Nigeria Case-Study – A Rapidly Developing NEE (Newly Emerging Economy)

- Some LICs and NEEs are experiencing rapid economic development which leads to significant social, environmental and cultural change.
- Nigeria, a rapidly developing NEE in Africa, is a country where this is happening.

**The Location And Importance of Nigeria**

- Nigeria is a former colony of the UK that is in Sub-Saharan West Africa, bordering Benin, Niger, Chad and Cameroon.
- It is growing rapidly as a country both economically and in terms of population (it is already the most populous African country – 167 million people).
- Many people around the globe think that Nigeria could become Africa’s global superpower if it can overcome the many problems/barriers that limit its development.
- It already has the continent’s biggest economy, a huge military budget and is active in the West African and African continent.

**Climate of Nigeria:**

- Nigeria’s location in the tropics has given it a tropical hot climate, with the south of the country typically experiencing warm, wet conditions (the most productive farming in Africa takes place here), but with the north experiencing desertification (is demi-desert) due to hot, dry conditions in the Sahel.
- Temperatures in Nigeria vary according to its 2 seasons of the year (the dry season and the wet, cloudy season), as with other lands found in the tropics.
- The dry season, which lasts from October until April, is determined by high temperatures and low humidity (atmospheric moisture), and is affected by warm, dry and dusty north-easterly trade wind winds blowing from the Sahara Desert in the north (thus lacks moisture) over West Africa, into the Gulf of Guinea in the Atlantic Ocean.
- The other 5 months of the year is the wet season, beginning as warm, moist/humid Atlantic air (known as the southwest monsoon) invades the country. Rains start in the south of Nigeria and then they travel northward, with the majority of the country seeing the most rain in May, June, or July.
Throughout the year, average temperatures in Nigeria fall between 23°C and 31°C. However, temperatures can rise as high as 43°C during the peak of the dry season, and drop to 5°C in lows of the rainy season. The dry season thus has generally higher temperatures, due to no convection rainfall to cool the afternoon heat.

Throughout the year, average precipitation along the south coast (lying on the Gulf of Guinea) varies from about 18 mm in the west to about 43mm in certain parts of the east. The coastal regions thus see a shortened dry season, due to being closer to the moist ocean winds. Inland, average rainfall decreases to around 13mm over most of central Nigeria and only 5mm in the extreme north, in the Sahel’s dry desert climate.

**Current Economic Situation & Global Importance:**

- In 2014, Nigeria became the 21st largest economy in the world and overtook South Africa to become the largest economy on the African continent.
- Nigeria is rich in oil (providing 2.7% of global oil) and thus primary industry accounts for 75% of Nigeria’s government money. This was the basis of its initial development. However, the rapid economic growth (over 7% per year since 2009) is found mostly in the non-oil sector, through Nigeria’s growing move to the secondary + tertiary industry.
- Nigeria is therefore making increasing amounts of money from manufacturing (producing tangible goods) and a diverse range of services, including financial services, telecommunications and media.
- Also, the inclusion of Nigeria in the MINTS grouping (an acronym for the countries considered to show strong economic growth and thus provide high returns for hedge fund investors over the coming decade), has meant that Nigeria’s appeal has significantly increased for many foreign TNCs. Thus, the steadily increasing foreign direct investment (FDI) that Nigeria will receive over the coming years is likely to further boost its economy.
- HOWEVER, despite this wealth:
  - Nigeria has a ¼ of Africa’s extreme poor people and more than 100 women die every day from complications during pregnancy & childbirth.
  - Over 2,000 children under 5 die every day from preventable diseases and 8.5 mil children do not go to school (the most of any country in the world).
  - There is huge wealth inequality, with GDP per person varying greatly across the country – it is generally highest in the south and lowest in the north.
- These are the limiting factors/ barriers to Nigeria’s development that, if overcome, could dramatically boost its economy, share the wealth more equally and make it the dominant country in Sub-Saharan Africa.
- By 2040, it is predicted that:
  - Nigeria will be the 4th most populous country in the world after India, China and the USA, with population projected to grow from 170 mil in 2014, to 320 mil (almost double).
  - Nigeria’s GDP (gross domestic product) will grow from $525-billion in 2014, to $4.2-trillion.
• The increased population could provide an increased youthful workforce, and a huge domestic consumer market for its goods, similar to China’s current situation.
• However, the limiting barriers to Nigeria’s development will need to be overcome to achieve this.

Current Cultural Context:
• With such a diverse population, Nigeria enjoys a rich & varied culture:
  ➢ Nigerian music is world famous, e.g. many continue to enjoy the music by the Nigerian musician Fela Kuti (now deceased), thought to be the pioneer of the Afrobeat music genre.
  ➢ Nigeria’s ‘Nollywood’ is the 2nd largest film industry in the world, ahead of ‘Hollywood’ and behind “Bollywood”.
  ➢ Nigerian literature writers, such as Wole Soyinka and Nnedi Okorafor, are internationally renowned.

Table of Nigeria’s Measures of Development Compared With Other African Countries:

<table>
<thead>
<tr>
<th>African Country (Population)</th>
<th>HDI (Value Between 0 and 1, and out of 188 countries)</th>
<th>Total GDP ($)</th>
<th>GDP Per Capita ($)</th>
<th>Fertility/ Birth Rate (Per Woman)</th>
<th>Death Rate (Per 1000 of Population)</th>
<th>Infant Mortality Rate (Per 1000 of Live Births)</th>
<th>People Per Doctor (Per 1000 of Population)</th>
<th>Adult Literacy Rate (% of Adult Population)</th>
<th>Average Life Expectancy (Years)</th>
<th>Access To Safe Water (% of Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria (182.2 million)</td>
<td>0.527 (ranked 152)</td>
<td>$468.8 billion</td>
<td>$2,640</td>
<td>5.65</td>
<td>12.7</td>
<td>66.2</td>
<td>0.395</td>
<td>57%</td>
<td>53</td>
<td>69</td>
</tr>
<tr>
<td>South Africa (54.96 million)</td>
<td>0.666 (ranked 116)</td>
<td>$312.8 billion</td>
<td>$5,691</td>
<td>2.36</td>
<td>9.6</td>
<td>32</td>
<td>0.77</td>
<td>87%</td>
<td>57</td>
<td>93</td>
</tr>
<tr>
<td>Egypt (91.51 million)</td>
<td>0.691 (ranked 111)</td>
<td>$330.8 billion</td>
<td>$3,614</td>
<td>3.34</td>
<td>6.1</td>
<td>19.7</td>
<td>0.81</td>
<td>74%</td>
<td>71</td>
<td>99</td>
</tr>
<tr>
<td>Kenya (46.05 million)</td>
<td>0.555 (ranked 146)</td>
<td>$63.4 billion</td>
<td>$1,376</td>
<td>4.33</td>
<td>8</td>
<td>36</td>
<td>0.2</td>
<td>78%</td>
<td>62</td>
<td>63</td>
</tr>
</tbody>
</table>

Importance of Nigeria in Africa:
• Since 2014, Nigeria has had the highest GDP in Africa – $468.8 billion with immense growth potential. It also has now the 3rd largest manufacturing sector in the continent.
• Whilst Nigeria does have the highest levels of farm output in Africa too, there are huge issues with land ownership and most farmers are still subsistence (70% of all Nigerians work in agriculture at a subsistence level).
• There are also 19 million cattle in Nigeria, which is by far the largest in Africa. However, despite the good climate and high quality soils in the south, it is difficult to keep cattle here due to the tsetse fly, which is a pest unique to Africa that transmits a parasite lethal to livestock. Cattle therefore tend to get grazed on the poorer quality lands to the north.
• Nigeria also enjoys an advantageous position as a hub of Western Africa, with major port cities (like the westerly coastal city Lagos) controlling large portions of trans-Atlantic trade with both North & South America, and Western Europe.
• US President Barack Obama even famously said “Nigeria is critical to the rest of the continent and if Nigeria does not get it right, Africa will really not make more progress”.
• Nigeria thus clearly has the potential to be the dominant country in Sub-Saharan Africa.
Growing Foreign Investment Into Nigeria & Nigeria’s Growing Global Importance:

- As Nigeria becomes more and more important within Africa, many developed countries worldwide are starting to make major investments/FDI into Nigeria too. Greater investment and thus employment is creating a positive multiplier effect in Nigeria and, in turn, also increasing Nigeria’s global importance.
- The USA is the largest foreign investor in Nigeria, with many U.S. companies looking ahead to the potential of a large, growing consumer market emerging in the country. General Electric and Symbion Power are making major investments in the construction of new power plants throughout the country. Procter & Gamble is also making a major investment in manufacturing there and Wal-Mart, IBM, Microsoft and Oracle are starting to become much more engaged in Nigeria too.
- South Africa is another major investor in the Nigerian economy, with their businesses + banks also viewing Nigeria as a major market!
- China is too making major investments into Nigeria, particularly in construction in Abuja (the capital) as well as elsewhere in the country. China has already invested a total of $22 billion worth of projects in Nigeria, and another $23 billion worth of projects are on-going. The projects have included oil-related investment (such as the construction of oil refineries) and other infrastructure-development projects (such as the modernisation of Nigeria’s railways networks).

Nigeria’s Changing Industrial Structure

- In the 1950s, when oil was discovered in the Niger Delta (the delta of the Niger River sitting directly on the Gulf of Guinea in the Atlantic Ocean), Nigeria’s economy changed from being almost entirely dependent on agricultural products (cocoa, timber, palm oil, groundnuts and cotton) to an oil-based economy.
- Today oil accounts for roughly 98% of all Nigerian export earnings and makes up 14% of its total GDP. However, the oil industry’s contribution to Nigeria’s GDP has begun to decrease and its economy is shifting to the secondary and tertiary-based sector. DESPITE THIS, it’s very important to remember that Nigeria economy is still heavily dependent on oil extraction (14% is significant – it’s the 25th most dependent-on-oil economy).
- In 2014, it had been 24 years (= 1990) since Nigerian authorities last updated their approach to calculating GDP – a process known as ‘rebasing’ that developed countries typically carry out every 5 years. However, when the Nigerian government finally did this process again in April of that year, the country’s GDP (the market value of all finished goods & services produced in a country) soared to almost double overnight!

![Diagram showing Nigeria's GDP composition by sector before and after rebasing](image)

The above table clearly demonstrates the declining growth in the agricultural sector, and increasing growth of the industrial and tertiary (services) sectors, of Nigeria’s economy.
Between 1999 and 2014:

- Agriculture’s share in Nigeria’s GDP has decreased from 35% to 22%.
- The oil-extraction industry’s share in Nigeria’s GDP has fallen from 40% to 14%.
- The manufacturing industry’s share in Nigeria’s GDP has steadily grown from 4% to 7%.
- The services sector of Nigeria’s GDP has dramatically increased from 27% to 52%.

This highlights rapid economic growth, as Nigeria has rapidly changed from an agricultural and oil-based economy to a growing industrial and services-based (tertiary) economy.

The oil-extraction sector has declined due to low wages for workers compared with other sectors (although it still generates a lot of money from the government taxation of the TNCs that run the extraction operations) and the recent government’s attempt to diversify their economy/GDP composition, especially due to the uncertain fluctuating prices of oil such as the oil price collapse that began in mid-2014, which forced TNCs to cut investment worldwide, including in Nigeria. The sector has also declined due to the positive multiplier effect that the TNCs (who run the oil extraction) cause, as it has stimulated the growth in services.

Although 40% of Nigeria’s population are still employed in agriculture, the reliance on crude oil has significantly decreased the importance of the agricultural sector. However, the agricultural sector has mainly declined due to an increase in mechanisation, making farming more efficient in Nigeria, and thus freeing people to work in manufacturing. Increased manufacturing productivity in turn means people begin to spend more of their money on manufactured goods, rather than agricultural goods and this further contributed to more workers leaving agriculture due to better pay + conditions in this industrial sector. The government becoming more stable has also contributed to this manufacturing base being steadily built.

Employment in construction, motor manufacturing, sugar refining, paper production and pharmaceutical manufacturing has seen considerable increases in Nigeria. Incomes of these factory workers are higher than their previous agricultural wages and so more people have begun to spend their excess money into services and, through the positive multiplier effect, the demand of the tertiary sector has thus significantly grown in Nigeria, in the last decade.

With the services industry thus dramatically increasing, it is now contributing over 50% to Nigeria’s GDP. The sector has particularly seen large gains in communications, retail and finance and these areas have also attracted considerable FDI, notably from China and the USA.

Despite these changes Nigeria still remains a divided country (as the diagrams below show). This is because, although services are generating high amounts of money, many people still work in farming, and wealth is thus not well distributed between the very wealthy and the very poor (approx. 60 mil people live below the national poverty line, and a further 60 mil people live not far above it). Also, more than 60% of those living in poverty are in the north and more than 3/4 of those in poverty are estimated to be in rural areas.

**The changing Economic structure of Nigeria**

As illustrated above and also in one of the following diagrams, although the tertiary sector is by far the largest contributor to the Nigerian economy, there are still only 50% of Nigerians who are actually employed in this sector. The other 50% of Nigerians are thus still employed within the primary and secondary sector. HICs tend to have at least 65% (but usually 70% or more) employed within the tertiary sector.
How The Manufacturing Industry Can Stimulate Economic Development & The Role TNCs Play In This:

- Manufacturing is a very important sector of an economy because it’s with manufacturing (i.e. secondary industry) that primary goods such as food stuffs (e.g. cocoa) or minerals (e.g. iron ore) are processed into usable tangible goods such as chocolate or steel.
- This is especially important for many LICs and NEEs because the price they receive for their primary goods is often low and fluctuates a lot on the world market. Secondary goods command a higher price so, with manufacturing, the country can raise its GDP.
- The diagram below shows how manufacturing can stimulate the economy through a full POSITIVE MULTIPLIER EFFECT. E.g. If an industry, such as the oil industry in Nigeria’s Niger Delta, invests in manufacturing plants (such as an oil refinery like the Warri Oil refinery in Nigeria) there can be many knock-on beneficial effects, such as the creation of jobs within the factory and other services needed to help run the factory (e.g. caterers and cleaners).
- Manufacturing can thus increase the tertiary industry too, including because of workers spending their money on local businesses & services.
- This explains Nigeria’s increase in secondary and thereby tertiary industry.
- There are often many TNCs involved in this process. In Nigeria, this includes Shell, Unilever, Nestle, Volkswagen, Michelin and KFC.
- A TNC (Transnational Corporation) is a large company that operates in several countries. The headquarters and areas of research, development and product innovation are in the country of origin and branch plants of factories are operated in other countries (mostly poor) around the world, where comparative advantages such as cheap raw materials, cheap environmental costs (e.g. little environmental regulations and fines) and cheap labour can be exploited.
- Nigeria is attractive to many TNCs because of the large consumer market on offer and the lower labour costs.
- About 40 TNCs operate in Nigeria and most have their headquarters in the USA, UK or Europe, although more Chinese TNCs are starting to invest in Nigeria too.
- Shell is a massive British-Dutch TNC that operates in many countries around the world and extracts + refines some of its oil in Nigeria. Extracting the oil is a primary industry but Shell also refines the oil which is a secondary manufacturing industry and they also sell the finished products, which is a tertiary service.
- Shell’s work in Nigeria produces more than 21% of the country’s total petroleum (i.e. crude oil) production from more than 80 fields.
- However, Shell’s operations in Nigeria brings both advantages and disadvantages to the country:

<table>
<thead>
<tr>
<th>Advantages of TNCs (Such As Shell) Working in Nigeria:</th>
<th>Disadvantages of TNCs (Such As Shell) Working in Nigeria:</th>
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<tbody>
<tr>
<td>Major contributions are made in taxes from Shell, and the taxes the Nigerian gov’t receives from Shell are further increased due to Shell’s exports, which increase Shell’s revenue and thus the taxes they pay. The taxes the gov’t earn from Shell, help the country to develop by the money being used to help the citizens, e.g. through the gov’t improving healthcare, infrastructure or education.</td>
<td>There an estimated 15 million child workers in Nigeria and several TNCs have been known to use child labour in their factories – Shell may be part of this. In addition, the jobs provided by Shell aren’t entirely secure: workers could lose their jobs instantly, without warning, if Nigeria demands higher wages as they develop. This is because Shell could quite easily set up somewhere cheaper, just like they have on several previous occasions and just like why they located in Nigeria in the first place!</td>
</tr>
<tr>
<td>65,000 workers in Nigeria are directly employed by Shell and 250,000 workers are indirectly employed, in related industries (e.g. services where products are available for sale to Shell). The employed workers are also developing new skills that could help them advance their career and gain a better job in the future.</td>
<td>Oil flares (a gas combustion device used in petroleum refineries) give out toxic fumes, which harm the environment and are hazardous to human health. It is also cheaper for TNCs, like Shell, to continue the process of flaring in Nigeria and pay the insignificant resultant fine than to re-inject the fumes back into the oil wells. So, there is no economic incentive for them to stop.</td>
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<td>91% of Shell contracts go to Nigerian companies, meaning lots of local companies help them run and so money is spent in the economy, creating a positive multiplier effect for the country. Smaller and medium sized local companies can thus often benefit + grow too.</td>
<td>Well-paid management positions are often taken by foreign employees of the TNC and, as Nigeria lacks experience in the industrial sector (due to being relatively new to it), it’s very likely this is the case with Shell there too. This means only the poorly-paid jobs are open to Nigerians.</td>
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<tr>
<td>The energy sector has experienced rapid growth in Nigeria, as a result of Shell’s operations.</td>
<td>Shell have been accused of human-rights abuses, through crimes allegedly committed against the Ogoni people in the Niger Delta.</td>
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<tr>
<td>TNCs often have charities to help the people of the countries they work in, and Shell has the ‘Shell Foundation’. They aim to help sustainability &amp; biodiversity in Nigeria and also help local communities.</td>
<td>Shell’s employees in Nigeria often work for long hours (e.g. 12+ hours) and in poor conditions. They’re also paid poorly – much less than Shell employees in HICs, even though they tend to do much more higher-intensity jobs.</td>
</tr>
<tr>
<td>TNCs, like Shell, have also allowed the import of new technologies into Nigeria, improving the country.</td>
<td>Several oil spill incidents (involving Shell in Nigeria) have polluted the environment, through water pollution and soil degradation. Agriculture and fishing industries have therefore suffered too.</td>
</tr>
<tr>
<td>Component firms have sprung up to manufacture for the large TNCs that have invested in Nigeria.</td>
<td>Militant groups have frequently targeted oil supplies (including TNC’s supplies, such as Shell’s) in the Niger Delta and the problem of this sabotage remains today. These attacks have the potential of resulting in drastic oil spills. Oil theft is also a major problem.</td>
</tr>
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<td>The profits from Shell’s (and other TNC’s) production in Nigeria go straight back to the headquarters in the HIC (after taxation) and thus the majority isn’t reinvested back into Nigeria. Therefore, there is ‘economic leakage’ as profits are taken abroad.</td>
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<tr>
<td>Many argue that gov’t funding (e.g. grants &amp; subsidies) to attract TNCs in the first place (such as Nigeria’s funding to attract Shell) is counter-productive as it could’ve been invested independently into industry, and thus all profits generated would remain within the country – there’d have been no ‘economic leakage’.</td>
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How Nigeria Is Changing

Nigeria’s Changing Political & Trading Relationships With The Wider World:

- Nigeria has experienced a number of changes in its political & trading relationships with the wider world and has moved on from its days as a Commonwealth country, occupied by the UK.

Nigeria’s Current & Changing Political Links:

- In 1960, Nigeria left the British Empire and gained independence. However, subsequent power struggles & political issues led to a series of dictatorships and a civil war between 1967 – 1970:
  - The 3 largest ethnic groups in Nigeria are the Hausa + Fulani (29%), Yoruba (21%) and Igbo (18%).
  - In 1967 the Igbo dominated south, tried to separate from Nigeria and a 3 year civil war broke out.
- The country has thus only had a stable government since 1999, with its first free and fair elections in 2011 and 2015. (With this relative political stability has also come the FDI that Nigeria receives, particularly from China and the USA – e.g. General Electric’s power plant construction.)
- After gaining independence, Nigeria also became a member of the Commonwealth and, whilst relations have often been strained, Nigeria still recognises the English Queen as head of the Commonwealth.
- Nigeria is also a key member of the African Union and, along with Niger; Chad; Benin and Cameroon, it provides many troops for African peacekeeping duties.
- Nigeria has also stepped up its involvement in international affairs, with the country ranking as the 5th largest contributor to UN peacekeeping missions in 2014 and recently served a temporary seat on the UN Security Council in 2014-15.
- Nigeria is additionally a member of ECOWAS (Economic Community of West African States) and CEN-SAD (Community of Sahel-Saharan States), with both organisations having similar aims: to achieve “collective self-sufficiency” for its member states by creating a single large economic + trading bloc (i.e. union)
- Nigeria is also a member of OPEC (Organisation of Petroleum Exporting Countries, with OPEC’s main aim being to: “unify the petroleum policies of member countries and thus ensure the stabilisation of oil markets, in order to secure an efficient, regular supply of petroleum and a steady income to producers”.

Nigeria’s Changing Trade Relationships:

- Over 75% of Nigerian imports come from the EU, the USA and China. Also, with Nigeria being the 7th highest user of mobile phones in the world (due to their huge population), one of its main imports are Chinese mobile phones.
- Over 75% of Nigerian exports go to the EU, the USA, India and Brazil. Nigeria’s main exports are petroleum; natural gas; rubber; cocoa and cotton. Australia and Indonesia are the 2 biggest importers of Nigerian cotton.
- Despite membership of 2 African trading unions, Nigeria only trades significantly with the African countries of Ghana and The Ivory Coast.
- However, Nigeria’s trading relationships are changing:
  - Between 2010 and 2014, The USA went from purchasing 43% of all Nigerian oil to just 3%, mostly due to its emerging fracking/shale oil industry, making the USA less dependent on foreign countries for its oil needs.
Also, between 2013 and 2014, oil exports to India; China; Japan and South Korea increased by 40% to make up for the loss to the USA. However, Nigeria are very likely to have sold the oil at cheaper prices in order to make their proposition more attractive to these countries.

- Additionally, although the Commonwealth does not have a multilateral trade agreement, research by the ‘Royal Commonwealth Society’ has shown that, on average, trade with another Commonwealth member is up to 50% more than with a non-member. Also, statistically, African members of the club are very noticeably better off than their non-Commonwealth neighbours. This is one reason why the African country Rwanda (which was colonised by Germany & Belgium; not Britain), nonetheless joined the club. Thus, in being part of the Commonwealth, Nigeria also clearly benefits in terms of trade and its trading relationships.

**Nigeria’s Foreign Aid:**

- Aid can be defined as ‘assisting people’ and there are 2 main types of aid: emergency aid (provision of food & water, medical supplies and shelter after a natural disaster or conflict) and developmental aid. Nigeria receives developmental aid.
- Developmental aid is long-term support given by NGOs, foreign governments or world organisations who aim to improve the quality of life, e.g. by providing safe water or improving education or infrastructure.
- Nigeria is Africa’s largest economy; but it’s not a rich or equal country. Thus, in spite of its rapid economic growth, Nigeria is still heavily reliant upon foreign developmental aid and receives about 4% of all aid given to African countries.
- In 2013, Nigeria received almost $5000 million in developmental aid, representing 1% of its GDP. The funding came from countries like the US, the UK, international organisations (such as the World Bank) and some charities + NGOs.
- The reasons why Nigeria receives international aid include:
  - Oil exports indeed provided £30.9 billion of government money (in 2012), but (due to several factors including government corruption & Nigeria’s huge population) this still only brings £183 per person, per year! In fact, almost 100 million Nigerians live on less than £1 per day!
  - Particularly in the NE of the country, birth rates and infant mortality rates are high while life expectancy is low.
  - Safe water and electricity supplies are still a serious barrier in Nigeria, although several TNCs have begun to invest in the construction of new power plants and thus are somewhat alleviating the country’s electricity generation issues.

**A Specific Example of Aid Given To Nigeria:**

- The community of Aduwan in Kaduna State, northern Nigeria did not have a health centre and their few health workers used the community’s only shop as a clinic.
- The area also had a high incidence of HIV/ AIDS and a high infant mortality rate.
- With funding from the World Bank (multilateral aid) and support from Action Aid (voluntary aid), a new health clinic was set up in 2010 – the ‘Aduwan Health Centre’.

![Sources of Bilateral & Multilateral Aid To Nigeria, 2014](chart)
- Local mothers are taught about the need to immunise their children against polio + other deadly diseases, by the clinic workers.
- Tests for HIV and other infections are provided.
- Children are immunised against polio (Nigeria is one of only 3 countries globally where infection of polio is still a significant problem).

The Allocation of Multilateral Aid To Nigeria, 2013 (By Sector):

The Impact of Aid To Nigeria:

<table>
<thead>
<tr>
<th>Benefits:</th>
<th>Drawbacks:</th>
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<tbody>
<tr>
<td>In 2014, the World Bank initiated a $500mil project for Nigeria, funding development projects &amp; providing long-term loans to businesses there. This helps reduce Nigeria’s over-dependence on oil exports.</td>
<td>Corruption in the Nigerian government and by individuals, is a major factor in the loss of Nigerian aid.</td>
</tr>
<tr>
<td>Aid (particularly from the USA) has helped to educate and protect many Nigerians from the spread of HIV/AIDS.</td>
<td>There have been numerous claims that some aid money has been diverted by the Nigerian government for other purposes, e.g. to build up their navy.</td>
</tr>
<tr>
<td>Aid (particularly from the ‘UK Department for International Development’) has funded + provided health education in the rural areas, which often hold lower priority to fund by the Nigerian government itself.</td>
<td>Donors sometimes have political influence about what happens to aid and thus the most vulnerable Nigerians aren’t always among those helped.</td>
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<tr>
<td>Aid (particularly from the NGO: ‘Nets for Life’) has provided education on malaria prevention to many Nigerians and distributed anti-mosquito nets to many households too.</td>
<td>Aid money can sometimes just be used to promote the commercial self-interest of the donor, rather than being spent on the most worthwhile causes.</td>
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<td>Aid (particularly bilateral aid from the USA) has provided specific support for the vulnerable Nigerian orphans and children.</td>
<td>Official aid to Nigeria, delivered through the government, has often been less successful/ effective than aid delivered directly to communities through NGOs (because of the above drawbacks).</td>
</tr>
</tbody>
</table>

By receiving aid, Nigeria could also become more dependent. This, in turn, could slow down its economic development.
Environmental Issues of Rapid Economic Development:

- In all rapidly developing economies, growth and prosperity bring about many significant benefits. However, they are almost always accompanied by huge environmental issues/impacts.  
- Nigeria’s development has had a lot of documented negative impacts on the environment.

Industrial Pollution:

- The fast unregulated growth of industry (there’s an estimated 10,000 illegal small-scale industries in Nigeria) has led to dramatically increased industrial waste, which is damaging groundwater supplies and ecosystems. The effects of this are particularly noticeable in Kano, Kaduna and Lagos.  
- The industrial growth has also resulted in many more industrial chimneys, which emit pollutants that cause respiratory & heart problems in humans.
- Desertification is a major problem in the north of Nigeria and is being worsened by new large-scale dams and irrigation schemes, which lead to over-irrigation and thus salinisation.  
- 70-80% of Nigeria’s forests have been chopped down for industrial growth, e.g. through logging.

Urban Growth:

- As Nigeria has developed, urban areas have grown rapidly too due to them having a greater share of public services & facilities (e.g. 60% of the children in urban areas attend secondary school but only 30% in rural areas). This fast rate of urbanisation has brought many negative environmental impacts:  
  - Squatter settlements have sprung up in the major cities like Lagos and Abuja, and are becoming common in most cities.  
  - Waste disposal has become a major issue, particularly in the squatter settlements.  
  - Traffic congestion in most Nigerian cities is leading to high levels of exhaust emissions.  
  - Some green belt areas and recreational areas are now being converted into building sites. E.g. The development of Abuja has resulted in areas of rich natural vegetation being replaced by concrete.  
  - With the high levels of farming, the extensive bush burning that has been undertaken (done by farmers to clear their land, in preparation for the planting season) has damaged vast amounts of trees and wildlife species.

Commercial Farming And Deforestation:

- Commercial farms often overwork the soil (due to inappropriate practices, e.g. over-irrigation) and land degradation has thus increased. This is particularly a problem in the semi-desert north.  
- Water pollution has worsened as pesticides + nitrates are being more commonly used to increase yields. These chemicals seep into water sources and pollute them.  
- The building of settlements + roads has led to deforestation, destroyed habitats and added to CO₂ emissions.  
- Due to deforestation, there has been a loss of biodiversity with many species having disappeared – such as cheetahs, giraffes and nearly 500 types of plants.

Mining & Oil Extraction:

- Tin and gold mining has led to soil erosion. The use of toxic chemicals in mining has also polluted local water supplies.
• Many oil spills in the Niger Delta have caused huge environmental issues. Oil spills can cause fires, also sending the greenhouse gas CO₂ and other harmful gases into the atmosphere. They can also contaminate water sources if the oil comes into contact with it and can cause acid rain, which damages plants and marine ecosystems.

• Some economic developments in the Niger Delta have even led to violent conflicts between local people over the environment.

Bodo Oil Spills (2008/09):
• In 2008-2009, 2 huge oil spills in the Niger Delta (for which Shell was responsible for) devastated the lives of 1000s of farmers & fishermen living in the swamps around the town of Bodo.
• Leaks in a major pipeline caused 11 million gallons of crude oil to spill over a 20km² area.
• In 2015, Shell thus agreed to pay £55 million to the community of Bodo as compensation. This is the largest ever compensation to a community as a result of environmental damage and goes to show the huge amount of environmental damage that must have taken place in order to warrant such a large pay-out.
• Also, although Shell had agreed to clean up the swamps and the fishing grounds too, no action has yet been taken.

Effects of Economic Development On The Quality of Life:
• Whenever a country develops it is expected that its quality of life will improve. Whilst this has generally happened in Nigeria, the country is extremely complex and the positive growth seen has not spread everywhere.

How The Quality of Life Should Improve With Development:
• More better paid, reliable jobs created in manufacturing industries or services (e.g. healthcare and education).
• Higher disposable incomes in society to spend on schooling, food, clothes and recreation.
• Improved education systems.
• Improved access to a better diet means higher productivity at work and in school.
• Improvements to infrastructure, such as roads.
• Better access to safe water and sanitation.
• Better-quality health care, with more doctors and better-equipped hospitals = better health too.
• Reliable electricity supplies, providing lighting and heating – easier to go out at night and continue working, and for children to do homework. It also allows for industrial production to occur at night.

Has Nigeria Benefited From Economic Development:

Yes:
• ‘Quality of life’ is commonly measured by the UN’s HDI (Human Development Index).
• Nigeria’s HDI has been steadily increasing since 2005 and this trend is expected to continue:
   In 2000, Nigeria was placed among the ‘least developed nations’ in terms of wealth and education and, in 2005, scored 0.466.
   However, by 2015, this had risen to 0.527. Thus, between 2000 and 2015 (over the past decade), Nigeria achieved one of the highest average HDI increases on the planet.
• Therefore, Nigeria’s HDI increase clearly shows an improving trend in the quality of life there and suggests that the country’s economic development, since 1990, has been the driving force behind this improvement of the quality of life.

• However, this dramatic increase in quality of life has not been equally witnessed across all areas of Nigerian society.

Those Who Haven’t Benefited:

• In spite of the rapid economic growth and the clear improvements, many people in Nigeria (60% of the population) are still very poor, living in “absolute poverty”. Limited access to reliable electricity supplies and safe water & sanitation still act as a major barrier to the country.

• 30 years ago, Nigeria was at a similar stage of development to Malaysia and Singapore. Since then, these 2 countries have moved far ahead of Nigeria, despite Nigeria’s huge oil revenues. Its oil wealth has not been used effectively and the gap between the richest and the poorest has increased dramatically.

• Corruption has also been a major factor in the widening of this gap and the oil wealth was not effectively used to diversify the economy. Now the price of oil has fallen and technology is leading to new developments of oil extraction elsewhere, for example shale oil extraction through fracking. Therefore, Nigeria’s over-dependence on oil could become a problem in the future.
  o However, the oil industry has already diversified into chemical by-products such as soaps, detergents and plastics and so the Nigerian government argue that their dependence on oil will indeed gradually decrease.

What Is Needed To Reduce Poverty & Increase The Standard of Living:

• Political improvements – A continued stable government to encourage FDI/ inward investment, is essential.

• Environmental improvements – The problems of environmental pollution in the Niger Delta by oil spills (which have often devastated the lives of the local Ogeni people); desertifying areas in the far north and tsetse fly infestations in the south (which restrict commercial livestock farming), must be addressed.

• Social improvements – Historical distrust remains between several Nigerian tribal groups, like the Yoruba and Igbo. There is also a religious divide between the predominately Christian south and Muslim north, with this (and also the economic inequality between the north & south) resulting in the rise of the Islamic fundamentalist group Boko Haram, most famously known for the kidnapping of 200 Nigerian schoolgirls in 2014 – the Chibok abduction. These terrorist acts have created an unstable situation in the country and thus have spread fear among Nigerians and also potential investors. Therefore, social divisions, both ethnic and religious, need to be addressed.