

C. Risk analysis

- 3.1 The greatest challenge to the implementation of Nigeria's poverty reduction strategy (NEEDS) remains the government's capacity. The NEEDS agenda is owned within the federal cabinet and has strong political backing from the President. However, there is only a relatively small team of competent civil servants. At state level, commitment and capacity often remain weak.
- 3.2 President Obasanjo's term will come to an end with the next elections in 2007. There is a brief window of opportunity for lasting and sustainable reform to take hold. The President and his team are well aware of this, and are determined to leave an important legacy.

- 3.3 Given Nigeria's deeply entrenched constraints, there is a strong likelihood that the NEEDS process will be disrupted and less effective than envisaged. There is the risk that a less effective NEEDS process will not translate into poverty reduction. DFID will reduce this risk through a three-pronged strategy, focusing on basic service delivery, support to NEEDS and support to coalitions of interests that promote long-term change.
- 3.4 The NEEDS document states that, "Corruption and the abuse of positions and privileges have long been features of Nigeria's economic and political landscape."²³ Some progress has been made by the government to tackle gross corruption in the public service (through the work of the Independent Corrupt Practices Commission, the Economic and Financial Crimes Commission, and the 'Due Process' initiative) and in the transparency and



Rapid progress in reducing poverty depends on improved access to basic services.

23 NEEDS, 2004, p. 100.

24 World Development Indicators. 2033.

25 The World Bank, JIS, 2004, p. 4.

management of extractive industries' revenues (through Nigeria's early adoption of the Extractive Industries Transparency Initiative).

- 3.5 However, there is much further to go. Corruption and weak accountability remain threats to accelerated poverty reduction. DFID and the international community will work with the government, civil society and the private sector to support anti-corruption initiatives. The Extractive Industries Transparency Initiative (EITI) and the newly established Oil and Gas Account Unit will be key focal points for DFID Nigeria's anti-corruption approach.
- 3.6 Nigeria is confronted by an advancing HIV and AIDS epidemic. A life expectancy of 49 years in 1991 had fallen to 45 years by 2002. Strong leadership for action from the President needs to be harnessed into concrete multi-sectoral action underpinned by the federal government's commitment to the three 'ones' – one HIV and AIDS strategy, one multi-sectoral coordinating body, and one monitoring and evaluation framework.
- 3.7 Rapid progress in reducing poverty and achieving the MDGs is dependent upon improved access to basic services – particularly education, water and sanitation, and health. The federal government has prioritised health and education, with 20% of federal expenditure earmarked for these sectors, an increase of 12% in comparison with the previous administration²⁵ Given the size of population, this is a limited investment, with relatively little donor money. Estimates suggest that achieving the 'Education for All' MDG by itself would require an additional \$650 million a year.
- 3.8 However, funding is only one part of the problem, and attention needs to be given to improved systems, financial management, and training of health practitioners and teachers. The international community seeks to put more resources directly into primary education and primary health care, while supporting the development of sectoral strategies within NEEDS and SEEDS.
- 3.9 Data in Nigeria is often unreliable and highly politicised, making monitoring a serious challenge. Nigeria's universities, once the best in Africa, are now unable to provide quality analysis and research. DFID, with other members of the international community, will work to

improve the government's capacity to collect and use social and economic statistics, and develop research capacity to produce data on poverty and the economy that is gender disaggregated and accessible.

- 3.10 There is currently a high risk of donor funds being misspent, but concerted efforts by the government to address corruption, control the macro-economy and reduce state-level discretionary expenditure should reduce this risk over the period of the CAP. Towards the end of the CAP there may be an opportunity, within specific sectors or within specific states, to begin poverty-reducing budget support.
- 3.11 Nigeria remains a country with persistent localised conflict. The extraction of oil in the Niger Delta provides a particular focus but there is the potential for violence to flare almost anywhere in the country in response to specific political, economic, and social triggers.
- 3.12 Conflict is a symptom of poor security services, limited conflict mitigation mechanisms (politicians often fail in this role), poverty, competition for resources (especially land). Leaders manipulate violent conflict as a technique to retain, or compete for, access to economic and political power. Conflict may be used, fermented through 'proxies', to disrupt the government's reform initiatives if the reforms threaten the status quo.²⁶
- 3.13 Violent conflict dramatically reduces the potential for economic activity, reducing the opportunity for non-oil sector growth, exacerbating unemployment and poverty, and creating a new generation of disaffected youth that are easy to manipulate into violence for political ends.
- 3.14 Everyone, including DFID, underestimated the challenge Nigeria confronted in 1999 and was over-ambitious in the timeframe for reform. DFID, and other development partners gave insufficient attention (and resources) to tackling deep-seated constraints blocking pro-poor change. There was an assumption that the transition from military to civilian rule would create the necessary political space, and political will, for significant pro-poor reform.