



COUNTRY REVIEW REPORT
FEDERAL REPUBLIC OF NIGERIA



OCTOBER 2008

EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 Nigeria became independent from the British rule in 1960. Nigeria was among the first countries to accede to the APRM at the Sixth Summit of the NEPAD HSGIC meeting held in Abuja, Nigeria, on 9 March 2003.
- 1.2 Nigeria was peer reviewed at the 9th Summit of the Committee of Heads of State and Government Participating in the African Peer Review Mechanism [APR Forum] on 29 June 2008 in Sharm El Sheik, Egypt, in June 2009

2. SUMMARY OF FINDINGS IN THE FOUR THEMATIC AREAS

Democracy and good political governance

- 2.1 Nigeria is endowed with a wealth of talented, varied and dynamic human resources in the political, sociocultural and economic spheres. Despite these endowments, Nigeria's political leadership has yet to solve its democratic and political governance problems satisfactorily and to reconcile conflicting ethno regional interests. It also faces the recurring challenge of managing the process and benefits of economic development in order to ensure the equitable distribution of wealth and growth in the country.
- 2.2 The country has ratified a number of major international treaties. Nonetheless, these treaties must undergo complex federal and state legislative procedures in order to become law. This is a time-consuming process. Additionally, some key treaties, which would guarantee personal freedoms for individuals, have yet to be ratified. Most Nigerians are unaware of the international conventions that have been ratified by the government, and therefore they cannot actively pursue the realisation of the various rights and freedoms guaranteed in the conventions.
- 2.3 Nigeria has excelled in promoting the peaceful settlement of disputes in the Economic Community of West African States (ECOWAS) region. It has also helped to contain conflicts in several African countries, such as Angola, Chad, the Democratic Republic of the Congo (DRC), Côte d'Ivoire, Gambia, Guinea-Bissau, Liberia, Rwanda, Sierra Leone, Somalia, Sudan, Tanzania and Zimbabwe, to name a few. Nigeria also contributed to the liberation movements that led to the independence of African countries such as Namibia, Mozambique and South Africa. In the promotion of peace and coexistence, Nigeria agreed to abide by a ruling of the International Court of Justice over a long-standing border dispute with Cameroon over the potentially oil-rich Bakassi Peninsula.
- 2.4 The above notwithstanding, Nigeria has been embroiled in military and intrastate conflicts. The most notable of these was the Nigerian civil war. These conflicts have partly retarded the emergence of political democracy and economic development in the country. The major causes of the intrastate conflicts include pervasive social and economic inequality, the distribution of wealth (especially of petroleum resources), religious intolerance, and political manipulation and representation. Issues of identity and ethnicity have their own dynamics and they contribute to these conflicts. In the absence of an effective early warning system, the effectiveness of conflict-resolution interventions at the national and interstate levels is limited.
- 2.5 Civilian rule returned in 1999. Nigeria's current constitution, the bedrock of Nigerian democracy, was promulgated in the same year. Since then, Nigeria has held three presidential and

parliamentary elections in 1999, 2003 and 2007. These events helped to promote constitutional democracy in the country. However, an overconcentration of power in the central government inhibits true federalism. The excessive powers of the executive vis-à-vis the legislature and judiciary – a legacy of the long period of military rule – curtail the realisation in practice of the principle of separation of powers with its inherent checks and balances.

- 2.6 The government has introduced several reforms in the civil service since 1999. However, these have not resulted in an effective, accountable and efficient civil service. Demoralising issues such as poor pay, political patronage, a slow response to technological change and modern organisational methods, corruption and gross indiscipline characterise the civil service. These have resulted in declining efficiency, effectiveness and productivity. Multifaceted strategies are needed to bring about standardisation and the adoption of appropriate staff-development policies, which are essential for the development of a professional and effective public service.
- 2.7 Corruption is endemic at all levels of society and has been described as a way of life in Nigeria. The Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC) are actively engaged in fighting corruption. However, they are under resourced and are sometimes seen to be influenced by the executive. Corruption, especially the use of money in politics, greatly hinders the development of constitutional democracy in Nigeria and undermines the principles of good governance.
- 2.8 Nigeria is a party to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Nigerian women, like women in most traditional societies in Africa, are nevertheless discriminated against and marginalised because of prejudicial cultural practices and beliefs. Women are largely underrepresented on elective and non-elective decision-making bodies at federal and state level. Calls for affirmative action measures have not yet been heeded. Affirmative action would go a long way to ensuring the effective quantitative and qualitative inclusion and participation of women in public life and decision-making fora. It would enable women's issues to be put on the national development agenda.
- 2.9 Nigeria has signed the Convention on the Rights of the Child (CRC), but the rights of children are still not well established. Only 18 out of 36 states have so far implemented the Child Rights Act. There are prevailing traditional practices that violate children's rights. They include female genital mutilation (FGM) and forced early marriages. Other issues of concern include high rates of infant and child mortality, child trafficking, rape and sexual harassment, child labour, children living on the streets, lack of quality education and gender inequality. A holistic and multi sectoral effort is needed from all concerned to address the plight of children.
- 2.10 The care of vulnerable groups, including the disabled and the poor, has been largely left to families, with little intervention from the government. Nigeria has signed but has yet to ratify the Convention on the Rights of Persons with Disabilities (PWDs). As a result, the rights of PWDs are inadequately protected and promoted at federal level and in several states. Most lack the necessary policy and institutional frameworks and adequate resources to protect PWDs. There is no current law or policy that specifically addresses the rights of PWDs. There are internally displaced people and refugees in Nigeria, but there are inadequate services for them. Their accessibility to courts of law is poor, and refugee camps are overcrowded. Nigeria is urged to develop legal and policy frameworks to protect the rights of vulnerable groups.
- 2.11 Nigeria has made great strides towards building a democratic society since 1999. However, several initiatives are still required to consolidate what it has achieved so far. Reviewing the

constitution to address the supremacy of the executive, addressing the Niger Delta crisis, confronting unequal distribution of resources, redefining the role of traditional leaders, combating corruption, depoliticising the civil service, and constitutionalising affirmative action for all vulnerable groups are areas that need urgent action.

3.2 Economic governance and management

- 2.12 Nigeria is a country of paradox. The country has the potential to build a prosperous economy, to reduce poverty significantly, and to provide the basic social and economic services its population needs. However, 29 years of military misrule, erratic and distorted policies, public-sector dominance in production and consumption, and unbridled corruption and rent-seeking have taken their toll on the development potential of the country. They have left the country with high incidences of poverty, high unemployment rates, poor infrastructure, low growth rates, and widespread insecurity and crime.
- 2.13 Nigeria is the largest oil producer in Africa and the seventh-largest in the world. Its oil reserves are estimated at 36.2 billion barrels. New oil wells are continually being discovered. Reserves are expected to increase to about 40 billion barrels. The country's economic strength therefore derives largely from its oil and gas wealth. This sector contributed 95 per cent of export revenue, 78 per cent of government revenue, and 21.93 per cent of gross domestic product (GDP) in 2006. Other sector contributions to GDP in 2006 were agriculture (32.5 per cent), wholesale and retail (13.5 per cent), industry (excluding petroleum) (2.9 per cent) and other sectors (1.5 per cent).
- 2.14 The growing importance of oil has brought with it many advantages. They include: substantial surpluses on the current account of the balance of payments, thereby enabling the country to increase its foreign reserves and reduce its foreign debt; increases in the tax revenue of government, which provides much-needed scope for managing the budget; and increased liquidity in the financial sector, thereby facilitating extensive reforms, consolidation and rationalisation. However, the overreliance on oil has also had a number of disadvantages. They include: neglecting other important sectors of the economy, such as agriculture and manufacturing; increasing the oil market's vulnerability to external shocks; neglecting to collect and administer other forms of taxation; and negative environmental consequences.
- 2.15 As already indicated, the Obasanjo administration, which restored democratic rule in 1999, took bold steps towards economic rehabilitation through the NEEDS economic reform programme. This strategy was aimed at accelerating economic growth, reducing poverty, and achieving the Millennium Development Goals (MDGs). NEEDS has been consolidated further by the current government through the introduction of a seven-point agenda for Nigeria's development in the context of a broader vision, called Vision 2020. This vision is to position the country as one of the 20 most developed economies internationally by 2020.
- 2.16 These reforms have largely succeeded in reversing the macroeconomic imbalances from which Nigeria suffered for most of the period of political misrule. The country's macroeconomic indicators show significant improvements. There has been a modest growth in GDP and inflation is lower. Real GDP growth in 2006 was estimated at 5.67 per cent, and inflation dropped to 8.2 per cent from about 18 per cent in 2005. Progress has also been made in the areas of financial-sector reform, debt management, and accumulation of foreign reserves, exchange-rate stability, and the fight against corruption. Notwithstanding these positive developments, the Nigerian economy is still confronted by many serious challenges.

- 2.17 There was inadequate official information to enable the dates of signing, accession and ratification of the economic governance and management standards and codes to be documented. However, it was noted that Nigeria has adopted most of the standards and codes relevant to its membership of the International Monetary Fund (IMF) and the World Bank. They include the adoption of the Guidelines for Public Debt Management, the Code of Good Practices on Transparency in Monetary and Financial Policies, the Core Principles for Effective Banking Supervision, and the IMF's Code of Good Practices on Fiscal Transparency.
- 2.18 Current macroeconomic policies are driven by the NEEDS framework. These aim to stabilise the economy in the short term, to achieve internal balance in the medium term, and to move the economy towards attaining external balance in the medium to long term. Macroeconomic management is directed at achieving high and sustained noninflationary growth. The reform programme received a significant boost in December 2006 when the IMF reviewed and approved a two-year Policy Support Instrument (PSI) for Nigeria. The PSI is intended to help the government maintain prudent macroeconomic policies, strengthen financial institutions, and create an environment conducive to robust private-sector development.
- 2.19 The government has attempted to contain budget deficits by limiting them to no more than 3 per cent of GDP, and by reducing inflation rates to single digits. Furthermore, the government has stabilised the exchange rate, increased external reserves to about US\$40 billion in 2006, and registered strong economic growth of slightly above 6 per cent in 2005 and 2006. This includes a strong nonoil-sector growth of about 8 per cent. Public debt has also been kept at sustainable levels since debt relief was obtained under the Multilateral Debt Relief Initiative (MDRI). This has improved Nigeria's sovereign credit rating enormously.
- 2.20 Despite these positive developments, macroeconomic policy remains constrained by a low revenue base. This has been caused by high levels of tax evasion, slow progress in diversifying the economy, high unemployment levels, and vulnerability to shocks and insecurity (mainly in the oil sector). In addition, the private sector faces the challenges of high interest rates, poor physical infrastructure, and a burdensome administrative and institutional environment.
- 2.21 Implementation of government policies has increasingly become more open, transparent and predictable. This is mainly due to the adoption of the Medium-Term Expenditure Framework (MTEF), the Medium-Term Sector Strategy (MTSS) and the Fiscal Strategy Paper. The budget has also been made more accessible to the general public.
- 2.22 Significant progress has been made in strengthening the legal and institutional framework for sound public finance management. The introduction of the MTEF; the Cash Management Committee (CMC); the revenue-sharing formula between federal, state and local governments; and improvements in the procurement process have largely promoted the prudent management of public finances. However, performance at state and local government levels still remains inadequate.
- 2.23 Corruption and fraud are rampant in Nigeria and continue to concern most stakeholders. The incidences of corruption and money laundering in the public sector are believed to be very high. Fighting these economic ills seems to have been a priority for the federal government since 1999. This is shown by the introduction of numerous legislative reforms and initiatives to combat corruption and money laundering. However, anticorruption agencies are hampered by significant capacity constraints in their attempts to tackle these problems

effectively. The challenge to take the anticorruption war to the state and local government levels remains.

- 2.24 Nigeria appreciates the critical role that regional integration plays to promote trade, international competitiveness and development. Its participation in ECOWAS, the AU and NEPAD is seen as important for achieving this goal. The challenge remains to progress more rapidly towards full integration, especially in some of the ECOWAS targets.
- 2.25 Nigeria has undoubtedly made significant progress in the areas of macroeconomic stabilisation and growth since 1999. Challenges, however, remain. The APR Panel recommends that Nigeria consolidate its efforts to diversify the economy so as to reduce the impact of shocks, to encourage development led by the private sector, to improve infrastructure, to create an environment conducive to business development, to reduce youth unemployment, to rationalise and transform the civil service, and to combat corruption more decisively and aggressively.

3.3 Corporate governance

- 2.26 Nigeria's vast size, abundant resources, large population, strong human resource base and significant earning class suggest that there would be opportunities for private-sector development. However, as is the case with many African countries, Nigeria has systemic governance problems and capacity constraints. These problems have led to limited economic growth and transformation. The Nigerian economy is very uncompetitive. It is characterised by a large informal economy, high levels of unemployment, high costs of doing business and significant idle capacity, among other things. Despite its rich mineral resource base, Nigeria has the third-largest concentration of poor people in the world.
- 2.27 Nigeria has unequivocally declared its commitment to free enterprise capitalism. However, its reliance on distributing resources rather than on creating wealth undermines growth in the private sector. According to NEEDS, the private sector is dominated by a few large multinationals that depend heavily on imports. They operate largely as enclaves and have no relationship with the large number of small and medium enterprises (SMEs) or the very large informal sector in the country. The upshot of this is a rent-seeking and unproductive culture of overdependence on government patronage and contracts. Sustainable wealth creation will be difficult, and poverty alleviation impossible, unless corporate governance is improved.
- 2.28 There has been an increasing realisation that measures are needed to tackle weak governance in both the public and the private sectors in Nigeria, especially the economy. Specific actions have been directed towards improving public-sector management and fighting corruption. Efforts are also being made to improve the quality of the physical and economic infrastructure. As part of this initiative, the Committee on Corporate Governance of Public Companies in Nigeria (CCGPCN) was formed in 2003. Its mandate is to identify weaknesses in corporate governance practice in Nigeria, and to fashion necessary changes that will improve corporate governance practices in the country.
- 2.29 The CCGPCN developed the Nigeria Code of Corporate Governance. The code aims to inculcate the principles of corporate governance enshrined in international standards, especially the Organisation for Economic Co-operation and Development (OECD) guidelines, and the Cadbury and King reports. In addition, the Securities and Exchange Commission (SEC) has a code of conduct for capital market operators and employees. New codes of conduct were also developed to enhance and complement existing ones following the consolidation of the

banking sector. Despite the progress made, corporate governance issues are not yet of regular concern in Nigeria – only 40 per cent of companies have adopted the corporate governance codes that are available. There is still much to be done to achieve strict adherence to international codes, standards and principles.

- 2.30 The primary constraints to sound corporate governance in Nigeria include incompatible legal regimes, outdated statutes, and the absence of sufficient application and the proper implementation of existing laws. Furthermore, implementation is generally ineffectual. The laws governing business operations in Nigeria reveal many legislative gaps. This suggests that most of them need to be updated. Notably, the penal code does not recognise corruption as a crime. The Companies and Allied Matters Act (CAMA) needs to be amended, particularly with regard to penalties for violation. Legislation with regard to whistle-blowing, freedom of information and consumers has not been enacted, and the legislative process is protracted.
- 2.31 The CRM also noted problems with commercial dispute resolution. The normal court system is not adequate to serve as the primary recourse option of business people. Archaic recording and filing systems result in a backlog of cases, particularly at state level. Capital market disputes are adjudicated by the Investment and Securities Tribunal (IST), an independent body with the same status as the High Court. However, the capacity of the tribunal needs to be improved in respect of its jurisdiction and mandate, and in human and technological terms.
- 2.32 There are weaknesses in oversight functions. They include overlapping regulatory powers and conflicting jurisdictions. A related issue is multiple taxation, since the mandates of the different tiers of government are not effectively reconciled and demarcated on some matters regarding licensing and registering businesses. There is a need to enhance the supervisory legal framework for, amongst others, the capital market, retirement benefits and the safety, environmental and energy sectors. Other problems relate to political issues and interference with the autonomy of oversight bodies. The CSAR has also identified an alarming shortage of capacity and lack of appropriate skills for regulatory oversight.
- 2.33 As part of its efforts to reposition the economy and accelerate the process of growth and development, Nigeria embarked on one of the largest privatisation programmes in Africa. Over 100 public enterprises were targeted for transfer to the private sector in about 14 sectors of the economy. They included the electricity, oil and gas, telecommunications and transport sectors. Other efforts by Nigeria to promote investment included using incentives like tax holidays, deductions and concessions. The country also re-engineered the Nigeria Export Processing Zones Authority (NEPZA) and the Nigerian Export Promotion Council (NEPC) to promote its exports effectively. In addition, Nigeria established a One-Stop Investment Centre (OSIC), another key initiative to promote investment. The OSIC is intended to shorten and simplify the administrative procedures for issuing business approvals, permits and licences, and for incorporating companies. Thirteen agencies now participate in the OSIC.
- 2.34 Despite these initiatives, investment is constrained by poor infrastructure, especially in roads and electricity supply. Poor policy implementation limits access to funds, and capital is expensive. The business environment needs to be improved in terms of security of life and property. Festering political instability, kidnapping and the taking of hostages in the oil-producing Niger Delta region, together with contract killings (with fruitless investigations by the police) are particularly worrying.
- 2.35 Key developmental challenges are how to deal with the large and expanding informal sector, and how to boost the growth of SMEs, whose problems include access to finance and

shortage of skills. The Central Bank of Nigeria (CBN) undertakes a number of development activities through programmes such as: the Agricultural Credit Guarantee Scheme; the Commodity Surveillance Programme; the micro financing scheme; the Small and Medium Enterprises Equity Investment Scheme (SMEEIS); the Refinancing and Discounting Scheme; and the Agricultural Credit Support Scheme. However, efforts to improve access to funding by the informal sector should go beyond creating institutions. They should focus on improving the effective implementation of existing statutes and schemes so as to enable SMEs to access funding effectively, and to foster an enabling environment for their operations.

- 2.36 Economic and financial crimes, such as advance fee fraud ('419')⁶ and money laundering, have had severe consequences for Nigeria, including impacting on the foreign direct investment (FDI) flows to the country due to a lack of investor confidence. Fighting these crimes is done mainly through laws such as the Corrupt Practices and Other Related Offences Act, the EFCC (Establishment) Act, the Money Laundering Act and the Money Laundering (Prohibition) Act. These laws contain comprehensive provisions prohibiting the laundering of the proceeds of a crime or an illegal act. They also provide appropriate penalties. However, observers believe that implementation is ineffective. Nigeria continues to be hampered by systemic corruption and its debilitating ancillaries – bribery, graft, advance fee fraud and nepotism. In order to improve the situation, it is important to ensure that all necessary safeguards, including whistle-blower protection, be put in place. This will help to expose unethical and corrupt business practices. The media also have a role to play as a watchdog. However, this oversight function in the public interest has been ineffectively exercised due to the political patronage of the media and limited expertise in investigative and feature reporting.
- 2.37 Nigeria is making increased demands on big business organisations for greater social responsibility. Stakeholders believe that corporations are not doing enough in terms of social investment. The awareness and implementation of corporate social responsibility (CSR) are generally poor on the part of both corporations and would-be beneficiaries. Corporations' understanding of good corporate citizenship and CSR is largely based on philanthropic and altruistic notions. Much of the CSR focus in Nigeria tends to be on multinationals and the big oil-producing companies. However, SMEs and other home-grown companies can also play an active role in sensitising communities and advocating for CSR. There are, however, perceptions that NGOs, community-based organisations (CBOs) and CSOs are weak, lack internal democracy, and show limited transparency and accountability. Public-private partnerships, as vehicles for development, are not used enough in Nigeria.
- 2.38 Nigeria was the first African country to sign up for the Extractive Industries Transparency Initiative (EITI) in 2003. The Nigerian EITI is aimed at due process and achieving transparency in payments by extractive industry⁶ Advance fee fraud (commonly called '419', referring to Article 419 in chapter 38 of the Nigerian criminal code that deals with fraud) is a financial scam that persuades people to advance large sums of money in the hope of making a significantly larger gain. It essentially deals with fraud committed with the aid of fake claims, identities, and positions and, in most cases, for attractive but nonexistent proposals. Companies in their dealings with the government and government-linked entities. The first comprehensive and independent financial, physical and process audits of the Nigerian oil and gas sectors, covering the period 1999–2004, were finalised in April 2006. The audits found that there is scope for making greater use of information technology (IT) systems to improve controls and eliminate inconsistencies arising from duplicated information, and that transparency could be improved by a wider sharing of data.

- 2.39 Nigeria is confronted by the negative environmental consequences of oil production. Nigeria also experienced a population explosion which, along with a lack of environmental regulation, has caused substantial damage to Nigeria's environment, especially in the Niger Delta region. The population explosion, especially in Lagos, has put tremendous pressure on city government resources. Nigeria faces environmental challenges arising from desertification and severe air pollution in overcrowded cities such as Lagos. Despite the regulatory environmental framework that exists, there are persistent concerns that not enough is being done to sensitise companies and communities on environmental issues.
- 2.40 The labour laws of the country are considered sufficiently strong, although there are substantial challenges regarding implementation. Poverty and unemployment are very acute. They effectively make implementing the minimum wage law an unattainable goal. Safety in the workplace is also questionable. Corporate employers commonly fail to extend to women their rights under labour laws. Child labour is outlawed, but the laws are breached more often than they are effectively implemented. Other relevant labour issues needing attention include the casualisation of staff, poor access to information by employees, sexual harassment, gender discrimination, and inadequate workplace policies on the Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS).
- 2.41 Nigeria's film industry – Nollywood – is part of the emerging knowledge economy in Africa. In order to protect its artists, Nigeria became an enthusiastic subscriber to the international convention protecting intellectual property. However, as with most governance issues in Nigeria, subscription and effective implementation tend to diverge. The CRM was informed of various instances of piracy and copyright infringement, including books. It is important for Nigeria to enhance and strengthen its intellectual property rights regime in order to help expand its new creative industries, such as Nollywood.
- 2.42 Of the 20 million Nigerians who own shares in public and private companies, many are minority shareholders who are ignorant of their rights. Shareholder associations and institutional investors should step up efforts to ensure that the interests of all shareholders are protected. The apparent excessive fragmentation of the shareholders' voice does not augur well for a sustainable institutional framework.
- 2.43 The auditing regime in Nigeria is not robust. International auditing standards do not exist in the country. Auditors are advised to follow the International Standards on Auditing, although this is not mandatory. There is inadequate adherence to auditing standards and professional ethics. Furthermore, ethical codes for auditors in Nigeria are not consistent with international standards. Nigerian accounting firms are not precluded from providing auditing and consultancy services to the same client, thereby creating potential conflicts of interest. The mechanisms for enforcement and compliance at the Corporate Affairs Commission (CAC) are very weak, and penalties are often out of date. Most companies do not comply with the requirement to file a copy of their audited statements and directors' reports. The CAC, however, rarely applies any sanctions.
- 2.44 The level of governance which exists today in Nigeria provides an inadequate check on boards of directors. Many Nigerian companies have failed in the areas of disclosure and transparency. Corporate governance abuses have seen insiders strip companies of their assets by various means. Directors have also sometimes failed to perform their fiduciary duties to protect the company's assets and interests. There are instances of inaccurate, sometimes deliberately misleading, reports by companies. These understate profits in order to evade tax liabilities, and overstate the financial viability and liquidity of corporations in order to sustain investor confidence unjustifiably, even when the corporations are failing. There was general

agreement among participants that the incidence of quacks – unqualified people who claim knowledge and other skills in their field – in some professions (in particular insurance brokering) may not be the exception. Quacks and violators tend to be protected by ‘godfathers’ and the prevailing culture of impunity.

2.45 Merit as a standard for appointing directors in the public sector is low compared to the private sector. Corporations in the public sector are influenced largely by current political trends, combined with geographical zoning. The managers of many listed companies do not establish organisation and support functions for monitoring and organising, or for briefing staff on, and notifying them of, corporate policies and procedures. Weaknesses in strategic management typify the situation in the Nigerian corporate sector. More women should also be promoted to leadership and Strategic positions in corporations.

3.4 Socioeconomic development

2.46 Nigeria is a country of extreme paradoxes, with widespread and endemic poverty in the midst of plenty. The country is richly endowed with human and natural resources, particularly oil and gas. There are also many mineral deposits like coal, gold and sulphur. With a real GDP of US\$58.4 billion and a population of about 140 million, Nigeria is one of the four largest economies in Africa and by far the continent’s most populous country. Despite this rich human and resource endowment, Nigeria’s per capita GDP is only about US\$752. Poverty is widespread, with about 54 per cent of the population living on less than US\$1 per day.

2.47 Despite a plethora of development policies and programmes, Nigeria’s level of economic development over the past four decades has been disappointing. The country’s economy is still dominated by the primary production sector. Agriculture, which is predominantly the domain of peasants with low and declining productivity, accounted for 42 per cent of GDP, followed by crude oil (22 per cent). The secondary sector, especially manufacturing, has stagnated at between 3.7 per cent and 3.8 per cent of GDP. This makes Nigeria one of the least industrialised countries in Africa. Chapter 4 shows that the dominance of crude oil has brought in its wake increased vulnerability to volatile commodity prices. This, in turn, has had far-reaching consequences for stability and socioeconomic development.

2.48 Not surprisingly, Nigeria ranks low on human development indices. In its Human Development Report for 2007/2008, the United Nations Development Programme (UNDP) ranked Nigeria at 157th out of 177 countries – down from 148th out of a total of 173 in 2003. The country’s human development index of 0.453 in 2005 is lower than the average index for sub-Saharan Africa (0.515), although it is slightly above the average for ECOWAS countries (0.434). With 78 per cent of the population living in rural areas, the rural poor are the largest segment of the poor. They suffer greatly from inadequate public service delivery.

2.49 In an attempt to address the numerous challenges facing the country, especially the high poverty levels, the federal government has come up with NEEDS, one of the most comprehensive strategies to combat poverty and stimulate growth in Africa.

2.50 The preparation of NEEDS was followed by the state version, called the State Economic Empowerment and Development Strategy (SEEDS). From 2006 onwards, in consonance with the national and state equivalents, local governments developed the Local Economic Empowerment and Development Strategy (LEEDS) with the support of donors (including the UNDP).

2.51 Within the framework of NEEDS, Nigeria has devised a number of programmes to fight poverty. The most notable of these is the National Poverty Eradication Programme (NAPEP). The

programme is expected to achieve the goals of NEEDS in line with the MDG of halving the number of people living in extreme poverty by 2015. The programme hopes to do so by increasing the demand of the poor for education and basic health, and by encouraging them to engage in income-generating activities.

- 2.52 Despite the reported decline in poverty to 54 per cent, Nigeria's economy is struggling to use the country's vast wealth in fossil fuels as a way of reducing the endemic poverty that affects many people. A large number of Nigerians are trapped in long-term poverty that is passed from generation to generation. Economists refer to the coexistence of vast natural wealth and extreme personal poverty in developing countries like Nigeria as the 'resource curse'. The country also appears to lack guidelines for measuring poverty.
- 2.53 Agriculture, the main source of livelihood, is neglected despite Nigeria's vast amount of arable land. Although the CRM acknowledges the recent efforts that the federal government has made to promote agricultural development, such as providing training in farming skills at 21 centres, a lot more needs to be done to modernise agriculture.
- 2.54 Although Nigeria, as part of the international community, has committed itself to achieving the MDGs, including the commitment to halve poverty by 2015, the results are erratic. According to the 2004 progress report on MDGs, Nigeria has progressed towards achieving several goals but has fallen short on others. Specifically, Nigeria has made modest progress in providing universal primary education, protecting the environment and developing a partnership for global development. However, the country lags behind in eliminating extreme poverty and hunger, reducing child and maternal mortality, and combating diseases like HIV, AIDS and malaria.
- 2.55 Nigeria adopted free universal primary education as a national policy in the 1970s. This led to a massive increase in primary-school enrolments. In line with the NEEDS policy objectives, the government has recently undertaken structural and institutional reforms to enhance service delivery. The government introduced universal basic education (UBE), under the Compulsory, Free, Universal Basic Education Act of 2004, to revise universal primary education. Although UBE is tuition-free, the high cost of school-related expenses and the costs to parents (particularly their labour) of sending children to school are keeping many school-age children out of school.
- 2.56 Nigeria's health care system also faces many challenges and constraints in providing quality health care to all Nigerians, especially the unemployed and the poor. The National Health Insurance Scheme (NHIS) cover appears to be largely exclusive. This contradicts its stated objectives. The cover provides mostly for the health care needs of the formally employed. Consequently, it excludes the majority of Nigerians who are either unemployed or work in the informal sector. The health sector is characterised by a low life expectancy of 46.5 years, along with a high incidence of tuberculosis (TB) and malaria.
- 2.57 The APR Panel contends that the endemic poverty and poor service delivery in Nigeria can be explained by a number of factors. These include: lack of strong political will; lack of monitoring and evaluation mechanisms; weak political, civic and administrative leadership; endemic corruption at all levels of government and within the society at large; and the lack of an entrenched participatory approach to development. All of these are significant in explaining Nigeria's paradox of poverty in the midst of plenty.

- 2.58 The lack of effective policy and programme implementation is further compounded by a lack of necessary skills among government officials. This has been aggravated by the fact that the government appears to be remote from the civilian population.
- 2.59 Nigeria has ratified and implemented some international standards and codes. This is highly commendable. However, it has been difficult to find evidence of the standards and codes that have been signed by Nigeria, and when and whether they have been ratified and implemented. The main reason is that the federal Ministry of Justice, which is responsible for documenting these conventions, has incomplete records. This suggests that there are serious organisational problems associated with official record-keeping in Nigeria.
- 2.60 Public awareness of the standards and codes also appears to be very low. The CSAR reports that knowledge of Nigeria's adoption and implementation of these standards and codes appears to be limited to the elite and to decision makers.
- 2.61 Nigeria's National Gender Policy aims to integrate women fully into all areas of life through the principle of equality. However, minimal progress has been made towards promoting the gender equality that might have been expected from Nigeria's ratification of CEDAW in 1985. There has been some affirmative action to increase the proportion of women holding office in the federal government and to increase the proportion of girls in schools. However, gender gaps still remain unacceptably high in both cases. One major reason for this is that the National Gender Policy has failed to achieve its main and preliminary goal of incorporating CEDAW into federal and state laws. Other obstacles to the policy are deeply embedded cultural and religious beliefs and practices. On a positive note, there are a number of small CSOs that are implementing programmes in areas like FGM, vesico vaginal fistula (VVF) and early marriages. They are also providing support for widows and schooling for girls.
- 2.62 Participatory measures have been reintroduced into Nigeria since the return to a democratic dispensation in 1999. However, much of the participation in budgeting and development planning has tended to be at the level of the elite. This has created a strong public perception that government's allocation of public funds lacks transparency. It appears to be unduly influenced by factors like 'god fatherhood', corruption and political influence. Also, the broad-based participation envisaged in NEEDS has not been sufficiently realised at the state and local levels of SEEDS and LEEDS. Overall, inadequate stakeholder participation in the development process is a serious and fundamental limitation to democratic governance in Nigeria.

3. GOOD AND BEST PRACTICES

Democracy and good political governance

- *Nigeria's role in conflict resolution and peacebuilding, particularly in the West African sub region.* Nigeria has shown strong and committed leadership in the ECOWAS Monitoring Group (ECOMOG), and has been active in resolving conflicts in countries such as Liberia and Sierra Leone, to name but a few. Nigeria's strong and committed leadership in this regard has been strengthened by supplying the necessary military personnel and other logistical assistance.
- *The Council of the State is an innovative structure. It offers a forum to provide nonpartisan advice to the chief executive of the federation on sensitive and divisive issues like conflicts, the distribution of national wealth, and state aspirations against federal*

hegemony. A key feature of the Council of the State is its broad-based composition. It incorporates the elite leadership of Nigeria and includes, *inter alia*, all former presidents, chief justices, and Senate presidents, speakers of the House of Representatives, governors and attorney generals. This makes its decisions generally credible and acceptable to the people.

- The *Federal Character Principle* is a constitutional principle aimed at promoting national unity and ethnic equality. It commands national loyalty, thereby safeguarding the multiethnic and federal character of the nation. It ensures that no states, ethnic or other sectional groups will predominate in the government or any of its agencies.
- *President Yar'Adua's declaration and publication of assets as a signal of commitment to good governance.* President Yar'Adua adhered to constitutional requirements and declared his assets and liabilities to the Code of Conduct Bureau (CCB). He went beyond the call of duty and made his declaration public in order to fulfil a campaign pledge to the people of Nigeria
- The *National Agency for the Prohibition of Trafficking in Persons (NAPTIP)* collaborates with security agencies in order to play a key role in the arrest and prosecution of human traffickers.

Economic governance and management

- *Technical Aid Corps (TAC) programme.* Established in 1987, the Nigerian TAC is a foreign policy instrument designed to provide manpower assistance in all fields of human development to underdeveloped and developing countries in the southern hemisphere. It is one of Nigeria's contributions to effective cooperation in socioeconomic development among African, Caribbean and Pacific (ACP) countries. It is currently the only volunteer service operated by an African country, which challenges the widely held view that African countries only get aid and do not provide it. The TAC has therefore enhanced the existing relations between Nigeria and beneficiary countries. On a wider scale, it has created an atmosphere of partnership where it would otherwise not have existed.
- *Bank consolidation and financial-sector reforms.* In order to redress the weaknesses in the subsector, the CBN embarked on a comprehensive bank consolidation programme. This has resulted in the Nigerian banking sector becoming more sound and competitive. Indeed, 20 out of the 25 Nigerian banks were in the top 100 banks in Africa in 2006, and 17 Nigerian banks were in the top 1,000 banks in the world. There were none in 2005.
- *Efforts to improve public finance management by introducing due process in procurement.* Since the return to democratic rule in 1999, the government of Nigeria has introduced several reforms aimed at strengthening public expenditure management. They include introducing higher levels of transparency and accountability by establishing the Budget Monitoring and Price Intelligence Unit (BMPIU).
- *Establishment of the EFCC and ICPC to enhance efforts to tackle corruption.* By 2007, the EFCC had investigated and successfully brought to court several cases of corruption and cases of money laundering. It recovered significant amounts of public money.

Corporate governance

- *EITI*. Nigeria is the first African country to adopt the EITI. This calls for independent audits of oil and gas sectors in order to promote a culture of transparency and accountability for oil and gas companies on the one side, and for government on the other. In addition, Nigeria has passed legislation to enhance the operation of this initiative in the country

Socioeconomic development

- *Gender empowerment*. Efforts to promote affirmative action in Kebbi State include: appointing more women to positions of leadership; building more schools and providing free education at primary and secondary-school levels; establishing community-based centres for school dropouts caused by early marriages; building special hospitals for women and children; raising awareness on HIV and AIDS; making efforts to pass legislation relating to violence against women; and undertaking various initiatives for economic empowerment, including the granting of loans and skills training.

4. OVERARCHING AND SPECIAL ISSUES

- 4.1 The CRM for Nigeria has identified certain issues that require further attention. These issues are grouped into two categories.

Overarching issues are those matters that have been identified in more than one area of governance. They require a holistic approach in view of the wider impact that they have on the quality of governance in the country.

Ten overarching issues were identified for Nigeria:

- Managing diversity and promoting nation building within the framework of the federation
- Dependence on oil and gas and lack of economic diversification
- The scourge of corruption
- Ineffective policy and programme implementation, and poor service delivery
- The informal sector
- Slow progress towards gender equality and limited advancement of women
- Land policy reform
- The role of traditional rulers in governance
- The diaspora and remittances
- Social indiscipline, disorder and value reorientation

Special issues are those that are unique to Nigeria. They include the Lagos megalopolis and the economics of the Nigerian film industry (Nollywood).

5. CONCLUSION

Key strengths and challenges

Strengths

Population, manpower and human resources

- 5.1 With the largest population in Africa, Nigeria has a large pool of trained manpower capable of governing well and managing the economy efficiently.

Natural resource base

- 5.2 Nigeria is the largest oil producer in Africa and the seventh-largest in the world. This stock of natural resources, along with its fertile soil and pleasant climate, gives the country the potential to build a prosperous economy, reduce poverty significantly, and provide the basic social and economic services that its population needs.

Nigeria, a regional and global powerhouse

- 5.3 Nigeria is one of Africa's giants and a force to contend with globally. It features regularly as a leading performer in the West African region and on the African continent, particularly in the cultural, economic, social and financial arena.

Challenges

The paradox of poverty in the midst of plenty

- 5.4 The greatest challenge facing Nigeria is how to channel wealth from the oil and gas industry so as to achieve socioeconomic development. Nigeria hosts the third-largest concentration of poor people in the world, and is among the top 20 countries in the world with the widest gap between the rich and the poor.

Corruption and money laundering

- 5.5 Corruption – both political and economic – is the main reason for poverty in Nigeria. Corruption has retarded economic growth and development, and has frustrated incentives to align budgetary allocations with development priorities.

Dependency on oil and conflicts over resources

- 5.6 Overreliance on oil and, by extension, dependency on the central government – accompanied by struggles for resources such as those in the Niger Delta – pose challenges to the federation.

Ineffective implementation of policies and laws

- 5.7 Ineffective implementation of policies and laws, and policy reversals, poses serious challenges to governance.

Value reorientation, attitudinal issues and impunity

- 5.8 Nigeria faces the challenge of reversing the values and attitudes that are a legacy of its military history.

Future prospects for Nigeria

- 5.9 By virtue of its population size, ethnic diversity, resource endowment, the 'can-do' spirit of its people, its relatively substantial intellectual capital and the proven positive role that it has played, and still plays, in critical Pan- African initiatives such as conflict resolution and peacebuilding, Nigeria has the potential to occupy a leading position on the continent and even in the world. However, to achieve this and its own declared objective to become one of the 20 emerging economies by 2020, Nigeria needs visionary and transformative leadership at all levels of society. It needs leaders who are committed and willing to sacrifice personal aggrandisement for the collective good.