

## Nigerians are finally starting to dream of a country with an effective administration

By **Vivek Prahan\***

How is it that Africa's largest oil-producing country has effectively managed to run out of fuel? This is precisely the question the world asked in May 2015 as Nigeria's businesses faced crippling fuel shortages that threatened the economy. Coinciding with the inauguration of Muhammadu Buhari, Nigeria's first democratically elected leader from an opposition party, the fuel shortage has been emblematic the administrative inefficiencies that have always characterized Nigeria. But it could also symbolize the beginning of a new era. The new president's push to eradicate corruption by reshuffling the government and the administration brings a breath of optimism and renewed hope that the most populous country and the leading economy in Africa will find the path to prosperity.

Mr. Buhari had indeed focused his campaign on eliminating the corruption that plagues the country and a strong renewal of the fight against the Boko Haram rebels who have reduced a vast swath of the economy to ashes. Fuel shortages have acted as a signal that the new president is considered credible in the fight against corruption. Despite its abundant oil reserves, the country exports the vast majority. Subsequently, fuel is imported and sold to the Nigerian people at heavily subsidized prices while the government pays importers the difference compared prices on the world market. Fearing that Buhari would encourage domestic refining operations and put an end to subsidies, importers claimed that the government owed them one billion dollars in arrears; and they put pressure on the new administration by cutting off fuel deliveries to the country to obtain a final payment: a reaction that illustrates the magnitude of the new government's task but also reveals its importance.

Many were surprised when Nigeria surpassed South Africa as the continent's largest economy in 2014, when its nominal gross domestic product (GDP) reached USD 510 billion. It is true that international investors have long considered Nigeria as the most influential African economy because it is the locomotive of the continent's development. In fact, its real GDP growth rate in 2014 was 6.3%. But investors tend to focus on large companies while Nigeria's economic success also relies on its small businesses. With its youthful and steadily growing population of 182 million, the country has huge economic potential; micro, small and medium-sized enterprises (MSMEs) manage to grow despite the corruption, terrorism and lack of infrastructure. And while the headlines are full of events linked to Boko Haram, this dynamic sector contributes deeply to economic growth while providing jobs to the emerging middle class. According to Nigeria's Federal Office of Statistics, 97% of enterprises are SMEs employing fewer than 100 people and representing 50% of industrial production and employment.

Yet Nigerian MSMEs have been hit hard by the fuel shortages as they cannot afford the high prices on the black market. This has affected their attractiveness in an already difficult context in which they are struggling to find financing. The World Bank estimates that only 14.6% of domestic credit in the country goes towards the private sector (mostly large corporations). To the extent that the Nigerian economy depends on the vitality of its SMEs, their access to finance will play an essential role.

If Mr. Buhari is able to make good on his commitments, Nigeria could become a global economic powerhouse considering the progress it has already made. After the peaceful election of a leader pledging massive government reform and renewed military strength, Nigerians are starting to dream of a country with an effective bureaucracy. They are hopeful that their government will usher in a new era of prosperity as the country takes the next step in its economic development.

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