NIGERIA

The quest for foreign direct investment

Although there have been some improvements in foreign direct investment (FDI) in Nigeria, their impact is not yet being felt by the poor. Legislation favouring FDI should be accompanied by mechanisms that guarantee transparency. Despite the Government's allocation of financial and other resources to combat poverty, the sad fact is that poverty has continued to grow at a fast pace over the last 15 years. Civil society organizations have pointed out that practically all projects focused on achieving the Millennium Development Goals (MDGs) are lagging behind.

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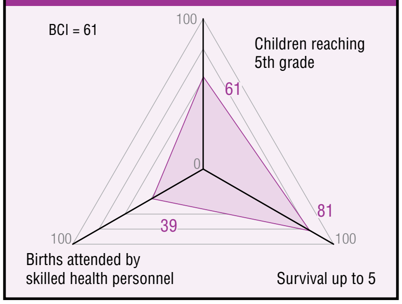
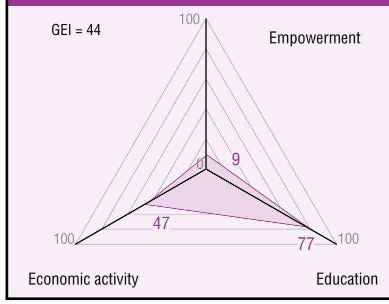
Basic Capabilities Index (BCI) 2010



Gender Equity Index (GEI) 2009



The 1999 Constitution ushered Nigerians into a new democratic era and promised that "the security and welfare of the people shall be the primary purpose of government."[1] The Government is also obliged to control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity. Furthermore, suitable and adequate shelter, suitable and adequate food, a reasonable minimum wage, pensions and elder care, unemployment benefits, sick benefits and welfare of the disabled are to be provided.

Adequate financing for development is mandatory in order to respect, protect and fulfil these human rights obligations. The Government of Nigeria, through its Central Bank, reinforces this point by stating that the supply of finance to diverse sectors of the economy will promote the growth of the economy as a whole, which in turn will improve development and welfare at a faster rate.[2] The Government has also declared that sustaining democratic principles, enhancing security for life and property and rebuilding and maintaining infrastructure are necessary for the country to attract FDI.

Poverty

The Government has taken a number of measures to try to reduce poverty. The 1997 budget expressed a clear intention to enter into investment production agreements – that is, bilateral, regional and multilateral treaties – with foreign governments and private organizations. Nigeria was also one of the countries that committed in 2000 to the achievement of the MDGs by 2015.

However, ongoing policy measures and programmes do not seem to be enough to rescue this oil-exporting country from an unbroken story of want and penury. According to UN HABITAT, the poverty rate has spiralled from 46% in 1996 to 76% in 2009.[3] Poverty has exacerbated crime, prostitution, HIV and AIDS, general frustration and loss of confidence in the economy. For the majority of Nigerians life is palpably the same: one of fear, depression, despondence, bitterness and self-deprecation.

Foreign direct investment

Until recently the Nigerian economy was driven largely by domestic investment.[4] An investigation on the impact of FDI between 1970 and 2001 found that both private capital and foreign capital had only had a small effect on economic growth.[5] Yet the country possesses multiple positive attributes for investment in the energy and other sectors and there is growing consensus that FDI is essential to realizing its vast potential.[6] Although laws were introduced in 1965 to internationalize the capital market and remove restrictions on FDI and promote the free inflow and outflow of capital – including in the petroleum sector, hitherto jealously guarded – the absence up to now of adequate mechanisms for making the procedures transparent has delayed the inflows of much-needed investment.[7]

FDI is largely tied to trade expansion and export orientation. Nigeria suffers a major disadvantage in this regard due to a consistent record of negative trade and export flows over the years compared to more developed trading partners. Its primary products, including oil, are subject to the volatility of international prices. While a recent report in one of the national dailies claims that there was a significant increase in FDI in 2008 – an aggregate inflow of USD 20 billion according to the Executive Secretary of the Nigerian Investment Promotion Commission[8] – the effects of this have yet to be felt on the economy. Moreover, the economic meltdown of 2008 led to capital flight. It appears that the country's strongest option for private capital for development will remain loans rather than bonds, portfolio investment or FDI.

Weak economic cooperation

At the regional level the African Economic Community Treaty, signed at Abuja in 1991, has not moved beyond rhetoric. The Treaty was expected to boost Africa's share of world trade with the establishment of an Assembly of Heads of State and Government, a Council of Ministers, a Court of Justice, a General Secretariat and seven Specialized Technical Committees to deal with integrative economic activities

1 Government of Nigeria, *Constitution of the Federal Republic of Nigeria 1999*. Available from: <www.nigeria-law.org/ConstitutionOfTheFederalRepublicOfNigeria.htm>.

2 See the Central Bank of Nigeria website at: <www.cenbank.org/devfin/devfinhome.asp>.

3 Onyebuchi Ezigbo, "MDGs – Poverty rate rises to 76 per cent," *All Africa.com*, 27 February 2009. Available from: <allafrica.com/stories/200902270161.html>.

4 Risikat Oladoyin S. Dauda, "Trends, Behavioral Patterns and Growth Implications of Foreign Private Capital Flows in Nigeria," *IUP Journal of Financial Economics* IV, no. 3 (2008): 29–40.

5 A. Enisan Akinlo, "Foreign direct investment and growth in Nigeria: An empirical investigation," *Journal of Policy Modeling* 26, 5 (July 2004): 627–39.

6 See: <www.state.gov/r/pa/ei/bgn/2836.htm>.

7 Bolaji Owasanoye, "Sub-Saharan Africa and Development Finance," in *Selected Essays on Development Finance and the Role of the Lawyer in International Debt Operations* (Geneva: UNITAR, July 1999), 193. Available from: <www2.unitar.org/dfm/Resource_Center/Document_Series/Document6/SubSaharan/6Private.htm>.

8 Dele Ogbodo, "FDI: Nigeria's Aggregate Now $20bn", *This Day*, 1 March 2010. Available from: <www.thisdayonline.com/nview.php?id=167519>.

such as the rural economy and agriculture; monetary and financial affairs; trade, custom and immigration; industry; science and technology; energy, natural resources and the environment; transport, communication and tourism; health; labour and social affairs; and education, culture and human resources.

Unfortunately, the laudable ideas conveyed by the Treaty have yet to effectively materialize. Regional economic cooperation also remains weak and divided along ex-colonial lines. For example, the Economic Commission of West Africa has not achieved as much as it should have done in this regard due in part to Anglophone and Francophone colonial influence.

Towards the MDGs

The Government has taken a number of steps towards achieving the MDGs. One is the creation of the Office of the Senior Special Assistant to the President on the Goals (OSSAP-MDGs). Another is the execution of projects specifically targeted to meeting the Goals through Debt Relief Gains (DRGs) funding. The DRG funds derive from the debt relief Nigeria obtained from the Paris Club group of donor nations in September 2005. This released about USD 1 billion per year in debt savings, which allowed the Government to channel the funds to pro-poor MDGs-related expenditures and projects.

The DRG projects are spread across several sectors including education, youth, health, defence, agriculture, water resources, social safety nets, housing, environment, women's affairs, conditional grants scheme (CGS) and "Quick Wins" (quick and positive impact initiatives). They are executed jointly by the Federal Government and the other federating units such as the state and local governments. The CGS takes a bottom-up approach to development, which requires prior consultation with local communities where the projects will be located in order to identify their needs.

In 2007 the OSSAP-MDG began to commission independent technical consultants and civil society organizations to monitor the implementation of MDG-related projects. According to the Office over 14,500 projects/programmes were sponsored in the 2008 federal budget through relevant ministries of the Federal Government. The CGS and Stepping Stone Nigeria (SSN, a UK-based registered charity working to protect, save and transform the lives of vulnerable and disadvantaged children in the Niger Delta) ensure that projects are implemented not only at the federal but also at the states and local government levels.

The OPEN initiative: monitoring and evaluation

The Overview of Public Expenditure (OPEN) in the National Economic Empowerment and Development Strategy (NEEDS), Nigeria's official poverty reduction paper, involves:

- Nigeria's Virtual Poverty Fund (VPF), a mechanism for tagging and tracking the performance of specific poverty-reducing expenditure in the budget.
- A mechanism for monitoring budget line items in key sectors aimed at meeting the MDGs and reducing poverty.
- A wider process of strengthening public expenditure management to leverage additional external resources.
- Improving the effectiveness and efficiency of existing allocations to ministries, departments and agencies.

Monitoring and evaluation exercises are part of the OPEN initiative. These are undertaken to periodically assess the level of execution of projects and to ensure their compliance with project plans as well as guarantee their sustainability. Specifically related to the MDG-DRG 2008 projects, their purpose is to:

- Ensure proper channelling of resources voted for MDG projects and programmes.
- Ensure strict adherence to the implementation plans of approved ministries, departments and agencies for MDG projects in terms of coverage, quality, outputs and outcomes at local levels.
- Demonstrate transparent use of Government resources, especially the DRG funds, to Nigerians and the international community.

Data are collected at project sites during visits from construction workers as well as beneficiaries and potential beneficiaries of the projects such as teachers, community members and students. Data collected are both quantitative and qualitative and involve taking notes at project sites, interviews with workers and project beneficiaries. The quantitative data involve information on construction of toilets, borehole taps, hospital beds and other equipment supplied. The qualitative data involve information on the functionality of a project – for instance, whether a water borehole is working well or a toilet is being used. In the case of hospital equipment, it is always necessary to find out if this is in good order and can be used by hospital workers.

Feedback from civil society

Civil society organizations in Nigeria have been deeply involved in governance matters. Several of them are engaged in the monitoring and evaluation of allocation and management of pubic expenditure. For example, the Socio Economic Rights Initiative has been monitoring and evaluating MDG projects in the six geopolitical zones in the country. Other organizations are doing similar things in different parts of the country in various sectors. Feedback shows that almost all the projects expected to contribute to meeting the MDGs suffer from delays in execution and huge obstacles remain in all sectors.

In the health sector the chances of meeting the MDGs are remote considering the non-implementation of the intervention projects, especially capacity-building for health workers and provision of equipment to strengthen the Primary Health Centres. This project has the potential of lifting the health status of Nigerians, especially in the rural areas where PHCs are very poorly equipped.

In the education sector the state of infrastructural decay in the schools visited is alarming. Classrooms and teachers' furniture are in most cases in a decrepit state. So too are school buildings. The sanitation situation in those schools without a water supply, even when they have toilets, is deplorable. So the concern should move beyond merely meeting the MDGs for this sector in terms of numbers to include ensuring also that pupils receive a quality education. ■