

## TRANSFORMING NIGERIA LECTURE

Delivered at the Ministry of Foreign Affairs, Abuja September 27, 2011

Your Excellency The President, Distinguished Guests, Ladies and Gentlemen. As you say here “all other protocols observed.”

Happy Birthday Nigeria! 51 this week. I hope that in 51 years’ time Nigerians will look back and say “Yes we did”, we reached our full potential after Nigeria really began to take off on 2011.

When I received the invitation to speak here today I felt overwhelmed. First of all I am a writer, not a speaker. Secondly I am used to explaining Africa to non Africans – that’s my role, not telling Africans what to do about Africa. There has been far too much of that.

What I shall try to do is to give an honest view of Nigeria’s strengths and weaknesses as an outsider who has known Nigeria and followed events here for more than three decades, visiting it many times in that period. I have watched its elections, visited all its main cities and many rural areas, and spent hours talking with and working with Nigerians here and in the United Kingdom.

In the same period I have visited almost all other African countries and have attended meetings about Africa in America and Asia. So I hope, as an independent observer, I can bring a critical overview and a comparison of Nigeria with other developing and emerging countries.

I will not flatter. It would be pointless for me to tell you that everything is fine and can only get better. I know there is a great tradition of praise singing here, a great art where a speaker is expected to list the magnificence of a country, the splendour of its achievements, the beauty of its people and the wisdom of its leaders. If that is required by protocol then, once again, all protocols observed.

Over the past three decades I have been here in times of hope and growth and in times that were not so good time. Sometimes Nigeria and other African countries seem to fail to do the easy and obvious things that make life better. That is when I feel like misquoting President Barack Obama: “YES WE CAN – But we don’t!”

Trying to find out accurate facts and figures for Nigeria for example is always difficult. I recall that The Economist once began a survey on Nigeria with the words – “All the figures in this article are probably wrong...”. Today who knows how many Nigerians there really are – to the nearest million – are you 160 million now? Or only 150 million?

The mid 1990s were probably Nigeria’s darkest days since the civil war. Getting into Nigeria then was very difficult for people like me from the journalist tribe. But I thought I would give it a go. I remember arriving at Murtala Mohammed airport, holding onto my bag tightly, refusing all offers of assistance and approached passport control. If you remember it used to be very dark and the immigration officials’ desks were high up so you felt like a lowly beggar asking a favour. The officer casually took my passport, then leant forward and looked down on me.

“Why you come to Nigeria?” he asked.

"I am a tourist" I said.

"No one comes to Nigeria as a tourist," he said. And tossed my passport to a policeman who escorted me onto the next plane back to London.

First the good news. Things have got a lot better since then. The VIP treatment I received when I arrived yesterday made me feel like... well a VIP. Thank you very much.

On a more serious note I would like to say that many Nigerians like to criticize their country with brutal honesty. That is a good thing. But I think many people, Nigerians and non-Nigerians overlook some of the very substantial successes. The most important one is Nigeria's very survival as a territory. As a nation state it is 51 in four days time and will have been a united territory for 100 years in two years time. That in itself is an extraordinary achievement. I will tell you why. What other country in the world has some 160 million people, more than 400 languages and is divided equally between the world's two main religions? No other nation state has that size of population with that diversity of cultures, languages and the religious divide. You agonise – rightly - about tribalism and religious intolerance but these are fundamental problems for all human societies. In Nigeria, as in all of Africa, old societies still subsist beneath the new states. Their power structures and links still exist and thrive, dictating politics, distorting resource allocation and sometimes thwarting progressive objectives. In Nigeria the problem of old societies in new states is immense and very difficult to manage.

We all regret outbreaks of violence but the fact is these local explosions – such as the recent trouble in Jos - have NOT resulted in partition or separation – like India and Pakistan did with horrific loss of life following partition in 1947. More than half a million people died then. When I get asked on TV and radio about what journalists like to call outbreaks of religious violence in Nigeria I make the point that the Christian Muslim divide covers all of West Africa and much of East Africa. If these battles were just about religion the whole of Nigeria, the whole of West Africa, and much of Africa, would be permanently in flames. In fact these wars all have local causes – usually about land - that happen to divide Christian and Muslim communities. These communities also find local solutions so these wars do not spread. Nigeria has not descended into chaos or broken up. But it could have done. It could have been a lot worse. Avoiding that fate is in itself is a remarkable human achievement by Nigeria, a miracle.

Secondly – and I am sure you all know and appreciate this – last April's election was the best I have witnessed or read about in Nigeria. I was at the 2007 elections. They were the worst I have ever witnessed. At one polling station I got shot at. At another I arrived to see a gang of thugs removing the half filled ballot box. When I asked them what they were doing they said: "we are taking it for safe keeping".

This time I was in Kaduna north on election day. People queued peacefully, men and women in separate queues. But they all watched very, very carefully what has being done by the supervisors. Everyone entered into the discussion about the correct procedure. At the end of the day I watched the ballot boxes being emptied out and the votes counted, each marked ballot held up for all to see and put in separate piles for each party. Then they were held up again and counted; One – One. Two – Two. Three – Three .... The crowd echoing the counter. This was the most transparent and serious election I have ever witnessed. It was the people's election and the people were not going to allow any politician, or corrupt official or paid thug to cheat them.

Thirdly – and most important – the strength of this country is the Nigerian people. A few years ago we at the Royal African Society began to engage with the African Diaspora in the UK. We drew up lists of all the leading Africans in Britain in every field - from business and banking to literature, music and art. In almost every field Nigerians took the top places. It wasn't just the numbers - the fact that Nigerians are one in four of all Sub Saharan Africans. As I say in my book *Africa Altered States Ordinary Miracles*:

“Nigeria’s 140 million plus people are a quarter of sub-Saharan Africa’s population and among them are astonishing talents. In business, law, science, art, literature, music, sport Nigeria produces phenomenally talented individuals as if its superheated society throws up brighter, hotter human beings than anywhere else. The leader who manages to harness and direct all that human energy will create a formidable country that will change Nigeria, Africa and the world.”

What I see here is that perceived or real unfairness in the system of resource allocation has led to fierce competition for success – or just survival. I would say that the competitive, creative spirit this creates is far more powerful than in any other country in the world- with the possible exception of China.

As Dr Chi-edu Osakwe of the World Trade Organisation put it in a recent book -  
“Ability for innovation, bold action, response to the challenge of external and domestic shocks and crises are evidence of the capacity of the managerial class to contribute to the construction and consolidation of the modern Nigerian state and its stabilization”

For years people have been talking about Nigeria’s potential. Yes– on paper Nigeria does have everything that human beings need to thrive. At the time of independence the map of Africa was depicted in one cartoon as a giant breaking his bonds. It didn't happen then but it could now. I called my Chapter on Nigeria “Look Out World!” because if Nigerians started working together instead of against each other and Nigeria got its act together, just think what this country, this continent might be like.

So what holds Nigeria back?

Oil - The curses of oil.

Firstly its Midas effect on the economy. King Midas – the King who was given the ability to turn everything he touched into gold. He starved to death. When he touched food and drink they turned to gold.

Did oil make this country rich? No. On the contrary. At independence Nigeria had a trade surplus with UK and substantial reserves. In 1970 oil was only 60% of exports. By 1982 it was 99% of exports and almost the same proportion of fiscal revenue. Almost all other exports cocoa, rubber, cotton and ground nuts had been wiped out.

Between 1970 and 2001 per capita income fell from \$264 per person to \$256 in constant dollar rates. By 2000 Nigeria had become an oil rich, deeply indebted country and the vast majority of Nigerians had become poorer.

So oil is a curse. Pity Ghana and Uganda – two countries which are also cursed with oil. It doesn't have to be a curse however. It is possible to use it successfully so that this one off – irreplaceable - asset is invested for future generations in education and infrastructure. Indonesia for example has oil and a similar history of military dictatorship – both began in the 1960s and ended in the same year but when Abacha died Nigeria's output was 33.4 billion dollars a year after a 2.5% average growth rate. Non-oil exports were only 5%. Indonesia's output was 221 billion dollars and a 7% growth rate. Manufactured goods counted for 40% of exports. Adult literacy in Indonesia was 90%. In Nigeria it was only 60%. Was the only difference that Indonesians under Suharto believed in Indonesia and invested in it? - While Nigeria's rulers did not believe in Nigeria?

Take a look at Angola though - a very corrupt one party state with the same government in power since 1975. But the government made one very smart move. They ring fenced the oil from political interference. The state-owned oil company Sonangol is one of the best run oil companies in the world – now moving into oil exploration and development in many other parts of Africa and becoming a global player in its own right.

Secondly the curse of oil prevents democracy. No big oil producers are democratic except where democracy is already entrenched. Elsewhere oil is anti democratic because governments are dependent on oil companies for their revenue not on the taxes paid by the people. Instead of voters choosing to reward politicians with their vote or withholding it, politicians can choose whether to reward voters with oil wealth or withhold it if they vote for the opposition. If you pay taxes you care about how the government spends them. If the government has its own source of funding it does not have to listen to its people.

I don't think I have ever met a very influential and/or rich Nigerian who pays direct taxes. Anyone here?

Michela Wrong is going to talk about corruption later on - the second phenomenon that has held Nigeria back. I will just touch on three issues, two stories and a report which go to show that corruption is not an exclusively Nigerian phenomenon, though some Nigerians have indeed made their mark in this field.

Last year I stumbled across Global Financial Integrity, a Washington-based think tank made up of former IMF economists. In their report Illicit Financial Flows from Africa, they had looked carefully at capital outflows from Africa and found that between 1970 and 2008 illicit financial outflows were approximately 854 billion dollars– that's the conservative estimate. They may have been as high as 1.8 trillion dollars. These outflows were mainly from West and Central Africa. The biggest outflow was from Nigeria - 89.5 billion dollars. The rate of capital export was more than twice the rate of incoming aid for development assistance. And – unlike aid – the illicit financial outflows from Africa had grown at an average rate of 11.9% per year.

Earlier this year in London we hosted Dev Kar who wrote that report. He said that since the report was written the illicit outflows have grown even larger despite the inflows of investment. I had assumed that these "illicit outflows" were corruption money or simply wealthy Africans shipping their money into safer zones. For a long time I had been asking the simple question: why should foreigners come and invest in Africa when wealthy Africans shipped their money out to banks in London? If they don't believe in Africa why should anyone else?

That may all be true but the Global Financial Integrity report found that while some illicit flows appeared to be corruption money, the bulk of it was transfer pricing and mispricing by global corporate companies. For example oil companies who sell oil from one arm of the company to another at a fixed price often paid into some offshore tax haven thus ensuring that no money stays in Africa. This has got to stop if Africa is to develop.

The second story. Last year the Royal African Society was delighted to host Segun Aganga, then your Finance Minister, now your Trade And Investment Minister, at an investment conference in London. We worked hard to ensure we had found all the existing investors and – more important – potential investors to come to the meeting. I sent our list to the UK’s Department for Business, Innovation and Skills and asked if we were missing any important potential investors in Nigeria – investors I stress. What did we get in reply? The names and contacts of three private banks – institutions which only have exceedingly wealthy clients who want to do the opposite of investing. They look for clients who want to move their money offshore to tax havens.

Thirdly, on a lighter note, is a story about that invention for which - sadly - Nigeria has become internationally famous: The 419. I once asked a Nigerian friend if 419s work in Nigeria. My question was met with incredulous contempt. “Richard – Nigerians would never fall for such crude scams.” Then he added; “we practice far more sophisticated scams on each other.”

After oil and corruption – which are closely linked – I would say that another factor that holds Nigeria back is its reputation. This still puts off investors and tourists. I am not making a judgement about whether that reputation is justly earned but I would suggest that attempts to simply rebrand Nigeria will not work.

When I heard that The President had read my book and ordered copies for his cabinet I felt flattered. Then I wondered if he had done this because he was impressed with my brilliant analysis of Nigeria or whether he was saying: “My God this is what those terrible guys out there are saying about us – we had better do something about it”.

All I would say is if it is the latter, don’t try to change the image. Change the reality, the image will follow. There is nothing worse than PR that goes wrong. You end up with the stereotype even more firmly entrenched.

So the word is reputation – your record based on experience. Change the reality and the reputation will change itself. The brand will follow.

The theme of this conference is transformation – changing the form. But form can just mean the appearance. Don’t forget. You have to change the substance, the reality.

The fourth factor that holds Nigeria back is the flight of human capital. Of course some people are going to leave the country of their birth and seek fame and fortune elsewhere but not all those successful Nigerians I mentioned earlier who occupy strategic positions globally and help grow and shape the economies of other countries, left Nigeria willingly. Many perceive, rightly or wrongly, that their talents were not valued at home or they do not have a “Godfather”. Dr Titilola Banjoko is a very successful Nigerian in the UK who has help plan and set up all the

healthcare systems for the Olympic and Paralympic Games in London next year. She is also Director of AfricaRecruit, an agency which finds the right people for specific jobs in big companies working in Africa. She points out that Nigeria generally works on selection not recruitment. Posts are not awarded to the people who have experience in the job or are good at it. Instead people are selected first for other reasons – family, political support for example - and then given posts which they may or may not have the competency to function in.

But the fifth and main problem that Nigeria faces is politics. To misquote Bill Clinton “It’s the politics stupid”. Often Nigeria – and much of Africa has followed the wrong economic policies for political reasons. I have some sympathy with this as Nigeria’s politics are extremely complicated and difficult. But so far beyond keeping the country together, the politics have failed to get Nigerians to work together and release the country’s potential.

This has resulted in a huge tragedy here that has left more than 100 million Nigerians living in poverty - which is a quarter of the total of people living in poverty in sub-Saharan Africa. Nigeria has over 10% of the world's maternal and child mortality, and 10% of the world's children who are out of school.

This is unacceptable. It is even more unacceptable that in a country with those statistics the politicians are the highest paid in the world. \$1 million dollars for a parliamentary salary with another \$1 million in expenses is obscene.

And it will not be acceptable to the younger generation. I think there are good reasons why the Arab spring has not happened south of the Sahara – YET. But I think it will if the young, globally-connected generation coming through now, are not able to fulfil their potential. It is only a matter of time. They are connected to what is happening all over the world and compare it to what is happening in their own world. And they are able to communicate directly with each other on a vast scale.

Whenever I come to Abuja I try to make a journey to a village exactly five miles away from here. It is called Durumi and when I last visited it last a couple of years ago it still looked like a village from a century ago – even five centuries ago. Its water comes from the stream, it has no power of course and had only just had a school built. Go there simply dressed, walk around and talk and listen to people. I suspect it is typical of the majority of Nigerian villages. No nation, no state can thrive – survive even - with those discrepancies. Unless Nigerians are different to every other human being, every other human society, this vast gap between rich and poor, existing in a small space, reachable in such a short time – 15 minutes from where we are now - this neglect can only end in massive violence and bloodshed. If it happens on a national scale Nigeria will become a catastrophe.

Your chance to prevent that explosion is here and now.

The current economic weakness of Europe and America is also your opportunity. There is not going to be any growth in Europe or the US – while China and India and Brazil are dependent to an extent on Europe and the US for their growth. So where will investment money flow now? The choice is Africa or gold bars. And Nigeria is the big one. Lagos itself would be the fourth largest economy in Africa if it was an independent state – and it has no oil. Lucky Lagos.

Internationally the wind is behind you. Old rich countries and newly rich countries are both desperately looking for your natural resources and markets. Those who thought that Africa's boom of the last decade was purely about commodity prices were proved wrong when those prices took a drastic dive in 2008. If Africa's revival had been purely about a commodity boom, Africa's growth rates would be minus by now. It showed that the real growth was in the growth of middle classes, so demand was still growing for mobile phones and computers, good schools and health clinics and hospitals, banks and insurance, better houses and bottled beer.

The good news for Nigeria is that there is also increasingly a demand for food. Nigeria has fertile, well watered land in abundance. But only 2% of bank lending in Africa goes on agriculture at present. 1% of that goes to just a few people.

There is also a trend for commodity rich countries to demand a bigger stake in mines and land. The days of handing them over cheaply to international companies is over and moves are afoot to stop or rewrite some of the deals made in the past. An increasing number of contracts between African governments and foreign companies are being reviewed and rebalanced in favour of the country.

But the fulfilment of potential takes decades of careful planning and well managed execution. Why do so many good projects in Nigeria now stand idle, rusting or rotting away? Wasted investments. Maybe it was corruption, maybe they were undercut or destabilised by someone whose monopoly would be threatened if the project was delivered. Or maybe they were rushed into without proper planning. Why is there only three or four hours a day electricity at three times the price that I pay for electricity in the UK? Why are there so many generators? Is this not the stranglehold of the few on the livelihoods of the many? Nigeria could be hitting 9% growth if it had electricity at a reasonable price 24 hours a day.

There is much to do but there are no magic bullets. National development comes from the steady build of institutions. As President Obama said in Ghana last year Africa needs strong institutions not strongmen. Those institutions insure that projects are planned, implemented and sustained. There must be consistency and continuity.

Think of development as a project not for next week but for your great grandchildren. But start now. This is your moment. You can turn it round now.

Where to start? During the election in April I was talking to a woman in Kaduna standing in the queue waiting to vote. I asked her "What are you voting for?" she replied "Power". "What - political power?" I said. "No" she replied, "Electricity".

I think she speaks for all Nigerians.

Thank you very much.

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