make a living, selling whatever they can lay their hands on. Anybody visiting Lagos for the first time wonders how on earth this city can function, but it does.

The hectic pace of Lagos is illustrative of Nigeria's business environment. For a start, the country has an extensive informal economy that some estimate to be one of the largest in the world. Only a small number of major foreign companies have operations in Nigeria. Apart from the large oil and gas companies and their contractors, they are mostly active in food, telecom or trade. The majority of them is from South Africa or Europe and has long histories in Nigeria and other African countries. Even Nigeria's president has stated that Nigeria's business environment is not conducive to the private sector. Rather, foreign companies avoid the country, and in recent years many have left the country due to growing concerns about corruption, insecurity, institutional inefficiencies, and governmental deficits. In its most recent *Global Competitiveness Index*, the World Economic Forum now ranks Nigeria only 127th out of 139 countriesⁱⁱ. With respect to basic requirements it even drops to position 136 just before two African countries with highly disputable reputations, Zimbabwe and Chad. No wonder that Nigeria is sometimes characterized as one of least governable countries in the world.

Looking at Nigeria's current situation, mentioning it as a prospective challenger to Western economies that 'may even rival the G-7,' only holds in the most promising futures one can depict. Although it has been on top of the government's agenda, the country still lacks a diversified economic base. Being one of the top-10 oil exporters in the world, oil and gas exports account for 95% of Nigeria's trade balance while more than half of the remainder comes from cacao and rubber. While Nigeria once was a major exporter of food and with 70% of the labor force still working in the agricultural sector, largely due to ineffective governmental policies, the country now even has to import food to feed its fast growing population. While oil revenues have never been higher as in recent years, 70% of the population still lives on less than \$1 a day. Clearly, Nigeria has a long way to go before it can create a stable and secure environment in which business can flourish.

Nigeria's critical uncertainties

However complex Nigeria's roots and challenging its current situation, it is not impossible to imagine the country developing into a successful 'African Lion.' The vast oil and gas resources give the country a steady stream of income while the large population offers a potentially attractive internal market. As the most critical uncertainties are internal to the country, Nigeria has its future largely in its own hands. More than any other country in the Next-11, the country has to do a lot of "homework" and resolve a variety of highly complex issues. In order to grow into a respected competitor in global markets in the coming decades, the Nigerian government has to act fast and with determination. Above all, Nigeria needs strong leadership that is able to bridge social, ethnic and religious differences within Nigerian society and create stability across the country.

The critical uncertainties Nigeria faces are at the same time the country's key challenges. Fighting corruption, inefficiencies, and misuse of resources has to be on top of the agenda and dealt with relentlessly. Nigeria's institutional environment ranks among the weakest in the world. The World Economic Forum's *Global Competitiveness Report* signals 'significant and increasing concerns about the protection of property rights, ethics and corruption, undue influence, and government inefficiencies.' Many of the states are famous only for their corruption and abuse of revenues for private luxuries ranging from limousines and mansions to helicopters. Right after his election in 2009, the new governor of Bayelsa State, Timipre Sylva, started a massive campaign to tackle corruptionⁱⁱⁱ. Soon outside auditors discovered 4,000 fake workers on the State's payroll against 25,000 real ones. It was only the tip of an iceberg and there are no signs that the situation in any of the other 35 states is much better.

Transparency in decision-making and budgetary allocations at all governmental levels is a prerequisite for a strong and credible government. Whether Nigeria can ever escape its culture of corruption and personal privileges is one of the most pressing questions. Nearly three-quarters of all respondents in the most recent *Global Corruption Barometer* indicated that in their opinion corruption had increased in the past three years. 63% of the respondents reported they had paid a bribe in the past twelve months to a government institution^{iv}. Of all institutions, Nigeria's police are considered by far the most corrupt, closely followed by political, judiciary and public bodies. Police officers are so poorly paid that they look for other sources of income to make a decent living. The good news is that nearly half of all Nigerian respondents assess current government actions to fight corruption as effective.

Ending the culture of corruption frees necessary funds to develop basic infrastructure and increase the quality of education and health care. The executives who contributed to the World Economic Forum's *Global Competitiveness Index* mark Nigeria's infrastructure, education, and healthcare as among the absolute worst in the world. The *Logistics Performance Index* of the World Bank ratings are only slightly better: Nigeria occupies the 100th place out of 155 countries^v. This index is based on a worldwide survey among logistical operators and a set of quantitative performance measures. While nearly all children attend primary education, only a third attends secondary schools and only one out of ten makes it to,, polytechnics or universities, often poor ones. The health situation is in an even worse state^{vi}. Life expectancy is currently below fifty while the mortality rate among children is among the highest in the world: 14% of all children born die before reaching the age of five. Only a third of the population has access to proper sanitation facilities.

Only with adequate investments and effective policies can Nigeria develop a conducive business environment that attracts the private investments it needs so urgently to diversify its economy. A clear indicator that the Nigerian government is taking this seriously is the willingness it shows to resolve what is considered to be one of the greatest tragedies in contemporary Africa: the Niger Delta crisis. The negotiation and amnesty programs for Niger Delta militants that former president Yar'Adua initiated

three years ago raised hope for a breakthrough in this escalating conflict. The conflict started when environmental pollution rapidly deteriorated as oil operations in this region rapidly expanded. Also due to massive corruption, the local population has hardly benefitted from the rising oil revenues. Still, up to today, many lack basic services like fresh water, electricity, health provisions, or schools. Although kidnapping and sabotage of pipelines declined for some time, the amnesty programs never fully materialized after Yar'Adua became ill and soon after died. Recent attacks and threats by local groups show that much work needs to be done to restore trust and peace in this region and, hence, Nigeria.

Possible futures for Nigeria^{vii}

What future lies ahead for Nigeria largely depends on the strength of uniting forces in the country and the efforts its government is willing to make to get the basic conditions right. If government efforts and investments are insufficient and forces of fragmentation turn out to be stronger than uniting powers, the country will remain stuck in the current situation. This is what Nigerians call a scenario of *Wahala*, a pidgin English word meaning 'trouble.' Nigeria may enter a vicious circle in which states challenge the position of the central government and institutions and the growing group of poor people revolts against the rich elite and profitable, multinational companies. The combination of growing tensions, swelling problems, and political populism may ultimately even lead to the disintegration of Nigeria.

The future of *Wahala* is far removed from a bright future in which visionary political leadership starts a series of ambitious reforms to fight corruption, builds powerful, transparent institutions, and makes the required investments to create an attractive business environment. In this future, the Niger Delta crisis is firmly and peacefully resolved and Nigerians from different backgrounds and regions work together in unison to build a strong Nigeria. The business community takes up its responsibilities and actively supports the transformations and contributes where federal and regional governments lack funds or capabilities. This future may well be called *Wazobia*, a word invented by the former Nigerian musician Roy Chicago in which 'wa', 'zo' and 'bia' all stand for 'come' in the languages of the Hausa, Yoruba and Ibo respectively.

If the desired future of *Wazobia* proves to be unattainable, enlightened technocratic and autocratic leadership may offer a second-best option. This will in particular be the case in a world that is utterly divided with tribal and regional tensions inside Nigeria as well as global differences between the West and the East. In the midst of conflicts, a professional government acts with *Agidi* or perseverance, investing rising oil revenues in preparing Nigeria for the future and extending cooperation both in the region and with rising Asian powers. It brings attractive opportunities and growing welfare to the country and its population that offsets any less advantageous characteristics of an autocratic regime.

Given its complex past and current situation, it is far from certain if and when Nigeria emerges as a respected competitor on the world markets. The country faces a wide range of major challenges and needs to overcome a host of obstacles. It largely depends on how successful Nigeria's government turns out to be in fighting corruption, investing its vast oil and gas revenues in building essential infrastructure, and developing human capabilities and creating a favourable and secure business environment. Nothing is impossible, Nigeria may well surprise the world!

ⁱ Goldman Sachs (2005), *How solid are the BRICs?*, Goldman Sachs (2007), *The N-11: More than an acronym*.

ⁱⁱ World Economic Forum (2010), *The Global Competitiveness Report 2010-11*.

ⁱⁱⁱ Economist (2009), *Hints of a new chapter*

^{iv} Transparency International (2010), *Global Corruption Barometer 2010*

^v The World Bank (2010), *Logistics Performance Index 2010*

^{vi} The World Bank Data Catalog

^{vii} Based on the scenario project *Nigeria 2020 Business Scenarios* jointly facilitated by Lagos-based Phillips Consulting (Foluso Phillips), Lagos Business School (professor Pat Utomi, currently running as candidate for presidency) and FairSights/African

Business Strategies (Robert Bood and Jean-Lou Homé). Participants came from a broad variety of large Nigerian and multinational companies.