

Workshop „Resource-rich Developing and Transition Countries: The Cases of Nigeria and Uzbekistan“, Wednesday, August 15, 2012, 16-18 p.m. at the University of Bremen, Faculty of Economics and Business Studies, in WHS 5, Room 0.13

Invitation

Professor Axel Sell (from the Working Group Eastern Europe) and Professor Karl Wohlmuth (from the Working Group African Development Perspectives) jointly invite to a Research Workshop on August 15, 2012 at the Faculty of Economics, University of Bremen in Building WHS 5, Room 0.13, at 16-18 p.m.

Two Senior Research Scholars are guests of the Faculty of Economics and Business Studies and will report on their current researches:

Professor Dr. Reuben A. Alabi from the Department of Agricultural Economics, Ambrose Alli University, Ekpoma, Edo State, Nigeria is an **Alexander von Humboldt Research Fellow (Second Term)** and

Dr. Ubaydulla S. Nadirkhanov, a Postdoc Researcher, from the Institute of Economy, Academy of Sciences of the Republic of Uzbekistan, Tashkent is a **DAAD Research Fellow (Second Term)**.

Programme of the Workshop on August 15, 2012, 16-18 p.m. in WHS 5, Room 0.13:

Introduction: Professors Axel Sell and Karl Wohlmuth

Lecture and Discussion: **Improving the Aid-Growth Link in Sub-Saharan Africa to Reduce Poverty: The Case of Nigeria**, Presentation by Professor Alabi

Lecture and Discussion: **Foreign Direct Investment in Uzbekistan: Experiences, Trends and Perspectives of Growth**, Presentation by Dr. Nadirkhanov

General Discussion: Can the Development Policies of the two Country Cases be compared?

Conclusions: Professors Axel Sell and Karl Wohlmuth

Meeting with the Press: at 18 p.m. in WHS 5, Room 0.13 (Press is invited to interview the international research scholars/translation is possible although the two researchers have some command of German language)

Participation: free of charge, but a notification is requested at: iwimsek@uni-bremen.de or at: wohlmuth@uni-bremen.de or at: sell@uni-bremen.de

Please forward the Invitation to interested participants!!

A Synopsis of the two Lectures is attached:

Synopsis One: Professor Dr. Alabi

Improving the Aid-Growth Link in Sub-Saharan Africa to Reduce Poverty: The Case of Nigeria

Professor Dr. Alabi, Department of Agricultural Economics, Ambrose Alli University, Ekpoma, Nigeria

And

AvH Research Fellow at IWIM/Institute for World Economics and International Management, University of Bremen, Germany

Abstract

In this lecture the role of aid (ODA) in Nigeria is reviewed by comparing it with the other foreign exchange revenues of the country; the aid-growth link as presented in the literature is discussed; the research methodology is outlined, and first evidence is presented.

At the dawn of the Third Millennium, approximately 70% of the Nigerian population still lived on less than US\$1 a day (about 85 million people), an indication of extreme poverty. Real GDP growth has remained sluggish, averaging 3.5% per annum since 2000. It requires an annual GDP growth rate of 7-8% in order to halve the number of people in poverty by 2015, and this translates to an investment rate of more than 30% per annum. In addition, the country faces daunting challenges of re-building a country badly damaged by decades of military misrule and a fragile democracy. Furthermore, there are the threats of preventable diseases such as malaria, HIV/AIDS, and Tuberculosis. Clearly, Nigeria would find it difficult to attain the Millennium Development Goals (MDGs) without massive assistance from Development Partners in the areas of aid, trade and debt relief. As a result of the oil boom, Nigeria's per capita income increased sharply from US\$250 in 1973 to US\$1,000 in 1980. This caused Nigeria to be classified as a middle-income country and ODA assistance naturally declined.

The end of the oil boom and the economic crisis of the mid - 1980s has led to a drastic fall in per capita income, causing Nigeria to be re-classified as a low-income country in 1989. ODA flows have been increasing since then. For instance, there was a gradual reduction in the amount Nigeria has received as aid between 1970 and 1979 (from \$590.47 million to \$28.92 million), and it later rose to \$473.63million in 1989. By 2005, Nigeria experienced a sharp increase in the amount of aid that was received. The value rose from \$360.78 million in 2004 to \$6,799.81 million in 2005. The following year (2006) also witnessed almost the double amount of the amount Nigeria has received in 2005; it rose to \$11,781.51 million but later fell to \$1,385.2 million in 2007. The total sector allocable aid to Nigeria rose from \$1,645 million in 2009 to \$2,051 million in 2010 at constant 2010 US dollars.

Despite these increases in foreign aid in Nigeria past studies have vividly revealed that foreign aid has contributed to economic growth in Nigeria, but that the impact has not been qualitative on the welfare of the Nigerian populace. In spite of the foreign aid inflows into Nigeria, available evidence reveals that 18 million Nigerians were poor in 1980; this number increased to 85 million Nigerians in 2010, a figure which is projected to increase to 96 million in 2015. This is contrary to the global reduction in poverty trend. In fact Brookings reckons that Nigeria will have more poor people than either China or India by 2015 (Oxfam, 2012).

This study attributed the low impact of foreign aid on the poverty level in Nigeria to the way foreign aid is used and allocated in Nigeria. The pro-poor objective suggests that if the foreign aid is concentrated on the projects and programmes in which the poor benefit more than the rich, the welfare impact of aid can be improved.

This paper therefore investigates the sectoral allocation of foreign aid in Nigeria and makes recommendations how its welfare impact can be improved. The study reveals that only 32% was allocated as the sector allocable foreign aid in Nigeria, what is far less than the global

average of sector allocable foreign aid in total foreign aid to a country. The rest of 68% of the foreign aid in Nigeria were not allocated to productive sectors (such as debt relief, humanitarian aid, administrative cost to donors, aid to refugees etc.). The study indicates that 8%, 19%, 4%, 3%, 0.7%, 0.8% and 0.37% of sector allocable foreign aid in Nigeria were allocated to education, health, energy, agriculture, industry, rural development and food security respectively. These allocation patterns are different from the SSA average. The 8% sector share of foreign aid allocation to education in Nigeria is less than the 13% being the average for SSA. The 3% of foreign aid allocation to agriculture is equally less than the 7% share being the average for SSA. The less than 1% of foreign aid allocation to rural development in Nigeria is far less than about 2% being the average for SSA, and re-echoes the long neglect of rural areas in the development agenda of Nigeria. The 0.37% allocation for food security in Nigeria is equally less than the 4% average for SSA.

The intra sector foreign aid allocation may also explain its small pro-poor effect. The study indicates that out of 8% of total sector allocable allocated to education in Nigeria, 32%, 9% and 25% were allocated to primary, secondary and tertiary education respectively. This distribution of the foreign aid for the education sector does not follow the trend in global development objectives as the share of primary education in the foreign aid allocation globally stood at 50%. The imbalance in education foreign aid in Nigeria is evident in the study as the share of administrative cost of education foreign aid (15%) is higher than the share of secondary education (9%) and the share of facilities and training (13%). In the case of the health sector, the share of 19% for basic health care in the health foreign aid is less than the 25% of the global average. The low volume of health foreign aid to basic health care facilities cannot contribute to improve the provision of health facilities in Nigeria. In the agriculture sector foreign aid, only 7% of the allocations are devoted to water resources what is a lower share than the 9% SSA average, and so will not be enough to address the problem of the country having less than 1% of land under irrigation. The zero allocation in agriculture foreign aid to Nigeria for plant/post-harvest protection and pest control is even lower than the low 1% share of agriculture foreign aid for plant/post-harvest protection and pest control in SSA. In the manufacturing sector, while SMEs and agro-allied industries shared 35% and 53% of foreign aid allocation to industries, the share of less than 1% of industrial foreign aid for fertilizer manufacturing industries cannot help to revive the collapsed fertilizer manufacturing industries in Nigeria. Analysis of the energy sector reveals that electrical transmission/ distribution shared 46% of energy sector foreign aid. Power generation from non-renewable energy shared about 38%. However, solar energy, wind power and gas fired-energy sources got zero foreign aid allocation. This zero allocation to the solar, wind and gas resources in which Nigeria has abundant resources may not help to improve the epileptic power supply problems in Nigeria in the long run. Investigation into transport foreign aid reveals that 68%, 22% and 12% of transport foreign aid were allocated to roads, administration cost and to air transport in Nigeria. However, rail and waters/rivers transport shared only 0.18% and 1.5% respectively. It is evident that this allocation pattern is not charting a new development pattern for the transport system in Nigeria. Over-dependence on the road transport system has made Nigeria to have one of the poorest road systems in the world. Severe imbalances are obvious throughout.

Going by the results of this study, some recommendations were made in the paper. There is a need to increase sector allocable aid (real sector aid) in Nigeria from 32% to become about 70%. The education foreign aid should be allocated disproportionately in favour of primary education. The share of primary education in the share of education foreign aid should be aligned to the global average of 50%. Health foreign aid should be shared so as to provide basic health infrastructure for the people, and the share of basic health care should be increased to 25% which is the global average. The share of water resources in agriculture foreign aid should be increased from 7% to 9% being the SSA average and then to 36% being

the South/Central Asia average. This will help to irrigate more land in Nigeria and to improve the productivity of the land. Some foreign aid should also be allocated to pest control and post-harvest functions in agriculture foreign aid, which at the present are allocated zero aid. This will be an attempt to address the problem of 40-60% of agricultural product losses by the farmers. There is also need to increase the foreign aid allocation to solar and wind energy as major alternative sources of electricity. Rail and water transport systems as alternative means of transportation should be given priority in the foreign aid arrangement in Nigeria.

Synopsis Two: Dr. Nadirkhanov

Foreign Direct Investment in Uzbekistan: Experiences, Trends and Perspectives of Growth

Dr. Ubaydulla S.NADIRKHAVOV, Postdoc. Researcher, Institute of Economy, Academy of Sciences of the Republic Uzbekistan, Tashkent

In this lecture the new trends with regard of direct investment in Uzbekistan are highlighted on the basis of the needed changes of the economic structure. The respective policies and programmes will be discussed.

As experience shows market reforms cannot be conducted without foreign capital, know-how and technology transfer. Since 1991 the Republic of Uzbekistan started efforts to attract and to use credits and loans from international organizations and governments, and as well official development assistance (ODA). Some programs in order to enter into the competition to attract foreign direct investment (FDI) have been also introduced in the country.

The economic conditions of the early 1990s have affected the structure of foreign investments in Uzbekistan very much, as well as the volume and the forms of investment themselves. Among the difficulties it is to highlight especially one aspect: Uzbekistan had a hypertrophied economic structure, where the raw resources share accounted for about 98% of the total exports. The Republic had no experience in using/attracting foreign capital, so that in 1991 there were only 57 enterprises with foreign capital, covering only 5,200 employees in total, and the volumes having a 0.009% share in the country's GDP.

In the last 20 years Uzbekistan has achieved some progress in attracting foreign direct investment. Today more than 4,000 enterprises with foreign capital are involved in several industries of the national economy, and about the 40% of them are wholly owned foreign enterprises. Some branches - light industries and textile, food industry, chemical industry, construction materials and some others - have been developed with foreign direct capital. New industries like car assembling and construction have been founded.

The country's sources of finance as well as the export structure have been diversified in these two decades. So the share of cotton in the export volume of Uzbekistan had been reduced from 55-60% to 8-10% today. But the country still needs more investment, especially to modernize the manufacturing industry and to complete structural reforms.