

CHALLENGES OF OIL PRODUCING COUNTRIES WITH POOR RANKINGS: THE INTERNAL AND EXTERNAL CHALLENGES OF NIGERIA AND RUSSIA

*O. Ogunlana Ayodele**, *O. Nedospasova*

Tomsk Polytechnic University, Tomsk

*E-mail: aystar15@mail.ru

Scientific adviser: O.P. Nedospasova, Doctor of Economics, Professor

The oil producing countries are suppose to be the world leaders both in economic and social aspect but, according to countries social rankings, it's surprising that most of these countries are very low in ranking. The article looks into the challenges affecting some of these countries (Nigeria and Russia) by analyzing the prosperity index of these countries according to their social aspect. In conclusion, the authors assume that eradicating or minimizing the problems and increase in social policy activities by the governments can go a long way in improving the social life of citizens of these countries and thereby increase their ranking prosperity indexes.

Keywords: social policy, ratings, oil, population, life expectancy, religious, corruption

The positions of most oil producing countries in the Legatum Prosperity Index (LPI) 2017 is rather disappointing, it confirms their weak positions in many social sphere. These show major challenges in governments' contribution in human capital of these countries.

The purpose of this article is to analyze and compare different challenges affecting the growths of social aspect of some of these countries.

According to the Legatum Prosperity Index 2017 (table 1) [1] [2]. , the top 15 oil countries apart from Norway and Canada are not in the top ten. The Legatum Prosperity Index (which offers a unique insight into how prosperity is forming and changing across the world.) should be noted, that it uses 79 different indicators from 9 categories, reflecting different aspect of life of the society and general welfare. Also the index is based on statistical analysis of social policies researches experts' ratings of specialized selected participants. Also the data used was retrieved from OOH, International Data Corporation (IDC), Pyramid research and other institutes.

Table 1 – The Legatum prosperity index 2017 of top 15 oil countries rating

Top 15 oil producing countries	Ranking according to the Legatum prosperity index 2017
United states	18 th
Saudi Arabia	85 th
Russia	101 th
China	90 th
Canada	8 th
Iraq	142 nd
Iran	117 th
United Arab Emirates	39 th
Brazil	54 th
Kuwait	80 th
Mexico	61 st
Venezuela	132 nd
Qatar	47 th
Norway	1 st
Nigeria	128 th

According to EIA, as of the year 2016 US produces 14855 thousand barrels per day while Saudi Arabia, which ranked 2nd produces 12387 thousand barrels per day, the third is

Russia with the production of 11240 thousand barrels per day. The last of the 15 top oil producing countries is Nigeria with the output of 1924 thousand barrels per day.

Apart from the 2017 rating of the LPI, table 2 shows the 2017 Social Progress Index (SPI) ranking of some of the top oil producing countries.

Table 2 – Social Progress Index 2017 for some top oil producing countries

Rank	Country	Score
3	Norway	90.27
6	Canada	89.84
18	USA	86.43
42	Kuwait	74.12
43	Brazil	73.97
48	Mexico	71.93
57	Saudi Arabia	69.45
67	Russia	67.17
83	China	63.72
88	Iran	61.93
109	Nigeria	50.01

The SPI shows that, among these oil producing countries only Norway and Canada ranked 3rd and 6th respectively made it to top 14th Very High Social Progress, while only United State of America falls in the High Social Progress, Upper Middle Social Progress are Kuwait, Brazil, Mexico Saudi Arabia, Russia. China, Iran and Nigeria are classified under Lower Middle Social Progress.

Comparing the nine indicators used by Legatum Prosperity Index rating of Russia and Nigeria (being that oil is their main contribution in GDP). Table 2 shows the position of Russia and Nigeria in the international rating by Legatum Prosperity Index in 2017[3] [4].

Table 3 – Position of Russia and Nigeria by different indicators used in Legatum Prosperity Index 2017

№	Indicators	Russia's rating	Nigeria's rating
1	Economic quality	70	131
2	Business Environment	85	74
3	Governance	115	114
4	Education	26	118
5	Health	102	142
6	Safety and security	109	145
7	Personal freedom	143	113
8	Social capital	130	47
9	Natural Environment	56	102

Comparing the two countries, Russia supersedes Nigeria in all prosperity indicators except on social capital and Business environment where Nigeria is been ranked 47th and 74th respectively and Russia ranked 130th and 85th also respectively. Although in 2013, Russia was ranked 62nd after Philippines on social capital, Nigeria was ranked 63th [5]. The poor ranking of these 2 countries can be traced to many factors both external and internal. There are lots of factors hindering the ratings of Nigeria in the LPI some of which are:

Population density – According to worldometers population [6], the population of Nigeria as at 01/02/2017 was 185 000 000 while Russia was just 146 800 000. Figure 1 shows the population of Nigeria and Russia since the year 2010.

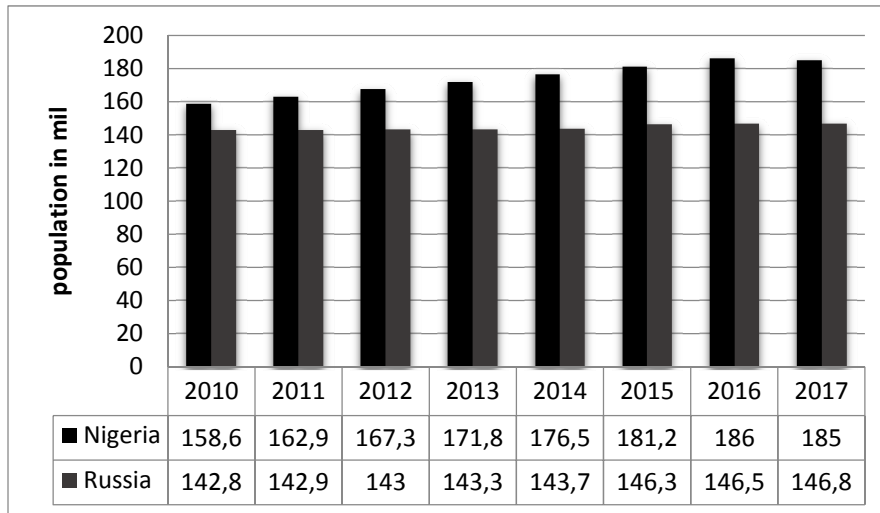


Fig. 1. Nigeria and Russia Population from 2010 to 2017 [7]

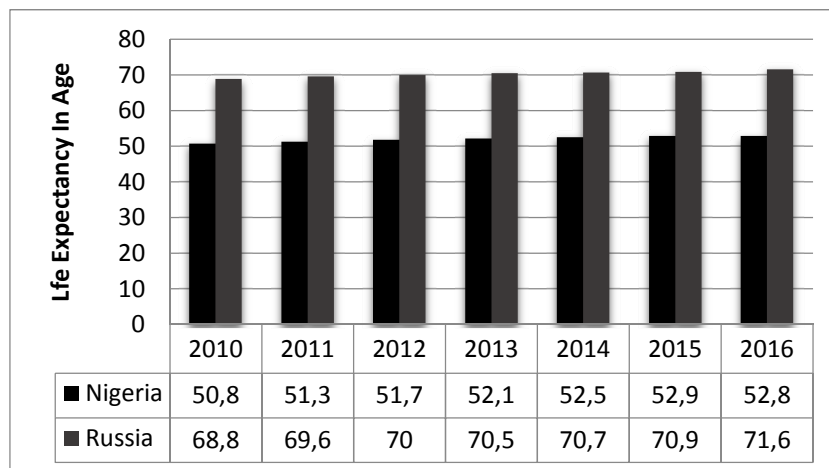


Fig. 2. Nigeria and Russia Population Life Expectancy [8]

The population of Nigeria is steadily increases years after years and according to UN data “the population of Nigeria is projected to surpass that of the United States shortly before 2050, at which point it would become the third largest country in the world” [8] while Russia population is at average of 144 million per year. This will definitely be a challenge to Nigeria leaders for fact that there will be increase in unemployment and too much money will be running after few goods (inflation), also there will definitely be less resources to take care of human needs. With the poor economy in Nigeria, this may even get worse if action is not taking to reduce increase in the population density. Although, the life expectancy of Nigeria is far lesser than that of Russia (Fig. 2)

Religion ethnic inequality (Muslims’ fanatics (Boko Haram vs non-Muslims) – The increase in ethnic and religion conflict is slowly deteriorating the Nigerian state. The causes of this conflict can be amalgamation, tribalism, favoritism, marginalization of some ethnic groups, herdsmen attack, lack of vision etc. Its impact is seen through economic and social structure of the nation. The most dangerous of them is the terror of Boko Haram (terrorist group in Nigeria). Figure 2 shows the civilian deaths in the group’s attack between September 2010 and April 2014

After recovering from the 2008 crises, the rate of inflation in Russia drop to 8.77 in 2010. By 2011 to 2013, it maintains the drop to 6.37 averagely. But in 2014, it skyrocketed from 6.48 in 2013 to 11.36 in 2014 which by 2015 it was already at 12.91 (figure 4 and 5 highlight the reason for the high inflation of 2014) . Although in 2016, it significantly fell to 5.38. Nevertheless, all values of inflation in the Russian Federation over the period under review are much higher than in countries with developed economy.



Fig. 5. Russia currency from the year 2014 to 2017 [13]

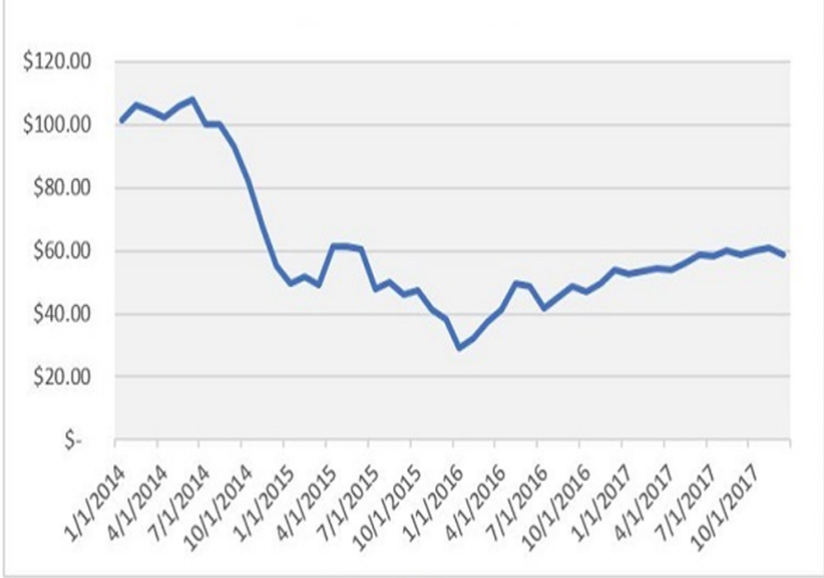


Fig. 6. Average price of oil (2014-2017) [14]

As seen above, in 2014, the price of oil in world markets fell significantly from \$100 to \$50 per barrel). The dynamics of the ruble to US dollar grew significantly: first it grew from 30 to 40 rubles per 1 US dollar, and then to 70 rubles in 2015 and even higher 2016. As a consequence for the reasons of the financial crisis, the Russian Federation reduced expenditures on certain budget sections. Table 4 shows the comparison of Russian government expenditure from 2014 to 2016 [15, 16].

Due to the crises in 2014, Russian Federation cut down expenditure on cultural activities, education and on Medicare while expenditure on military rise up to 32% from 2014 to 2015 and just 1% lesser in 2016. Expenditure in Education got lesser by 5% in 2015 and

4% in 2016. Medicare in 2015 was highly cut down to 78% from 2014 although which then, was replenished up to 27% increase in 2016. In 2017, military, national issues, national economy, national security, mass media were reduced but the Medicare aspect was seriously reduced by 25%

Table 4 – Comparison of Russian government expenditure of 2015 to 2014 and 2016 to 2015

Budgeted Spending classification	Comparison from		
	2015 to 2014, (%)	2016 to 2015 (%)	2017 to 2016 (%)
Military	132.8	110.2	91.9
Social Policy	114.7	105.66	114.5
National Issues	113.4	106.81	95.1
National Economy	107.8	124.71	82.7
Servicing of Public Debt	103.9	110.34	110.5
National Security and Law Enforcement	103.7	97.64	96.7
Housing and Utilities	103.5	62.2	129.5
Protection of the environment	100.4	127.04	128.8
Culture Cinematography and Mass Media	100	104.64	102
Physical Culture and Sport	96.1	101.42	125
Education	95.3	96.28	105.5
Mass Media	93.4	110.14	95.9
Interbudgetary transfers of a general nature	86.9	108.18	113.6
Medicare and Health	78.6	127.92	75.2

It is adamant to say that, in Russia military support is of high essence than social activities and wellbeing of the citizens.

Conclusion

The factors affecting these countries are both Internal and external. In case of Nigeria, it is mostly internal factors of civil wars, religion and ethnic war, and the most of all corruption and misappropriations. Despite being one of the biggest oil producing country in Africa, Nigeria is still regard as a poor country with poor social activities. The citizens still live in fear and watching over there family themselves due to lack of security.

The internal factors can be reduces by eradication of the insurgent of bokko haram, stopping the ethnic religious civil war and minimizing corruption by fighting seriously against it in different levels of existence (especially at the top of the ladder). This can go along way of reducing expenditures on wars or military and thereby implementing social policy that will suit the citizens of the country.

The factors affecting Russians is more of external than internal. The fall of crude oil in the world market, the sanctions, constant crises and the increase of dollar over rubbles are mostly affecting the economy of Russia.

External factors may not be able to control but the government can implement a social policy that will be of help to their citizens.

An improved social life can improve the social ranking of these countries.

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