

Weekly Newsletter

THE ABUJA
SCHOOL

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The Identity Revolution: How AI Can Empower Developing Nations Like Nigeria

The world is drowning in data, and low- and middle-income countries (LMICs) like Nigeria are no strangers to this deluge. However, harnessing this information for good governance, revenue generation, and security management requires a cornerstone: a robust identity management system (IMS). In this data-driven landscape, Artificial Intelligence (AI) emerges as a transformative force, offering a powerful tool to manage identities in a way that was previously unimaginable.

Nigeria currently grapples with a fragmented identity ecosystem. Multiple platforms, like the National Identification Number (NIN) and Bank Verification Number (BVN), coexist, creating inefficiencies and hindering data-driven decision-making. This patchwork approach leads to inconsistencies, data silos, and

difficulty in verifying information. These challenges have a ripple effect, impacting everything from social service delivery to financial inclusion.

AI offers a powerful toolkit for Nigeria to address these challenges and build a stronger IMS. Here's how AI can empower the Nigerian identity landscape:

- **Data Consolidation and Verification:** AI algorithms can analyze data from disparate sources like NIN, BVN, and voter registration, identifying inconsistencies and duplicates. This process creates a unified identity database, improving data quality and laying the groundwork for better governance initiatives. For instance, social programs can be targeted more effectively by identifying genuine beneficiaries, reducing fraud and waste.

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- **Fraud Detection and Prevention:** Machine learning algorithms can learn patterns of fraudulent activities in real-time. By analyzing past data, AI can flag suspicious behavior in areas like tax collection and social program disbursement. This not only enhances revenue generation by ensuring accurate tax collection but also strengthens the integrity of social programs.
- **Enhanced Security:** AI-powered facial recognition and biometric verification systems can tighten border controls and prevent identity theft. AI can analyze travel documents and match them against facial recognition data, identifying potential threats and securing national borders. This can significantly improve national security by preventing unauthorized access and deterring criminal activity. Several emerging economies demonstrate the power of AI-powered identity management. India's Aadhaar program, the world's largest biometric ID system, utilizes AI for data deduplication and fraud detection. This program has streamlined social service delivery, improved financial inclusion, and facilitated targeted welfare schemes. Similarly, Brazil's "CadÚnico" program utilizes AI to cross-reference data from various government agencies, ensuring accurate targeting of social benefits and reducing administrative burdens. These examples showcase the transformative potential of AI in strengthening identity management for developing economies.

To move beyond a fragmented system, the Nigerian government must adopt a multi-pronged approach:

- **Standardization:** Establishing national standards for data collection and storage across all platforms ensures interoperability. This allows data from various sources to be effectively integrated into a unified IMS.
- **Incentivization:** Encouraging citizens to enroll in a unified system requires offering tangible benefits. This could involve streamlined access to social services, simplified financial transactions, and faster government service delivery.
- **Phased Integration:** A gradual transition from existing platforms to a unified system minimizes disruption, allows for smoother data migration, and facilitates user adaptation

The successful deployment of AI requires a skilled workforce. Here's how Nigeria can bridge the AI talent gap:

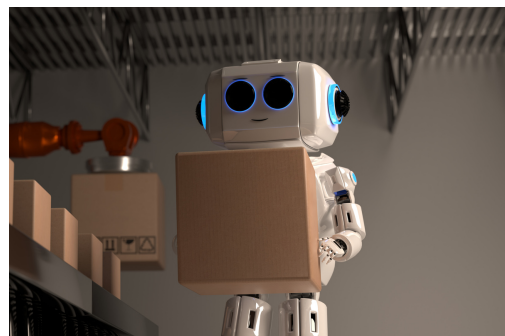
- **Data Science Training:** Investing in programs that train data scientists and engineers is essential. This skilled

workforce will design, develop, and maintain AI-powered identity management systems.

- **Digital Literacy Programs:** Equipping citizens with digital literacy skills fosters trust and understanding of AI-based systems. This can be achieved through educational campaigns and public awareness initiatives.
- **Public-Private Partnerships:** Collaborating with tech companies can provide access to cutting-edge AI solutions and training for government personnel. This allows the government to leverage existing expertise and accelerate the adoption of AI.

While AI offers immense benefits, privacy concerns are paramount. Building trust is crucial for the successful implementation of AI-powered identity management. Here's how Nigeria can ensure data privacy is protected:

- **Data Protection Laws:** A robust legal framework like the General Data Protection Regulation (GDPR) in Europe is essential. This law should define data ownership, limit unauthorized access, and ensure citizens can control their information.
- **Transparency and Accountability:** Citizens have the right to know how their data is collected, used, and stored. Clear communication from the government fosters trust and encourages participation in the new IMS.
- **Independent Oversight Body:** An independent body should oversee data collection practices, investigate potential breaches, and ensure compliance with data protection laws. This promotes accountability and safeguards against misuse of personal data.



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Why Electricity Privatization Failed ?

The title of this write-up is presumptive. Has electricity privatization in Nigeria failed? The leadership of the National Assembly thinks that privatization has failed. Many Nigerians think the same way. But some technocrats, especially those who support the exercise, could still argue that privatization of electricity has not wholly failed. Sure, there are many crises facing the newly privatized sector. But they would argue that cup is more half full than empty. They can point to the fact that we could attract more foreign investment into the electricity supply industry than before privatization as one evidence of some success. But even at that, the nation did not spend so much just to have more investment without adequate, reliable, and affordable electricity for homes and businesses.

A few days before writing this article, there was good news about the commission of the Abuja Power project after 20 years of setbacks and errors. The Aba Power and Geometry Power projects are two ambitious private investments by former Nigerian power minister, Professor Barth Nnaji, who in 2004 dreamed of providing 24/7 electricity to commercial enterprises in Aba. The event became an occasion to ask critical questions about why the project took too long and why the reforms of the sector has largely failed to yield the advertised results. It brings into critique the large reform in the electricity sector, especially the privatization exercise.

For five years, between 2010 and 2015 I sat at a vantage point to observe how things went in the sector as the Executive Chairman of the regulatory agency. Looking back, I could argue that in a sense the program was designed to fail. This does not deny the good will and commitment of the policy reformers in government from 2001 when the reform kickstarted with the National Electric Power Policy (NEPP). These guys would have meant well. But, in my view, the privatization policy has two problems. First is a modeling problem. Between 2000-2005, the problem of the electricity sector reform was wrong modelling. From 2010- date, it mutates into mostly a problem of poor project management. In this piece, I focus on wrong modelling.

The failure of the design of the power sector reform lies largely on wrong diagnosis that leads to inapt directive policy. If the directive policy does not build from an accurate diagnosis, it leads to wrong set of interventions. Interventions can be wrong either because they are not the required actions, or they are applied in inadequate measure or wrongly timed. A strategic approach is one that is based on accurate diagnosis. The problem is that a good diagnosis is difficult to get. It requires paying good attention. It requires pragmatism and wisdom in counting what counts. The problem is that most times the urgency of reform does not make for wise and proper attention to paid to the reality of the problem.

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Government can do this whether through minimum wage or through generalized economic growth that spills over to enhanced purchasing power for the poor or through direct support to people to enable them to purchase those things that they cannot purchase. In this sense, providing free education has the impact of reducing poverty, because it means that money that poor people would have used to pay school fees, they shift it towards other consumptions that help their well-being. So, when the government introduces subsidy, it is combating poverty.

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The idea of proper pricing for those who are against subsidy is that, first, it makes people behave efficiently, because once you pay for what you consume, then you consume efficiently. This assumption of efficient behavior flows from the economic rationality that the price is the cost of that action, and therefore, if the price is prohibitive, then you will not take that action.

Second, for Nigeria, the subsidy made it cheaper to smuggle petrol out of the country and sell it in neighboring countries. If in the Benin Republic, a liter of petrol is sold at N500, and in Nigeria you are selling the same liter of fuel at N200, people are going to shift it to where they will make more profit. It is rational behavior. Thus, efficient pricing can help you solve the problem of smuggling of petrol and save the government from subsidizing foreign nationals who do not pay taxes to Nigeria. I have some respect for neoliberal economists who argue for right pricing, because price is a good signal. If something is cheaper in Wuse Market, and the cost of going to Wuse is lower than the difference in price, I will feel like going to Wuse Market to buy that product. Those who say, "use price to change behavior", are right. They are saying, "if you increase this price of fuel in Nigeria, to attain parity with the price across the border, then people will not smuggle it to the Benin.

Republic; there is nothing to gain from smuggling it." And that is why, true to this explanation, there has been a big drop in the quantity of fuel smuggled out of the country. The reason is that there is little incentive to smuggle fuel products out of Nigeria to neighboring countries -if the price difference between Nigeria and those countries is negligent or negative. Now, the third reason why people advocate for the removal of subsidy is that with subsidy there is another level of inefficiency, as those who don't deserve to capture the subsidy may capture more than those who deserve the subsidy. So, if fuel is selling at basement price, and Nze Ezue, I know, has many jeeps, and as he is coming here, he decides to ask one of his friends to follow him, they are going to fill their tanks at that basement price. Then me, the poor man you are trying to save, maybe, have one 'tuketuke'. So, at the end of the day, the rich people are undeservingly capturing more of that benefit; and the question is, "Why should people capture the benefit of a subsidized price if they can pay the right price?" The same with education! Tuition fees now in Unilag have risen to N100,000. I have been one of those who have been arguing that school fees in universities should not be less than N150,000 or N200,000- because I look at what my children pay at kindergarten level in a private school being far more than what my daughter pays in a federal university. I look at the fact that people who are at about my income level or who earn far more than I do have their children in those universities, okay, and they are paying just N15,000.

When the price of a product is subsidized, someone else is paying the right cost. In this case, it is the government that bears the burden of the subsidy. The rich people are taking advantage and outsourcing inefficiency to the government, who pays for their consumption. Although education is a public good in the sense that its consumption can improve the public good, it is, first and foremost, a private good, because somebody is capturing value for themselves, which they can and should pay for. The anti-subsidy group's argument is very simple: that if you charge the right pricing, then people will pay for what they consume and what they can pay for. From the advocacy of market economy, all goods should be priced to cover their costs of production to ensure their sustained production. These advocates admit

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We saw during the height of the neoliberal reform across the developing world a virulent form of this lack of attention resulting in wrong-headed institutional transplantation. That is, what the venerable African political economist Thandika Mkandawire, calls 'institutional monocropping'. This approach to reform basically overlooks the reality of the differing contexts of different societies and applies ideological patterns thoughtlessly on non-deserving circumstances.

In the Nigerian case, reformers quickly settled on state ownership as the diagnosis, and zeroed in on privatization as the solution. Of course, the NEPP listed stages before privatization, including commercialization and corporatization. But their theory of change is hinged on privatization. Hence the government failed to properly corporatize and commercialize before 'boldly' speeding off to sell off the entire network minus transmission in 2013. Today, the privatization has not worked because the economics of it that relies on the famous agent-principal problem and soft budget line wrongly presumes that it is ownership rather than governance that determines efficiency. In 2012 before privatization, the rate of metering in the sector was about 40%. In 2024, the metering rate is 42%. Every other important indicator looks like this.

The reform of the electricity sector in Nigeria was based on an incompletely theorized assumption that once you get government off electricity and get the private sector in, everything gets into shape. To show the degree of faith in the magic of the private sector, the reformers refused to phase the transition to private electricity market. The standard logic from the days of shock therapy is that success requires that you do it in one fell swoop before there is a fight back. Interesting, the apostle of 'shock therapy', Jeffrey Sachs, after his Russian debacle, later wrote a book, *End to Poverty*, to argue for 'differential diagnosis', which basically calls for cautious and differentiation in problem analysis.

The apparent problems of electricity supply in Nigeria then and today remain almost the same even with the administration of the privatization policy. It does not mean that government ought to dominate the electricity sector, or that it was a bad idea to privatize. Rather the real failure was presuming that the problem was 'merely' ownership. Differential diagnosis would have led to structural problems that require more than change of ownership of electricity utilities.

The real-world implication of that would be to make haste slowly and to take seriously the mypreconditions for effective privatization.

If we diagnose inaccurately, we model poorly. That is the first cause of the failure of the electricity reform in Nigeria. The prudential guide is this: it is better to be wise than bold in reforming difficult sectors.



Dr. **Sam Amadi**, Director, The Abuja School of Social And Political Thought

Tit Bits



Electricity tariff triples for elite customers

The Nigerian Electricity Regulatory Commission (NERC) approved an increase in electricity tariff for customers under the Band A classification. Customers who receive 20 hours of electricity supply daily, will pay N225 per kilowatt (kW). This began April 3 — up from N66, the new rate is just about three times the existing rate.

(Source: **The Cable**)

Three Nigerian States with 24-hour Power Supply

Ogun, Oyo, Osun and Kwara states' subscribers of the Band A tariff plan are benefitting from the 20 to 24 hours of the Ibadan Electricity Distribution Company daily consumption in documents prepared by NERC as of February 2024.

(Source: **Punch**)



Okuama Killings: Army recovers stolen weapons

The Nigerian Army has recovered some of the arms and ammunition snatched from soldiers killed on March 14 at Okuama community in Ughelli South Local Government Area, Delta State.

(Source: **Vanguard**)



NERC sanctions AEDC for wrongly billing Abuja residents with new electricity tariff.

NERC sanctioned the Abuja Electricity Distribution Company (AEDC) for wrongly applying the new electricity tariffs on some residents of the Nigerian capital. The sanctions include a N200 million fine and a directive that the wrongly billed customers should be appropriately refunded.

(Source: **Premium Times**)

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