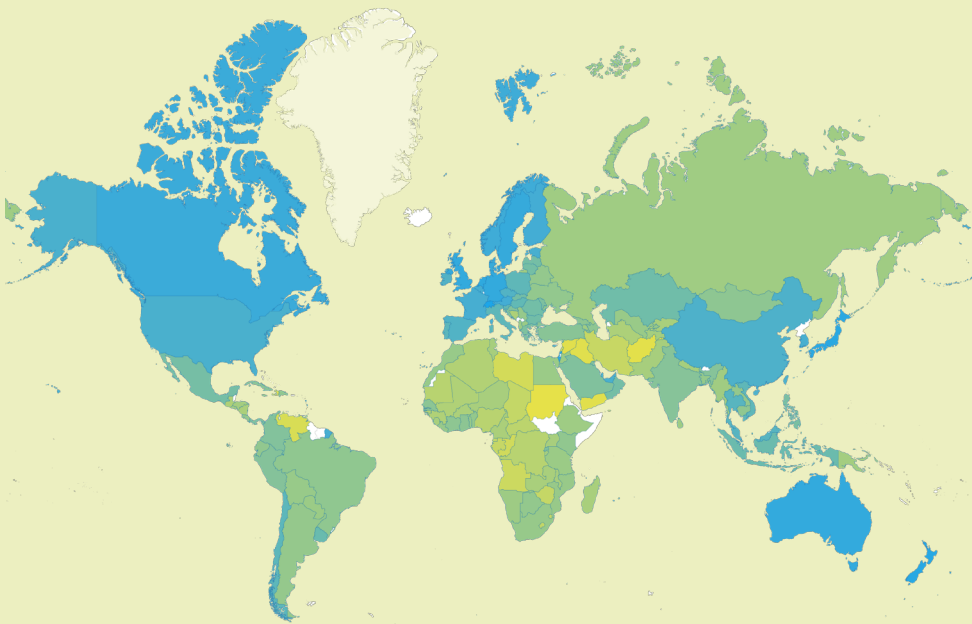


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ELITE QUALITY REPORT 2023

Nigeria: A fusion of elites enriched by economic extraction

Prof. Raouf Boucekkine, Centre for Unframed Thinking, Rennes School of Business, France



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Nigeria: A fusion of elites enriched by economic extraction

Nigeria is the leading economy on the African continent (in terms of nominal GDP) and has the largest population. It is also ranked among the top countries in the world in terms of proven oil and gas reserves (being the most prominent African member of OPEC). Despite these considerable assets, about one-third of the Nigerian population (close to 70 million Nigerians) survived on less than USD 1.90 a day in 2022, according to the World Bank. This situation recently worsened as a result of the COVID-19 crisis. The fault for this deplorable situation lies squarely with the role played by Nigerian elites since the country became independent in 1960. Value Extraction is clearly evident in the EQx2023. An immediate illustration of the role played by the elite is visible in *Political corruption* (CRO, i.1, rank # 146), as over the last decades, Nigeria has become one of the most corrupt countries in the world.

Some explanation of the demography and recent political history of Nigeria is worth recounting here. With more than 200 ethnic groups, the Nigerian population is one of the most fractionalized in the world, with extreme religious polarization between Christians and Muslims. If one adds in the decisive natural resource abundance on top of these divisions, it is unsurprising that since gaining its independence, the country has experienced many political conflicts, civil wars, coups and other attempts to capture the resource revenues. More recently, the sectarian Islamic terror of Boko Haram groups has lengthened the list of conflicts and misfortunes afflicting the country. Another division line is of an administrative nature: Nigeria is a federal republic comprised by 37 states, and while

its rankings for *Administrative decentralization* (ADE, i.1, rank # 86) and *Political decentralization* (PDE, i.1, rank # 33) make some sense, in the context of the demographic landscape described above it leads to gross inefficiencies (for example, in terms of attending to people's needs or fighting corruption). While the Constitution of the Fourth Nigerian Republic, in force since 1999, did build a greatly improved legal framework for modern fiscal federalism, real achievements, such as eliminating extreme poverty, remain illusive.

In contrast to the Democratic Republic of Congo, where elite formation followed a strictly neopatrimonialistic logic (the Kabila dynasty coming on the heels of Mobutu's personalistic exercise of power), elite formation in Nigeria has been much more complex. One of the key characteristics of Nigerian elites is their marked heterogeneity, which explains the frequency of coups and countercoups as well as the political instability characterizing Nigerian politics as a whole. Inge Amundsen is quite accurate when writing that there is "...a fusion of elites, with the military dominating. It is consolidated through power diversification (with the conversion of political power into economic power as the most important), and it is enriched through economic extraction (where the usurpation of the country's oil wealth is pivotal)"¹. In particular, the role of the military is central in understanding the institutional dynamics and the interaction between Political and

Economic Power (i, rank # 122 and ii, rank # 91). In this sense, the Nigerian resource curse resembles that faced by Algeria. Several presidential elections have been challenged for their lack of transparency, with the February 2023 vote still under suspicion. The hopes raised a quarter of century ago by the Fourth Nigerian Republic have largely been dashed.

The deep consequences of this state of affairs in the political economy are low levels of human development in the country and unbearable extreme poverty that still persists despite some initiatives for economic diversification launched by former Presidents Obasanjo and Goodluck Jonathan in the two first decades of this century. These efforts show up in a number of EQx measurements such as *Domestic market diversification* (HHI, ii.4, rank # 32), *Public employees as % of total employment* (PUE, ii.4, rank # 17) or *Venture capital finance* (VCK, ii.6, rank # 54), the Nigerian financial market being one of the most developed on the continent. The same positive comments can be made in relation to Nigeria's *SMEs per 1,000 people*, one of the most dynamic rates in Africa, despite lagging behind the average number for developed countries (SME, ii.5, rank # 103).

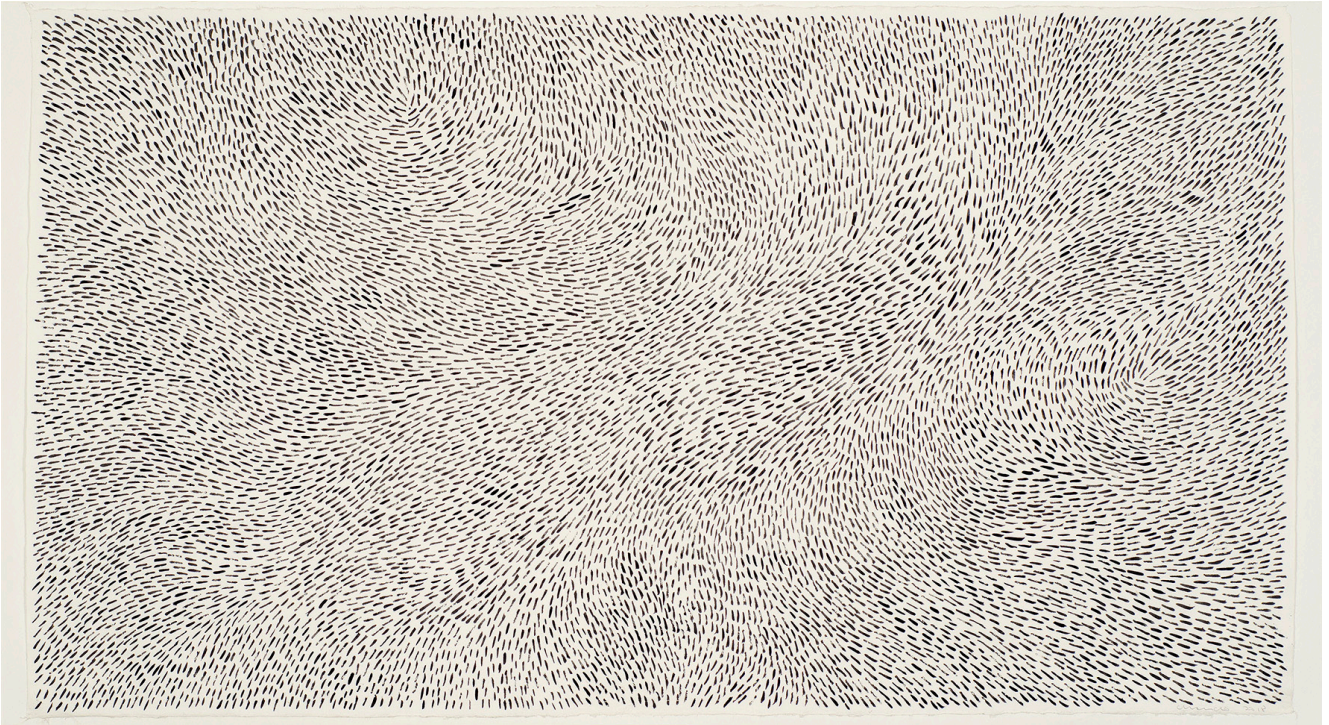
As in many resource-rich African countries however, widespread corruption and aggressive rent-seeking practices (not unrelated to the role played by the military in elite coalitions) have resulted in Nigeria performing terribly in terms of education (*School life expectancy*, EDU, iii.7, rank # 132) and healthcare (*Density of medical staff*, DMS, iv.10, rank # 107). In addition to the persistence of extreme poverty, these Indicators explain the huge rate of *Youth unemployment* (YUN, iv.12, rank # 97) and the very significant size of the informal underground economy (INO, i.2, rank # 137).

A final ranking that illustrates the destructive role played by Nigerian elites is *Inflation* (DOI, iv.11, rank # 127). The ongoing battle around the re-design of the Naira (national currency) bank notes and the withdrawal of the old ones, proscribed by the Central Bank of Nigeria last year to fight inflation, is interesting to say the least. In spring 2023, the Supreme Court of Nigeria weighed in with a surprising ruling: "all redesigned Naira notes and the old ones will remain legal tender and in circulation till December 31, 2023". For many observers, this is the best evidence yet that the political elites control all the levers of power in Nigeria. The path to reform will not be easy.

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¹ <http://www.peacebuilding.no/Regions/Africa/Nigeria/Publications/Who-rules-Nigeria>

*Prof. Raouf Boucekkine
Centre for Unframed Thinking,
Rennes School of Business, France*



Nigeria

EQx2023 Country Scorecard

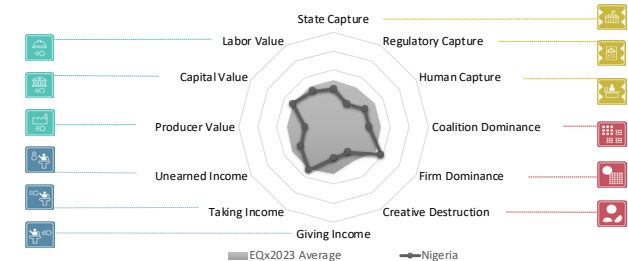
Population **213.4 million**
 GDP (nominal) **441 billion USD**
 GDP per capita **2'066 USD**



Level 1 – Index	EQx Rank / 151 132	EQx Score 40.3	NextGen VCB Rank Rank 123	Lagging Elites
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Level 2 – Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	104	37.7	133	41.7	122	36.7	91	38.2	141	41.7	126	41.7

Level 3 – Pillars	Rank / 151	Score
Political Power (i)		
State Capture	113	40.3
Regulatory Capture	128	28.2
Human Capture	122	38.7
Economic Power (ii)		
Coalition Dominance	125	37.3
Firm Dominance	48	58.1
Political Value (iii)		
Creative Destruction	85	30.4
Giving Income	145	32.7
Economic Value (iv)		
Taking Income	69	52.1
Unearned Income	135	39.7
Producer Value	141	29.7
Capital Value	69	49.7
Labor Value	106	43.6



Level 4 – EQx Indicators	Rank / 151	Score
State Capture (i.1)		
COR Political corruption	146	14.9
COC Control of corruption	125	27.0
OPG Open government	89	32.9
RTC Government's responsiveness to change	114	23.9
EPR E-Participation Index	102	32.2
PFD Press freedom	107	33.7
NJK Nr. of journalists killed per 1 million people (2yrs avg.)	47	59.7
PDE Political decentralization	33	68.3
ADE Administrative decentralization	86	37.0
PGL Political globalization	41	69.0
WPI Women's Power Index	143	19.3
MOB Social mobility (upward) (dev. fm optimum)	83	36.9
INE Top 10% share of pre-tax national income	53	58.2
GWL Gini coefficient on net national wealth dist. - level	49	65.2
GWG Gini coefficient on net national wealth dist. - 3-year growth	42	52.6
GIL Gini coefficient on income dist. - level	61	57.1
GIC Gini coefficient on income dist. - 1-year growth rate		
Regulatory Capture (i.2)		
ECR Ease of challenging regulations	110	25.7
CGP Constraints on government power	74	42.8
REQ Regulatory quality	122	28.1
REN Regulatory enforcement	102	30.1
PRI Property rights	137	17.4
CRO Crony capitalism	36	55.6
INO Informal output as a % of GDP	137	1.2
Human Capture (i.3)		
GSI Global Slavery Index	121	38.4
FDP Forcibly displaced population as % of population	123	50.6
HRI Human Rights Index	131	22.3
AFI Academic Freedom Index	36	62.8
GRI Religion - Government Restriction Index	98	42.4
LIN LGBT+ inclusiveness	141	15.7
WSB Women self made billionaires	19	38.2
WBL Women, business and the law	121	29.7
WMA Proportion of women in senior and middle mgmt positions (41	60.7
Coalition Dominance (ii.4)		
IEE Top 3 industries exports as % of exports	125	15.8
IEO Top 1 industry exports as % of exports	134	0.0
IVA Top 3 industries as % of VA	93	18.7
HHI Domestic market diversification	32	67.4
ECI Economic Complexity Index	130	9.6
PUE Public employees as a % of total employment	17	72.9
MIL Military expenses as % of GDP (dev. fm optimum)	8	70.9
UNI Unionization rate (dev. fm optimum)	1	72.3
BSN Barriers in service & network sectors		
CRA Criminal actors	130	16.7
Firm Dominance (ii.5)		
SME SMEs per 1,000 people	103	36.6
FAM Family business revenues as percentage of GDP	38	25.7
BIW Billionaires' wealth as % of GDP	115	47.6
FKG Top 10 firms market cap as % of GDP	11	62.0
FRG Top 3 firms revenues as % of GDP	2	75.7
FRR Top 30 firms revenues as % of GDP	1	100.0
Creative Destruction (ii.6)		
ENT Entrepreneurship	84	33.9
GSE Governmental support to entrepreneurship	95	23.1
VCK Venture capital finance	54	35.2
VCA Venture capital availability	125	15.5
RND R&D as a % of GDP	108	28.1
EXR Firm exit ratio		
BCD Billionaire's creative destruction	50	34.4
IWE Index of Women Entrepreneurs	46	24.4
Giving Income (iii.7)		
LEW Life expectancy women	148	0.0
LEM Life expectancy men	148	0.0
VAX COVID-19 vaccination rate	115	34.0
COM COVID-19 mortality rate, age-adjusted	4	76.3
COF COVID-19 fatality rate, age-adjusted	115	49.0
COV COVID-19 excess deaths, age-adjusted		
CLS COVID-19 lost schooldays	42	70.4
SCI UHC Service coverage index	100	17.9
PTR Pupil-teacher ratio	121	25.2

Rank / 151	Score
EDU School life expectancy	132 20.6
PIS PISA mean scores	
UNV Top universities	
GEE Government education expenditure	147 0.0
OSI Online Service Index	90 42.7
NRI Network Readiness Index	104 27.3
INT Internet access	111 35.9
FSQ Global Food Security Index - availability, quality & safety	96 19.9
GPS Expenditure on general public services as % of GDP (dev. fm optimum)	
GEX General government expenditure as % of GDP (dev. fm optimum)	100 17.4
SNT Subsidies and transfers as % of expenses	
REG Regional redistribution as % of government budget	10 76.8
SUB Death rates from substance use per 100,000 people	36 63.6
BRD Battle-related deaths per 100,000 people	136 51.1
HOM Homicide rate	129 18.0
SUI Suicide rate per 100,000 people	20 68.7
DTR Tax revenue as % of GDP (dev. fm optimum)	
DCT Corporate tax rate (dev. fm optimum)	80 46.1
DPS Delta public vs private sector salaries	
FDE Fiscal decentralization	
GCI Global Cybersecurity Index	49 65.4
GEG Gender education gap (dev. fm optimum)	
CRM Criminal markets	146 1.9
DBT Government debt as % of GDP	10 79.2
NRR Natural resources rents as % of GDP	112 33.2
GPA Green patents	141 0.0
EPI Environmental Performance Index	132 21.9
DER Deforestation Rate	105 49.0
FUS Fertilizer usage kg per hectar	23 64.1
TLP Terrestrial land protected	88 41.7
CDO CO2 emissions (metric tons per capita)	33 68.5
AIR Air quality index	83 31.8
HAZ Hazardous Waste per capita	
WPC Waste collected per capita	
MWR Municipal Waste Recycling Rate	
FIS Fishing consumption as % of population	58 63.1
MET Red meat consumption kilograms per capita	16 83.4
PAT Nr. of patent applications per 100,000 people	85 44.3
FBH Financial burden of healthcare	117 26.7
HEI Health Efficiency Index	
DMS Density of medical staff	107 31.5
FSA Global Food Security Index - affordability	112 0.0
FDS Inward FDI as a % of GDP, Stock	122 41.8
BTF Barriers to FDI	
OFB Open for business	
EGL Economic globalization	117 27.6
TRF Trade freedom	95 44.4
IPM Share of imports targeted by protectionist measures (flow)	30 65.8
IPS Share of imports targeted by protectionist measures (stock)	122 0.0
DGI Share of discriminatory government interventions as % of totc	56 65.1
DGS Share of discriminatory government interventions as % of totc	110 34.8
DOI Inflation (dev. fm optimum)	127 48.5
DEF GDP deflator index growth rate (dev. fm optimum)	93 53.6
DNI Neutral interest rate (dev. fm optimum)	
FMI Financial Markets Index	61 45.6
GFC Gross capital formation	15 79.7
DMA M&A as % of investment - 3 yrs rolling avg. (dev. fm optimum)	
GOL Gold demand as % of GDP	
UNC Unicorns per 1 million people	27 30.5
BSG Billionaires self-made nr. per 1 million people	57 27.9
BSM Billionaires self-made as % of total billionaires	25 55.3
LPG Labor productivity growth	87 44.7
WLP Delta real wage vs labor productivity increases	
LFP Labor force participation rate	87 47.9
LFR Labor force participation ratio - male vs female	64 60.7
UEM Unemployment rate	112 42.1
YUN Youth unemployment rate	97 46.6
BRN Human flight and brain drain	107 31.1

The Elite Quality Report 2023 (EQx2023) provides Country Scores and Global Rankings for 151 countries © Foundation for Value Creation 2023