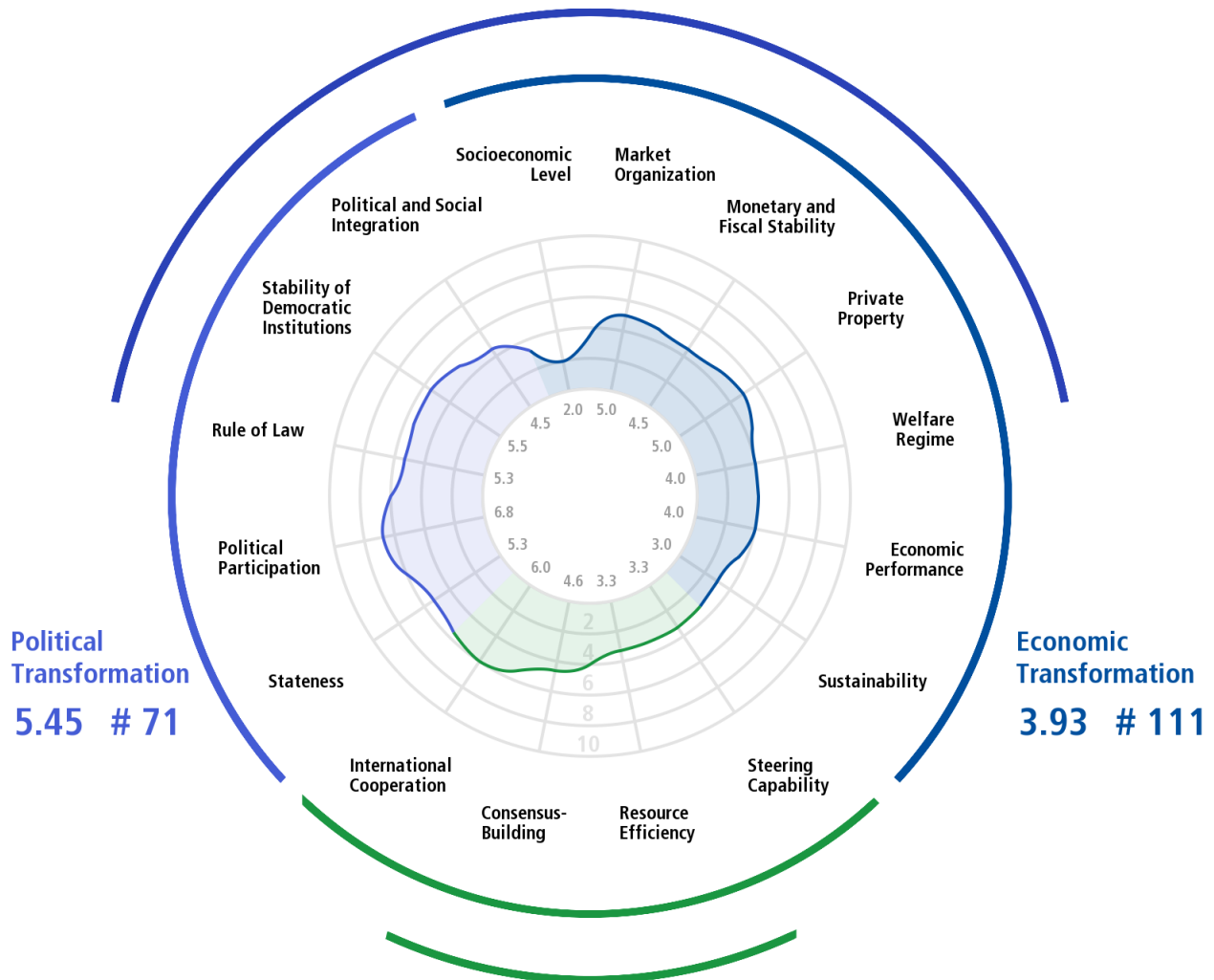


# Nigeria

## Status Index

**4.69 # 95**

on 1-10 scale out of 137



**Political Transformation**  
**5.45 # 71**

**Economic Transformation**  
**3.93 # 111**

## Governance Index

**4.04 # 96**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report – Nigeria. Gütersloh: Bertelsmann Stiftung, 2020.

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**Key Indicators**

Population	M	<b>195.9</b>	HDI	<b>0.534</b>	GDP p.c., PPP \$	<b>5980</b>
Pop. growth <sup>1</sup>	% p.a.	<b>2.6</b>	HDI rank of 189	<b>158</b>	Gini Index	<b>43.0</b>
Life expectancy	years	<b>54.0</b>	UN Education Index	<b>0.486</b>	Poverty <sup>3</sup>	% <b>77.6</b>
Urban population	%	<b>50.3</b>	Gender inequality <sup>2</sup>	-	Aid per capita \$	<b>17.6</b>

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

The evaluation period coincides first with Nigeria's worst economic recession in 30 years and then a modest recovery throughout 2018, with an ongoing and unabated Islamist insurgency in the northeast, an increased number of sectarian crises and instances of organized crime in central and eastern Nigeria, the resurrection of nationalism in the Igbo heartland, ongoing piracy along the coast, well-organized kidnappings and killings in many parts of the country, and ongoing unrest and violence in the Niger Delta. For the second time in Nigeria's history, a sitting president was at risk of being voted out of office in early 2019 (but managed to win in February 2019). However, the main challenger, Atiku Abubakar of the People's Democratic Party (PDP), vice president in the administration of President Obasanjo and two-time presidential candidate, stood a good chance of defeating the incumbent Muhammadu Buhari and his All Progressive Congress (APC). The elections suffered from technical shortcomings and Abubakar alleged that there was widespread fraud, but international observers did not give substance to this claim. However, the elections are irrelevant to the following assessment, as the period under investigation ends in late January 2019.

In the run-up to the elections, the vast majority of the electorate realized that Buhari's four years in office were partly wasted and that corruption, particularly in key sectors such as oil and gas production, and the mismanagement of internal security matters have prevailed, although not on the scale experienced under his predecessor. Despite President Buhari's reorganization of the military, the Islamist insurgency was not defeated. In 2018, the military even suffered several setbacks and faced new challenges in central Nigeria where more than 2,000 people lost their lives, killed by organized criminal gangs who specialized in cattle rustling and looting villages. In addition, suicide bomb attacks still occurred. The proclaimed focus on anti-corruption did not yield sustainable results, but at least decreased the large-scale looting of public funds.

The political system still faces problems regarding state coherence, institutional efficiency of the administrative system, internal security, patterns of democratic representation and attitudes, enforcement of the rule of law, and economic reform. Thus, the economy still suffers from major

shortcomings: very modest economic growth rates, poor handling of economic and financial affairs, a high unemployment rate, and overreliance on foreign exchange earnings almost exclusively from the oil and gas exports. At the same time, the communication sector, the religious industry, private education, retail trade and domestic construction flourished, although on a smaller scale than before.

World market crude oil prices recovered from their long-time low in mid-2016 of \$40 per barrel and increased to close to \$70 per barrel at the end of 2018, enabling Nigeria to slowly overcome its worst recession in 30 years. Macroeconomic conditions were unstable, but foreign reserves slightly increased to around \$43 billion toward the end of 2018. The exchange rate on the parallel market stabilized at 360 naira to the U.S. dollar, a remarkable achievement, brought about with foreign exchange injections from the central bank, while the government and the central bank still operated with an official rate of 305 naira to the U.S. dollar.

As far as international credibility and cooperation are concerned, the achievements of the government under President Buhari are rather mixed. The enhanced cooperation with neighboring countries in the fight against Islamist terrorists and an improved relationship with the United States did not yield many results, and the crisis in the northeast continued to affect Nigeria's neighbors, triggering further uncertainties. Against this backdrop, Nigeria is still facing an uncertain future and political instability.

## History and Characteristics of Transformation

Gaining independence in 1960, the economic and political transformation process in Nigeria is marked by small steps of progress and many setbacks. Apart from two brief phases of civilian government (1960 to 1966 and 1979 to 1983), the current dispensation is the third serious attempt (since 1999) at establishing a viable democratic political system. In between, various military regimes had ruled after gaining power through coups d'état and palace coups. The first two coups d'état, in January and July 1966, triggered the Biafran War (1967–1970). It was only in 1979 that the military under the leadership of Olusegun Obasanjo more or less voluntarily handed over power to an elected government. On New Year's Eve 1983, the second attempt at establishing a democratic political system failed, and the military under Major General Muhammadu Buhari took over. Almost two years later, a palace coup brought General Ibrahim Babangida to power. He initiated a firmly controlled economic reform and transition to democracy program, which, however, was meant to fail. After the annulled elections in mid-1993 and a brief military-controlled, controversial 'Interim Government,' General Sani Abacha took power in November 1993. Until his sudden death in 1998, Nigeria experienced the worst military dictatorship ever, and this experience contributed to the complete loss of legitimacy of military rule. General Abdulsalami Abubakar took over, released all political prisoners and paved the way for early elections and the transfer of power to an elected president.

In May 1999, the former junta leader, Olusegun Obasanjo, (1976 – 1979) took office as elected president. He was re-elected in 2003, and the ruling PDP confirmed its dominant position in the parliamentary elections. But the elections were marred by widespread fraud, violence and open ballot rigging. This also applied to the election marathon in April 2007, when presidential, gubernatorial, National Assembly and state assembly elections took place. Another former military officer, Umaru Yar'Adua, the two-term governor of Katsina State in the far north, won. He was sworn in as the first president who succeeded a previously elected president through the ballot box. His ill health, however, prevented him from fully executing his powers, and shortly before his death in May 2010, the National Assembly passed a resolution to enable Vice President Goodluck Jonathan to act as president. Immediately after Yar'Adua passed away, Jonathan was sworn in as executive president. Against all odds within the ruling party, he finally became the presidential candidate and won a landslide victory in Nigeria's first reasonably credible elections in 2011. Under his government, however, corruption reached new heights, and Jonathan's poor leadership allowed the Islamist insurgents of Boko Haram to advance and challenge the state in the northeast. Tens of thousands lost their lives, according to modest estimates.

The short-lived economic boom, triggered by soaring oil and gas prices, came to a standstill toward the end of Jonathan's term in office. The numerous crises and his apparent incompetence empowered the opposition to establish a strong coalition, and in early 2015, Muhammadu Buhari and his party APC eventually emerged as the decisive political force. The change at the top notwithstanding, the new leadership was facing old and new challenges concerning internal security, corruption, organized crime, renewed nationalism, mushrooming militias, sectarian crises and economic recession. Although Buhari's government reorganized the military, it was unable to end the Islamic insurgency and even suffered several painful setbacks toward the end of Buhari's term. The government faced increasing and threatening challenges in central Nigeria where large-scale cattle rustling and the response of the military and other security forces triggered a new hotspot. Against this backdrop, the incumbent president faced a strong challenge in the forthcoming elections in early 2019. No matter the outcome, the Fourth Republic will most probably continue to experience another period of political and economic instability, uncertainty, violence, organized crime, nationalism and Islamist terror.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

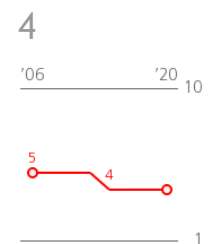
#### 1 | Stateness

The state's monopoly on the use of force is limited. In several parts of the states in northeast Nigeria, the Islamist insurgency of Boko Haram still controls areas and is fighting military and police forces. The insurgents still challenge state authority, and in the meantime, up to 20,000 people, both Christians and Muslims, and quite a number of security personnel lost their lives. In central Nigeria and the eastern Middle Belt, sectarian clashes with a noticeable ethnic undercurrent prevail. In addition, large-scale organized crime has increased and criminal gangs with sophisticated weapons are involved in cattle rustling, killing and terrorizing villages. The volatile situation in the Niger Delta, where militias for years have challenged the authority of the central and state governments, has improved slightly. In the Igbo heartland, a wave of renewed nationalism in the spirit of a sovereign Biafra has subsided somewhat thanks to the fact that its main proponent, Nnamdi Kanu, allegedly fled to Israel, a claim that the Israeli government denies.

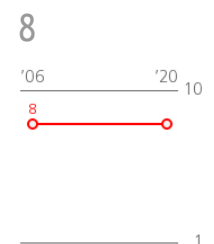
All Nigerians are considered Nigerian citizens, and the nation state is widely accepted as legitimate. However, sub-national identities are strong and prevalent. As per the constitution, all citizens possess equal civic rights. However, the federal quota system enshrined in the constitution and upheld by the Federal Character Commission to a large extent determines access to offices and institutions on federal and state levels. By and large, the federal quota system has had a strong discriminatory effect. Furthermore, the very concept of indigenes is discriminatory against 'non-indigenes' of a federal state (i.e., immigrants from other federal states). The political class and a large portion of the elites are aware that this is a question of substance. In recent years, two attempts to resolve this issue have failed.

Question  
Score

Monopoly on the  
use of force



State identity



Under the constitution, the separation of religion and state is guaranteed. But secularization suffered a substantial set back through the introduction of Shariah, or Islamic law, as generally applied law in 12 northern states where the vast majority of the population is of Muslim faith. In these states, however, non-Muslims are entitled to take any lawsuit to a secular court or be tried by such a court. During the period under review, Sharia law in these states did not produce concrete conflicts. Conflicts over religion were mainly connected to the Boko Haram insurgency and other tensions between Christians and Muslims throughout the country, especially in the Middle Belt.

An approximately equal number of Christians and Muslims live in the Middle Belt, dominated by ethnic minorities, and in the Yoruba-dominated southwest. In the south and southeast, the overwhelming majority of the population is of Christian faith. However, fundamentalism in both denominations is increasing and both religions are increasingly permeating politics in all tiers of government.

Under the constitution, the three tiers of the federal system – federal, state and local government – offer a sophisticated administrative structure with the federal government and the two chambers of the National Assembly, 36 governors and state assemblies and 768 local governments and six councils in the Federal Capital Territory Abuja, including a minister in charge of the capital. In addition, the statutory revenue allocation aims to legally sustain the system of distributing the wealth among the elites. While the federal government, the National Assembly and the state governors execute real power, most of the other administrative institutions suffer from low levels of funding, weak institutional capacity and unsophisticated political skills. Corruption is a major issue. The serious crisis in many parts of the north and in central Nigeria is to a large extent due to the non-functioning of the local government structure.

Provision of public services is deficient. Only 69% of the population had access to drinking water in 2015. Only 29% could access sanitation in that same year.

## 2 | Political Participation

Universal suffrage and the right to campaign for elected office exist. General elections are due in early 2019 with presidential, National Assembly, gubernatorial and state assembly elections. The presidential elections in February 2019 were postponed for one week only on the original day set for the election. Buhari won by around 60%, prompting allegations of fraud by the opposition. International observers however did not note widespread fraud. Given that the period under investigation ended weeks before these elections, this report assesses the previous elections in 2015. These elections were rated the most credible elections in Nigerian history, although irregularities beforehand (registration, campaigning) and on election day (vote counting and tallying, vote buying) were common.

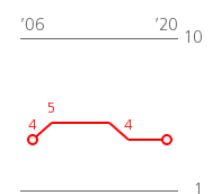
No interference of religious dogmas

5



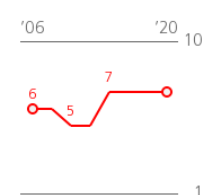
Basic administration

4



Free and fair elections

7



There was some uncertainty concerning the forthcoming elections because of the precarious security situation. While the electoral commission, INEC, seemed by and large reasonably well prepared, the presidency refused to put the amended electoral law into force, meaning that the rules of the previous elections would be applied. Interestingly, the incumbent Muhammadu Buhari faced a strong challenge from the contender Atiku Abubakar, although by mid-January 2019, many voters had not yet collected their permanent voter registration cards. If this trend prevailed, Buhari's chances of being reelected would increase.

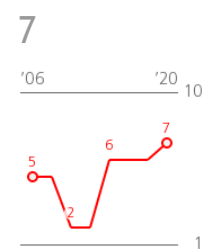
President Muhammadu Buhari and his government have the power to govern. However, this power was challenged by influential members of the defeated PDP at federal (National Assembly) and state (governors) levels, by the National Assembly at large and by highly influential actors, such as former President Olusegun Obasanjo and his platform to get Buhari ousted in the forthcoming elections. This notwithstanding, the president and his government and the National Assembly were able to pass the 2018 budget. In addition, the government presented the budget for 2019 according to new rules before year's end. In 2017, parliament delayed passing the 2018 budget by six months to mid-2018. However, the president signed several new laws into force.

The military used to be an important veto actor (Buhari being himself a former leader of a junta), but civil-military relations are less problematic in recent years. The military is however not fully under civilian control. A group of former military officers founded its own official network in order to influence politics in all three tiers of government and to lobby for political appointments and political mandates.

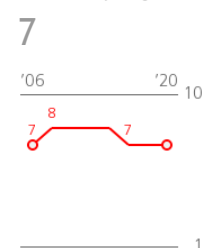
Civic organizations in general can form and meet freely. However, they are still severely fragmented and mostly active locally. Thus, their abilities to bridge numerous social cleavages are limited. In addition, police and other security services tend to interrupt peaceful gatherings and protests. However, during recent and the current election processes, civic organizations were able to cooperate and form a broadly based platform for monitoring the electoral commission, INEC, and the elections at large. More and more former high-ranking military officers, administrators, politicians and personalities from organized Christian and Muslim groups are founding their own NGOs.

Citizens, organizations and the mass media express opinions freely. The freedom of information bill, however, has been challenged in a federal high court, which maintained that it applied to federal level only. Quite often, individuals and organizations expressing critical views are harassed by state security services and are occasionally brought to court. But in general, the courts decided in favor of the respondents. Like many civilians, they have become victims of terrorism (Boko Haram) and organized crime. State-owned media have lost out to the private media. The private media, electronic as well as print, possesses a high degree of autonomy and often voices sharp criticism. But this contrasts with the fact that the private media

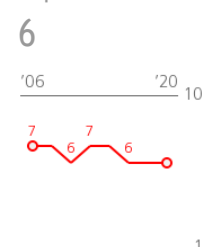
Effective power to govern



Association / assembly rights



Freedom of expression





is increasingly adopting an attitude of being deliberately biased. Additionally, the media are increasingly turning themselves into public relation agencies for different interest groups, and presenters of soap operas and tabloid-like content. Moreover, “brown envelope journalism” is widespread. The power of issuing licenses for radio and television frequencies still lies with the president, and the National Film and Video Censors Board regulates this booming industry. Against this background, the Press Freedom Survey by Freedom House still considers Nigeria only “partly free.” Reporters Without Borders ranked Nigeria only at 119 out of 180 countries analyzed.

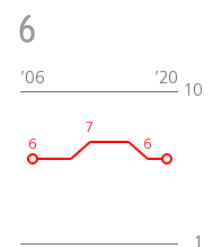
### 3 | Rule of Law

All leading democratic institutions such as the presidency, the two chambers of the National Assembly and the structures on state level (governorship and state assemblies) were more stable than expected, despite the precarious security situation in the northern, central, eastern and southern parts of the country. At times, the National Assembly holds the executive at bay, particularly concerning financial issues (passing of the budget) and the confirmation of important appointments such as ministers, diplomats, judges, top military and police personnel. That underlines the fact that, by and large, constitutionally enshrined checks and balances work at the federal level. At the state level, however, the governors to a large extent, if not totally, dominate all political decision-making processes.

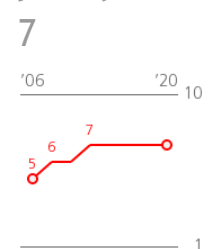
The judiciary is institutionally differentiated, but corruption and sometimes competing traditional, religious and state laws create friction.

The Supreme Court serves *inter alia* as constitutional court, and any verdict concerning constitutional issues automatically becomes law. The Court of Appeal is the first court of jurisdiction for presidential and gubernatorial election petitions. Its verdicts can be petitioned at the Supreme Court. Petitions concerning parliamentary elections are dealt with at election tribunals and can be petitioned at the Court of Appeal. In the course of the period under review, the courts passed a few verdicts concerning parliamentary by-elections and some gubernatorial elections that were held in 2017/2018. The Supreme Court’s, the Court of Appeal’s and the Federal High Court’s rulings were generally respected. In October 2018, however, two high-ranking judges were compulsory retired and subsequently dismissed from service for having been bribed. Corruption is rampant in the judicial branch of government. As far as Islamic law is concerned, no case has so far reached federal courts to question the constitutionality of applying completely different legal systems. In the past, all stoning sentences passed by lower Shariah courts for marital infidelity, extramarital sex or blasphemy were declared null and void by upper Shariah courts. Over the course of the period under review, however, secular courts passed death sentences quite frequently (e.g., 621 in 2017) and the Supreme Court upheld the death penalty as lawful punishment.

Separation of powers



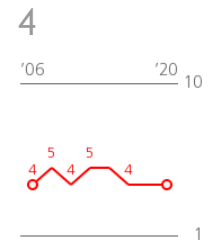
Independent judiciary



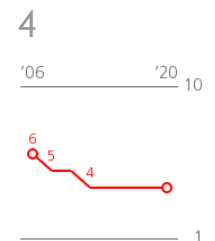
Corruption and white-collar crime are still widespread. Government efforts to master the problem through the anti-corruption agency, the Economic and Financial Crimes Commission (EFCC), and to a lesser extent the Independent Corrupt Practices Commission (ICPC) have public support. The government under President Buhari proclaimed a focus on the fight against corruption, which had reached an unprecedented level under the previous government. But the outcome was, at best, mixed. Only a very small number of prominent politicians such as the former governors of Plateau and Taraba States and civil servants were charged and sentenced. Most cases are still pending. But the anti-corruption agencies succeeded in repatriating millions of dollars stolen by former government officials. Interestingly, an increasing number of court cases concerning corruption took place in the European Union, including Britain, and to some extent in the United States, thereby shaping Nigeria's relations with the European Union and the United States through legal issues involving members of the large Nigerian diaspora overseas. For example, the former oil minister, Diezani K. Alison-Madueke, living in Britain, was facing deportation, although she carries both British and Nigerian passports. Her case was still pending at the beginning of 2019.

Many citizens do not enjoy their full civil liberties because the state's monopoly on the use of force is limited and discriminatory and access to justice is weak. Against this background, security forces, militias, vigilantes, religious fundamentalists and criminal gangs regularly violate civil liberties. In addition, torture, ill-treatment in police custody, extra-judicial killings and illegal military detention camps are still part and parcel of law enforcement operations. The performance of the Human Rights Commission has improved. However, the crisis-ridden regions in the northeast, in central Nigeria, in the east and the south experienced waves of sectarian and ethnic violence, organized crime and local warfare. Around two million internally displaced persons live in camps in northeast and central Nigeria. In recent years, tens of thousands lost their lives. As far as women and girls are concerned, in particular those of lower status, the state still lacked the capacity to protect them from violence, rape, spousal abuse, female circumcision and abuse according to customary law. However, the rights of women have improved, indicated by the fact that women can take their husbands to court for criminal assault. Equally, rape is a serious crime anywhere in Nigeria. In 2018, courts handed down harsh verdicts to two men for committing rape.

#### Prosecution of office abuse



#### Civil rights



#### 4 | Stability of Democratic Institutions

Democratic institutions at federal and state levels such as the federal government and the state governments, the National Assembly and state assemblies were reasonably stable. However, their main task seemingly continues to be to redistribute wealth to the political class and the elites. This, however, does not apply to the local government level, which still suffers from a lack of funds and weak institutional capacity, neglect, and a precarious security situation in many parts of the country. The standing of the judiciary has slightly recovered from serious allegations of corruption which, mostly, came to nothing. The performance of the electoral commission (INEC) has improved, thereby restoring some trust in the commission, as well as in the electoral process in general. However, the electoral commission will face its next litmus test in early 2019, when general elections are scheduled to take place. Public service, generally, is still characterized by poor service delivery.

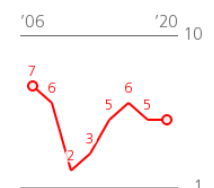
The vast majority of influential political and socioeconomic actors within and outside the administrative and political system is committed to democratic institutions and regards them as legitimate. Islamists such as Boko Haram and the Muslim Brethren, better known as Shi'ites, consider the Nigerian state in general and the democratic institutions in particular as illegitimate. In addition, radical groups within the Igbo community still demand a sovereign State of Biafra, recalling the failed secession in the late 1960s. At times, militias in the Niger Delta still legitimize their armed struggle by referring to the late Isaac Boro and his short-lived Niger Delta Republic in 1966.

#### 5 | Political and Social Integration

Institutional inefficiency was closely related to the lack of stable patterns of organization for political representation. During the evaluation period, two socially embedded parties have finally been firmly established. The PDP dominated elections at federal and state levels ever since the re-democratization process began in 1999 and can be traced back under different names to the 1980s. The APC, however, emerged in 2013 after smaller parties under the leadership of the ethnic Yoruba politician Tinubu, a former governor of Lagos State, and the ethnic Hausa-Fulani Buhari, a former military dictator and thrice unsuccessful presidential candidate, established an alliance and formed a platform toward the end of 2014. This platform resembled a victorious alliance on the eve of the civil war and successfully challenged the PDP. At federal and state levels, the APC won a landslide victory in 2015 and benefitted from deepening divisions within the PDP, from the poor performance of internal security and from a weak and ineffective incumbent President Goodluck Jonathan. In turn, in the run-up to the election in early 2019, the APC, led by a weak leadership, was seriously divided and likely to jeopardize victory at the ballot box.

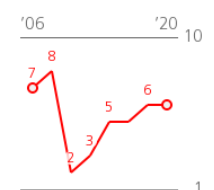
Performance of democratic institutions

5



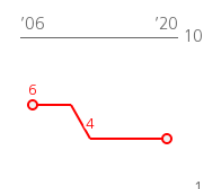
Commitment to democratic institutions

6



Party system

4



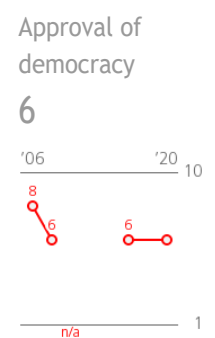
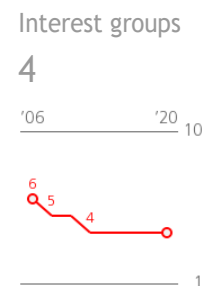
None of the registered parties, however, has a strong ideological foundation, and most are dominated by moneybag politicians and local godfathers, whose main task is to mobilize local electorates.

Traditions of civil society and cooperative associations that are independent of political strongmen are still weak. Despite the fact that the number of active NGOs is increasing, the landscape of voluntary organizations is still meager and plagued by scarce organizational resources. This also applies to most labor unions. However, there is a positive general trend in the development of civic interest groups, in particular in the run-up to elections, such as the ones in early 2019. But these interest groups do not arouse broad citizen participation. This also holds true for the development of a civic culture supporting democracy. The ‘godfather system,’ characterized by local strongmen all over the country and deeply enshrined in the Nigerian political, socioeconomic and cultural system, still dominates regional and national policy. The so-called ABUs (Army Brought-Ups), thousands of millionaires and two dozen billionaires, as well as rich entrepreneurs who owe their success to supportive military regimes, belong to that system and, at the same time, they represent the richest businessmen in Africa. In addition, small groups from both religious faiths play questionable roles by politicizing religion, indicated by waves of deadly sectarian clashes, particularly in large parts of the north. There are strong indications that crime and the use of force and violence are part and parcel of the prevailing political culture, considered by an increasing number of groups in central Nigeria and parts of the Niger Delta and the southeast (the Igbo heartland) as appropriate tools for pursuing political and socioeconomic objectives.

Support for democracy is high. According to round 6 of the Afrobarometer, around two-thirds of Nigerians (66%) prefer democracy to any other kind of government system. They reject authoritarian forms of rule by 79% (presidential authoritarianism), 80% (one-party rule) and 72% (military rule). Nigerians are, however, much less satisfied with how Nigerian democracy actually functions. Only 19% perceive Nigeria to be a full democracy or one with minor problems.

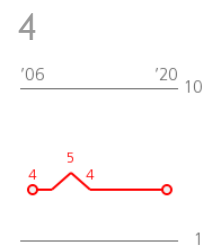
There are a number of reasons for dissatisfaction:

The slow pace of civic development, setbacks such as precarious security situations in many parts of the country, and many shortcomings concerning the state’s capacity to resolve widespread problems, such as endemic corruption and the lack of decent infrastructure, have had an impact on the public’s trust in the democratization process. However, some by-elections and a small number of gubernatorial elections that were held due to irregularities several years ago, were to some extent a litmus test for the approval of democracy and the way forward toward general elections in early 2019. Despite some logistical problems, the electoral commission reasonably managed the ballots. Against this background, the commission is prepared to conduct reputable general elections in 2019. However, the rather small percentage of registered voters indicated that public support for the democratization process is slightly decreasing.



Nigeria's civil society is still weak and fragmented. The majority of civil society groups are so-called one-man shows, with minor positive impact on the political system. Weakened by federal legislation, the trade unions lost political ground and increased the space for the state apparatus, state-run companies and parastatals to redistribute income from bottom up. The private sector, particularly the multinationals and a growing number of large Nigerian enterprises, also benefited from weak unions, meaning that for the foreseeable future, Nigeria's labor movement may only temporarily and marginally serve as a channel through which societal interests will be articulated. The economic crisis, due to a large extent to low oil and gas prices, ill-advised ministries and unresolved security issues in large parts of the country, put on hold most of the intended reforms and raised questions about the capacity of the current leadership of President Buhari and his party, the APC. Nigerians were to large extent forced and able to organize themselves at the local level where the informal sector is fairly well developed. At the same time, Nigerians are well-known for not having much interpersonal trust. Almost all citizens are members of one or the other denomination of the Christian and Muslim faiths, which has become the most important communication platform and social and economic security institution for people. In addition, religion, in particular Christianity, has been turned into a highly profitable industry, which has expanded its activities across the continent and overseas. Some Nigerian Pentecostal and charismatic churches quite successfully evangelize in the United Kingdom and in the United States using a spiritual approach.

#### Social capital



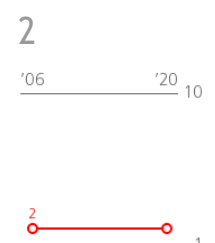
## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Key indicators still show a low level of development, which severely restricts freedom of choice. The rather poor HDI score of 0.532 puts Nigeria in position 157 out of 188 countries ranked (2017), even slightly lower than in previous years. There is widespread and deep-seated social exclusion, caused by poverty. Almost 70% of the population of nearly 200 million people live on \$3 per day. After slowly overcoming the serious economic crisis, which significantly reduced the GDP in 2015/16 and caused a negative growth rate for quite some time, the economy is slowly recovering. Nigeria's adult literacy rate, however, is only around 51%. But this figure does not reflect the dramatic north-south dichotomy. School enrollment in the south is 70%, while in the poverty-stricken north, only 30% of children attend school. While school attendance in the south lasts 10 years, attendance in the north is only 4-7 years. Government expenditure on education is 10% of the annual budget of around \$30 billion. The threatening north-south dichotomy in all social and economic sectors

#### Question Score

#### Socioeconomic barriers



is significantly illustrated by the current state of this sector. Nigeria has not succeeded in reducing its extreme inequalities and income differences during the period under review. Extreme regional imbalances in development remain unchanged, particularly between north and south. However, private education is growing rapidly. Currently, more than 70 private universities in the country compete with more than 80 federal and state tertiary institutions. In 2018, the university commission received another 270 applications for private universities. In addition, among the privately run tertiary institutions, several are run by mega-churches such as the Winner's Chapel and the Redeemed Christian Church of God. The same development applies to a sharp increase in privatized primary and secondary education.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	494583.2	404649.5	375745.5	<b>397269.6</b>
GDP growth	%	2.7	-1.6	0.8	<b>1.9</b>
Inflation (CPI)	%	9.0	15.7	16.5	<b>12.1</b>
Unemployment	%	5.3	6.2	6.0	<b>6.0</b>
Foreign direct investment	% of GDP	0.6	1.1	0.9	<b>0.5</b>
Export growth	%	0.1	11.5	8.7	-
Import growth	%	-26.8	-9.0	4.8	-
Current account balance	\$ M	-16019.2	2713.6	10381.2	-
Public debt	% of GDP	20.3	23.4	25.3	<b>27.3</b>
External debt	\$ M	28729.8	30688.1	39770.2	<b>46237.7</b>
Total debt service	\$ M	1613.7	2508.4	3567.3	<b>5783.7</b>
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	6.7	5.4	4.6	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.6	0.5	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.4	0.4	0.4	<b>0.5</b>

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

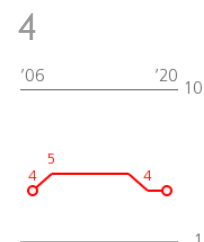
The foundations of market economy-based competition exist. The state sector, however, still holds a monopolistic position in key segments of the economy such as petroleum and refining. The import of highly subsidized fuel and the ailing power sector have been modestly deregulated. The competitive and booming telecommunications market, the private media, the building and construction industry as well as food processing and retail trade play important roles in Nigeria's economy. However, there was hardly any progress in establishing relevant private power generation industries outside the big national and international companies, which have firmly established a 'captive power' sector with some 15,000 MW as against some 5,000 MW shared by the citizens. There are some indications that, in the foreseeable future and against widespread incompetence, corruption, and intrigues, several power projects, including the construction of privately run refineries, will be launched. The fairly well-organized, but inherently inefficient informal sector accounts at least for an estimated 40% of GDP.

According to Doing Business 2019, starting a business takes 10 days and eight procedures with a cost of 27.6% of GNI per capita. The starting a business score is 82.97 out of 100 (ranked 120 out of 190 countries). In its report from April 2018, the World Bank pointed out that Nigeria needs better domestic market integration and has to overcome insufficient connective infrastructure, which reduces producers and firms' ability to reach wider markets. Therefore, the World Bank emphasizes an urgent need to better coordinate transport investments with effective urban land management to support regional economic development opportunities. A strengthened land management system to facilitate the land transactions for private developers interested in commercial and residential development in the area along the corridor would be pivotal.

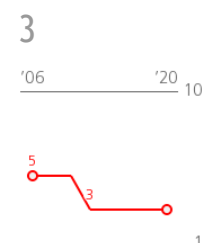
There was no anti-cartel legislation as such. The legal framework for competition was covered by the Consumer Protection Act (from 2004), which did not contain stand-alone antitrust provisions. In February 2019, the Nigerian government plans on signing the Federal Competition and Consumer Protection Bill into law. The new law will establish the Competition Commission and Competition Tribunal as relevant institutions. These reforms are expected to bring significant improvements to competition policy.

To a certain extent, the steady privatization trend and competition have broken some state monopolies and state cartels. This was particularly true for the banking and construction sectors, the media, the highly competitive and biggest telecommunications market in Africa and retail and wholesale trade. Toward the end of 2018, active mobile phone subscriptions exceeded 150 million and around 90 million Nigerians are using the internet. Administrative incompetence in conjunction

### Market organization



### Competition policy



with widespread corruption, particularly in the state-controlled oil and the petrol sector, an increasing north-south dichotomy and the precarious security situation in the northeast, in central Nigeria, in the Niger Delta and in the Igbo heartland in the southeast still take their toll to the disadvantage of a competitive and enabling environment in several parts of the country.

Foreign trade has been further deregulated, and there is no fundamental state intervention in free trade. This particularly applies to the treatment of the significant foreign investments in the oil, gas, brewery, Information Communication Technology and retail sectors and in agribusiness. The government backed down after international airlines threatened to abandon their services to Nigeria should the decision to regulate transfers or the repatriation of profits be enforced. Against the backdrop of the economic crisis and the drastic fall in oil prices, China and India were quite cautious concerning foreign direct investment. Consequently, FDI fell sharply. In 2018, the Nigerian government challenged Africa's biggest telecommunications company, MTN from South Africa, which, in cooperation with Nigerian and South African banks, allegedly illegally transferred around \$8 billion generated in Nigeria. Toward the end of 2018, the controversial issue reached the leadership of both governments, which expressed their willingness to find an amicable solution in order to avoid costly and long-lasting litigation. The simple average most favored nation applied was 12.1 in 2016.

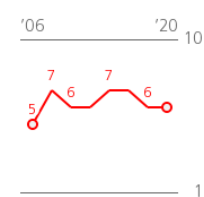
The banking sector at large was stable and quite resilient, proved by the fact that four Nigerian banks such as First Bank of Nigeria and Zenith Bank belong to the top banks in Africa and to the top 500 worldwide. In addition, in 2018 the government, in cooperation with international stake holders, such as the World Bank, the European Investment Bank,

Kreditanstalt für Wiederaufbau, the African Development Bank and the French Agency for Development, established the Development Bank of Nigeria. It aims to provide funding and risk-sharing facilities for micro, small and medium-sized enterprises (MSMEs). The Asset Management Company (AMCON), better known as 'Bad Bank,' established after the serious banking crisis in 2009, did not perform as expected during the period under review. Most of the debtors who form the nucleus of the rich and super-rich just ignored their outstanding accounts. Moreover, in most cases, these defaulters do not even repay their loans, thereby leaving the affected private banks to resolve the issues at their own expense.

The capital to assets ratio fell in 2017 to 7.4 from 11.4 in 2016. Non-performing loans increased from 12.8% in 2016 to 15.1% in 2017.

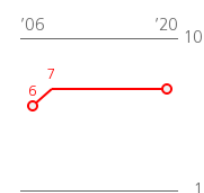
#### Liberalization of foreign trade

6



#### Banking system

7



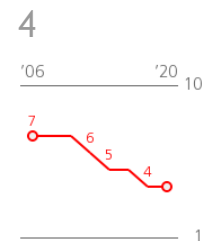


## 8 | Monetary and fiscal stability

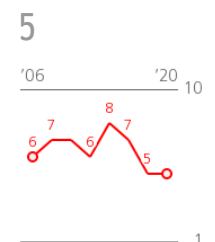
Inflation and exchange rate policy have been rather inconsistent during the assessment period. In 2017, the inflation rate went up close to 18% but gradually came down to around 12% at the end of 2018. The naira is not freely convertible, and Nigeria has a complex foreign exchange system with different rates set by the central bank for different purposes. The official exchange rate was fixed at 305 naira to the U.S. dollar during the period under review, but this official rate was basically only used for government purchases, especially of refined petroleum products. At the Interbank Forex Market, the legal parallel market, however, the exchange rate was about 360 naira to the U.S. dollar, which constitutes an improvement compared to previous years, when the parallel market exchange rate was close to 480 naira to the U.S. dollar. The main reason for the naira's relative stability is that, in 2016, the Nigerian economy suffered from low oil and gas prices and low production of its primary export commodity. During the period under review, both production and the price for its high-quality crude recovered. In 2018, the price of crude oil was within the bracket of \$50 to \$70 dollar. However, the inconsistency of the government's inflation and exchange policy is directly related to the role of the central bank, which to a large extent executes government policy, in particular, during crises. This notwithstanding, the central bank's objectives are to ensure monetary and price stability, to act as a banker and provide economic and financial advice to the government, to promote a sound financial system, to issue legal tender currency and to maintain external reserves to safeguard the international value of the legal tender currency. Despite these objectives, the government is willing to break legal and constitutional rules whenever it sees fit. For example, the sacking of the previous governor of the central bank underlines this structural dilemma, which at this level is rarely challenged by lawmakers or the affected persons. Although the executive does not have the legal power to appoint or fire top personnel without the approval of the Senate, the pretty strong mandate of the bank's governor immediately reaches its limit when it comes to power politics and strategic government decisions.

In 2018, the current account balance was positive and more than 4% of GDP, thanks to relatively higher oil and gas prices on the world market after years of rather low prices, which had caused a negative balance. It has even been suggested that, in the near future, the current account balance will remain positive in the range of around 2%. Overall public debt was put at \$73 billion by mid-2018, made up of \$51 billion in domestic and \$22 billion in external debts. The latter refers to the debt of the federal and state governments and represents 20% of GDP. The domestic debt of the 36 federal states alone amounts to \$10 billion. Annual debt service is around \$4 billion. Government consumption, however, was put at 4% of GDP in 2018, after years of reducing government consumption. The forecast suggests further increases in government consumption in years to come. Against this background, the foreign reserves, depleted to around \$24 billion in 2016, doubled in 2018, and amounted to

### Monetary stability



### Fiscal stability



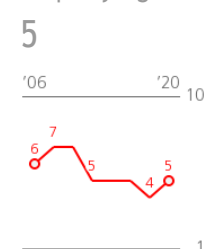
\$46 billion at year's end. This had an impact on the Excess Crude Account, which was almost depleted at the time when the new government under President Buhari took power in 2015. Despite the recovery, the administration kept financing the budget with huge deficit spending at around 30% (\$7 billion) and borrowing from international capital markets.

## 9 | Private Property

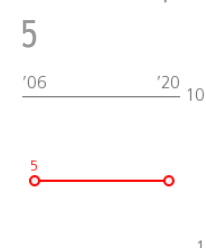
Property rights and acquisition of property are adequately defined. All land belongs to the federal states with the exception of the coastal strips and certain riverbanks, which belong to the federal government. Thus, land is granted only as a hereditary lease. Property ownership reaches its limits when raw materials are found under the ground. By law, these belong to the federal government. In such a case, the land is usually expropriated and the owner compensated. However, at times, the change of ownership of a hereditary lease is difficult and complicated. In several cases, the evidence of a title is questioned and it can take quite some time to settle a case in court. Sometimes, local chiefs or communities sell land with a controversial status, which might hamper private investment. Moreover, the state governors, acting as custodians of the land and handling the leases, at times abuse their office by rewarding their clientele. From time to time, the question of an overdue constitutional amendment to the 'Land Use Act' has been discussed in public. But as long as the governors and the majority of the elites are the sole beneficiaries of the act, nothing will change. In addition, land, particularly in urban areas and economic and political hubs such as Lagos and Abuja, is very expensive, a fact that consolidates the status quo.

Private companies are considered important engines of development and growth. However, even though private companies can act freely in principle, they encounter a good deal of economic, political and social barriers to development. The banking, insurance and IT sectors, the electronic media, which were deregulated due to external pressure (from the World Bank, the IMF and other western donors), and construction were still flourishing, despite a lasting economic recession during the period under review. Overall, demand in the retail and wholesale trade suffered a serious decline. At the same time, religion, especially the Christian religious industry, and private education, particularly in the south, are booming and both segments yield high profits. Any religious organization is exempt from tax, a fact that transforms the churches into highly lucrative business ventures. As in previous years, however, large state companies and international conglomerates in the oil and gas sector still hold a monopolistic position in their respective sectors.

Property rights



Private enterprise

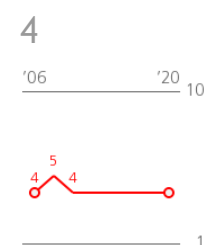


## 10 | Welfare Regime

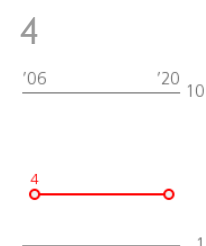
In general, the burdens of aging, illness, underemployment and unemployment are carried mostly by extended family networks and the informal sector. Only civil servants and employees in the higher education system, state-owned and partially state-owned companies and medium-sized and large international companies enjoy a certain level of social security. However, the pension reform act was amended in 2014 to harmonize the fees and benefits for employees across the public and private sectors. The National Pension Commission (PenCom) supervises pension departments, which were created to carry out the functions of the relevant pension boards or offices in the public service of the federation and Abuja with a view to making regular and prompt payments of pensions to pensioners. More than 8 million Nigerians have been registered under the Contributory Pension Scheme (CPS), which has more than \$25 billion available (mid-2018). The expectations of the National Health Bill were not fulfilled.

The distribution of income in Nigeria is highly unequal. More than two-thirds of the estimated 198 million people live in absolute poverty. In addition, it is questionable whether Nigeria will achieve the Sustainable Development Goals (SDGs) as part of the Agenda 2030 – even though enough resources exist. Nigeria took part in the Voluntary National Review (VNR) 2017, but the findings did not show any significant improvements. President Buhari and his government seem aware of the high level of unemployment among youth and the frightening consequences this has. The federal and state governments have started financing various programs in training and empowerment such as the N-Power Program, the Nigeria Youth Employment and Social Support Operation (YESSO), a Social Investment Program (N-SIPs), a Government Enterprise and Empowerment Program (GEEP), a Home Grown School Feeding Program (HGSFP), transfer payments for the poor and an increase of the minimum wage. In addition, the government set up the Development Bank of Nigeria with start-up capital of \$1.3 billion. There are no mechanisms to promote persons with disabilities or the socially disadvantaged. Women with secondary or even tertiary education have access to state and public institutions and an increasing number of well-educated women are employed in the expanding private sector (banking, insurance, private media, consultancies, etc.). Some women occupy prestigious positions within government and the judiciary. Gender-based discrimination against women in the legal system has been reduced at the middle and upper levels. However, despite the fact that women from within the elite can get to the top of ministries and state agencies (for example, the Supreme Court, the Ministry of Finance and the coordinating office for the SDGs), women hardly play any political role at state and local government levels, let alone at the grassroots level. The adult literacy rate is 59%. The south-north dichotomy, however, indicates that the school enrollment in the south is around 70%, as opposed to a very low 30% in the north.

Social safety nets



Equal opportunity



## 11 | Economic Performance

The modest increase in oil and gas prices to around \$60 per barrel toward the end of 2018, a growth rate of close to 2%, an inflation rate of around 13%, and a rather stable exchange rate of 360 naira to the U.S. dollar heralded some economic recovery. In addition, foreign reserves grew to around \$42 billion at the end of the period under review. External debt amounted to some \$22 billion. Domestic debt, however, amounted to worrisome \$51 billion. The debt/GDP ratio was about 25%. Current account balance deficits were on the decrease, indicating a slight positive trend. A budget deficit of about 30% prevailed during the period under review, and a high unemployment rate, particularly in the underdeveloped north, persisted.

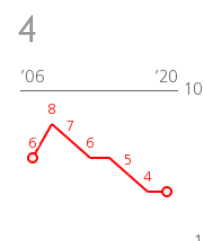
Growth rates per capita (in USD) were negative in 2016 and 2017 (-1.8 and -4.2, respectively), but have turned positive, according to estimates by the Economist Intelligence Unit in 2019. The main determinants are high population growth and low oil prices.

## 12 | Sustainability

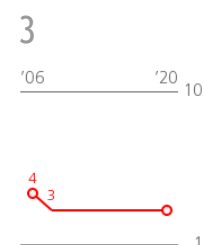
Environmental issues have not been among the government's priorities, although a Ministry for the Environment exists. In conjunction with international donors and partners, the federal government and to a larger extent some state governments promote some renewable energy projects in central Nigeria. The government's commitment to address the threatening impact of climate change and the National Oil Spill Detection and Response Agency (Establishment) Act, which was aimed at addressing oil pollution, particularly in the Niger Delta, have not yet been implemented. Deforestation, overgrazing, desertification, lack of garbage collection and sewage systems, air and water pollution, open defecation, industrial pollution, particularly in the oil and gas sector, and the pollution caused by several million privately owned generators all over the country, which cost some \$20 billion per annum, are Nigeria's primary environmental problems. In fact, worsening ecological problems, aggravated by continued demographic growth, continue to cause serious damage to the socioeconomic system.

The Nigerian education system is partially successful at best – although it compares favorably to neighboring countries like Niger and Chad. Education and training facilities were available in important segments. However, a deep political, socioeconomic and sociocultural north-south divide and the north-south dichotomy are also mirrored as far as education in general and school enrollment in particular are concerned. While the general enrollment is at 53% for all school-aged children, enrollment in the north is just 30%, compared to 70% in the south. While in the north, the mean number of years of schooling is 4-7 years, school attendance in the south is

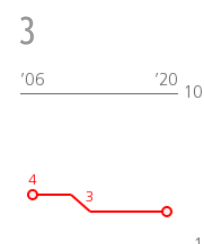
### Output strength



### Environmental policy



### Education policy / R&D



nine years on average. The nationwide mean number of years of schooling is 6.2. Serious shortcomings persist in research and development. These shortcomings notwithstanding, public investment in education, training, research and development has increased, at least in quantitative terms. In 2017, the state's expenditures for education accounted for around 9% (\$2 billion) of the federal budget. Interestingly, private education on all levels is rapidly increasing. At the end of the period under review, almost half of a total of 170 tertiary institutions at federal and state levels were privately run universities, a strong indicator of the continued commercialization of the education sector. The trend in favor of private schools and universities by private investors such as charismatic and Pentecostal churches, who consider education a lucrative business, continues unabated. At the end of the period under review, 270 applications were presented to the Nigerian Universities Commission, evidence that running private education institutions is a highly attractive business. It seems, that, almost unnoticed, the state is silently withdrawing from the public education sector.

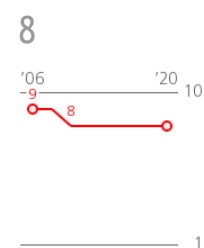
## Governance

### I. Level of Difficulty

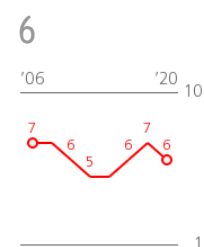
The level of difficulty of transformation of the political and socioeconomic system must still be considered high, even though the main democratic institutions are fairly stable. Civil society is still largely institutionally weak and fragmented, with some few exceptions. No government has seriously addressed, let alone overcome the socioeconomic and sociocultural dichotomy between the underdeveloped, poor north and the rather advanced south, or the even more striking dichotomy between the rich elites and the overwhelming majority of poor Nigerians. Widespread grinding poverty, a very high unemployment rate, particularly among youth, youth violence, endemic corruption, inefficient state administration, significant ethnic and social heterogeneity, organized crime, kidnapping, the Islamist insurgency in the northeast, increasing violence and organized cattle rustling in central Nigeria, piracy along the coast and the revival of an independent Biafra continue to be enormous constraints. Widespread violence in the oil- and gas-producing Niger Delta increased the level of difficulty. In addition, a very poor and non-functioning infrastructure, an ailing power sector, unabated population growth, and a high rate of HIV/AIDS infections compounded the difficulty during the period under review.

Traditions of civil society are still weak, although private media and religious groups from both faiths play an increasingly important role in strengthening this segment of society. In addition, digital technology made enormous headway during the period under review and has an impact on political development and the transformation of Nigeria's political culture. Social media is rapidly expanding and can have a controlling impact on the outcome of the elections in early 2019, in which the incumbent president and his party, the APC, challenged by Atiku Abubakar and his party, the PDP (which won, amid allegations of fraud by Buhari in February 2019 – after the period under investigation in the BTI). Against this backdrop, dozens of civil society groups have established a common platform for closely watching the elections. Moreover, the platform committed to reporting any suspicious incidents.

Structural  
constraints

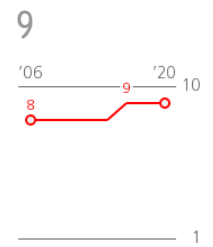


Civil society  
traditions



The north-south and Christian-Islamic dichotomies, the deep north-south socioeconomic divide, sectarian clashes, ethnic cleavages and increasing religious fundamentalism cause tension and mistrust. The Islamist insurgency in the northeast is ongoing and still challenging the government and the unity of the country. Having said that, the increasing violence and organized crime in central Nigeria, the return of nationalist movements in the Igbo heartland, which demand a sovereign Biafra, the well-organized violence in the Niger Delta and widespread crime, in particular kidnappings and killings, are indicators of high conflict intensity countrywide.

Conflict intensity



## II. Governance Performance

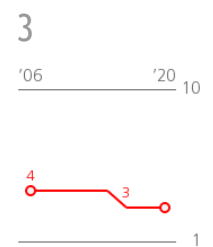
### 14 | Steering Capability

The government claims to set strategic priorities, but replaces them regularly with short-term interests – which however at least partially are due to adverse conditions. President Buhari's policies during the fifth legislative period (2015 – 2019) are marked by serious security and economic challenges, although the deep recession of 2016 was eventually overcome toward the end of 2018, when the economy slowly recovered. However, Nigeria's socioeconomic system is still extremely vulnerable to external factors, most importantly to the world market prices for oil and gas. These structural problems permit pursuing only select, medium-term goals at best. In addition, the government once again faced a number of violent conflicts all over the country that divert attention and resources away from any reforms the government might have intended to undertake. Despite all these challenges, the federal government and the National Assembly were still able to govern and to pass several bills and put them into effect. However, the ensuing problem is with enforcing the implementation of bills at the federal and state levels. There was hardly any progress made in reviving the ailing power sector, in the construction and privatization of refineries, and in the rehabilitation of the transport and road system. Not even the counterinsurgency in the Boko Haram-plagued area in the northeast was successful, and central Nigeria again became a new conflict hub. In addition, the proclaimed fight against corruption did not yield the expected results. Overall, the government only set a few meaningful priorities, but was not able or willing to pursue them effectively, let alone address the crucial challenges with which Nigeria is faced.

Question

Score

Prioritization



The president and his government were in principle committed to democracy and market economy. That commitment notwithstanding, the government of President Buhari and the state governments neither had the capability nor the capacity nor the political will to establish, enforce, or execute consistent and urgently required socioeconomic and political reforms. These particularly concern the economy and the long overdue overhaul of the ailing infrastructure in the key sectors of power generation and distribution, refineries, water and roads. At times, even implementing the annual federal budget was an issue of concern. Apart from the failed pacification of Boko Haram and other conflicts as well as the failed reconstruction of the poverty-stricken northeast, probably the most obvious example of a failed attempt at implementation is the costly amnesty program in the still volatile oil- and gas-producing region of the Niger Delta that has been in place for years. Despite its poor performance, however, the government was still able to redistribute ample resources and revenues to the political class and the elites.

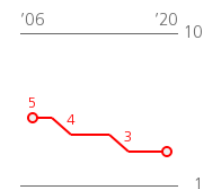
On the whole, the government demonstrates little willingness or ability to engage in policy learning in BTI's sense. However, Nigeria's political leadership has learned how to successfully deal with the international donor communities and the relevant international financial institutions. As far as domestic politics were concerned, the learning process was at best mixed. The federal government was only partially able or willing to effectively address its multiple social, ethnic, sectarian and economic challenges. Although it had a proclaimed focus on fighting corruption on all levels and on fighting the Islamist insurgency in the northeast, the government achieved neither. It still maintained a fixed official exchange rate for the local currency, the naira, for government purchases. At the same time, it allowed the naira to float according to supply and demand, thereby leaving consumers struggling with the effects of inflation. In addition, the government pursued a growth strategy through huge deficit spending that did not produce the expected results. In fact, as far as its own policy objectives and the main challenges that Nigeria is facing are concerned, learning by the government remained at a disappointingly low level.

## 15 | Resource Efficiency

The federal government and the state governments do not make effective use of available human and organizational resources for their transformation policy. However, they annually rake in ample revenue in billions of dollars, mainly from the export of crude oil and huge offshore gas deposits (which, however, look less impressive when we consider that there are over 150 million Nigerians). These considerable sums are basically shared by the governments at federal, state and local level, without triggering a significant trickle-down effect on large parts of the population. In addition, the Nigerian diaspora in the U.S. and Great Britain remits \$10-\$20 billion to Nigeria every year, to their respective families and friends in business. These remittances, however, to a large extent are used for consumption or

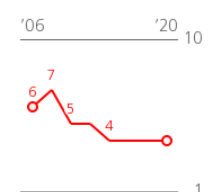
### Implementation

3



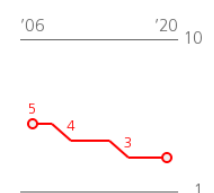
### Policy learning

4



### Efficient use of assets

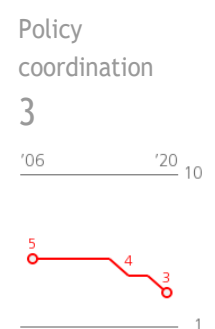
3





invested in real estate and government bonds. The enormous foreign exchange earnings are in stark contrast to the country's socioeconomic development and still-widespread poverty and severe development deficiencies. The consensus still exists that all 36 federal states and the federal territory be represented in government. In addition, Nigeria's federalism is tantamount to a disguised legal modus operandi for enriching the political class, the huge state apparatus and segments of the elites. It mirrors the trauma of the civil war over the secession of 'Biafra,' which the elites see as the biggest political disaster in Nigeria's history. The impact of the disastrous Biafran war is in an unwritten doctrine, which since has triggered political discourse to make use of federalism as a tool to appease the numerous elites, hundreds of thousands of appointed members of the many state agencies, commissions, institutes and parastatals and the some 10,000 members of the political class, by redistributing Nigeria's enormous wealth among themselves via statutory means. The current formula is 52.7% federal government, 26.7% state governments, 20.8% local governments. Every month, between 250 and 600 billion naira are shared between the three tiers of government, which at times highlights the internal wrangling to occupy the most lucrative positions in order to have access to the distributed revenues. However, the revenues to a large extent depend on volatile oil and gas prices. In this respect, the financial system is prone to international dynamics that it cannot shape. Therefore, the political leadership tends to resort to huge budget deficits of up to 25%, taking out costly loans on the domestic and international capital markets and issuing government bonds to counter fluctuating revenues from exported oil and gas. This approach, however, reinforces widespread corruption. Despite increasing external reserves, due to higher world oil and gas prices toward the end of the period under review, there was no real progress made in using these financial means to rebuild the run-down basic national infrastructure to the benefit of large parts of society. Nonetheless, there were minor achievements in the reorganization of parts of the military and the national police force.

During the period under review, the president and his government were not able to overcome conflicting objectives between the government and other democratic institutions (i.e., the federal parliament, the regional governments and the state assemblies), particularly concerning socioeconomic and financial affairs, the main conflicts in the oil- and gas-producing Niger Delta and the increasing instances of sectarian clashes and organized crime in central Nigeria. Against the backdrop of influential veto powers within the ruling APC and the state apparatus and prevailing and widespread corruption within key ministries and parastatals, the inability to overcome conflicting objectives also applied to other fundamental questions: overcoming the economic recession; development of an adequate infrastructure; formulating sustainable development policies; demography; instituting result-oriented anti-corruption measures; addressing the issue of widespread unemployment among youth; and holding transparent and fair elections. However, the elite in general and the political class and lawmakers in particular still find common ground when



distributing the country's wealth among themselves. In addition, the still fairly stable democratic institutions succeed in eventually passing bills and the federal and state budgets, often after internal wrangling and 'horse-trading.'

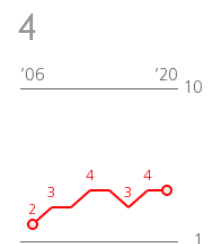
During the period under review, the leadership under President Buhari vowed to focus on a result-oriented anti-corruption campaign and provided greater financial resources to the anti-corruption commission, the EFCC. The structural dilemma of the institutionally weak commission, which is constantly challenged by strong veto powers, revealed its limitations when it comes to being successful. The commitment, however, still remained, and the young justice minister considered the campaign his most important mission. The results were mixed, at best. Nevertheless, two former governors were eventually sentenced to long prison terms. Others, such as a former oil minister living in the United Kingdom, are being investigated and some valuable property was confiscated. In addition, several high-ranking military officers were taken to court and billions of stolen naira were repatriated. However, dozens of politicians, civil servants and military officers suspected of having committed financial crimes were not prosecuted.

## 16 | Consensus-Building

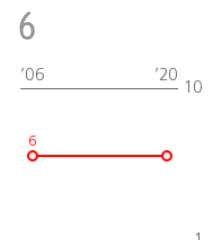
The ideological differences between the ruling party, the APC, and the main opposition party, the PDP, are similar to the difference between six and half a dozen. Both parties were predicated on long-existing networks of the old political class, which not only survived the various military regimes of the 1980s and 1990s, but were, in fact, complemented and thus revived by retired military officers-turned-politicians emerging from these regimes. Nevertheless, both main parties, as well as the vast majority of Nigerians from all walks of life, are in favor of maintaining and consolidating democracy and market economy as strategic goals for development and transformation. However, there is still a deep divide over the question of which policies to adopt to achieve this transformation, given the prevailing north-south dichotomy, widespread corruption, sectarian crises, the Islamist insurgency, nationalistic movements, violent militias and organized crime in several parts of the country. The lasting impact of the civil war over the secession of 'Biafra,' however, is that whenever a series crisis occurs, the political elites and the political class refer to these painful years and have so far been able to find a consensus concerning the unity of the country. According to them, this unity is not negotiable.

The political leadership and the vast majority of the elites, the political class and the electorate are in favor of a free market economy. However, the government lacks the capacity to formulate and implement a strategic economic framework that would benefit the majority of Nigerians and the socioeconomic system at large. In this respect, limited political will and economic competence hamper reforms and progress.

### Anti-corruption policy



### Consensus on goals



The vast majority of the political class, the security forces, the elites, the business community and the electorate openly support democracy and market economy. Nonetheless, there are still anti-democratic veto powers inside democratically legitimized institutions, the security services and probably more importantly inside the business community. Within the latter, there are strong interest groups that benefit tremendously from importing petrol, diesel, kerosene, generators and high-quality food products, sometimes at subsidized foreign exchange rates. In this context, these interest groups, comprised of middlemen and importers, are able to prevent progress in key areas, such as power generation and the refinery sector. In addition, there are veto powers that are still quite strong among people of both faiths, who hold strong reservations about democracy and the market economy.

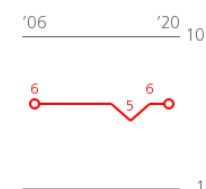
Regarding the management of social cleavages, the current political leadership's record is rather poor. Efforts at pacifying troubles in the oil- and gas-producing Niger Delta and the northeast, where the Islamist insurgents still challenge the state and society, did not have any lasting results. On the contrary, the number of hotspots plagued by violent conflicts is high, and hardly any region can be considered safe. Numerous sectarian clashes with strongly ethnicized dimensions, organized crime, piracy, Islamist terror and the resurrection of nationalist movements in the Igbo heartland compound the cleavages. The administrative structure of 36 federal states, 768 local governments and six councils theoretically provides an adequate framework for resolving political and social cleavages. However, corruption, greed, weak leadership and socioeconomic incompetence exacerbated and further politicized deep-rooted local and regional grievances.

The arguably major cleavage in Nigeria, although hardly politicized, is the divide between the poor and the rich; however, it has not even rudimentarily been addressed to date.

Generally, the political leadership tends to ignore civil society actors. At times, however, particularly during crises such as the uncertainty in the run-up to the forthcoming general elections in early 2019, private media and representatives of mainstream and charismatic mega-churches, Islamic organizations, trade unions and a broad coalition of NGOs may be able to influence the political process and decision-making. If it better suits the political leadership, however, prominent civil society actors are co-opted, such as the former civil rights activist, Festus Keyamo, who became speaker of the president's election campaign. In addition, organized groups such as the officers' club, comprised of retired, high-ranking military staff, former presidents, politicians or administrators, cooperate with the government whenever it serves their goals. This notwithstanding, reasonably well-organized domestic election observations and the reporting of human rights abuses and corruption cases has had an impact on strengthening civil society.

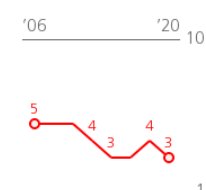
Anti-democratic actors

6



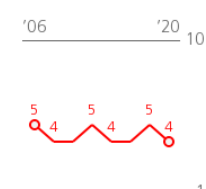
Cleavage / conflict management

3



Civil society participation

4



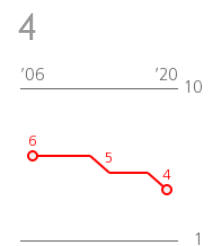
In times of crisis, the political class and the elites tend to sweep the causes and triggers of crises under the rug. Against the backdrop of several crises and well-established social networks and other media, however, this approach no longer always works. Regarding conflicts within the elites, the government is committed to and rather successful at reconciling conflicting interests, in particular, by sharing state revenues and dishing out opportunities for wealth creation as quietly as possible. This approach, however, is not applied in relation to the vast majority of people, who are left behind and belong to the huge number of losers and victims of failed policies, fierce power struggles on all administrative levels, extrajudicial killings, arbitrariness and lack of access to justice. On the whole, these thwart sustainable reconciliation efforts.

## 17 | International Cooperation

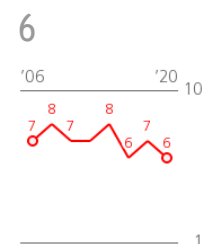
Progress in the transformation process toward a market economy and market-based democracy was mainly related to pressure from outside actors (the IMF, the World Bank, the African Development Bank, foreign high-profile consultants from privately run finance organizations, and Nigerian experts from the diaspora in Britain and the United States). The role of outside actors (the United States, the European Union) in the democratic transformation process, however, remains limited. Against the backdrop of volatile oil and gas prices, conflicting interests and approaches concerning the anti-terror campaign in Nigeria's northeast and increasing organized crime in central Nigeria, the strained political, economic (crude oil and gas export) and military cooperation with the United States slightly improved under the new United States leadership. In addition, Nigeria's government to some degree managed to improve cooperation with the European Union, France, Britain and Nigeria's neighboring states in combating the Islamist insurgency. After years of half-hearted commitments, this approach produced at least some, though not the desired, results in the fight against terrorism. In the second half of 2018, Islamist insurgents were able to renew their insurgency, which cost the lives of many security personnel. In addition, the issue and danger of suicide bombings had not been resolved toward the end of the period under review. Nigeria's leadership and its security forces no longer ignore external intelligence.

Nigeria's improved reputation within the international community suffered serious setbacks during the second half of its legislative period due to the unresolved Islamist insurgency in the northeast and the state failure in central Nigeria. Nevertheless, Nigeria still plays a visible leadership role in institutions such as the African Development Bank, ECOWAS and the U.N. As far as the home front was concerned, however, the way the leadership handled domestic affairs was disappointing, as detailed above, in terms of conflict management or implementation of other domestic policies. Moreover, the security services, in particular the military and the police, frequently abused their powers in their fight against terrorism, crime, nationalists and militias, causing widespread criticism inside and outside Nigeria.

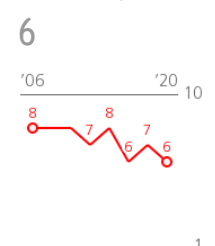
### Reconciliation



### Effective use of support

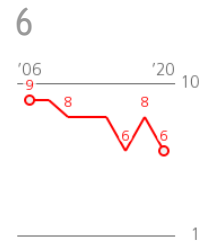


### Credibility



Nigeria's credibility with regards to regional cooperation suffered some setbacks during the period under review. Although Nigeria is an important and principally cooperative player in the regional body of ECOWAS and the African Union (AU), during the period under review it was less cooperative than previously. Weak performance in quickly resolving the crisis in Gambia, in which Senegal proved critical in convincing Jammeh to go into exile, the incapability to put down the Islamist insurgency, and poor performance, all in all, regarding the cooperation with neighboring states in combating insurgents all damaged Nigeria's previously improved reputation after President Buhari took office. When splinter groups of the Islamists from Boko Haram triggered a renewed upsurge in attacks, it threw the military off balance, as was evident when, for example, soldiers invaded the premises of the local U.N. office for the Coordination of Humanitarian Affairs, claiming to be searching for hidden arms. It took the federal government two days to apologize and to assure humanitarian agencies that it would respect and safeguard their diplomatic status. However, this incident underlined the erratic approach which the government quite often takes, particularly in the West African region, and at times on a continental level, by ignoring international standards when the government and its relevant institutions deem fit. For example, Nigeria declined to sign the African Continental Free Trade Agreement (AfCFTA) when the draft agreement was finally signed in March 2018 at the 18th Extraordinary Session of the Assembly of AU Heads of State and Governments in Kigali, Rwanda. The Nigerian government said it was consulting widely to avoid signing an agreement that would not be in the interest of Nigerians. On the whole, all these events have an impact on Nigeria's self-proclaimed leading role in the West African region, which has been quite openly questioned, even though Nigeria's president took over the chairmanship of ECOWAS in 2018.

### Regional cooperation



## Strategic Outlook

The election marathon in Nigeria in February/March 2019 was expected to be a fierce competition. Atiku Abubakar was a formidable challenger to the incumbent President Muhammadu Buhari. This constellation was similar to the one on the eve of the elections in 2015: With reasonably well conducted elections, a change of power is possible. Although Buhari still has cult-like status in the dominant Hausa-Fulani region of northern Nigeria, a platform of high-ranking politicians and financially powerful groups was formed with the aim of voting Buhari out of office. The opposition platform perceives Buhari as a weak leader. At the same time, however, this election was subject to reservations due to the precarious security situation.

The Peace Accord of December 2018 that includes the major political parties and their respective leaders underscores that Nigerians want to preserve the achievements of the Fourth Republic. However, the government under the leadership of Muhammadu Buhari and the former opposition party, the APC, raised unrealistic expectations, to which it did not live up. Nevertheless, the government is still committed to the market economy. However, any government is going to face numerous challenges in the years to come. For example, Nigeria is challenged by security issues that include Islamist terrorism, widespread organized crime, youth violence and unemployment, militia groups, nationalism and sectarian clashes. Getting the ailing economy back on track is another herculean task. Moreover, external factors that Nigeria cannot influence, such as oil and gas prices on the world market, and the deep-rooted corruption in all aspects of life render sustainable reforms in favor of a market economy and competition very difficult.

Nigerians, however, can once again point to the fact that they have performed crisis management in extremely difficult and threatening situations already several times in the past, and successfully so. The minor ideological differences between the two dominant parties also will make it easier to find common political ground after the elections and a possible change in government. This way, it is guaranteed that the allocation of resources within the numerically large political class and the elites will continue. In the end, the upcoming election marathon will only serve to redefine the “hierarchy” within the political class and the elites. The fundamental conflicts will continue to dominate the next legislative period and further strain the resilience of the population, which will, in many parts of the country, continue to be confronted with an extremely violent, corrupt and criminal environment.

The precarious security situation and the difficult socioeconomic situation have slightly improved the opportunities for external actors to have some influence over Nigeria’s political class. The role of the United States, the European Union and the U.N. is crucial in supporting Africa’s most populous country in order to keep the democratization process going and to further strengthen market economy-oriented structures. It is necessary to provide strong support to democratically oriented, moderate and enlightened groups in civil society, particularly from both major faiths, the business community and the vibrant media. Nigerian civil society is small and institutionally weak, but lively and creative. Civil society dominates social media and will once again play a decisive

role in observing the elections of 2019 that may see another defeat of a sitting president. Whatever the outcome is, it is imperative that the new government invest greater resources in conflict management, conflict prevention, prevention of youth violence and far-reaching economic reforms to support private initiative and capital.