go west

Despite much instability, Nigeria is enjoying remarkable growth – and more is predicted. By KERRY DIMMER

Nigeria and its delta taken by satellite

A vendor sells mobile phones at a market for electronic goods in Lagos, Nigeria

In a climate that, albeit slow, is seeing true economic reforms, Nigeria is looking relatively good on paper. Its GDP growth remained stable at 6.9% in 2011 and is expected to be similar for 2012, proving that the country is making some progress towards establishing a market-based economy.

It has excellent trade relationships with China, India and Brazil who enjoy Nigerian exports of oil, natural gas and agricultural products. In return, Nigeria has seen those countries invest in its science, culture, education, pharmaceutical and health, technology and engineering sectors, to name a handful.

Some would call such countries brave or foolhardy, simply because Nigeria has been fraught with ongoing security issues for decades. Since achieving independence from the UK in the 1960s, this African country has faced its share of assassinations and ethnic tensions in a struggle to secure democracy and stability.

Decades of military rule and abortive elections in the 1990s resulted in sanctions that essentially cut the country off from true economic development. Civilian rule and democracy was finally introduced in May 1999 when Olusegun Obasanjo was elected to heal the deep socio-economic rifts in the country.

But his task was daunting: infrastructure had completely collapsed, human rights violations were overwhelming, legislation was in shambles, corruption was rampant and a disillusioned population was still conflicted by ethnic and religious practices.

One of Obasanjo's major objectives was to resuscitate the ailing industrial sector, which had been hindered by lengthy and debilitating power cuts, as the national grid was unable to support a growing population. This, despite the US$16 billion that had been spent on the power sector in the seven years up to 2007. In fact, the situation worsened from generating 3 000 MW of power to just 1 500 by the time Obasanjo vacated office.

As a former general, it was also surprising that he was unable to completely eradicate the violence that erupted, motivated as it was by military personnel. Flawed elections resulted in three terms of office for Obasanjo, until the election of Umaru Yar'Adua as president in 2007, which seemed to offer the first true signs of peace and security. But that too was not to be. Yar'Adua's failing health and death resulted in Vice-President Goodluck Jonathan, of the People's Democratic Party, assuming office as president in 2010, a year that was politically very controversial.

The cycle of violence continued with bombings and security lapses, but worse, an already fragile economy was now compromised further with the global economic meltdown. The banking sector too, largely in the hands of family-run businesses that had enjoyed some thriving trade, was littered with corruption. Even Cecilia Ibru, one of the most powerful women in Nigeria and 2007 Banker of the Year, was found guilty of fraud and sent to prison.

Presidential elections in April 2011 saw Jonathan retain his presidency – but not without incident. Opposition party Congress for Progressive Change charged that electoral misconduct had taken place, suggesting the rigging of votes in the southern states. But in November a tribunal found in favour of the ruling party and Jonathan was confident enough to announce to the nation that it was time for the country to collectively move forward. He resolved that his administration would 'continue to provide good governance, anchored on the strong foundations of honesty, transparency, hard work and fairness to all'.

You'd think, given its history and continuing unrest, that Nigeria would be a most unlikely candidate for investor confidence. But that's not necessarily true. Britain's ex-prime minister, Gordon Brown, once suggested that Nigeria's economy was in a position to become one of the strongest in the world within 40 years if it develops its power, infrastructure, education and agricultural sectors.

It's a theory that seems to be holding water. Nigeria is currently considered to be one of the largest and fastest growing telecoms markets on the continent and, according to the Nigerian site BusinessWorldng.com, is already a leading market for services and investment in ICT.

With a national population of 162.47 million – the largest in Africa – the underdeveloped telecoms industry has enormous potential. It is estimated that by the end of 2010 there were 87.3 million mobile subscribers, but a total of nearly 89 million connected lines (some subscribers had more than one phone).

Private investment in telecoms during 2010 was in the region of US$25 billion, hinting that it could become one of the largest generators of foreign direct investment. Mobile operators/providers are largely foreign-owned, like South Africa's MTN subsidiary, MTN Nigeria. It bodes well for the industry that the International Finance Corporation (IFC) has loaned MTN Nigeria US$395 million, the second largest investment the IFC has ever made anywhere on the continent.

Nigeria's thriving and very lucrative film production industry, Nollywood, is the world's third largest producer of feature films. What Nollywood has proven so convincingly, is that Nigerians are very resourceful. It takes on average just 10 days to produce a feature on a very meagre average budget of US$15 000. Some 1 000 films are produced annually, each selling anywhere from 50 000 to several hundred thousand copies.

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Nollywood contributes US$528 million to Nigeria's GDP, where a growth rate of 7.72% was realised in the second quarter of last year. A large, but certainly not the biggest, percentage of this growth was contributed to by Nigeria's petroleum trade, which provides 95% of foreign trade earnings.

The petroleum is sourced largely from the Niger Delta. It has prolific reserves and many of the large conglomerates have a presence, notably Shell. However, because the government has failed in past years to hold oil companies accountable for the pollution caused by extraction and leaks, the basin is now seriously contaminated.

It's been estimated that in many areas it will take up to 30 years to reverse the damage, needing a billion-dollar commitment by oil companies to clean up. Production of crude oil currently stands at 2.6 million barrels per day but without increases in exploration the oil wells could possibly dry up within 50 years.

Contrary to popular belief, Nigeria's economy is not driven entirely by oil. Agriculture is

One of Nigeria's traditional staple foods, cassava, is produced more by this nation than any other in the world

Nollywood is contributing a significant portion to Nigeria's overall GDP figures

FACT FILE

CAPITAL CITY
Abuja
POLITICAL STATUS
Federal republic
HEAD OF STATE
Goodluck Jonathan
OFFICIAL LANGUAGES
English, Hausa, Yoruba, Igbo, Fulani
INFLATION RATE
13.7% (2010 est)
GDP PER CAPITA
US$2 500 (2010 est)
CURRENCY
Nigerian Naira
TOTAL AREA
923 768 km^2
POPULATION
155.2 million
POPULATION GROWTH RATE
1.935% (2011 est)
LITERACY
68%

the main source of revenue for two-thirds of the population using just 33% of the land. In fact, the predominance of green in Nigeria's official flag is there to represent the respect it has for its agriculture.

Despite this, subsistence farming far outstrips large-scale farming. The majority of farmers, some 14 million of them, can little afford the mechanical upgrades that would elevate them to high production levels. The difficulties in obtaining capital to do so compounds the situation.

The country's main agricultural exports are rubber, sesame seeds and cocoa beans and butter. Nigeria is the fourth largest producer of cocoa beans in the world and cocoa has traditionally been the most important export after petroleum. Up to 350 000 tons of cocoa is exported annually and the intent is to almost double that by 2015.

The cassava plant holds massive investment potential for Nigeria. With an annual output of 35 million tons, the country is the largest producer of cassava in the world. This plant can be processed into starch, ethanol and glucose syrup, and its use by local bread-makers, replacing 50% of the wheat, will save Nigeria a whopping US$2 billion annually.

Currently, the nation spends US$4 billion on wheat imports, so the use of cassava will go a long way in allowing Nigeria to be more self-sufficient in terms of food production. As Agriculture Minister Akinwunmi Ayo Adesina, so succinctly points out: 'Nigerians should start eating Nigerian stuff instead of eating imported things, making farmers of other countries happy.'

Critical to keeping Nigerians happy overall, must be infrastructure development. This is a massive task because even though the country has an extensive network of roads, they have been poorly maintained, like most of the nation's infrastructure.

What is desperately needed is an investment of US$1.9 billion to revive the 194 800 km road network. It is estimated that approximately US$100 billion is needed to comprehensively revive and develop overall infrastructure, which is seen as the only way to aid industrialisation, trade and commerce.

What is a pity is that when talking about any issue in Nigeria, the positives are usually followed by a 'but' or an 'if only'. But despite this and the fact that 70% of the population is living below the poverty line and about three out of every 10 higher education graduates cannot find work, Nigerians are considered to be one of the happiest people in the world.

Private participation is desperately required to support the government in funding projects for development. In some respects Nigeria is less of an emerging nation than a new nation where the possibilities are endless, given the variety of development needs.

What should boost investor confidence is the introduction of a Sovereign Wealth Fund (SWF), with a starting capital of US$1 billion. The SWF will be divided among three funds: the Future Generations Fund, to create a protected savings fund for the future; the Nigeria Infrastructure Fund, to finance necessary infrastructure projects; and the Stabilisation Fund, to act as a cushion against shocks from changes in global commodity prices.

Cleverly targeted investment has the potential to be lucrative but it has to be said that until Nigeria is able to settle its security issues, sort out its power problems and develop its infrastructure, foreign investors will remain hesitant and wary. **AD**

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