The Nigerian Paradox : Is it fading away?

The Organisation for Economic Co-operation and Development (OECD) referred in 2007 to the Nigerian Paradox: catastrophic poverty in a country brimming with natural and human resources.

The return of democracy in 1999 and the 2003 re-election of President Olusegun Obasanjo ushered in an era of strengthening democracy at the federal level and economic improvement. The World Bank, for example, returned to operate in Nigeria in FY2000 and a crackdown on corruption has led to the seizure of $5 billion in assets for the state.

In 2007 Umaru Yar'Adua was elected president and Nigeria’s record of three elections in a row without a coup d’état became a cause for celebration in sub-Saharan Africa – and perhaps a reason to invest.

“The interest in our economy is rising from the stability that we have achieved from a political and macroeconomic level,” says **Emeka Onwuka** (seen right), the managing director and CEO of Nigeria’s Diamond Bank, one of 25 banks that survived the government’s banking reforms of 2004 aimed at merging Nigeria’s 89 undercapitalised financial institutions.

Onwuka, an accountant who worked at Arthur Anderson before joining Diamond Bank in 1992, was named managing director in 2005.

Nigeria has had more than its share of problems. One of the most populous countries in Africa with at least 140 million residents, it has a wealth of oil, but its record has been one of military dictatorships and economic failure.

In a country assistance evaluation, the OECD spoke of the ‘stagnation’ of the country’s per capita GDP – it had fallen slightly to $430 in 2004 from $444 in 1977. Poverty though had increased substantially.

However, the groundwork laid by federal reforms has begun paying off in the past several years. After his re-election in 2003, President Obasanjo concentrated on economic reforms, breaking a link between oil prices and government spending that had prevented the country from building up reserves. Between 2003 and 2006, the OECD says foreign reserves increased fivefold to about $38 billion.

At the INSEAD Leadership Summit 2008, Onwuka spoke about his country's economic outlook in a plenary session called '*Engaging with Africa: can business leaders afford to ignore this continent?*' For him, Nigeria has turned the corner and is now an interesting country for foreign investors.

From 2003 to 2006, Nigeria's GDP growth averaged 7.1 per cent per year, which included similar growth from the non-oil sectors.

"On the macro level, we have achieved stability in the past five years," says Onwuka.

"Currently our foreign reserves are at about $60 billion, enough to fund about 36 months of imports. GDP last year achieved a growth of about 6 per cent, the year before about 5.6 per cent or thereabouts … this year we believe we will achieve about 7 per cent. As a matter of fact, the economy has the capacity to grow at double digits."

Thanks to oil, "we are almost debt free in the country," Onkuwa, says. Non-oil revenue is playing a bigger role. "As a matter of fact," he says, "the major contributor to GDP is agriculture, at about 42 percent of GDP."

The challenges to the economy, "are the ones we are used to: the inadequate infrastructure that we have in Africa and in Nigeria," he says. "Power is an issue, road infrastructure is an issue, public transportation … is not adequate."

Other issues are the enforcement of contracts and a national ID system, contributions to the infrastructure required "to enable the banking industry to play the role that is theirs to play: access to capital, access to funds. The challenges are currently being addressed by both the government and the private sector as well."

Onkuwa also knows there's a market for foreign investment in non-oil industries. His own bank last year offered $100 million of a $500 million capital expansion to foreign investors and in January his bank was listed on the London Stock Exchange.

Find article at

https://knowledge.insead.edu/economics-finance/nigerian-paradox-it-fading-away