

# Part 1 – Context

## A. Summary

- 1.1 Nigeria is Africa's most populous country, and with 90 million Nigerians living in poverty, only India and China have more poor people.<sup>1</sup> Africa's attainment of the Millennium Development Goals (MDGs) depends on Nigeria's success in reducing poverty. Nigeria currently has the best opportunity for a generation to make significant progress towards achieving the MDGs.
- 1.2 Nigeria may appear to be wealthy due to its oil resources, but in fact it is a poor country given its population size (133 million people<sup>2</sup>) with oil and gas revenue to the government equivalent to only US 17 cents per

Strategies (SEEDS). The NEEDS and SEEDS focus on achieving growth, better service delivery, reform of government and the political system, and transforming values to overcome corruption and inefficiency.

- 1.4 However, the obstacles to reform in Nigeria are deep-rooted following nearly forty years of military rule and widespread corruption. A broad range of stakeholders from within Nigeria, supported by the international community, need to push for sustainable reform.
- 1.5 Over the past year Nigeria has made progress in the management of the economy. Fuel prices have been liberalized, creating a more realistic market for petrol,



Nigeria now has the best opportunity for a generation to make significant progress towards the MDGs

person per day in 2002<sup>3</sup>. Nigeria is also severely under-aided. International development assistance is \$1–2 per capita compared to a sub-Saharan average of \$21 per capita.<sup>4</sup>

- 1.3 In May 2004 the National Economic Empowerment and Development Strategy (NEEDS) was launched as Nigeria's home-grown poverty reduction strategy. Similar strategies are being developed across the 36 states, called State Economic Empowerment and Development

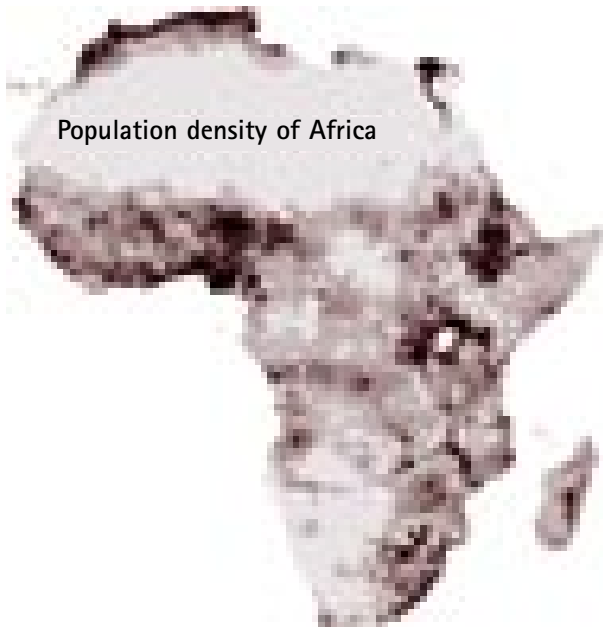
reducing illegal trading, and shortening fuel queues. The National Assembly has agreed a prudent budget for 2004. There has been more transparency in government expenditure, through publication of releases to state governments. Action has been taken to tackle corruption and to promote transparency. Nigeria is providing global leadership for the Extractive Industries Transparency Initiative (EITI) to promote transparency in the use of oil revenue.

<sup>1</sup> The World Bank, Second Joint Interim Strategy Progress Report (JIS), 2004.

<sup>2</sup> This figure is used by the World Bank and others in the international community. A new national census is planned in 2005 to provide more accurate demographic data.

<sup>3</sup> Calculated on the basis of revenue to government from oil and gas in 2002. Data derived from International Monetary Fund, Article IV Consultation, 2004.

<sup>4</sup> Development Assistance Committee of the Organisation for Economic Cooperation and Development, 2003.



1.6 DFID Nigeria's Country Assistance Plan (CAP) is based on extensive analysis of Nigeria's political economy through our Drivers of Change initiative<sup>5</sup>. This analysis concludes that Nigeria confronts three interrelated constraints to the achievement of the MDGs.

- Firstly, revenue from oil has been systematically mismanaged by both military and civilian governments, undermining development, and squandering Nigeria's most important economic asset;
- Secondly, years of military rule, corruption, and weak accountability have prevented the development of a social contract between Nigerians and their government; and
- Thirdly, a combination of 'Dutch disease'<sup>6</sup> and rent-seeking behaviour has undermined activity in other areas of the economy (particularly agriculture and manufacturing), reducing non-oil sector economic growth, fuelling unemployment and exacerbating poverty and conflict.

1.7 Helping Nigeria to address these constraints is an important objective of DFID Nigeria's CAP, enabling DFID to focus the use of resources, curtailing non-strategic activities and prioritising our development efforts.

1.8 To maximize impact, DFID will adopt a three-pronged strategy under the CAP:

- supporting the Nigerian government's efforts, through NEEDS and SEEDS, to address the above constraints;

- implementing an issues-based approach, working with a broad range of stakeholders organisations Diaspora to support Nigerian-led coalitions including government, civil society organisations, trade unions, the media, faith-based groups, the private sector, and the Nigerian Diaspora, to reform the formal and informal rules that govern Nigeria; and,
- contributing directly to improved human development in areas such as health, education and HIV and AIDS.

1.9 Achieving reform in Nigeria will be a medium to long-term endeavour. The CAP provides DFID with a long-term framework that can extend beyond the lifetime of the current administration. It also has the flexibility to respond to potential economic and political changes in Nigeria without changing our strategic focus.

1.10 There are a number of important themes that cut across all our work in Nigeria. These include: conflict; environmental sustainability; gender; vulnerability; HIV and AIDS; voice and rights. We will incorporate these themes throughout our programme and activities.

1.11 DFID will work to harmonise donor efforts in support of NEEDS and SEEDS. DFID has close working relationships with all the main development partners operating in Nigeria – the World Bank, the United States Agency for International Development (USAID), the European Commission (EC) and the United Nations agencies. Much of our programme will be implemented through joint initiatives.

1.12 DFID will work cooperatively with other UK government departments. We will work with the Treasury to coordinate an appropriate response to Nigeria's debt. On financial crimes and stolen assets, DFID will work with the Foreign and Commonwealth Office (FCO), Home Office and the Treasury. Counter-terrorism has become an important issue for the FCO, and DFID will work closely to ensure that the development and poverty dimensions are addressed. The FCO will focus attention on energy security in the Niger Delta, and DFID may complement this work through development assistance and conflict reduction work.

<sup>5</sup> Heymans, C. and Pycroft, C. Nigeria: Drivers of change – A Preliminary Overview, August 2003.

<sup>6</sup> Dutch disease is the deindustrialization of a nation's economy that occurs when the discovery of a natural resource raises the value of that nation's currency, making manufactured goods less competitive with other nations, increasing imports and decreasing exports.