

Resilience of the Nigerian Economy Against Massive Security Challenges

By

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**National Institute for Legislative Studies,
National Assembly, Abuja.**

15th October, 2014.

OUTLINE OF SESSION

- Overview of the Nigerian Economy
- Security Challenges in Nigeria
- Security Challenges and Revenue Generation in Nigeria
- Resilience of Nigerian Economy
- Lessons for Posterity
- Way Forward

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Overview of the Nigerian Economy(1)

- The Nigerian economy has been witnessing a considerable economic growth in recent years compared to other countries in Sub-Sahara Africa, Asia, Europe and Latin America.
- According to World Bank statistics, real GDP growth rate in Nigerian averaged 6.5% in the past decade compared to 1.06% in EU countries, 7.12% in South Asia, 3.82% in Latin America & Caribbean and 5.33% in Sub-Sahara Africa, and the global growth rate of 2.68%.
- Inflation rate has decreased from a double digit of 13.7% in 2012 to 8.2% as at second quarter of 2014.

An Overview of the Nigerian Economy(2)

- Similarly, income inequality worsened from 38.7% in the 1980s to 48.8% in 2010, with worsened maternal and infant mortality rates.
- The naira has continued to depreciate against the major currencies of the world such as US dollar, British Pounds and Euros.

Overview of the Nigerian Economy(3)

- This notwithstanding, the new GDP figures released by the National Bureau of Statistics (NBS) on 6th April, 2014 was estimated at N80.22 trillion in 2013 up from N42.4 trillion.
- Besides making Nigeria the largest economy in Africa, the rebasing also lifted Nigeria to the 26th largest economy in the world up from 33rd previously occupied.
- It also expanded the economic activities covered by GDP to 46 from 33 by including among other things the informal sector and some new industries.

Overview of the Nigerian Economy(4)

- Despite the rebasing of Nigeria's GDP, the World Bank recently classified Nigeria among the world's extremely poor countries, (with 7% of the world poor) a category that also included India (33% of the world poor), China (13% of the world poor), Bangladesh (6% of the world poor) and Democratic Republic of Congo (5% of the world poor).
- Two-thirds of the world's extreme poor (about 760 million of the world's poor) are concentrated in these five countries.

Overview of the Nigerian Economy(5)

- However, the nation is not poor but faces the challenge of a redistribution of wealth.
- The realities on ground did not portray the country as a poor nation, but a nation whose abundant wealth needed to be well managed and pro-poorly redistributed.
- Available statistics revealed that poverty rate (poverty gap at national poverty line) in Nigeria as at 2010 was 26.2%, compared to 9.6%, 7.0% and 3.6%, for Ghana, South Africa, and Egypt, respectively.
- Nigeria's poverty gap is also higher than those of China (2.8%) India (6.2%) and Bangladesh (6.5%).

Overview of the Nigerian Economy(6)

- At 26.2%, the poverty rate in Nigeria is higher than the poverty rates in most countries in Sub-Saharan Africa, South-East Asia, Europe, North and South America.
- At 62.6% in-terms of poverty headcount ratio, Nigeria also ranks higher than most countries in Sub-Saharan Africa and South-East Asia such as Ghana's 28.5%, South Africa's 23.0%, Egypt's 22.0%, DR Congo's 46.5%, Ethiopia's 29.6% Botswana's 30.6% Gabon's 33.3%, India's 29.8%, China's 2.8%, and Bangladesh's 31.5%.

Overview of the Nigerian Economy(7)

- In midst of these, External Reserves which averaged ₦53,000.36 billion in 2008 has continued to witness a downward turn and now stand at ₦37.432 billion as at second quarter of 2014.
- Nigeria has continued to experience a deficit balance of payments, with imports exceeding exports.

Overview of the Nigerian Economy(8)

- Nigeria Total debts stocks increased from N898.253 billion in 2000 to N10.04 trillion in 2013.
- External debts is \$8.82 billion (N1.37 trillion), domestic debts accounted for N8.67 trillion as at December, 2013.
- Public debts servicing also increased from N131.048 billion in 2000 to N794.56 billion in 2013.

Security Challenges

- Anything that affects the peace, order and good governance constitute a security challenge to the country.
- National Security entails elements that are essential to the wellbeing of the country.
- It is what a nation or state feel essential to its survival and wellbeing
- It is the foundation to which economic progress or development can be achieved.
- E.g. Ebola, militancy, insurgency, corruption, ethno-religious crisis, election rigging, etc. constitute security challenge to Nigeria

Security Challenges in Nigeria

- The 4th republic has since inception witnessed an unprecedented civil disturbance and social insecurity resulting in massive destruction of lives and property.
- The religious and ethnic dimension to these upheavals make them a serious threat to national security.
- Additionally, the quest by groups or persons to secede from the present arrangement constitute a major setback to economic prosperity, regional, continental/global peace and security
- The tension and uncertainties in the country are not conducive for democratization process and sustained economic growth and development.
- Ordinarily, one should have expect a collapsed economy going by the nature of security challenges in Nigeria.
- But, the resilience speaks volume of the nature and character of our people against shocks and quest to move forward.

Security Challenges in Nigeria

- What amount to security challenges in the geo-political zones of Nigeria?

South – South:

- Environmental degradation
- Poverty and unemployment (Niger Delta region) culminated in the agitation for resource control.
- By 1998, the crises in the region had reached alarming proportion, manifesting in the disruption of oil production activities, kidnapping and hostage taking and oil bunkering.
- Statistics released by the Niger Delta Development Monitoring and Corporate Watch (NIDDEMCOW) in 2008 indicated that between 1999 and 2007, a total of 304 hostage-taking and kidnapping incidents occurred in the Niger Delta.
- The situation is gradually wearing away, but, for reincarnation of illegal refineries, oil theft, attack on legislators, assassination, etc.

South – East:

- In the South-East, kidnapping, armed robbery, cultism, fratricidal war, etc. have been prevalent.
- Between July, 2009 and October, 2011, 370 cases of kidnapping incidences were reported in Aba, Owerri, Enugu and Anambra State (Daily Sun, August 31, 2012).
- Intra-community cleavages and crises have also occurred in this zone as witnessed in Aguleri/Umuleri crises in Anambra State in 2002/2003, the Ezza-Ezilo fratricidal war in Ebonyi State in 2010, Okija Shrine, political thuggery, baby factory, etc.

South – West:

- The South – West zone, has also witnessed intra-ethnic crises. An example is the Ife/Modakeke crises, kidnapping, armed robbery, etc.
- Attack on the judiciary/Judges, Environmental challenges, increasing population and migrants, political thuggery, cultism, etc.

North – Central:

- The states in this zone include Benue, Kogi, Kwara, Nasarawa, Niger and Plateau and the Federal Capital Territory, Abuja.
- Incidences of suicide bombings, killings and destruction have also been reported in the zone.
- For instance, between January and March, 2012 alone, a total of 250 persons were allegedly killed in separate attacks in Plateau, Abuja, and environs (The Guardian, Tuesday, 24 January, 2012).
- Other incidence include robbery attack, ethno-religious crises such as the ombatse fratricidal attack on security agents, pastoralist/agronomist skirmishes and killings, etc.

North – West:

- This zone has a total of seven states namely, Sokoto, Zamfara, Jigawa, Kebbi, Katsina, Kano and Kaduna.
- E.g. 186 persons were allegedly killed on January 20, 2012 in Kano State alone and 138 persons were killed in Kaduna and Zaria following coordinated attacks on places of worship on 17th June, 2012 (UNCIRF, 2012).
- Security challenges include among others post election riot, ethno-religious crises, targeted bombing of religious and political leaders, kidnapping of expatriates for ransom, etc.

North – East:

- Currently, states in the North-Eastern zone (Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe) have witnessed alarming rate of violence. Increasing incidence of suicide bombings, killings and destruction have occurred in this area since 1999.
- For instance, a total of 800 persons were allegedly killed in 2009 in Borno State alone (Nigerian Crime News, March 31, 2012), 138 persons in Damaturu (Yobe State) following coordinated attacks on places of worship on 17th June, 2012 (IOL News, Thursday, 21 June, 2012). The TIV/Jukun crises, Ibi, Wukari religious crises, Crash of Military aircraft in Maiduguri, Gombe female suicide bombing, etc.
- Notoriously, the abduction of Chibok Girls by the militant group 'BOKO HARAM' and hosting of flags in occupied territories to cede some communities from Nigeria, etc.

Cont. Security Challenges in Nigeria

- The reasons for these Massive Security Challenges or crises are multidimensional.
- For instance, while the security crises in northern Nigeria are believed to have ethno-religious and economic underpinning i.e. politico-social and economic interest e.g. Post election crisis. The militancy/hostage-taking in the Niger Delta region, kidnapping in the South-East are economic.
- And their victims include; churches, mosques, government buildings, residential buildings, international organizations' buildings, commercial buildings, bridges, security outfits, oil instalations, mass transit/bus stop and abduction of women and children.

Cont. Security Challenges in Nigeria

- More worrisome is the fact that security crises in Nigeria have not only impacted negatively on Nigeria's image in the international community, they have also threatened Nigeria's unity and corporate existence (Walter, 2012).
- Furthermore, security challenges contribute to weakening the economic pillars of the country or revenue base consequently adding up to lingering unemployment/poverty.
- What makes the present security challenges posed a major concern to all sundry is the magnitude of destruction caused by their activities and the rate of spread of their activities.

Cont. Security Challenges in Nigeria

- For example, as at the last count (specify), Boko Haram alone has killed over 4000 people, destroyed thousands of buildings and abducted many people including over 200 Chibok school girls.
- The display of ill-gotten wealth and misappropriated public funds through corruption and bribery by politicians/public officials alongside their non performance have engendered disillusionment among electorates and aggravated the security challenges in the country.
- Alarmingly, insurgents are capable of distorting development plans of the government and plummeting the country into serious revenue setback and socio-economic 'TSUNAMI', i.e. No one will be spared - from the rich to the poor

Cont. Security Challenges in Nigeria

- Since the onset of Boko Haram insurgency in Nigeria, government's expenditures on defence, police and national Security have increased astronomically.
- For instance, government expenditures on National Security in 2013 was N660.445 billion, compared to N81.683 billion, N427.515 billion and N278.819 billion for Agriculture, Education and Health, respectively, for the same period.
- If this spending pattern continues occasioned by massive security challenges, many sectors of the economy such as Agriculture, Education and Health will suffer neglect.

Security Challenges & Revenue Generation in Nigeria

- The sources of revenue in Nigeria can be broadly classified into two main groups; namely Oil and Non Oil Revenue.
- Components of Oil Revenue include Crude Oil and Gas Sales, Petroleum Profit Taxes, Royalties and Others.
- Non Oil Revenue are Company Income Tax (CIT), Value Added Tax (VAT), Custom and Excise Duties and other taxes.
- Additionally, Non Oil Revenue to FGN include; Proceeds from Government investments, fees & fines, etc.

Cont.

- Consequently, Gross Federally Collected Revenue in Nigeria which averaged N1,906.159 billion in 2000 increased to N9,759.8 billion in 2013. Oil revenue also increased from N1,591.675 billion in 2000 to N6,809.2 billion in 2013. Non Oil revenue increased from N314.483 billion in 2000 to N2,950.6 billion in 2013.
- Similarly, Federal Government Retained Revenue increased from N597.282 billion in 2000 to N4,031.8 billion in 2013. Total Expenditure also increased from N701.059 billion in 2000 to N 5,185.3 billion in 2013.
- The resulting fiscal deficit was (N103.777 billion) in 2000 as against (N1,153.5 billion) in 2013.

Cont.

- The above analysis revealed that Gross Federally Collected Revenue, Oil revenue, Non Oil revenue and Federal Government Retained Revenue have increased astronomically since year 2000. However, it has been very difficult for most of these revenue components to meet their budgeted figures.
- Budgeted and actual Gross Federally Collected Revenue in 2013 were N9,887.6 billion and N9,170.98 billion, respectively.
- Budgeted and actual Oil Revenue in 2013 were N7,250.52 billion and N6,882.44 billion, respectively, while those of non-oil revenue were N3,298.48 billion and N2,2278.14 billion, respectively.
- Poor revenue generation of most states and local councils in Nigeria.
- A steady flow of revenue that would enable Nigeria to lay the foundation for stability and relative self sufficiency would help the country's quest for national development.

Impact of Security Challenges on Revenue Generation in Nigeria (1)

- The security challenges posed by the activities of Boko Haram insurgency, Niger Delta militancy, etc. are capable of increasing government aggregate expenditures through increase in expenditures on National Security.
- Without a corresponding increase on government's retained revenue, the increased expenditure would lead to fiscal deficits which may require borrowing to finance it.
- And, if the borrowing is done domestically, this is capable of crowding out private sector investments which will further hinder economic development.
- If the fiscal deficit is financed through external borrowing, public debts will rise and further aggravate debts service payments.

Impact of Security Challenges on Revenue Generation in Nigeria (2)

- The security challenges posed by the activities of Boko Haram insurgency, Niger Delta militancy, restless youths, etc. are also capable of scaring away Foreign Direct Investments (FDI) which goes to reduce government revenue through taxes and royalties which would have been paid by these companies.
- These activities has adversely affected infrastructural development as many schools, government buildings and bridges have been blown off as a consequence of the insurgency, e.g. Boko haram.
- For example, fees which would have been paid to the government by these affected schools to reduce cost of governance are denied the government and consequently reduce her revenue.

Impact of Security Challenges on Revenue Generation in Nigeria (3)

- Commercial activities have also been negatively affected by the security challenges. This has implications on government revenue as taxes from these commercial activities are also denied.
- Crude Oil production has also been adversely affected by the activities of Niger Delta militancy through vandalism of Oil installations and pipelines as well as kidnapping of Oil companies workers, oil theft, etc.
- This remains as one of the greatest challenges to Oil Revenue generation in Nigeria.

Resilience of Nigerian Economy to Massive Security Challenges

- Historically, despite the Aba Women Riot of 1929, Kano riot of 1948, Action Group Crises of 1962, General Election Crises of 1964, Western Election of 1965, Nigerian Civil War 1967-1970, Nigeria was able to recover with signs of great hope.
- There have been a remarkable increased in foreign capital inflows in the country in recent years.
- Foreign Direct Investment increased from ₦115.952 billion in 2000 to ₦3,466.351 billion in 2012 (CBN, 2013).
- Foreign Aid also increased and Remittances also increased during the period despite security challenges.

Resilience of Nigerian Economy to Massive Security Challenges

- The payment of salaries (recurrent expenditure) have been relatively steady in most states across Nigeria
- Pensioners have also have steady payment over the years although not without reservations
- There exist prevalence of youth employment schemes and entrepreneurships development activities across the federation e.g. SMEDAN, Sure P –U WIN, etc.
- The improvement in power supply seems assuring, but, not without an affirmative action to drive it to the next level
- Revenue generation is increasing steadily from year to 9.9tr 2013 compared 7tr in 2012.

Resilience of Nigerian Economy to Massive Security Challenges

- Expenditure for pro-poor sector is increasing steadily compared to previous years
- Nigeria economy is largest in Africa and 26th in the world going by the recent GDP rebasing
- Exchange rate of Naira to dollar have been fairly stable in the last ten years
- Nigeria's volume of trade is increasing with more countries than before the security challenges, e.g. China

Resilience of Nigerian Economy to Massive Security Challenges

- Foreign Reserve have grown steadily in the last ten years i.e. from 5. trillion to the current 37t
- Economic Growth rate increase at 6% than 1.6% average for Sub-Saharan countries.
- Economically, The growth performance recorded by Nigeria over the years is one of the highest in the world.
- Concern of holding public officials to answer and account.

Lessons for Posterity

- To a greater extent, the security challenges have led the growth rate of real GDP in Nigeria not to create the jobs needed to reduce poverty rate, unemployment and income inequality in the country.
- It has been observed that rather than a decline, the rates of poverty, unemployment and inequality have been rising with economic growth.
- For instance, unemployment rate rose from under 10% in the early 1980s to 23.9% in 2013. Also, the percentage of the population of people living on less than \$1.25 a day increased from 50% in 1986, to about 70% in 2010.
- Though inflation rate is down, it is still far higher than the 5.6% and 6.6% recorded in 1986 and 1999, respectively.

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- Gross Federally Collected Revenue (GFCR) in Nigeria has not been able to meet the projected targets in recent years due to several challenges confronting revenue generation in Nigeria such as insecurity, crude oil theft, pipeline vandalism, high tariff, and fragile tax administration.
- In 1999 for instance, the averaged crude oil production was 2.5 million barrel per day, and this has since declined to less than 2.00 million barrel per day in 2013.

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- Interms of Human Development Index (HDI), in 2013 Nigeria was ranked 152nd in the world compared to Libya's 55th, Mauritius' 63th, Algeria's 93rd, Botswana's 109th, Gabon's 112th, and South Africa 118th. Other countries in Africa that were more ranked in HDI than Nigeria include: Egypt (110th), Cape Verde (123rd), Ghana (138th), Congo (140th), Equatorial Guinea (144th), Kenya (147th), among others.
- This is an indication of security implications to human development and economic growth and development in Nigeria.

Way Forward

- There is the need to embark on a comprehensive analysis of the remote and immediate causes of insurgency in Nigeria, their legitimate demands, the people involved as well as their sources of funds, and mode of recruitment of members – POLITICAL WILL.
- It is also important to strengthen the Victims Support Funds recently established by the Federal government to provide the necessary assistance to victims of insurgency thereby making them economically useful to self and country.
- There is need to shield the state and local governments from the fluctuation of oil prices.

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- Despite the assumption of low revenue yield at States and local governments, the opportunities for active pursuit of IGR may induce inclusiveness at the local level and reduce significantly corruption at the lower levels towards preventing the prevalence of security challenges.
- There is need to diversify our revenue sources so as to finance government budgets with much ease. In this regard, the solid mineral sector is a good example and has potential to generate employment and reduce the security challenges confronting our people.
- NEXIM should be supported to play critical role within the scope of DFI's in Nigeria, so as to promote export and reduce import.



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