Nigeria Hurts Into a Tense Crossroad

ABUJA, NIGERIA — Tensions are running high in the streets here, days after the removal of gasoline subsidies at the start of the year and two weeks after horrific Christmas Day bombings of several churches around the country by Islamist radicals.

Yet the government of President Goodluck Jonathan is steering through these hazards, giving Nigeria a chance to cast off the instability, poverty and corruption that have long plagued this country. And Nigeria’s powerful governors, for the moment, are coalescing around the reform agenda.

Meeting with the president and his economic team in Abuja last week, in the midst of protests against the subsidy removal, confirmed my view that the Nigerian government has an unprecedented opportunity to clean up its act and win back the support of a long-suffering population. The president spoke of taking the tough medicine necessary to build the foundations for long-term growth. His lead economic architect is Finance Minister Ngozi Okonjo-Iweala, newly returned from a top spot at the World Bank.

I don’t envy their task. At 155 million people and rising, Nigeria is the world’s eighth-most-populous country and one of the hardest to govern. The country is deeply splintered, with more than 250 ethnic groups, 500 languages, a stark and sometimes violent Muslim-Christian divide, and a population now evenly divided between urban and rural areas. If these fracture lines were not enough, corruption is rampant, income inequality is sky-high, poverty and disease are pervasive, and the youth population is bulging, with half of all Nigerians under the age of 20.

I’ve advised dozens of countries, including Nigeria, on economic development and public health, and very few come close to Nigeria’s scale and complexity of challenges. Yet just as other large and complicated developing countries such as Brazil and India are now making breakthroughs in poverty reduction and economic growth, Nigeria could become the surprise winner of the coming decade. It is filled with talented and energetic people, fertile agriculture, and vast energy resources.

Oil-dependent Nigeria exemplifies the infamous “resource curse.” When an economy depends excessively on one or two key resources like oil, gold, or diamonds, politics all too easily descends into megacorruption and a brutal struggle over the resource earnings. To add to the curse, foreign governments and companies often amplify the corruption. Nigerian courts recently
convicted the U.S. oil-services company Halliburton of massive corruption committed while the chief executive was none other than Dick Cheney.

Oil exporters like Nigeria very often keep domestic oil prices low as an easy sop to powerful local interests. Nigeria’s oil prices were among the lowest in Africa until the subsidies were abruptly ended Jan. 1. According to the government’s estimates, the oil subsidy in 2011 amounted to a staggering $8 billion, roughly 4 percent of G.D.P. (the equivalent share of G.D.P. in the United States would be $600 billion per year). Nigeria’s well-to-do households, with their cars and large diesel generators, and also some adroit oil smugglers, captured much of the subsidy.

The government ended the subsidies to redeploy the 4 percent of G.D.P. toward long-term development needs, including health, roads and power. The reform logic is sound. Using the 4 percent of G.D.P. in a strategic manner can do far more for Nigeria’s poor and the country’s long-term growth than haphazard giveaways of cheap oil.

Yet the fury at the government’s removal of the oil subsidies has been huge, with strikes, violence and political uproar. The removal of subsidies creates short-term pain for many social groups, and considerable short-term fear. The government’s actions are easy targets of the political opposition. The public understandably frets that the government might simply steal the budget savings, since governments have stolen so much of the oil wealth in the past.

The fears of corruption are absolutely understandable, but glimmers of hope — that this time will be different — are also in the air. When Nigeria won relief on its external debt in the mid-2000s, the savings on debt service were actually redirected to meaningful social investments in the states and local governments. The government is now promising to turn the outlays on subsidies into outlays on specific and closely monitored investments in health care, infrastructure, job training and other areas.

To share the pain, the president has ordered cuts in top salaries in the government, and special programs for mass transit to help poor workers over the hurdle of higher transport costs. The government should also tax high-income individuals in order to raise revenues for urgent pro-poor investments and a fairer society.

Civil society is on the alert. Labor unions, Occupy Nigeria and other social groups are on the streets protesting the subsidy cuts. More importantly, they are demanding transparency and honesty from a national government that has offered far too little of these virtues over the past half century.
If the president and his team carry through on their plans for bold, honest, equitable and transparent reforms, they are well placed to usher in a new day for Nigeria. Skepticism is running high, but so too are cautious hopes that finally, this decade, Nigeria will join the ranks of the world’s most dynamic emerging economies.

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