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Nigeria
Beyond GDP

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What does the rebasing of

GDP mean?

Similar to a company which has posted better than expected returns for the year, Nigeria has raised the eye of many in the global investor community. The rebasing of its gross domestic product (GDP) figure has catapulted the emerging giant to the top of the sub-Saharan African GDP pile, with its counterpart South Africa (the entrenched number one for many decades) moving to second place. Nigeria's GDP figures rose by 89% in light of the rebasing year changing from 2003 to 2010 and the inclusion of a number of previously unaccounted for sectors, such as the successful Nollywood film industry and telecommunication. Bolstered by a large population, a growing middle class and forecasted economic growth for the next 5 years of 7%, many international companies have thus redoubled their efforts and interests to enter Nigeria.

But what does the rebasing mean for the Nigerian people? And specifically, what strategies have the Nigerian government employed in order to pass on the benefits of economic growth to its citizens? In this paper, we explore the relevance of using economic indicators in measuring social development. We then assess Nigeria's performance, utilising the newly created Social Progress Index (SPI), in addressing its social challenges. Our next step is to contextualise this performance in relation to other emerging markets in Africa and lastly we highlight key areas of improvement and potential strategies for the Nigerian government to consider.

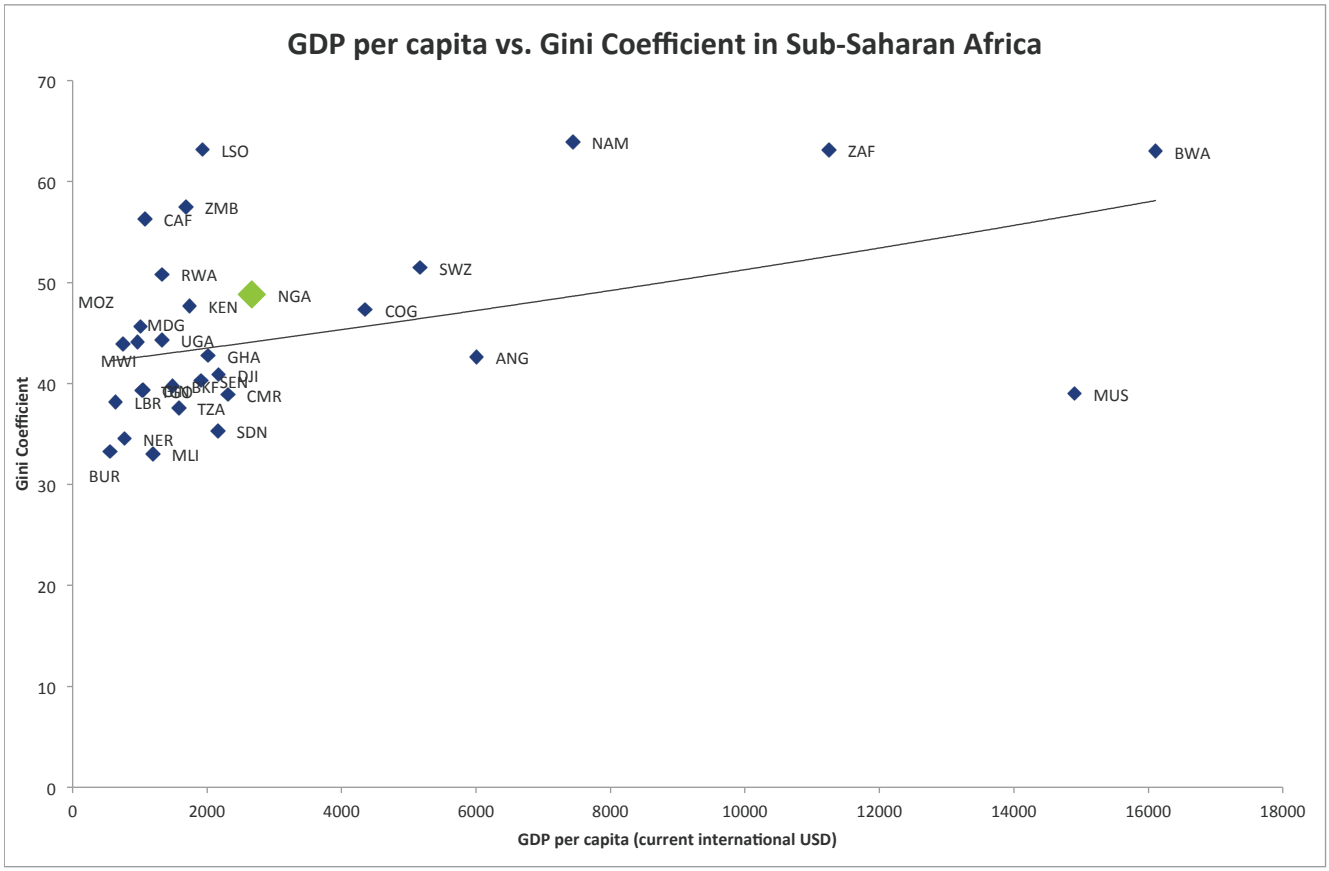
Are economic indicators still relevant for Africa?

Two of the most visible metrics to measure economic output, and the wealth created by this output, are GDP and GDP per capita. These are widely used as an initial comparative measure of countries' performance. However, several problems arise when analysts, policy makers and academics over-emphasise their use. For one, GDP and GDP per capita are aggregate measures of output, and may mask the economic differences across various sectors within a country – making it more complex to understand the origin of output and parties responsible for the output. Secondly, it masks the negative externalities attributed to output, such as pollution and emission of greenhouse gases; and lastly, aggregate measurements of a country's wealth may over-emphasise the wealth of the individuals living in the country – and potentially over or under-estimate the wealth of a certain region within the country.

To demonstrate this, Figure 1 plots GDP per capita in sub-Saharan Africa against the corresponding Gini coefficient – a measurement of the difference in income distribution amongst a country's residents. A Gini coefficient of 0 represents pure equality, whilst a coefficient of 100 represents pure inequality. Conventional wisdom suggests that the higher the aggregate level of wealth (measured as GDP per capita) in a country, the higher proportion of the population have access to that wealth and thus the lower the Gini coefficient.

However, Figure 1 suggests the opposite for sub-Saharan African countries. Here the higher the aggregate level of wealth in the population, the higher level of inequality or Gini coefficient. Nigeria, through all the gains it has made through increased GDP, has not significantly improved the distribution of its wealth, and its Gini coefficient remains high in comparison to other countries in the region. This is not a unique problem for the sub-Saharan region as a whole (South Africa has the second highest Gini coefficient).

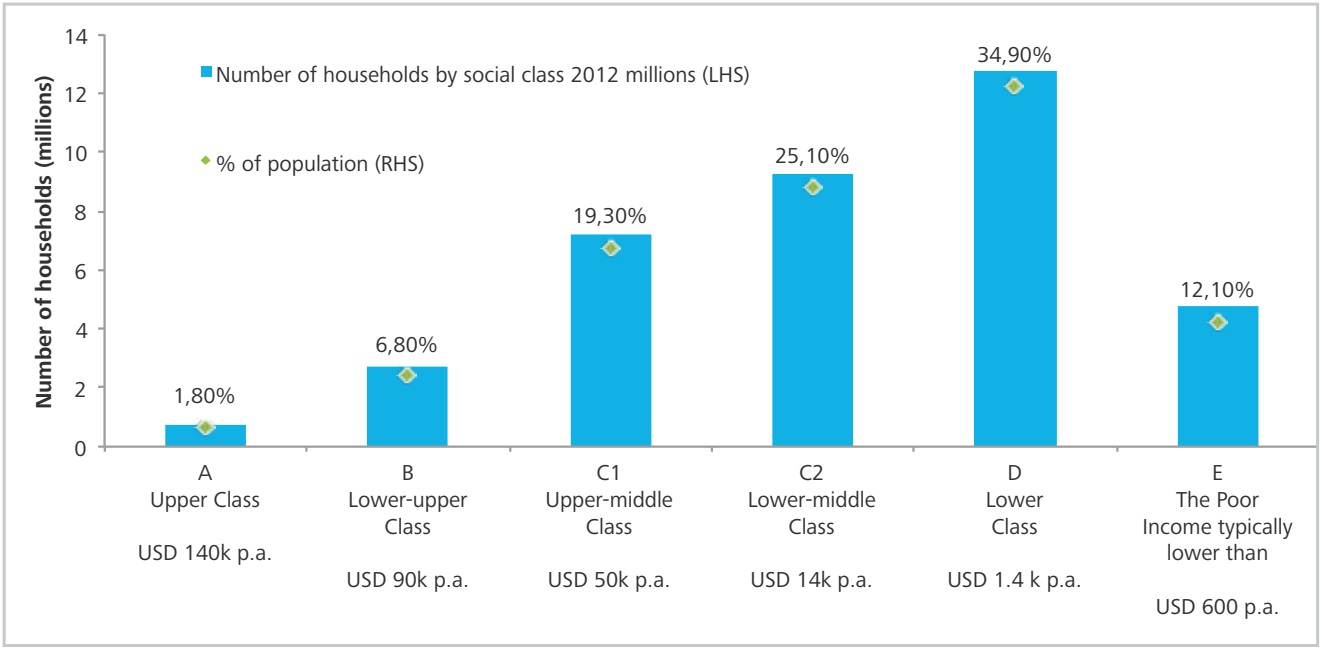
Figure 1: GDP per capita vs. Gini coefficient in Sub-Saharan Africa



Source: World Economic Outlook, World Bank

Figure 2 highlights results from the 2012 Nigerian All Media and Product Survey (AMPS[1]) which estimates households earnings per annum within Nigeria and further contextualises the GDP per capita indicator. The survey estimates that of the estimated 169 million people in Nigeria only 3.3 million people are classified as upper class (earning above USD 140,000 p.a.) whilst more than 49 million people earn less than USD 1,400 per annum (p.a.). Approximately 34% of the population are classified as middle class and earn between USD 14,000 and USD 50,000 p.a., whilst 47% of the population are classified as either poor or lower class and earn less than USD 1,400 p.a.

Figure 2: Living Standards Measures A-E in Nigeria (millions of households[2])



Source: Nigeria AMPS (2012)

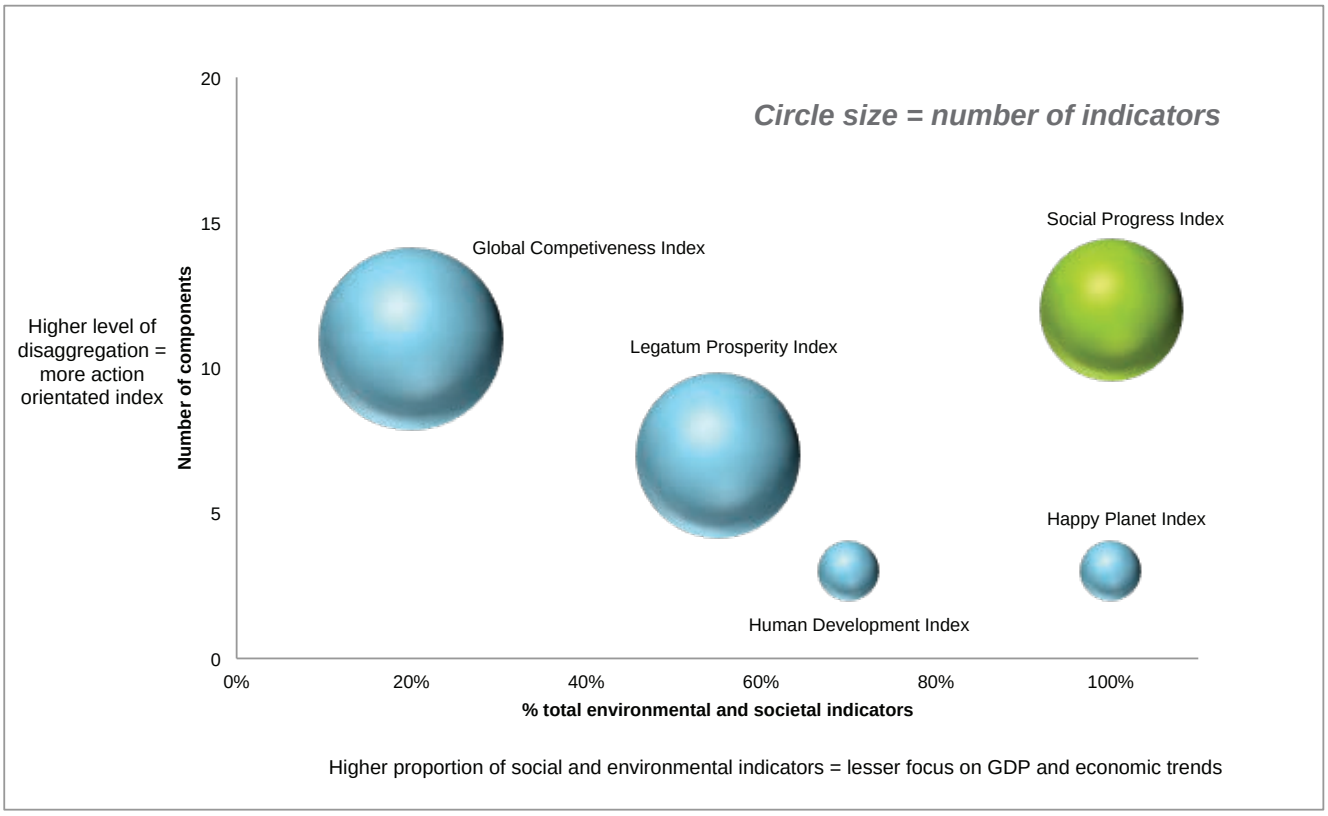
[1] The purpose of the AMPS of Nigeria is to identify possible prospects for products and services and to determine which media to use to reach specific target markets.
[2] HH Income defined as per 2008 social class classifications. Exchange rate of Naira 170.85 / USD 1 is used for incomes.

In light of the challenges in utilising conventional economic indicators to assess social progress, the use of alternative indicators has become increasingly popular. The Africa Competitiveness Report, the Corruption Index, the Ease of Doing Business Report and Deloitte's own-PESTLE model are to name a few that attempt to holistically assess countries performance relative to each other. However, several complications have arisen from using these indices:

1) Depending on the popularity of the index, **countries are incentivised to "game" the results** by focusing efforts on improving one or more indicators to better enhance their position against neighbouring countries. These enhancements may not necessarily further the development progress of the nation, but could convince uninformed investors that the country has made progress when in reality, little has changed; and
2) These indicators generally **focus on one key theme of performance** (such as the Ease of Doing Business) and may need to be supplemented with other indices to contextualise the situation on the ground.

Of these, the latest to join the basket of indicators is the Social Progress Index (SPI), supported by Michael Porter from the Social Progress Initiative, and it has gained significant popularity and success in measuring and monitoring countries performance against social objectives. The index provides for a robust measurement of social progress based on integral components necessary for a country's sustainable development and includes results from publically available data and surveys. Figure 3 provides a visual comparison between the SPI and other relevant indices to show the relative number of environmental and societal indicators used to build the index.

Figure 3: Comparison of SPI to other indices



Source: Social Progress Initiative (2014)

The SPI comprises three dimensions necessary for social progress, which combined comprises the index:

1) **Basic human needs**, which measures a country's nutrition and basic medical care, sanitation and water, shelter and personal safety;
2) **Foundations of well-being**, which measure literacy, education, health and wellness, access to information and ecosystem sustainability;
3) **Opportunity**, which measures citizens' access to personal and political rights.

These three dimensions each have four components, which in turn are cumulatively comprised of well over 100 indicators. The indicators are wide ranging and cover outcomes from maternal mortality rate and primary school enrolment to access to improved sanitation and greenhouse gas emissions – thereby correcting for most of the blind spots in conventional economic indicators. The index is intended to look "beyond GDP" and identifies the social and environmental components a country requires to perform.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Nigeria's performance in the Social Progress Index

When the SPI is applied to Nigeria, results show there is still significant room for improvement summarised in Table 1. When comparing Nigeria alongside other countries of interest in sub-Saharan Africa, Nigeria's performance in social indicators are overshadowed by the strength of others. Similarly, when compared with Ghana, its West African counterpart and neighbour, Ghana outperforms Nigeria in all indices except ecosystem sustainability.

Table 1: Sub-Saharan Africa's performance in the SPI

	SPI	Dimensions					
Sub-Saharan African Country	Social Progress Index	Basic Human Needs	Foundations of Wellbeing	Opportunity	Nutrition and Basic Medical Care	Water and Sanitation	Shelter
Botswana	65,60	65,88	72,67	58,25	70,02	74,92	51,54
South Africa	62,96	60,20	67,49	61,19	75,90	69,80	64,20
Ghana	55,96	52,39	65,63	49,85	75,78	39,10	42,19
Kenya	50,20	45,80	66,38	38,41	64,30	34,87	41,47
Zambia	49,88	38,57	63,67	47,41	49,33	33,23	23,05
Uganda	47,75	43,19	61,00	39,05	60,83	38,08	29,74
Tanzania	46,06	38,79	57,27	42,10	57,71	21,99	24,13
Nigeria	42,65	36,57	58,08	33,29	57,41	31,12	34,20
Angola	39,93	41,67	46,38	31,75	53,94	43,05	28,09
Nigeria rank	8/9	9/9	7/9	8/9	7/9	8/9	5/9

Well developed economies within sub-Saharan Africa, such as South Africa and Botswana, fare better in the SPI scores as opposed to smaller "emerging" markets, which include for example Tanzania and Uganda; and may point to latent levels of development and social progress.

In light of the above, Nigeria has instigated a number of positive policy measures to counter the social imbalances within the country. These measures and their relative success are discussed in the next section.

Components								
Personal Safety	Access to Basic Knowledge	Access to Information and Communications	Health and Wellness	Ecosystem Sustainability	Personal Rights	Personal Freedom and Choice	Tolerance and Inclusion	Access to Advanced Education
67,05	84,49	61,37	69,17	75,66	71,14	74,37	59,34	28,16
30,90	92,85	70,52	62,36	44,21	74,94	70,82	58,35	40,66
52,50	71,35	63,11	73,92	54,13	78,37	59,76	43,71	17,57
42,57	74,13	51,95	73,98	65,48	**32,28**	61,27	34,27	25,83
48,67	79,52	47,45	64,63	63,09	53,80	62,94	49,18	23,73
44,13	59,40	37,27	69,20	78,13	40,96	52,27	43,52	19,44
51,35	63,56	38,18	70,04	57,31	49,33	55,06	43,10	20,92
23,57	51,08	50,64	67,68	62,91	**32,28**	50,50	32,99	17,39
41,59	53,22	33,12	66,60	32,56	21,84	52,26	37,22	15,67
9/9	9/9	5/9	6/9	5/9	7/9	9/9	9/9	8/9

Source: Social Progress Index (2014)

Nigeria's progress in addressing social challenges

There are considerable overlaps in indicators covered by the SPI and that of the Millennium Development Goals (MDGs), which Nigeria has adopted at a national level. Although the SPI goes above and beyond the main drivers of the MDGs, understanding Nigeria's performance against the eight MDGs may indicate its relative progress in improving its SPI scores. Whilst the government has not formally adopted the SPI as a measure of success, it has openly confirmed improving on their MDGs.

Since 2005, when the Federal Government pledged to allocate savings from debt relief gains such as the Paris Club Debt Relief, progress in achieving the MDGs has been a high priority for Nigeria. Table 2 depicts the status of these programmes by 2010 and the relative implementation success. The table also maps out the corresponding SPI indicator affected and Nigeria's world ranking. Sections highlighted in green indicate where Nigeria has performed relatively well , as opposed to relatively poorly – marked in red. Areas that require constant monitoring and attention are marked in orange.

Table 2: Progress towards MDG targets and current status (June 2010)

Millenium Development Goal	Status (2010)	SPI Index Component	SPI Rating	SPI Ranking
1. Eradicate extreme poverty and hunger	Slow: There is less poverty than in 2000 but the data is not clera. Five out of every ten Nigerians still live in poverty. Growth has not been sufficiently equitable or generated enough jobs to reduce poverty further. Nutrition has improved significantly.	Undernourisment % of population	8.5	56/132
		Depth of food deficit	50	61/132
2. Achieve universal primary education	Average: Many more children are in school. Nine out of every ten eligible children attend school as a restult of Universal Basci Education Programme interventions and enrolment in private schools. However, disadvantaged groups are still excluded and the quality of education remains poor.	Adult literacy rate	51.07	123/132
		Primary school enrollment	56.22	131/132
3. Promote gender equality and empower women	Average: Some improvements in gender parity. Nine girls attend school for every ten boys. Economic and policitical empowerment remains elusive. A common reaosn for the disparity in rates of girls and boys completing schooling, especially at secondary level, is poor or non-existant.	Women's mean years in school	6.6	100/132
		Gender parity in secondary enrollment	0.89	106/132
		Women treated with respect	51	94/132
4. Reduce child mortality	Average: Significant reductions in but progress needs to be accelerated.	Stillbirth rate	42	2/132
		Child mortality rate	124	5/132
5. Improve maternal health	Slow: Data for 2008 show a significant improvement, but the gap between the current situation and the target is still very large	Maternal mortality rate	630	7/132
6. Combat HIV/AIDS, malaria and other diseases	Average: The prevalence of HIV/AIDS in the population has fallen from 5 per cent to under 5 per cent. Rates of malaria infection have dropped, but still account for 300,000 deaths a year, on average. The hard work is still to come. Impressive progress against polio.	Satisfied demand for contraception (% of women)	40.4	118/132
		Infectious diseases	832	11/132
7. Ensure environmental sustainability	Slow: Access to safe water and sanitation has not improved significantly and other environmental challenges, such as erosion, coastal flooding and climate change, are growing	Access to improved sanitation facilities	30.6	115/132
		Outdoor pollution attributable deaths	17	39/132
		Access to piped water	3.93	127/132
		Indoor air pollution attributable deaths	2	70/132
8. Develop a global partnership for development	Average: The benefits of debt relief have not been matched by an increase in aid. Trade and access to markets is still unequal. Rapid increase in access to information and communication technologies, teledensity and regional intitiaves (New Partnerships for Africa's Development, Econoimc Communicty of West African States, etc.)	Mobile telephone subscriptions	66.8	109/132
		Internet users	32.87	80/132

Source: OSSAP-MDGs 2010c, SPI Initiative, Adapted from Countdown Strategy on MDG (2010)

From Table 2 it appears that Nigeria has made significant gains in addressing air pollution and improving access to telecommunications. However, indicators of health and wellness and basic human needs may require renewed attention.

Table 3 highlights the potential to achieve the MDGs and whether the resultant policies are in place for this to occur. It appears that Nigeria has the potential to reach all the targets of the MDGs and has had specific success in reducing the HIV/AIDS burden. However, the country has not had much success in reducing the water and basic sanitation conditions for the country. The policies adopted by Nigeria have the potential to assist in reaching these targets and we will discuss these below in light of the SPI.

Table 3: Potential* to achieve MDG targets

MDG 1:	Extreme poverty	Potential to meet target	Supportive policy environment
Target 1:	Halve, between 1990 and 2015, the proportion of people living in extreme poverty.		
Target 2:	Halve, between 1990 and 2015, the proportion of people who suffer from hunger		
MDG 2:	Universal primary education		
Target 3:	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.		
MDG 3:	Gender Equality		
Target 4:	Eliminate gender disparity in primary and secondary education, preferably by 2005 and to all levels of education no later than 2015.		
MDG 4:	Child mortality		
Target 5:	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate		
MDG 5:	Maternal mortality		
Target 6:	Reduce by two-thirds, between 1990 and 2015, the maternal mortality rate		
MDG 6:	HIV/AIDS		
Target 7:	Have halved, by 2015, and begun to reverse the spread of HIV/AIDS		
Target 8:	Have halted, by 2015, and begun to reverse, the incidence of malaria and other major diseases.		
MDG 7:	Environmental sustainability		
Target 9:	Integrate principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.		
Target 10:	Halve by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation		

Source: Adapted from Countdown Strategy on MDGs and Nigeria MDGa Report 2010 (Federal Republic of Nigeria 2010a)

*Key to achievable potentials

Meet target:	Good potential	Average potential	Weak potential
Policy environment:	Strong	Good/Fair	Weak but improving

Economic strategies that address Nigeria's challenges

Nigeria's Vision 20:2020

The Nigeria Vision 20:2020 adopted in late 2009 integrated the MDGs, the National Economic Empowerment and Development Strategy (NEEDS) and the Seven Point Agenda into an overarching strategy for Nigeria. This blueprint aims at placing Nigeria in the top 20 economies in the world with a GDP of $900 billion and per capita income of no less than $4000 per annum. The vision is anchored on three main pillars, notably:

1) Guaranteeing the productivity and wellbeing of the people;
2) Optimising the key sources of economic growth; and
3) Fostering sustainable social and economic development.

The Nigeria 20:2020 vision therefore aims to improve Nigeria's SPI score in by aspects of each of the three dimensions of the SPI index. Within each dimension, the vision details specific plans upon which the government intends to improve:

i) Under the first pillar SPI components prioritised for improvement include: nutrition and basic medical care, access to basic knowledge and improving personal freedom;
ii) The second pillar highlights improvement on access to information and communication; and lastly
iii) Under the third pillar focus is placed on improvement of Nigeria's ecosystem and sanitation.

The Seven Point Agenda

The Seven Point Agenda (Medium Term Development Strategy 2009-2011) relies on seven key points in which the economy of Nigeria may improve:

1. Sustainable growth in the real sector of the economy
2. Physical infrastructure, including power, energy and transportation
3. Agriculture
4. Human capital development, including education and health
5. Security, law and order
6. Combating corruption
7. Niger Delta development

The Seven Point Agenda (7-Point Agenda) also aligns Nigeria's strategic priorities to that of the MDG and in turn with components of the SPI index. Specifically the 7-Point Agenda relies on reducing maternal and child mortality rates, eradicating undernourishment and the depth of the food deficit and increasing the level of literacy and sustainability of the ecosystem.

Whilst a complete review of these strategies is beyond the scope of this paper, some initial insights can be garnered:

1. **All economic principles for driving increased social progress seem to be in place.** The components for achieving growth and the strategies on how to do so are well intentioned and encourage social progress by addressing infrastructure bottlenecks, health and educational outcomes and supporting the MDGs. However, it appears that a lack of cohesion between government departments has slowed down the implementation of these strategies. In addition, emphasis is placed on targeting conventional economic indicators such as GDP, instead of focusing on social outcomes;
2. **The quality of economic and statistical data has made it difficult for policy makers as well as investors to make** informed decisions regarding Nigeria. This makes monitoring and measuring the effect of any policy for both the public and private sector untenable
3. **Corruption has hindered the progress that government policies surrounding private expansion have made** and has constrained appetite for foreign investors to engage in business in Nigeria. Similarly, benefits that would normally accrue to communities from resulting projects may never materialise.

Recommendations for Nigeria

Nigeria is on the cusp of driving its own developmental agenda for improving social progress. The SPI suggests that improvements need to be made on addressing basic human needs and health and wellness in Nigeria. Economic theory suggests that these can be improved through increased government expenditure on social programs and infrastructure.

Improving infrastructure to address social issues can be supplemented with the infrastructure already planned for attracting greater investment in the region. Government investment in improving school, hospital and water and sanitation infrastructure should be critical. Infrastructure programs which improve on social outcomes should run concurrently and interlink with infrastructure programs to develop telecommunications, transport and power generation generally required by the private sector.

In addition, social outcomes will be improved, by addressing the large scale corruption and mismanagement of state funds as reported recently. Encouraging and managing state run controls, as seen recently in the introduction of the Fiscal Responsibility Act of 2007, need to be re-emphasised at the state level. This will reduce the inequity in distribution and allocation of tax payers' funds which can be used to improve health and wellness of disadvantaged communities.

Lastly, adopting alternative target measures of social progress (such as the SPI) may be of considerable benefit to both government and private sector in measuring government's success in improving social development outcomes.

The importance of both social and economic indicators

In conclusion, while using conventional economic indicators is one of many ways to assess a country's progress in comparison to other countries on the global scale, there are some drawbacks to its use for policy makers and investors. As indicated, conventional indicators may mask economic imbalances and overemphasise the role that output plays in delivering social progress, and therefore makes a good case for the use of alternative indicators.

We would advise governments (and our clients) to consider a holistic view, taking into account an index such as the SPI, when making important decisions. It will enable one to measure and monitor the success of implementing various micro- and macroeconomic policies as well as contextualise the environment in which one operates. We forecast that as social imperatives start to drive economic policies, more and more governments will be encouraged to utilise alternative indices such as the SPI in formulating their long term economic policies. We encourage private players operating in these areas to take heed of these indices and align their interests with those of government to drive social progress.

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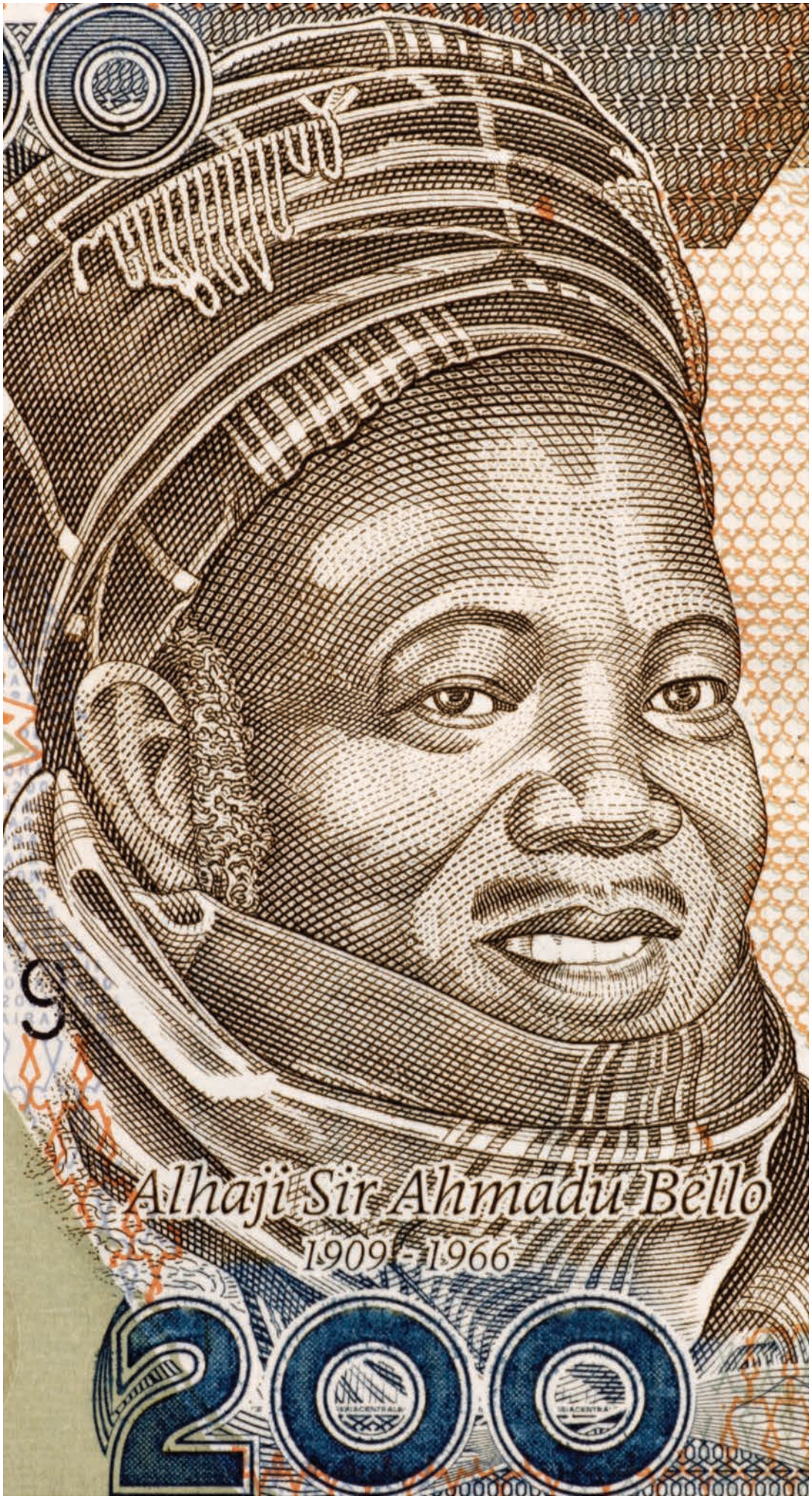

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