

CIDOB International Yearbook 2008

Keys to facilitate the monitoring of the Spanish Foreign Policy and the International Relations in 2007

Country profile: Nigeria and its regional context
Annex Economic and social indicators*

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Economic and Social Indicators

I. Economic Structure – Macro Economy

As a country evidently endowed with both human and natural resources, there were high hopes about the Nigeria's potentials of becoming "one of the most politically stable, socially harmonious and economically prosperous countries" at independence in 1960¹. However, the economic and social realities in the country years after independence have been anything but outstanding, in spite of the endowment. This is due to the interplay of political and economic upheavals that have defined the various phases of the country's economic history in which the state played a central role in wealth creation and accumulation.

Over the years, the economic role of the Nigerian state has progressed from a mere regulatory one to one of direct participation in the creation and consolidation of indigenous capitalist interests, which became highly accentuated by the country's direct involvement in the upstream and downstream sectors of the oil industry². Although efforts were on to make the Nigerian state a developmental state, it had its own challenges – both internal and external. Prominent amongst the challenges was the nature of foreign capital in the economy which "is underlined by the extent to which consumption is externally produced and the extent to which production is externally consumed"³.

At independence in 1960 the country had survived on agricultural products, ranging from yams, coco-yams, cassava, maize, plantains, palm produce and rice, as well as several other secondary crops of citrus fruits like bananas, pineapples, tomatoes, and vegetables, as well as proceeds from such cash crops like palm produce cocoa, rubber and timber in the forest belt of southern Nigeria. The northern Savannah and the Sahel stretching from Sokoto to Lake Chad and as far south as Oyo was naturally suited for groundnut, bulrush millet, peas, beans, guinea corn, wheat and cotton production, as well as such specialised crops as tomatoes, onions, maize, sweet potatoes, sugar-cane, rice and tobacco, while the rearing of goats, cows, donkeys and camel provided superb leather for export. The agrarian economy was largely dominated by exports in cocoa, groundnut, rubber, sisal, cotton, hides and skins. These were complemented with other numerous mineral resources exports like tin, columbite and coal, prior to the discovery of oil in 1956. It was on the basis of these exports that the country

¹ Ademola Ariyo, Ayo Odusola & Folashade Ayonrinde (eds), "NEEDS and Nigeria's Sustainable Development: An Overview", The Centre for Public-Private Cooperation, Ibadan, 2006, p. vii

² Dauda Garuba, "Survival at the Margins: Economic Crisis and Coping Mechanisms in Rural Nigeria", *Local Environment*, Vol. 11, No. 1, 17–36, 2006, pp.18-19.

³ Claude Ake, "The Nigerian State: Antinomies of a Periphery Formation", in Claude Ake, *The Political Economy of Nigeria*, London & Lagos: Longman, 1985, p.18.

made remarkable development in socio-economic sectors in the early years after independence. The promise that independence will be a key to attaining commanding heights of socio-economic transformation in Nigeria started showing signs in just four years after it was secured from Britain. Within the period, the country emerged as the world's largest producer of groundnuts and palm oil, while petroleum had just started to make its debut in the national accounts. Eastern Region was revealed in leading American universities' research as the fastest growing and industrialising economy, well ahead of Malaysia, South Korea and Taiwan⁴.

However, efforts at widening the manufacturing sector of the economy were limited by a heavily import-dependent character of the industries that were established and their high concentration in light processing activities which negated intermediate and capital goods sub-sectors. Also, the Import Substitution Strategy that was to aid the process focused too much attention on fiscal incentives such as tax breaks or outright subsidy, while ignoring the need for the promotion of low-content of manufactures precipitated by technological constraints that should have been the basis for relying on domestic inputs. Worse still was that the industrialization strategy only favoured urban centres to the detriment of rural centres, in that it diverted resources away from the rural areas where younger elements constantly migrated in search of white collar jobs in the cities. This had negative impact on the agricultural sector which was originally expected to feed the industrialization process. Thus, although well intended, the import substitution strategy was badly implemented, both from the perspectives of its serious trade-offs in some critical sectors of the economy and the local content of the programme which was only given limited attention. This put unanticipated pressure on Nigeria's foreign earnings – which were derived mainly from agriculture, but with growth that was overwhelmingly constrained by numerous internal and external factors.

The challenge this posed to the developmental agenda intended for increased access to safe water, school enrolment, doctor-patient ratio and per capita income was not only enormous, but it got even worsened during the period of the civil war (1967-1970). The internal challenges had their external implications, given the location of Nigeria's economy within the broader world economy as a junior partner. By 1970, Nigeria had not only realized the huge toll the civil war had on its economy, but it was also confronted with the task of reconstructing the economy and healing the wounds from the war to justify the "No victor, No vanquish" premise on which Gen. Yakubu Gowon had declared the war closed. This task of post-war reconstruction soon became accelerated on the strength of the astronomical increases in the prices of crude oil, owing to the intervention sanctioned by the Organisation of Petroleum Exporting Countries (OPEC) which Nigeria had joined as a

⁴ Anya O. Anya, Re-inventing Nigeria for 21st Century: Politics, Science and Technology in Nigeria, being lecture delivered at the Obafemi Awolowo Memorial Lecture at the Nigerian Institute of International Affairs, Lagos on Tuesday, 16 May, 1995.

member country in 1971. This direct involvement of the Nigerian state in the upstream and downstream sectors of the oil industry through its membership of OPEC and its corresponding entry into joint partnership with oil companies in the country at a time the international market profile of the commodity was high, enabled the country to transform its exports and increase its revenue profiles.

Thus, as the fiscal state of the country improved due to oil revenue, savings exceeded projected revenue, while accompanying surplus translated into massive state expenditure, reduction and/or abolition of non-oil taxes, general outflows of capital on public account, as well as increase in wages⁵. While no efforts were made to invest the huge oil revenue gains for development and secure the future against any impending difficulties, the culture of waste and official corruption that resonated therefore soon impinged on rural economies whose agricultural produce faced a cost-price squeeze, and thus precipitated rural-urban migration in search of better-paying jobs and its attendant changing patterns of consumption and domestic inflation due to abandonment of locally produced goods for imported finished products⁶.

The transformation of the “basis of accumulation from agriculture to oil in Nigeria soon translate into increased national economic vulnerability to external shocks in the context of an almost complete dependence on the latter for national economic development”. This was to be exposed by the collapse of oil prices – otherwise known as oil glut – from its peak of over \$40 a barrel in the 1970s to under \$10 per barrel in the 1980s, and the corresponding drop in per capita income from US\$1,000 at independence to \$250 in 1985⁷. The failure of the Shagari administration to redress the crisis through the 1982 Economic Stabilisation Act and the outright suspension of all further borrowing from abroad by the succeeding Buhari-Idiagbon regime, while it devoted 44% of the country's foreign exchange earnings for debt servicing was not to the rescue.

The introduction of the Structural Adjustment Programme (SAP) in 1986 by the Babangida regime was aimed at breaking the deadlock that existed between its predecessor with the World Bank and IMF on the way forward for Nigeria⁸. The SAP policies, apart from failing to stem Nigeria's declining

⁵ Dauda S. Garuba, “Survival at the Margins: Economic Crisis and Coping Mechanisms in Rural Nigeria”, *Local Environment*, Vol. 11, No. 1, 17–36, 2006, pp.18-19.

⁶ Ibid; Also see S.T. Titilola, (1997), *The State and food Policies in Nigeria*, in: T. Mkandawire & N. Boureenane (eds), *The State and Agriculture in Africa*, CODESRIA, Dakar, 1997; Tom Forest, *Politics and Economic Development in Nigeria*, Westview, Colo, boulder, 1995.

⁷ See International IDEA, *Democracy in Nigeria: Continuing Dialogue(s) for Nation-Building*, International IDEA, Stockholm, 2001, p.156.

⁸ The policy objectives of SAP were: (1) adoption of a realistic exchange rate policy to check the overvalued naira through the establishment of a (Second-Tier) Foreign Exchange Market; (2) adoption of measures to stimulate domestic production and broaden the supply base of the economy, thereby reducing its dependence on the oil sector; (3) strengthening of demand management policies; (4) Restructuring of the tariff system to help promote industrial growth and diversification; (5) removal of complex administrative controls (e.g. import licensing) to allow market forces of demand and supply to regulate the allocation of

fortune and restore her economy back to the path of growth, further exacerbated the very crisis the reforms were billed to address – i.e. massive currency devaluation, anti-domestic trade liberalisation policies, commercialisation of welfare services, privatisation of public corporations, wage restraint measures and removal of subsidy⁹. This did not only erode whatever was left of post-independence gains in all ramifications, it also diminished the Nigerian state's capacity to deliver on its primary responsibility. So tough was the social implication of the cumulative conditions of the hardship induced by the situation that a source argued that "if the oil boom years witnessed the graduation of Nigeria into the ranks of the middle income countries of the world, the decades of the 1980s and 1990s witnessed its relegation back into the ranks of the low income countries"¹⁰, as Nigeria had become one of the poorest African countries with per capita income that was as low as US\$300 at the end of 1990s. The percentage of citizens living below the UN poverty line doubled from 41% to 80% between 1992 and 1998, while the percentage of household Access to safe water in the entire country (exclusive of the Federal Capital Territory, Abuja) stood at a mere 31.7%. Access to electricity stood at 33.63% in 1993/94, while the National Average of population per doctor stood at ratio 1:39,455 in 1991¹¹.

The macroeconomic objective of bringing about non-inflationary or minimal inflationary growth as intended with SAP became a chimera, even within a very short time of its introduction. The extension of programme from its originally projected period of two years to the long term that it eventually ran reflected a clear lack of appreciation of the magnitude of the country's economic problem and the persistence of its internal and external disequilibria¹². The result was not just the hardship, but the total loss of confidence by the people in government's ability to deliver on its primary objective, thus signalling a severe blow on the post-colonial social contract. Chief Olosegun Obasanjo demonstrated an appreciation of this when he read

resources; (6) achieving appropriate pricing policies of goods and services through the removal of subsidies from petroleum products and certain social services like education, health, communication and transportation; (7) rationalization of public enterprises through divestment, commercialization and privatization (of such enterprises); and (8) drastic reduction of the external debt burden through debt rescheduling and strategies of debt equity swapping, as well as encouragement of capital inflow through foreign direct investment (FDI). For details, see Adebayo Olukoshi, *Crisis and Adjustment in the Nigerian Economy*, JAD, Lagos, 1991; Dauda S. Garuba, *Survival at the Margins*, p.20.

⁹ Dauda S. Garuba, "Trans-border Economic Crimes, Illegal oil Bunkering and Economic Reforms in Nigeria", being a paper presented at the Research Methodology Workshop (Damina 2004) organized by the Centre for Research and Documentation (CRD) Kano on the theme: *Democratisation and Economic Reform Processes* from 15-29 August, 2004; Ogoh Alubo, "The Sociology of NEEDS: Unravelling the Road to Development in Nigeria", in Ademola Ariyo, Ayo Odusola & Folashade Ayonrinde (eds), *NEEDS and Nigeria's Sustainable Development*, The Centre for Public-Private Cooperation, Ibadan, 2006, p. 33.

¹⁰ Ibid, p. 158.

¹¹ Ibid, 157-158.

¹² A.O. Adeoye, "Of Economic Masquerades and Vulgar Economy: A Critique of the Structural Adjustment Program in Nigeria", *Africa Development*, 16 (1), 1991, pp. 23-44.

in his inaugural address upon return of Nigeria to civilian rule on May 29, 1999 that:

You have been asked many times in the past to make sacrifices and to be patient. I am also going to ask you to make sacrifices, and to exercise patience. The difference will be that in the past sacrifices were made and patience exercised with little or no results. This time, however, the results of your sacrifice and patience will be clear and manifest for all to see. With God as our guide, and with 120 million Nigerians working with me, with commitment, sustained effort, and determination, we shall not fail. On my part, I will give the forthright, purposeful, committed, honest and transparent leadership that the situation demands.

The above statement by Chief Obasanjo pointed to another round of economic reform agenda, which though were not entirely different from those of SAP, but found some degree of uniqueness about the seeming political will with which efforts to prosecute them were undertaken. Located within a medium-term economic reform agenda (2003 – 2007) known as the National Economic Empowerment and Development Strategy (NEEDS) with state and local council components, the reform sought to actualise the Millennium Development Goals (MDGs) in 2015 and raise Nigeria's Gross Domestic Product (GDP) by 5% annually through a leaner and more efficient government, positively redirect law and order, infrastructural development and investment in basic social services. The macro-economic framework of NEEDS moves a step beyond the developmental state theory in that it is situated within the *state-in-society* premise that there are "limits on the efficacy of state capacity to promote economic development and the society needs to fill the gap"¹³. It is focused on the nature of the state and the private sector and their interactions for specific market conditions, thus stressing a form of mutually responsibly public-private partnership and social contract¹⁴. The key macro-economic goals are thus: reforming the way government and its institutions work, growing the private sector, implementing a people-centred social charter and re-orientation of the Nigerian people for an enduring African value system¹⁵.

Anchored on a sector-driven goal, the government laid claim to an understating that the globalize effects of a market-driven economy can only advance under conditions of geopolitical stability that is capable of blocking observed leakages in the system. A three year assessment of NEED revealed growth in macro-economic environment, improved public expenditure, accelerated privatisation and liberalisation, diversification of sources of

¹³ Ayo Odusola, "Economic Foundation of National Economic Empowerment and Development Strategy (NEEDS), in Ademola Ariyo, Ayo Odusola & Folashade Ayonrinde (eds), NEEDS and Nigeria's Sustainable Development, The Centre for Public-Private Cooperation, Ibadan, 2006, p.8.

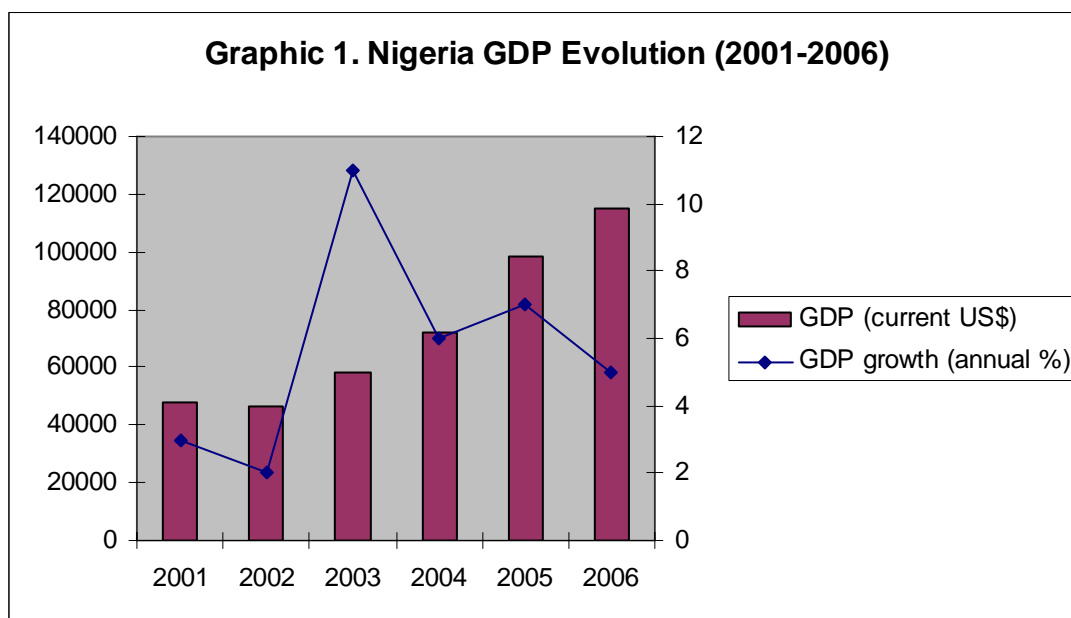
¹⁴ Ibid.

¹⁵ Ibid.

growth, strengthened financial sector and improved trade and tariff policies. During the period, non-oil Foreign Direct Investment (FDI) in agriculture, manufacturing, banking, commerce and tourism rose to US\$3 billion, while public expenditure management improved with the federal government budget rising from N1.3 trillion in 2004 to N1.5 trillion in 2005 and N1.87 trillion in 2006¹⁶.

The GDP of Nigeria has doubled in the last six years (Graphic 1), going from 48.000 million dollars in 2001 to more than 115.000 million dollars in 2006. This extraordinary increase has been produced in a progressive and staggered way and due to the increase of the price of oil, principal source of income of Nigeria, and to the income of customs, due to the dynamism of the Nigerian foreign trade.

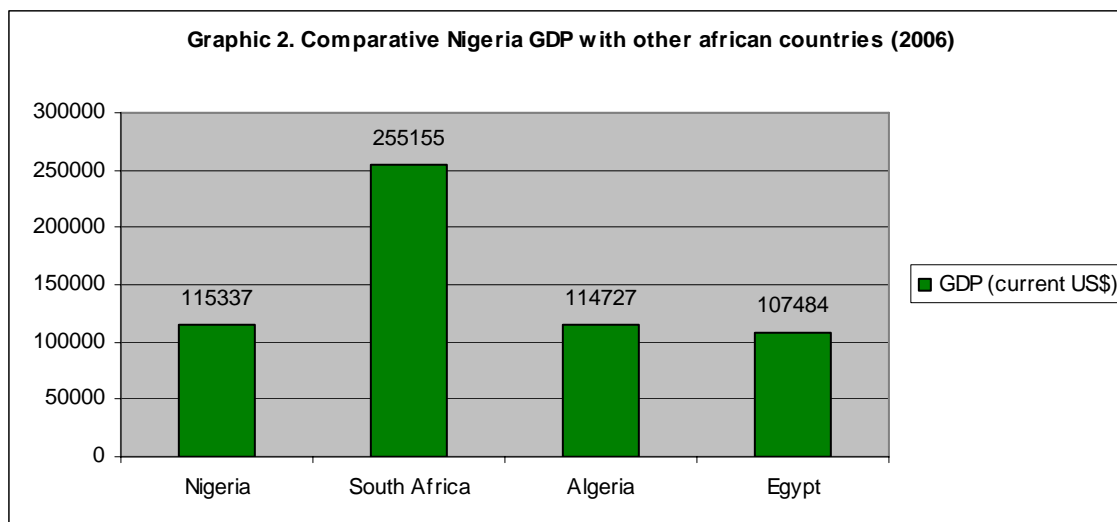
Regarding the annual growth of the GDP, during the last 6 years it has been kept in high values. 2003 had a record GDP growth of 11 %, whereas the last three years the figures were 6 %, 7 % and finally 5 % in 2006. The minor growths were in the years 2001 and 2002, when the GDP growth remained in 3 % and 2 % respectively.



Source: World Bank

¹⁶ National Planning Commission (NPC) Abuja, "National Economic Empowerment and Development Strategy (NEEDS) Implementation So Far: The Way Forward", in in Ademola Ariyo, Ayo Odusola & Folashade Ayonrinde (eds), *NEEDS and Nigeria's Sustainable Development*, The Centre for Public-Private Cooperation, Ibadan, 2006, pp.186-187.

In comparing Nigerian GDP with other African countries, Nigeria has consolidated as one of the main African economies (Graphic 2). According to the World Bank figures, in 2006 the Nigerian GDP reaches the total amount of 115.337 million dollars, just beyond South Africa with 255.155 million dollars, and followed very closely by Algeria, with 114.727 million dollars.



Source: World Bank

II. Development, External trade and External Debt

The resolve to redress poverty, ignorance and disease were at the height of the Nigeria's problems at independence in 1960. All policies directed towards addressing these problems were, in the developmental spirit, fashioned along the goals defined in the Colonial Development and Welfare Act of 1942. However, this developmental goal of the Nigerian state had several challenges, especially with respect to mobilising and harnessing the necessary human and material resources to realising the targets. Since the promulgation of the Colonial Development and Welfare Act of 1942, it was not in doubt that the developmental objective of the Nigerian state was defined, with trade being the ultimate aim.

The structure and composition of Nigeria's external trade is located within the framework of the country's basic exports and imports profile. Agricultural commodities like cocoa, cotton, groundnut and palm produce were the main exports of Nigeria up to 1972. It was only thereafter that other minerals such as crude oil became significant export commodities. Nigeria's earnings from export rose steadily from estimated N339million at independence in 1960 to N7,881.7million in 1977, representing an annual growth value of 19 per cent

¹⁷. While this is slightly higher than the figure of N7,630.6million reported in other sources (Table I), it is nevertheless huge.

Imports also progressed from an estimated value of N432million in 1960 to N756million in 1970 and N813.2million in 1978, though this represents a slightly lower figure from the N8,211.7million obtained from other sources (Table I). This further increased to N124,612.7million in 1992 and N618,718.3million in 1997. The bulk of the imports were finished and semi finished goods up to 1973¹⁸. It was only as from 1974 that a food import started being noticed in the country's external trade. While the passionate and aggressive drive by Nigeria to import all sorts of machinery in pursuance of post-independence industrialisation strategy led to unfavourable balance of trade for Nigeria from 1960 to 1965, the increase recorded in crude oil export from early 1970s soon reversed this trend to a favourable balance of payment. But this was not without a completely near neglect of Nigeria's non-oil sector founded on strong agricultural and light manufacturing bases. Between 1960-1970 and 1970-1978, Nigeria's oil exports progressed by 44.6% and 31.6% respectively, as against 1.2% and 6.6% marginal growth recorded by non-oil exports¹⁹. Table I below shows Nigeria' external trade from 1976 to 1984 in the light in which a rising crude oil exports dwarfed non-oil exports in nine years, and how the economic recession of the early 1980s led to a decline in the rising financial profile of the country. The table also reveals the country's rising profile of non-oil sector goods, meaning that the country had virtually abandoned production and manufacturing in the area, particularly its agro-economy. The following Table II below also shows the same trend for crude oil and non-oil export earnings in Nigeria from 1988 to 1996.

Table I: Nigeria's External Trade from 1976 - 1984 (in Million Naira)

Description	1976	1977	1978	1979	1980	1981	1982	1983	1984
Exports									
Crude Oil	6,321.6	7,072.8	5,653.6	10,166.8	13,523.0	10,280.3	8,929.6	7,201.2	8,840.6
Non-oil	429.5	557.8	662.8	670.0	554.0	189.8	266.8	536.2	290.6
Total	6,751.1	7,630.6	6,316.4	10,836.8	14,077.0	10,470.1	9,196.4	7,737.4	9,131.2
Imports									
Oil sector	95.0	102.2	110.0	230.0	241.5	71.0	225.5	171.6	125.7
N-oil sector	5,053.5	7,014.4	8,101.7	7,242.5	9,416.6	11,942.2	9,874.4	6,384.1	7,052.6
Total	5,148.5	7,166.6	8,211.7	7,472.5	9,658.1	12,013.2	10,100.2	6,555.7	7,178.3

¹⁷ A. H. Ekpo & O.J. Umoh, "Growth and Direction of External Trade in Nigeria", <http://www.onlinenigeria.com>

¹⁸ Ibid

¹⁹ Ibid

Source: As compiled from Ministry of Economic Development, Central Planning Office, Central Bank of Nigeria and Federal Office of Statistics by Augustine A. Ikein, *The Impact of Oil on a Developing Country*, Praeger, New York, 1990.

Table II: Crude Oil and Non-oil Export Earnings in Nigeria from 1988 - 1996

Year	Exports of goods & Services (₦)	Oil (%)	Non-oil (%) including invisibles	Non-oil (%) excluding invisibles
1988	31.7	89.5	10.5	8.8
1989	63.2	87.0	13.0	4.7
1990	120.1	88.8	11.2	2.3
1991	132.4	88.3	11.7	3.5
1992	226.9	88.8	11.2	1.9
1993	245.7	87.0	13.0	2.0
1994	215.5	93.2	6.8	2.5
1995	875.5	92.0	8.0	2.3
1996	1186.1	93.2	6.5	1.7

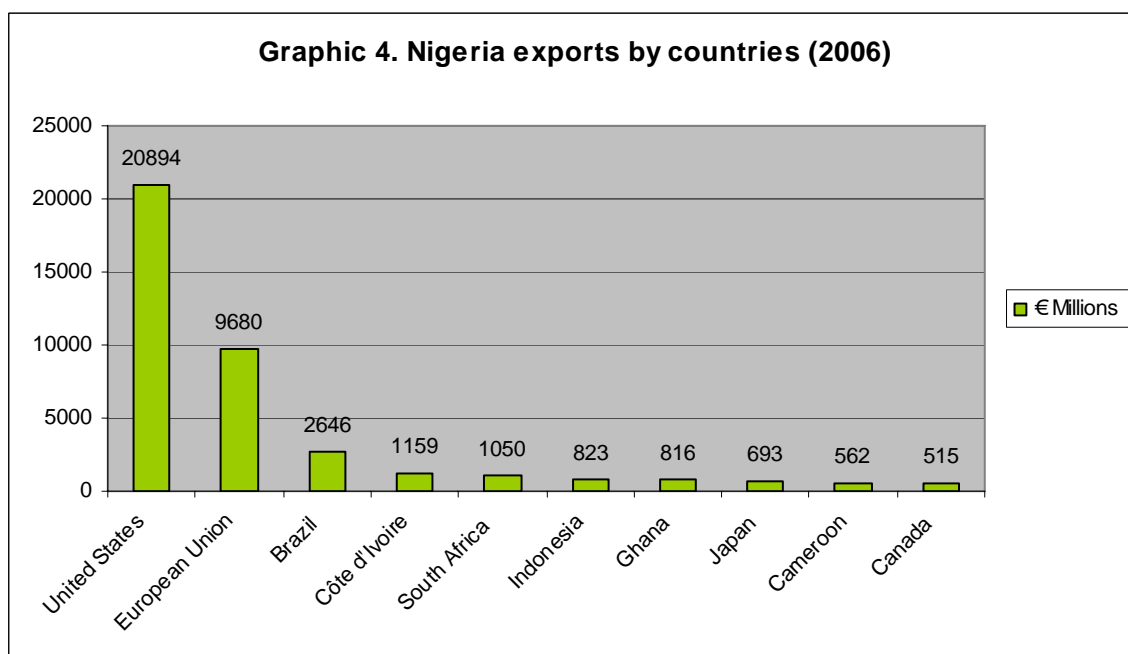
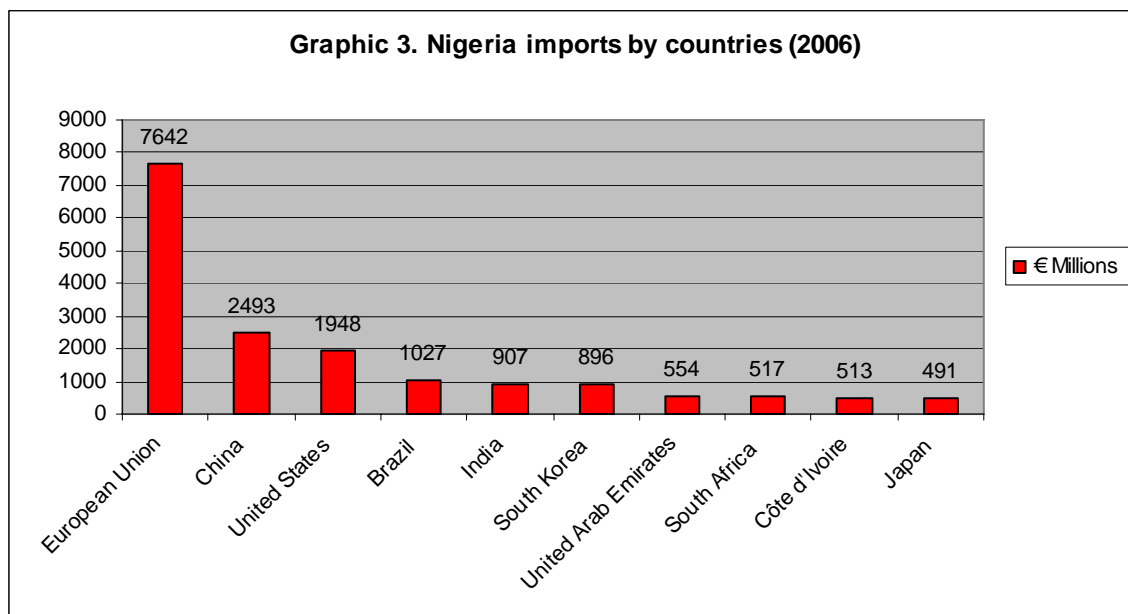
Source: Shola Omotola, *The Next Gulf? Oil Politics, Environmental Apocalypse and Rising Tension in the Niger Delta*, Occasional Paper Series, Vol. 1, Number 3, Accord, Durban, 2006, p.9.

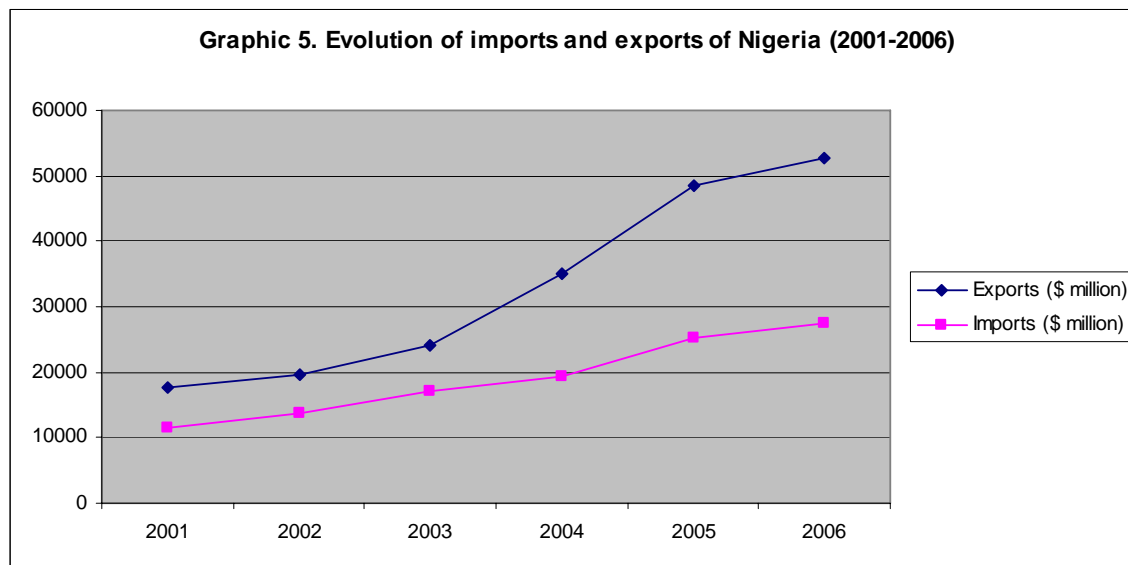
Although a remarkable growth in capital goods import had occurred to demonstrate Nigeria's burning desire to industrialise, but the country's balance of payments since independence in 1960 as epitomised in merchandise trade balance, current account balance and overall balance of payments continued to post deficits that held down the economy. Importation of durable and non-durable consumer goods, capital goods and raw materials continued in the country, despite the policy efforts of the Structural Adjustment Programme (SAP) to reduce imports. About 80% of the destination of Nigeria's exports during the period went to four major trading partners, namely: United Kingdom, United States, European Union and Japan, and the goods were mainly crude oil, agricultural products and other minerals²⁰. Also, during the period, the country's imports, which came from the same sources it sends its exports, grew steadily. This was not to mean that it did trade with other countries in the Far East, Pacific and the Caribbean, as well as African countries like South Africa; though the volume of trade was still very small. Within ECOWAS member-states, Nigeria did not only record a favourable balance of trade with Cote d'Ivoire, Ghana, Niger and Senegal, it also recorded increased exports and imports from ECOWAS member-states between 1980 and 1992.

In 2006 the European Union leads the imports of Nigeria, with 7.642 million Euros, followed by China and The United States with 2.493 and 1.948 million Euros respectively (Graphic 3).

²⁰ Ibid

Regarding the exports, the United States is the first client of Nigeria, with more than 20.000 million Euros, followed by the EU with 9.680 millions and Brazil with 2.646 millions (Graphic 4). Nigeria has had a progressive growth in the last five years, both in imports and exports. The exports have grown notably up to reaching 52.771 million dollars in 2006, whereas the imports in 2006 get an amount of 27.402 millions. Hereby, the country has a widely positive current account.





While agriculture had provided the chunk of Nigeria's external trade, this changed after the end of the Civil War when oil boom eroded the agricultural base of the country's economy. Agriculture share of GDP declined from 40% in early 1970 to 20% in 1980. From less than 1% in 1960, oil contribution to Nigeria's GDP rose sharply to 14.6%, 21.9%, and 26-29% in 1970, 1975 and 1979, respectively.²¹ The induced renter linkage of Nigeria's oil receipts has continued to accounts for 95% of foreign exchange earning, 50% of Gross Domestic Product (GDP), and 85% of national budgetary revenue since 2002. The country had since the 1970s ceased being a major exporter of cocoa, groundnuts (peanuts), rubber, or palm oil. Its cocoa production, now mostly described to be of obsolete varieties and over-age trees, got stagnant at around 180,000 tons annually from its former 300,000 tons in a quarter of a century ago. This decline also got extended to groundnut and palm oil production, while its one time record as the biggest poultry producer in Africa soon nose-dived from 40 million birds annually to about 18 million²². Fisheries in the country remained poorly managed.

What particularly precipitated the rise of Nigerian oil was its highest quality as depicted in its low sulphur and light in consistency and easy conversion to motor fuel. As the fiscal state of the country improved due to oil revenue, the accompanying surplus became translated into massive state expenditure and all sorts of waste and endemic corruption. The danger of not investing the proceeds for the future soon stared in the face when the oil boom eventually burst as a result of the glut precipitated by the collapse of the international

²¹ Shola Omotola, *The Next Gulf? Oil Politics, Environmental Apocalypse and Rising Tension in the Niger Delta*, Occasional Paper Series, Vol. 1, Number 3, Accord, Durban, 2006, p.8.

²² <http://www.state.gov>

oil prices in the second half of 1981. The decision by the Nigerian government not to consider adjustment, but to adopt a policy of deficit financing by borrowing from the international capital markets through drawing on external reserves and accumulation of arrears on external trade payment, pushed Nigeria's debt stock from \$3.4billion in 1980 to \$18.9billion in 1985, \$32.9billion in 1990 and \$35.9billion in 2004²³ (See Table III). Domestic debt also grew from a modest \$7.9billion in 1980 to 27.9billion in 1985, while the country's external reserves plunged from \$5,648.2million in 1980 to \$1,065million in 1982, and an all time low of \$885.2 in 1983, with a deteriorating balance of payment²⁴.

Table III: Nigeria's External Debt (in US billion Dollars)

Creditors	1985	1991	1992	1998	2004
Paris Club Creditors	7.8	17.8	16.4	20.8	30.8
Other Bilateral Creditors	1.9	1.4	1.2	0.1	0.0
Commercial Creditors	7.8	10.5	5.4	3.6	2.2
Multilateral Creditors	1.3	4.0	4.5	4.2	2.8
Total	18.9	33.7	27.6	28.8	35.9

Source: *The Brookings Institutions Policy Brief No. 144*, August 2005, p.2.

The Nigerian government's response to the situation in the early 1980s was premised on the belief that the crisis would be temporary, but this was not to be as it further precipitated a compounding interest rate system determined directly and exclusively by the policy choice of the creditors. The first major coordinated attempt to redress the economic problems precipitated by the Nigerian debt crisis was from 1986 to 1991 when the country signed a series of debt rescheduling agreements with the London and Paris Clubs to whom the largest chunk of the debt was owned. The agreement yielded a debt conversion programme that eliminated \$574.6million from the country's debt stock. The country also secured \$107.2million worth of debt cancellation from Canada and the United States in 1989/90. The financial relief provided by all the measures were however limited because the terms of rescheduling the debt was not concessional and as such neither was accompanied by new money nor led to debt stock reduction.²⁵

²³ N.E. Ogbe, *Evaluation of Nigeria's Debt-Relief Experience (1985-1990)*, Working Paper No.55, OECD Development Centre, 1992; Lex Rieffel, *Nigeria's Paris Club Debt Problem*, The Brookings Institution Policy Brief No. 144, August 2005, p.2; Ngozi Okonjo-Iweala, *Understanding Nigeria's Debt Situation*, The Nigerian Business Forum, www.nbfonline.org/index.html

²⁴ Augustine A. Ikein, *The Impact of Oil on a Developing Country*, Praeger, New York, 1990, p.74.

²⁵ N.E.Ogbe, *Op. Cit.*, p.10.

The most recent effort at addressing the Nigerian debt crisis and by implication the biggest macroeconomic achievement was the sharp reduction in the country's external debt, which fell from 36% of GDP in 2004 to less than 4% in 2007. Coming in the wake of increased oil windfall, courtesy of soaring international oil prices and the International Monetary Fund (IMF) approval of its first ever Policy Support Instrument for the country in 2005, Nigeria signed \$18billion debt reduction agreements with the Paris Club nations, with the proviso that it pays back its remaining \$12 billion in debt by March 2006. Nigerian had, at the time, owed \$34billion, with about \$28billion (representing 85%) being owed to the Paris Club of 15 creditor countries, 8% to multilateral institutions (such as African Development Bank and the World Bank) and 7% to the London Club of commercial creditors and holders of Promissory Notes. While many opinions in and outside the saw the sense in buying into the arrangement because it was, as argued by the then Minister of Finance (Dr. (Mrs) Ngozi Okonjo-Iweal) and one time Vice President of the World Bank, more economical and forward-looking to pay the money than keep up the culture of debt servicing, others questioned the rationale of the policy choice on the grounds that the country has long paid over \$35billion of the \$15billion originally borrowed; the bulk of which was simply odious, given that it was contracted by tyrannical regimes. All said and done, Nigeria has eventually freed itself of the debt burden by going the way of the Paris Club proposal. Whatever was the merit and demerit of the judgment, the arrangement nevertheless saved Nigeria about \$34 million over a simple prepayment of the notes.

III. Natural Resources

Nigeria is a country endowed with enormous natural resources such as oil, gas and solid mineral. While the rising profile of the first two as the life blood of modern economy and the very substantial rents and revenues that they attract have prompted a near neglect of other natural resources and agriculture which used to be the mainstay of the country's economy, the discourse of natural resource governance in the country has largely remained the extremes of wealth and poverty, as well as of power and disempowerment; to confirm the debate around "paradox of plenty" and Resource curse".

The country's solid mineral deposits profile reveals over 40 million tones. Among these are: 1billion tones of Gypsum spread over many states; 42billion tones of Bitumen; 3 billion tones of proven reserve of Coal; over 7.5 million and 700million tones of Bentonite and Baryte respectively; 1.5million tones of Rock salt; one of the world's best Gemstones deposit and an estimated 3billion tones of Kaolin and lots more such as Aluminum, Bauxite, Columbite, Copper, Diamond, Gold, Phosphate, Tantalite, Tin, Uranium and

Zinc²⁶. Despite the above endowment, Nigeria had lived on a mono-cultural economy defined by oil, and of late, and gas, since the early 1970s. From a modest earning of 25,000 pounds from oil in 1958 when the first commercial export of 5,100 barrels per day (bpd) of the commodity started, the country's production quota has grown through 1.4 million bpd in 1984; 2 million bpd in 2002, 2.45 million bpd and 2.6 million bpd in 2006 from the over 3,000 kilometres of pipelines in the Niger Delta. This is not to undermine the fact that the wave of attacks on oil installations and hostage-taking by militants in the oil producing Niger Delta region continue to induce daily production loss of 600,000 bpd, estimated at \$4.4 billion²⁷. Beyond production, Nigeria's proven oil reserves have witnessed astronomic progression from 10 billion barrels in 1972 to 27 billion in 2000²⁸, the government's projection, in the light of offshore prospecting, is to increase production to 4 million bpd and proven reserves from its present 36.2 billion barrels to 40 billion barrels by 2010²⁹.

Natural gas has also emerged as a revenue yielding resource for Nigeria, and the country is reputed to own the seventh largest reserves in the world and the largest in Africa with 184 trillion cubic feet proven reserves. At the moment, the Nigeria produces 770 billion cubic feet (bcf) of natural gas, out of which 325 bcf is currently consumed at home. The mineral resource has earned Nigeria \$27.8million in 1999, \$578.7million in 2000 and \$1,197billion in 2001³⁰. With such an impressive beginning it is clear that the sky would be the limit of what Nigeria can attain with its enormous oil and gas wealth if properly managed, though this has not been the case.

United States is the principal destination of the oil exports of Nigeria in 2006, with almost 47 % of such exports, followed by India with 12 %, and Brazil with 7 %, among others. Spain is at fifth position and represents the 5,5 % of the Nigerian exports of crude oil (table 4).

²⁶ Dauda S. Garuba & John G. Ikubaje, "Stocktaking of Social Accountability Initiatives in Africa: A Case of Extractive Industries Transparency Initiative/Publish What You Pay in Nigeria", being chapter submitted for the World Bank Book project on Stocktaking of Social Accountability Initiatives in Africa (Forthcoming).

²⁷ 2.45 million bpd figure is quoted from *Africa Confidential*, vol. 47, no. 2, 20 January, 2006 and *The Punch* (Lagos), Tuesday, August 2, 2005, p. 1; while that of 2.6 million bpd is taken from Alexis Akwagyiram, "Working in a Danger Zone", BBC News, <http://newsvote.bbc.co.uk/mpapps/pagetoolss/print/news.bbc.co.uk/2/hi/africa/4625390.stm> (Retrieved on 10th January, 2007). See Dauda S. Garuba, "Oil and the Natural Resources Curse in Nigeria", *AfricaFiles At Issue Elzine*, Vol. 3, No. 2, 2006, Canada <http://www.africafiles.org/atissueezine.asp#art4>; "Contractual Breakdown: Small Arms, Intolerance and Tragedy in Nigeria's Delta Region", *AfricaFile, At Issue Elzine*, Vol. 5, No. 4, 2007, Canada, <http://www.africafiles.org/atissueezine.asp#art1>

²⁸ David-West, Tam (2002), "Crude Oil Prospecting: Problems and Prospects", *ThisDay*, Tuesday, August 27, p. 27.

²⁹ Federal Republic of Nigeria, *Niger Delta Regional Development Master Plan*, Federal Republic of Nigeria, Abuja.

³⁰ Ibid

Regarding the exports of Natural Liquefied Gas, in 2006 the principal client of Nigeria is Spain, with 40 % of the exports, followed by other two European countries, France and Portugal with 23 and one 11 % respectively (table 5).

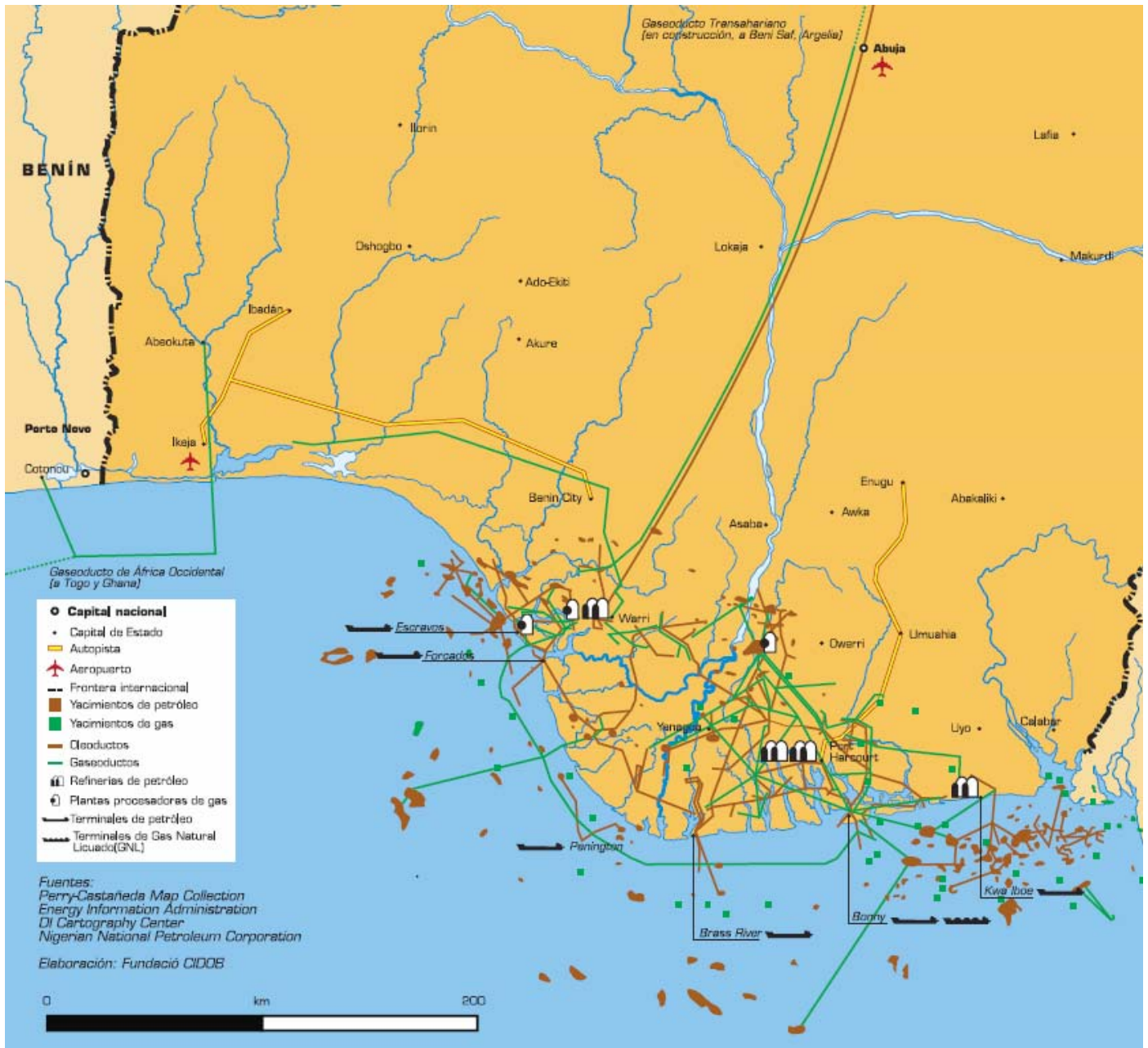
	Barrels	%
United States	383.436.898	46,9%
India	100.009.262	12,2%
Brazil	56.142.633	6,9%
France	45.220.896	5,5%
Spain	44.925.120	5,5%
Italia	29.883.806	3,7%
South Africa	25.576.497	3,1%
Côte d'Ivoire	23.508.962	2,9%
Canada	17.603.887	2,2%
Netherlands	15.251.729	1,9%
Others	75.828.537	9,3%
TOTAL	817.388.227	100,0%

Source: Annual Statistical Bulletin 2006 NNPC

	Billion Cubic Feet	%
Spain	250,74	39,9%
France	149,38	23,8%
Portugal	73,46	11,7%
United States	57,29	9,1%
Turkey	38,85	6,2%
Mexico	22,95	3,7%
Taiwan	13,42	2,1%
Japan	8,16	1,3%
Belgium	5,65	0,9%
South Korea	5,37	0,9%
Others	2,47	0,4%
TOTAL	627,74	100,0%

Source: Energy Information Administration
World LNG Imports by Origin, 2006

Energy resources of Nigeria



IV. Social Services Indicators

Nigeria's variety of customs, languages, and traditions among its estimated 250 ethnic groups³¹ makes it a rich diversity. The north is dominated by the Hausa-Fulani (most of whom are Muslims); though other major ethnic groups such as Nupe, Tiv and Kanuri also exist. The Yoruba people (about half Christian and half Muslim, plus a sizeable population of indigenous religion practitioner) are predominant in the southwest, while the Igbo (predominantly Catholic with also a strong indigenous religious belief) have their traditional homesteads in the southeast. The south-south is populated by 'minority' groups, prominent among which are Edo, Efik, Ibibio, Ijaw, Ikwerre, Isoko, Itsekiri, Ogoni, Urhobo, among several others.

Nigeria's early experience with post-independence was one of remarkable progress in socio-economic sectors –including the *Nigerianisation* of the civil service, the police and the army– and opportunities for resounding growth and development of an indigenous entrepreneurial class that participated in the national economy. The development, coupled with the direct role the Nigerian state and its component units (regions) played in sole venture and joint venture investments with the indigenous entrepreneurs and foreign investors in the economy, resulted in capital growth and increased social provisioning such as physical infrastructures, educational institutions and healthcare facilities. Indeed, the first decade of independence, despite being one of troubles, given the political crisis that engulfed Nigeria and its eventual plunge into a 30-month civil war, witnessed appreciable and positive socio-economic changes in the livelihood of its citizens. Principal amongst these remarkable achievements were a 6% annual economic growth rate and a sustainable balance of payment owed to several years of progressive surplus on account of increased export receipts³². This translated into unprecedented expansion in primary, secondary and tertiary institutions of both basic and technical types. For instance the number of universities in the country grew from one at independence to six in 1970³³, 18 in 1990 and now over 50, with the inclusion of private ones. The push for free education that was started by the Action Group-led Western Region proceeded so confidently that at the launch of the Universal Primary Education scheme by the Nigerian government in 1976, primary school enrolment rose from 5million to nearly 12million, while a remarkable rise was also noticed in secondary school enrolment.

The momentum thus generated by this public policy precipitated the initiative for industrialization. Thus, beyond the education sector, the ambition for

³¹ Although this is the popular figure often quoted, there is no agreement, as other studies have put the figure of the country's ethnic groups at either 275 or 350.

³² International IDEA, *Democracy in Nigeria: Continuing Dialogue(s) for Nation-Building*, International IDEA, Stockholm, 2001, p.154.

³³ Prior to independence, the only university in Nigeria was the University of Ibadan. The others that joined in the first decade of independence were: University of Nigeria, Nsukka, University of Ife (now Obafemi Awolowo University), University of Lagos, Ahmadu Bello University in Zaria and the University of Benin.

expansion into other socio-economic spheres – health, electricity, transport and telecommunications – was soon summarised in the policy guidelines and implementation strategy of the first National Development Plan (1962 – 1968) and other subsequent plans (1970-1974, 1975-1980 and 1981-1985), and even up to when it was re-designated National Rolling Plan. Other attempts to systematically strengthen the country's economic foundation and self-reliance as against reliance on multinational corporations and other western world with its corresponding impact of edging out local industries from local markets prompted the introduction of the Import Substitution Industrialisation (ISI) strategy. This consequently accounted for the strengthening of old manufacturing centres of Lagos, Kano, Enugu, Ibadan, Kaduna and Jos, while Benin and Port Harcourt emerged as new production cities.

This achievement did not only marked visible increase in living conditions of the Nigerians which were manifested in form of rising per capita income, life expectancy and fall in infant mortality rate, but it also strengthened the core of Nigeria's social contract with the citizens from whom the nationalist leaders sought and secured popular support during the struggle for independence.

As laudable as the above situation in Nigeria was, it was not without its contradictions and challenges. It has been observed that the rate of delivery of socio-economic services and opportunities of the period was not at par with the spate of demand of the country, thus signalling a serious political problem which, beyond taking on a class character, fed into volatile domains of ethno-regional and religious contradictions. It took only a while for the uneven economic and educational development to reinforce contradictions and sharpen the propensity for polarization of the north and south, and the oil-rich Niger Delta region against the rest of the country, such that impeded nation-building process³⁴. The oil glut of the early 1980s and the attendant macroeconomic policies – Austerity measure and SAP – designed to deal with the challenges thus posed soon worsened the situation for ordinary Nigerians who had to evolve multiple means of survival in the midst of squalor and roaring corruption among power wielding military dictators and their civilian counterparts in politics. The result was the erosion of the social contract between the people and their leaders, who are increasingly seen as failures. The feature of life of the people today are that the bulk of the people, especially rural dwellers get their water from streams and private wells, while power supply has virtually collapsed in the country. The health sector has also suffered from neglect. The rural dwellers see themselves as the biggest victims of the declining conditions of life of Nigeria, where the urban poor are not any better off.

The Presidential Water Initiative (PWI), launched in 2003, revealed the Federal government target of improved water and sanitation access to 100%

³⁴ International IDEA, Op. Cit.

in state capitals, 75% in urban and peri-urban areas and 66% in rural areas³⁵. A source quotes official statistics of improved access to water supply in Nigeria rising from 49% in 1990 to 57% in 2000 with urban areas progression from 78% to 81% period and rural recording 39% in 2000 over an earlier record of 33% in rural areas³⁶. Another source puts the percentage of Nigeria's population with access to safe-drinking water at 59% in 1990, 57% in 2004 and 60% in 2005, while those with access to basic sanitation reads 39% in 1990, 38% in 2004³⁷. While the statistics on access to water might be upward-looking for the Millennium Development Goals (MDGs) target, they do not necessarily reflect the realities on ground.

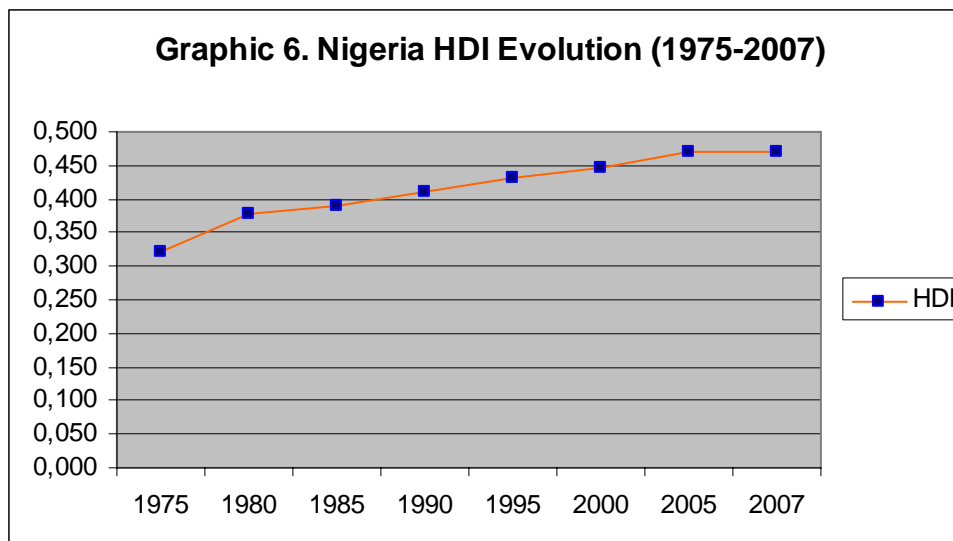
Nigeria has gone quite far beyond Gen. Abacha left it in June 1998. The country has gone through economic reforms since then, but it is not clear yet if the citizens are convinced that the reform agenda depicted by NEEDS has yielded any results different from those of the failed SAP. What they are certain convinced of, however, is the fact that while Nigeria has made some great strides, especially in the financial and telecommunications sectors of the economy, since the return to civilian rule in 1999, the socio-economic indicators depicted by the living conditions – poverty, infant and maternal mortality and illiteracy – of the ordinary people in the street give no room for cheers. The United Nations Human development Index (HDI) continued to rank Nigeria among the poorest countries in the world (see graphic 6); confirming earlier statistics that the country is home to 50-80 million of the 1.3 billion people living below the poverty line of less than US\$1 per day in the world. Life expectancy for the country is 52 years as against 75 years for Japan and Turkey, while infant mortality stands at 114 per 1000 births, while under-five maternal mortality is 192 and 174 for every 1000 male and 1000 female births, respectively. The figures also disclose that only 20% of Nigerians are likely to survive age 15, and that another 33% are likely to die before attaining the age of 40, while the country's annual average per capita income growth rate is -4.7. Also, the physical quality of life index (PQLI) in Nigeria is 38%, trailing Kenya's 55% and Ghana's 41%³⁸.

³⁵ <http://www.wateraid.org>

³⁶ Ibid.

³⁷ National Planning Commission, *Nigeria: 2006 Millennium Development Goals Report*, Federal Government Press, Abuja, 2007, p.52.

³⁸ Dauda S. Garuba, *Survival at the Margins:...*, p.18.



Notwithstanding the above, many Nigerians are wont to believe that things are looking up for the country. President Umaru Yar' Adua's decision to proceed with NEEDS 2 (earlier proposed to last from 2007 – 2011) by mainstreaming his Seven Point Agenda into the process apparently adds to the several economic reform initiatives that had greeted the country since independence. The target of the President Yar'Adua administration is to make Nigeria one of the 20 developed economies by 2020. Notwithstanding the vigour with which the new agenda is pursued, what remains indisputable is the fact that the so-called re-ordered needs of the country are yet to meet the basic expectations of the greater majority of the people in whose interests any responsible government is supposed to exist. What the ordinary Nigerian needs is a safe country replete with free flow of socio-economic opportunities such as food, potable water, descent housing, regular electricity, functional healthcare delivery, sound and affordable services in education, transportation, telephony and, above all, hope about the future.