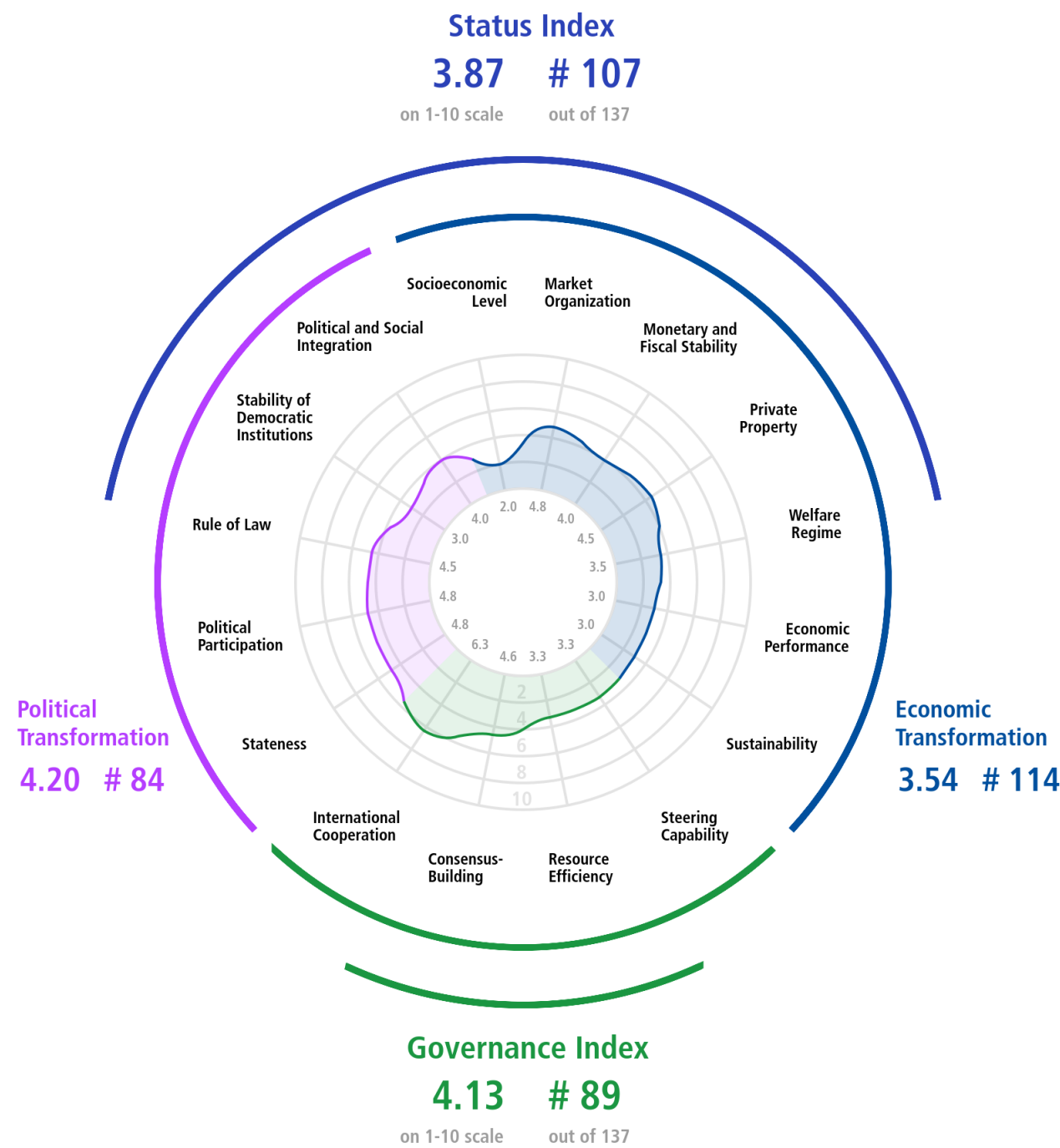


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Nigeria



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Key Indicators

Population	M	218.5	HDI	0.535	GDP p.c., PPP \$	5860
Pop. growth ¹	% p.a.	2.4	HDI rank of 189	163	Gini Index	35.1
Life expectancy	years	52.7	UN Education Index	0.521	Poverty ³	% 63.5
Urban population	%	53.5	Gender inequality ²	0.680	Aid per capita \$	15.7

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

After serving two terms since taking office in 2015, Muhammadu Buhari's presidency of Nigeria is scheduled to come to an end in 2023. The All Progressives Congress (APC), the incumbent party, has nominated the former Lagos state governor, Ahmed Bola Tinubu, as its presidential candidate. Although the APC has a good chance of winning the elections, it is important to note that their policy record over the past few years has been far from commendable. And today, Nigeria faces several challenges, including increasing poverty rates, widespread insecurity and ongoing political corruption.

While the Nigerian economy has experienced modest growth after the COVID-19 pandemic subsided in 2021, poverty has worsened due to unemployment and high inflation rates, leading to food insecurity for millions. Additionally, oil production remains insufficient, and government revenue from crude oil sales is largely spent on covering fuel imports under the fuel subsidy program.

The government has increased its spending, but fiscal deficits now exceed 5% of GDP, contradicting national and international guidelines. The debt-to-GDP ratio is still below the sub-Saharan African average, but the federal government faces significant obstacles in achieving its revenue projections. Actual revenues have consistently fallen short of projected revenues, necessitating additional borrowing. Furthermore, debt service burdens have increased due to the downgrading of Nigeria's sovereign debt rating.

Foreign exchange reserves are declining, and the value of the national currency, the naira, is depreciating. Nigeria's central bank has implemented measures to fight inflation, such as increasing its monetary policy rate, but these actions may also have negative impacts on Nigeria's economic recovery.

In terms of security, the country is facing escalating challenges. The Islamic State West Africa Province and other factions of the Boko Haram insurgency continue to pose threats in the northeast, while non-state armed groups have extended their activities to the northwest region.

Military operations have not been able to quell the violence, and human rights abuses are frequently reported. Farmer-herder conflicts in the Middle Belt persist, and there is a rise in separatist unrest in the southeast. Pre-election violence is also increasing in the lead-up to the 2023 general elections, particularly in the southern regions.

Despite these pressing issues, Nigerian elites have largely maintained a business-as-usual approach, prioritizing their own interests over the public's well-being. The Buhari regime aimed to fight political corruption but has achieved limited results, and some anti-corruption efforts appear to target political opponents.

The Buhari regime has also demonstrated increasing intolerance toward dissenting voices. Media outlets have faced government pressure through license suspensions, the arbitrary arrest of journalists and the blocking of news media sites. Twitter was banned from June 2021 to January 2022, and pro-democracy protests have often been met with repression.

In the 2022 primary elections, well-known political figures such as Ahmed Bola Tinubu for the APC and Atiku Abubakar for the PDP emerged as presidential candidates. Given their status as part of the old guard, doubts remain about their ability and willingness to bring about fundamental change. However, a new player has entered the scene – Peter Obi, the presidential candidate for the Labour Party, who has been able to gain support, particularly in the southeast.

History and Characteristics of Transformation

Nigeria became an independent federal state in 1960, breaking free from British rule. However, the journey since then has been tumultuous, marked by coups, military dictatorship, an attempted secession and the devastating Biafra civil war from 1967 to 1970. Alongside these struggles, the country has also faced economic failures. Despite these numerous challenges, Nigeria has tenaciously retained its status as a federal state.

Since the establishment of Nigeria's Fourth Republic in 1999, the country has faced mounting challenges. The People's Democratic Party (PDP) governed for 15 years, with former military ruler Obasanjo serving as president for two terms until 2007. His bid for a third term was unsuccessful, and Umaru Yar'Adua, the former governor of Katsina state, assumed the presidency after controversial elections. Yar'Adua's health issues resulted in his vice president, Goodluck Jonathan, taking over the leadership.

Following Yar'Adua's passing in 2010, Jonathan became president and won re-election in 2011. During the PDP's rule, Nigeria enjoyed relatively strong economic growth and significant oil revenues, leading to a reduction in government debt. However, these economic gains did not translate into improved living conditions for ordinary citizens, as poverty and inequality persisted, and corruption remained prevalent. Nigeria also faced serious security threats, including insurgency in the Niger Delta and the rise of the Boko Haram insurgency in the northeast, later joined by the Islamic State.

In the 2015 elections, a new party and president came to power. The All Progressives Congress (APC) emerged in 2013, uniting various opposition parties and attracting key PDP members. Former military ruler Muhammadu Buhari won the presidency, promising to combat corruption,

address insecurity and reduce poverty. However, under APC rule, Nigeria experienced weak or negative economic growth, declining revenues and mounting public debt. While some efforts were made to strengthen anti-corruption institutions, the country's political elite seemed to continue with business as usual.

Buhari's campaign against Boko Haram initially showed some success, but the group fragmented into different factions, threatening lives and livelihoods in the northeast. Insecurity escalated as armed groups spread violence in the northwest, communal and farmer-herder conflicts persisted in the North-Central region, and violent crime increased nationwide.

Despite these challenges, Buhari secured a second term in 2019. However, voter turnout was low as many lost faith in the political system's ability to bring about meaningful change. His victory was endorsed by international actors, although PDP strongholds in the South-East and the South-South witnessed widespread irregularities and violence. Despite this, most observers deemed the election to generally reflect the will of the electorate.

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 the North-East region, various splinter groups from the Boko Haram insurgency – with Islamic State West Africa Province (ISWA) the most dominant one – continue to attack the state and civilians. In the northwest, multiple armed groups engage in criminal and communal violence. Farmer-herder conflict persists in the North-Central region and also extends beyond it to the south. Violent crime, including kidnapping, is on the rise, especially on interstate roads. Criminal violence also increasingly nears the capital of Abuja. Furthermore, in 2022, terrorist security warnings were launched in Abuja, though no attack has taken place yet.

The Nigerian army conducts military operations against armed groups and criminal gangs throughout the country but has achieved limited success. According to the Armed Conflict Location and Event Dataset, violence in 2021 resulted in nearly 10,000 fatalities, representing a 30% increase compared to 2020. In more recent times, violence leading up to the 2023 general elections, including party-based violence and attacks on electoral offices, has also been on the rise, particularly in the South.

Most elites and citizens appear to adhere to the constitutional principle that Nigeria is an “indivisible and indissoluble sovereign nation.” Yet there remains a wariness among certain groups (especially in the North) that potential adaptations (often proposed by Southerners) to the federal structure of Nigeria (e.g., police decentralization, more fiscal independence at the state level) could pave the path to a breakup of the country. There are also groups that directly challenge the nation-state. Separatist movements in the southeast, such as the Indigenous People of Biafra (IPOB), Movement for the Actualization of the Sovereign State of Biafra (MASSOB) and the South-South (Niger Delta militants) have at least some measure of popular support, while Boko Haram's – and later ISWAP's – state challenge also gained initial support in the northeast. This regional contestation is not due to a lack of citizenship rights, but many groups do feel they are politically and economically marginalized by the (federal) state.

Question Score

Monopoly on the
use of force

4

'06 '24 10



1

State identity

7

'06 '24 10



1

While Nigeria runs a generally stabilizing power-sharing system that requires, for example, that all presidential candidates secure 25% of the vote in 24 out of 36 states and the federal capital of Abuja, and federal ministers from all 36 states are included in government and that each state is equally represented in the federal public sector, many feel unfairly treated in this system. Qualified candidates whose state is already overrepresented miss out on public employment opportunities.

The state representation system has also been accompanied by the rule that people need to be state “indigenes.” Indigenes get preferential treatment in public sector employment and educational scholarships, among other things, compared to “migrants” or Nigerians from other states. The indigene-migrant division has already led to violence in cities such as Jos, though the principle is not necessarily contested in all regions.

The separation of state and religion is guaranteed under the constitution. Moreover, the interference of religious dogmas at the federal level is made difficult given that Nigeria’s population is roughly 50% Muslim and 50% Christian, and power-sharing principles require cross-cutting consensus for legal changes. This is different at the state level. In the North, where the majority of the population adheres to Islam, Shariah law has been introduced in 12 states since 1999. In these states, however, non-Muslims are entitled to take any lawsuit to a secular court or be tried by such a court, while Muslims can appeal to non-Islamic courts. Shariah courts have continued to issue controversial sentences, including amputations and death by stoning. Such sentences have in the past been canceled by higher courts, however. In Kano state, all women were prohibited from traveling by motorcycle taxi or in a tricycle with another man because of indecency – though the latter rule was quickly suspended amid a widespread backlash. In the southwest, Muslims have expressed concerns over headscarf bans in schools and religious discrimination as a rule that could be considered secular is perceived as Christian domination. Overall, religious influence appears to be on the rise in Nigeria. Religious leaders increasingly connect politicians with voters and aim to influence policymaking.

Nigeria has an elaborate administrative structure across its territory. Besides the federal government in the capital of Abuja, there are 36 state and 774 local governments. At each level, executive, legislative and judicial institutions are in place. The federal government consists of countless ministries, departments and agencies with overlapping responsibilities. Staffing contributes to a high recurrent non-debt expenditure cost of about 40%–50% of the federal budget each year. At the state level as well, recurrent spending crowds out capital expenditure. While structures are in place and employment can be provided to a select few, infrastructure spending is low, and facilities and services are weak. In areas suffering from widespread insecurity, services are often nonexistent. According to the World Development Indicators, about 42% of the population had access to basic sanitation services, 77% had access to drinking water services and 55% had access to electricity in 2020.

No interference of religious dogmas

4

'06 '24 10



Basic administration

4

'06 '24 10



Stark urban-rural gaps are present, and these partially coincide with north-south development gaps in educational, health and other socioeconomic indices, with the northern regions far behind the southern regions. Educational facilities exist across the country, but pupil/teacher ratios are high, teaching quality is low and infrastructure is poor.

Comparatively speaking, Nigeria's tax capacity is weak, as governments have typically relied on oil revenues to fund their budgets. Only a few states, including Lagos, have managed to boost their internally generated revenue.

2 | Political Participation

Nigeria has held regular multiparty elections at the federal and state levels since 1999, though at the local level elections have been rare. There is universal suffrage, and the vote is secret. The constitution prohibits political parties from having a sectional ethnic or religious character, while the party's base cannot be restricted to a particular geographical area. Independent candidates are not allowed. Most elections have been endorsed as reasonably free and fair by observers, except for those of 2007, after which some important electoral reforms were introduced.

The 2015 turnout in particular held promise for Nigeria's democratic credentials. A myriad of problems remains, however. Media reporting is generally biased toward the incumbent, vote-buying persists, and in some parts of the country (especially in the south) politicians regularly use police officers, soldiers as well as hired thugs to intimidate voters with violence, attack offices of the Independent Electoral Commission and steal ballot boxes. Despite apparent efforts by the electoral commission to improve the voter accreditation process and enforce strict procedures, permanent voter card fraud continues to exist, though the use of technology holds promise for a much-improved system in which rigging is more difficult. Yet in 2022, the new Electoral Act came into power, strengthening the independence of the electoral commission and its procedures.

There were, nevertheless, also concerns that predominantly APC supporters were appointed as staff to the Independent Electoral Commission in the run-up to the 2023 elections. In previous elections, voting dates were also changed right before the elections, hindering the voting process for citizens.

Results are respected by most candidates. Yet increasingly, politicians have challenged election results in court. While these challenges could be welcomed, there is concern that decisions could be compromised by Nigeria's corrupt judicial system. This is the suspicion behind an APC candidate eventually being declared governor of Imo State by the Supreme Court. Yet, the incumbent party does not always win through the court system. For the 2019 elections, all APC candidates from Zamfara State and Rivers State were prohibited from standing for election due to irregularities during the primaries.

Free and fair elections

5

'06 '24 10



1

Elected politicians have effective power to govern, but the phenomenon of political “godfathers” who fund many politicians in exchange for influence and control is important. Given Nigeria’s long history of military rule, the major veto power player would appear to be the army. Importantly, two former military heads of state have served as civilian presidents: General Olusegun Obasanjo between 1999 and 2007, and General Muhammadu Buhari between 2015 and 2023. Legally, the military is firmly under civilian control, and the president serves as the commander-in-chief.

High-level appointments are made by the president upon approval by the National Assembly. There is, however, a lingering suspicion that the military may have more power behind the scenes and may intervene if core interests are at risk.

A potential indication of veto player influence is that the military is widely suspected to be behind the killings of #EndSARS protesters in Lagos in October 2020. No perpetrators have been held to account for the killings. Similarly, a recent Reuters report has revealed that the Nigerian military ran a secret, large-scale forced abortion program in the northeast in the wake of the Boko Haram insurgency, although the government denied the claims. Similar denials of other rampant human rights abuses by the military (and police) have been issued.

The right to freedom of association and peaceful assembly is enshrined in the constitution. In general, civil society is fragmented. Many small-scale initiatives exist, set up by specific religious and communal groups, or politicians. In 2016, an NGO bill that would subject existing civil society organizations to closer government scrutiny was considered in parliament, but the bill failed due to widespread national and international criticism.

Nevertheless, there are concerns that freedom of association is under threat. Some observers state that protests were more frequently banned under Buhari. In addition, the 2020 #EndSARS protests that took place in multiple cities in Nigeria were met with violent repression from security forces. In June 2021, democracy protests in Lagos and Abuja were met with tear gas and police violence. In the southeast, state repression of separatist movements and their supporters was frequent and often considered excessive. When federal or state governments feel sufficiently challenged, repression is commonly used.

The right to freedom of expression and the press is included in Nigeria’s constitution. Nigeria has been known for its vibrant media landscape, but independent reporting is increasingly threatened. Nigeria’s dire economic situation of recent years has reduced the quality of reporting: independent investigation is uncommon, news articles copy-paste government statements, and journalists frequently report on politicians or groups that have paid for their place in the spotlight through what is called “brown-envelope” journalism. Media houses are often dependent on funding from powerful political actors, which can bias reporting. Freedom of expression is also under threat due to increased government interference. Reporters without Borders reduced

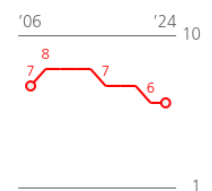
Effective power to govern

3



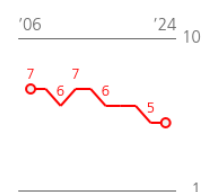
Association / assembly rights

6



Freedom of expression

5



Nigeria's press freedom rating in 2021 due to the frequent suspension of radio stations, arbitrary arrests of journalists and the blocking of news media sites, among other things. Particularly worrisome was the government banning Twitter between June 2021 and January 2022 after the platform deleted a tweet by the president on violence in the southeast. The government has defended its actions claiming that it was protecting Nigerians from fake news and sectarian hate speech – a historical concern in the country – but the balance has increasingly tilted toward pure censorship.

3 | Rule of Law

At the federal level, separation of powers is relatively strong. Laws need to be passed by both chambers of the National Assembly, while the Senate needs to approve all presidential appointments. The president can be impeached for misconduct by a two-thirds majority of each house. The president needs to assent to all bills passed by the National Assembly, but a presidential veto can be overruled by a two-thirds majority.

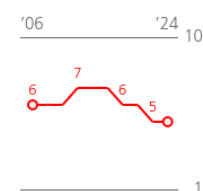
The Fourth Republic Assembly is known to be assertive. It has in the past overruled a presidential veto; it rejected President Obasanjo's bid for a third term in 2007; and it regularly adapts executive appropriation plans. Under the Buhari regime, however, executive orders that bypass parliament have become more frequent. Appointment to the Supreme Court is done by the president upon recommendation of the National Judicial Council and confirmation by the Senate.

Corruption is common in the judicial system. This can work in favor of an incumbent with access to public revenues, but there have also been concerns that corruption charges are used by the executive to interfere with other powers. In 2019, right before the elections, the chief justice of the federation was suspended on corruption charges. The legislature has also been accused of corruption despite being one of the most well-renumerated in the world.

At the federal level, parliament and the judiciary have considerable financial autonomy. This is different at the state level, where executive dominance over other powers is strong. Recent legal actions (including constitutional amendments and an executive order) have aimed to strengthen the autonomy of the state legislature and judiciary, as well as local governments, but governors obstruct these initiatives.

Separation of powers

5



As a federal state, Nigeria has an intricate system of courts at the state and federal levels. At the federal level, there is the Supreme Court, the Court of Appeal and the Federal High Court. At the state level, there are the High Court, Shariah Court of Appeal (where applicable) and Customary Court of Appeal (where applicable). The Federal Capital Territory has the same courts as the states. Other courts and tribunals operate at federal, state and local levels. Only the Court of Appeal and the Supreme Court can overrule state courts.

Appointments to the courts enshrined in the constitution are done by the president (or governor at state level), upon recommendation by the National Judicial Council and confirmation by the Senate/House of Assembly. Judges are qualified legal practitioners with standards set by the Nigerian Bar Association. The National Judicial Council is mostly composed of (retired) senior judges at federal and state levels.

Financial autonomy is greater at the federal level than the state level, but the issue remains contested, and judicial staff continue to fight (using strikes or threats of strikes) for more autonomy. At all levels, the executive can use bribery, the withholding of resources as well as threats to prosecute corruption to undermine the independence of the judiciary. For political candidates who have lost an election, legal challenges can be submitted to different courts until a final decision is reached. This process increasingly appears to be a game of who can offer the best bribes in the end.

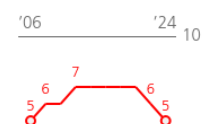
The federal executive is able to influence the court system in its favor. This was arguably the case when a Supreme Court judge was suspended on corruption charges right before the 2019 elections, with the court later dismissing an appeal against Buhari's victory. Yet, the federal executive has been defeated. Executive Order 10 on the autonomy of the state legislature and judiciary was nullified by the Supreme Court in 2022. In addition, the federal government is still in a legal battle with some states (Lagos and Rivers) on the right to tax collection. Some federal courts have ruled in favor of the states, but the Supreme Court is yet to announce its own verdict.

Nigeria's political system is rife with political corruption. The actions of presidents, governors, ministers, commissioners, civil servants, political appointees and parliamentarians often revolve around private rent-seeking and the diversion of public resources. Through the use of power-sharing and quotas, elites from different regions and ethnic groups get a share of the "national cake," ensuring a relative degree of support for the Nigerian state. Private rent-seeking is hence the rule rather than the exception.

President Buhari came to power in 2015 on an anti-corruption platform but has largely been unable to change this situation. The Economic and Financial Crimes Commission, and the Independent Corrupt Practices Commission have admittedly become more assertive. The Economic and Financial Crimes Commission has prosecuted more officials and sentences have been delivered; the government has had

Independent
judiciary

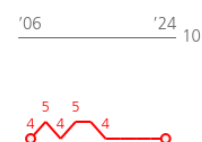
5



1

Prosecution of
office abuse

4



1

some notable success in recovering stolen assets; and the Independent Corrupt Practices Commission proactively scrutinizes and tracks capital projects to halt the diversion of funds. But President Buhari's clemency for a few former government officials convicted of corruption has raised allegations of a selective anti-corruption drive.

Political corruption remains the order of the day. Furthermore, several anti-corruption measures may be covers for undermining opponents. For instance, very close to the 2023 elections, the central bank of Nigeria – whose governor has often been accused of corrupt practices – issued new cash withdrawal limits reportedly to halt corruption, inflation and crime. The federal government has also decided in the short term to issue new naira notes. This move could undermine both the ruling party and opposition campaigning (including vote-buying). Furthermore, President Buhari appointed his brother-in-law as the managing director of the public company that is printing the new currency, a move that does not alleviate corruption concerns.

The constitution guarantees the rights to life and dignity, but these rights are trampled on in practice. Non-state armed groups threaten the lives and livelihoods of citizens across the country's territory. Military actions to quell such groups regularly harm civilians, and arbitrary arrests, torture and extrajudicial killings are common. A Reuters report revealed that the military has even run a secret abortion program in the northeast since 2013. Police forces commonly harm ordinary civilians, for instance, when they don't comply with extortion and violent repression is used during anti-government protests.

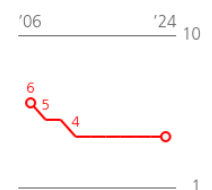
Prosecution of perpetrators is rare, and the government usually adopts a denial strategy. Freedom of discrimination (e.g., on the grounds of religion, ethnicity, place of origin, sex) is constitutionally enshrined, but here as well the actual situation is different. The federal quota system in civil service employment and educational admission has been contested for leading to discrimination. The indigeneity criterion used to decide who receives benefits from the state or local government discriminates against people from a different place of origin. Minority groups can be marginalized in terms of local public investments.

Nigeria's gender gap is substantial. Women and girls are subjected to child marriage and sexual violence; they receive fewer educational opportunities and are discriminated against in the labor market. Women are poorly represented in government with less than 5% parliamentary representation, and there are no female state governors out of a total of 36. In 2022, five bills to improve the situation of women in the country, including the introduction of gender quotas, failed in parliament.

LGBTQ+ citizens are at risk. In 2014, a same-sex marriage prohibition act was adopted. However, it also prohibits same-sex relationships as such, which carries a 14-year prison term. Security forces and vigilante groups frequently abuse LGBTQ+ individuals, and persecution is real, especially in Shariah states.

Civil rights

4



4 | Stability of Democratic Institutions

Democratic institutions exist at federal, state and local levels. These institutions have continued to function with relative stability. The local level remains strongly subjected to the state level. It is financially dependent on the state, local elections are rare and caretaker local governments are often preferred by state governors. State houses of assembly and the judiciary are also more overpowered by the executive than at the federal level. Disputes between federal and state levels occur (e.g., on tax collection) but are generally referred to the court system. Overall, stability is ensured by the Nigerian system of bargaining, which, through these institutions, ensures various ethnic and regional groups get a share of the national cake.

While the institutions can be considered effective at ensuring elite buy-in, they are largely ineffective at protecting citizens from insecurity, economic recession and inflation. In recent years, government revenues have shrunk and deficit spending has increased. This may put pressure on elite resource sharing in the future.

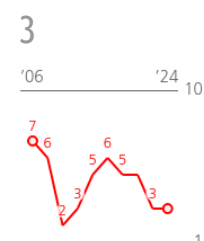
Most elites adhere to the use of democratic institutions and support for military rule appears to have declined strongly as the Fourth Republic has persisted for over 20 years. This does not mean, however, that the separation of powers and independent decision-making by countervailing institutions are widely respected. Violence and fraud are used to influence elections by incumbents. At the state level, governors will use financial power to control the legislature and judiciary, while the independence of local governments is widely disrespected. At the federal level, executive-assembly relations constitute more of a bargaining process. The federal government also aims to influence the judiciary through bribery or persecuting corruption, though it is not always able to influence the judiciary in its favor.

5 | Political and Social Integration

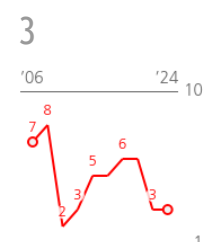
Since the APC's victory in 2015, the ruling party has firmly established itself in most of the North- and South-West zones of the country. The PDP, the largest opposition party, has been traditionally strong in the South-South and South-East zones, and parts of the North-Central zone. Nigeria has generally shifted to a two-party system after 16 years of PDP rule. In the run-up to the 2023 elections, a new candidate, Peter Obi, whose promise of change is gaining popularity especially among young urban voters, reinvigorated the existing Labour Party. As the former governor of Anambra state, his support base lies mostly in the South-East and South-South zones. This new player may either shift Nigeria to a three-party system or entrench APC dominance by dividing the opposition.

Overall, programmatic differences between parties are small, and they rather function as elite vehicles to gain power and resources. While Obi is put forth as a new and clean candidate, he was previously a PDP governor and, as such, forms part of the existing (corrupt) elite. Party ties with voters are weak and rely on clientelism. Middle-class citizens are increasingly turning away from politics, and voter turnout is low (30%–35%).

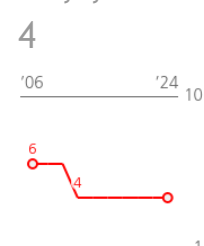
Performance of democratic institutions



Commitment to democratic institutions



Party system

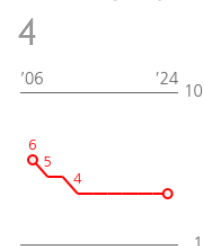


Civil society is fragmented and rarely able to overcome religious, ethnic and regional divides for a common goal. The #EndSARS protests formed an exception but were violently repressed. Nigeria's Labour Congress, which in the past was one of the few actors who could mobilize a substantial share of the population, has been weakened through APC co-optation. Other unions, including the academic staff union, do challenge the government using strikes. Yet their purposes are narrow, while the government also regularly fails to implement the agreements made. Civil society is rarely consulted in policymaking and rarely impacts policy directly in most areas. Politicians and parties also commonly support "fake" civil society groups to advocate for them and undermine challengers.

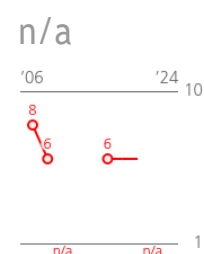
Afrobarometer surveys have been collected in Nigeria since the country's return to democracy in 1999. The latest survey round was conducted in March 2022. About 70% of respondents state that democracy is preferable to any other kind of government, although 63% believe Nigeria is a democracy with major problems or do not even think Nigeria is a democracy. Only 20% are fairly or very satisfied with how democracy works in the country. In the 2020 survey, these numbers were respectively 75%, 40% and 33%. While approval of democracy remains high, satisfaction with democracy in Nigeria has clearly declined. Trust in institutions similarly declined between 2020 and 2022. Nigerians thus broadly accept the idea and institutions of democracy but question the corrupt way in which their politicians practice it.

Slow economic growth, the pandemic, unemployment and inflation push Nigerians toward self-help initiatives. Religious organizations play an important role in organizing charity. Small-scale initiatives dominate, and bridging social capital across cultural and regional divides has scarcely advanced. Interpersonal trust is low as Nigerians have increasingly become victims of scams and (violent) crime. Friendship and family ties come under pressure in a context of widespread poverty. According to Afrobarometer data, Nigerians have become somewhat less tolerant of other religious and ethnic groups between 2020 and 2022.

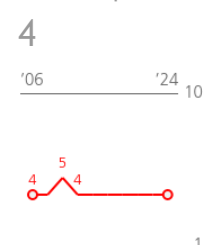
Interest groups



Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Nigeria's Human Development Index (HDI) stood at 0.534 in 2022, dropping from 0.535 in 2021 and a peak of 0.538 in 2019. The index ranking for Nigeria is significantly lower than its GNI per capita ranking due to the unequal distribution of benefits from oil resources. In 2018, Nigeria's Gini coefficient was reported as 35.1. Based on the 2018/19 Living Standards Survey, a 2022 World Bank report estimated that 40% of the population lived below the national poverty line of NGN 137,430 per person per year. Additionally, according to the multidimensional poverty index, which incorporates indicators on education, health, living standards and unemployment, 63% of the population could be considered poor in 2018. While new poverty surveys have been conducted, data has not yet been presented.

Nevertheless, it is safe to assume that poverty has increased in recent years as a result of slow growth, unemployment and high inflation. In 2020, 46% of Afrobarometer respondents rated their living conditions as very or fairly bad. This number increased to 84% in 2022. The COVID-19 pandemic, as well as Russia's invasion of Ukraine, have taken their toll, driving up food and fertilizer prices, and increasing inflation.

The legal minimum wage of NGN 30,000 per month has remained unchanged. Moreover, many Nigerians work in the informal sector where such rules don't apply. Violent conflict and climate change – including damaging floods in parts of the country in 2022 – undermine the agricultural sector and threaten the livelihoods of Nigeria's numerous small-scale farmers, estimated to count about 70% of the population, as well as food security more generally. Structural inequalities between northern and southern states, and urban and rural areas persist. In addition, inequality across gender lines remains stark, with women structurally marginalized. Nigeria's 2021 score on the UNDP's Gender Inequality Index is 0.680, making it one of the worst performers in sub-Saharan Africa.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	474517.5	432198.9	440833.6	477386.1
GDP growth	%	2.2	-1.8	3.6	3.3
Inflation (CPI)	%	11.4	13.2	17.0	18.8
Unemployment	%	5.2	6.0	5.9	5.8

Question
Score

Socioeconomic
barriers

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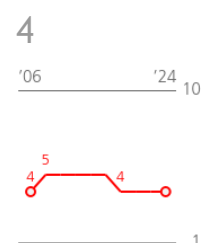
Economic indicators		2019	2020	2021	2022
Foreign direct investment	% of GDP	0.5	0.6	0.8	0.0
Export growth	%	15.0	-33.4	-32.1	-
Import growth	%	27.3	-61.9	44.4	-
Current account balance	\$ M	-13685.2	-15985.9	-3254.2	1018.6
Public debt	% of GDP	29.2	34.5	36.5	39.6
External debt	\$ M	60041.0	70524.3	76214.6	-
Total debt service	\$ M	5130.9	5542.8	8542.6	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	5.6	8.7	5.1	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.5	0.5	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.5	0.6	1.0	0.6

Sources (as of December 2023): 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 Nigerian government generally acts to maintain the principles of a market-based economy, though there are several important constraints. Institutional frameworks lack transparency, for instance, on government taxes, and taxes are often subject to legal tussles between federal and state governments. Legal requirements to set up a business can differ from state to state in Nigeria. In recent years, both the federal and state governments have made important decisions with little regard for the impact on private businesses, including a ban on the import of certain agricultural products and a ban on commercial motorcycles in parts of Lagos. Cash withdrawal limits have been imposed for individuals and businesses through the end of 2022, although the central bank has decided to substantially increase the withdrawal limit for businesses in January 2023. Licensing and public procurement processes also typically lack transparency and are linked to clientelism. The size of the informal sector is estimated to be higher than 50% according to a 2017 IMF report.

Market
organization



Cross-border movement of capital and labor is enabled. Foreign and domestic private investment is not allowed in certain key sectors (e.g., arms, narcotics), but foreign investments are generally welcomed. In certain sectors, local content policies hold preference (e.g., oil and gas).

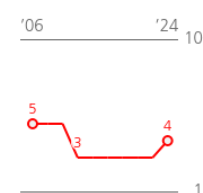
Nigeria has a managed exchange rate, which influences price setting in the economy. Due to the increasing costs of the fuel subsidy (with the government currently being the sole actor that can import fuel), foreign exchange reserves in Nigeria have taken a hit, and private businesses face shortages. While the central bank holds onto the set exchange rate, the parallel market has seen a strong depreciation in the naira. The government has also set foreign exchange restrictions for certain goods, particularly in the agricultural sector, to boost domestic growth. Additionally, the government regulates electricity tariffs, further influencing price setting. Moreover, Nigeria's irregular electricity supply hinders private sector growth. Businesses and households that can afford it need to rely on generators, the fuel for which has become increasingly expensive in 2022. The partial privatization of the electricity market has not improved this situation.

The 2018 Federal Competition and Consumer Protection Act aims to prevent and prohibit anti-competitive practices and regulate mergers, takeovers and acquisitions. The Federal Competition and Consumer Protection Commission has been established for this purpose. The commission is a member of the International Competition Network. Some actions have apparently been taken to improve competition. In 2022, major telecom operators have received licenses for online financial services, strengthening competition in the sector. In 2020, the National Broadcasting Corporation issued a ban on exclusive content, forcing broadcasters to share content with other platforms in a bid to improve competition in the sector. However, this ban has been criticized for infringing on intellectual property rights. Drawing on this new legal code, a case between Metro Digital and Multichoice (DSTV) was brought before the court in 2022, but the end result remains to be seen.

While anti-competition policies are in place, it is widely known that in areas such as public procurement, competition is unfair, and contracts are easily awarded to favored businesses for the private benefit of these businesses and government officials. Certain monopoly players appear to owe their position to their political connections and remain by-and-large untouchable. This includes the Dangote imperium, and cement remains protected through import restrictions and foreign exchange bans. Import licensing continues to lack transparency.

Competition policy

4



Nigeria is a member of the WTO, ECOWAS, the African Union and has been a signatory to the African Continental Free Trade Agreement (AfCFTA) since 2019. It is the only country yet to sign the West Africa Economic Partnership Agreement with the European Union. Nigeria has extensive trade relations with the rest of the world, and foreign trade is liberalized to a significant extent. Its primary export product is crude oil, while it mainly imports refined fuel, manufactured goods, textiles and food. The country's major trade partners are the United States, the European Union, China, and, to a lesser extent, neighboring countries and South Africa.

The simple average Most Favored Nation (MFN) tariff continues to stand at 12.1. Though at times a reluctant signatory, Nigeria has shown broad commitment to foreign trade liberalization. However, South African companies like MTN and DSTV have complained about unfair targeting by regulators, resulting in Shoprite, South Africa's largest retailer, selling its stake in Nigeria to local partners by 2022.

Especially in the area of agriculture, Nigeria imposes trade restrictions. These restrictions have been increasing in recent years. The Buhari regime has particularly focused on boosting agricultural production and protecting the domestic market. Agricultural import restrictions and foreign exchange bans have expanded, such as the forex restriction on milk importation. In 2019, Nigeria closed several borders to prevent the smuggling of agricultural products, though the borders have gradually reopened since then. For several years now, the state-owned petroleum corporation has been the sole importer of refined fuel, officially to prevent abuse by private fuel marketers.

Nigeria's banking sector has generally been able to withstand the difficult economic context of recent years. In 2021, the country's central bank moved toward implementing the Basel III framework, and the banking sector will be subjected to stricter requirements to ensure financial stability.

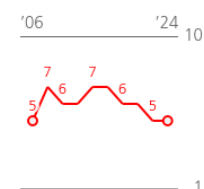
The IMF Article 4 consultation of 2021 reports that non-performing loan ratios have been stable at about 5% since early 2019. This remained the case in 2022. Capital adequacy ratios increased slightly to about 17% in early 2021. The ratios of non-performing loans and capital adequacy ratios are in line with international and national guidelines. The public asset management company – Nigeria's "bad bank" – has not performed as expected and is set to leave a substantial financial gap upon its planned closure at the end of 2023.

Zenith Bank, GTB and Access Bank are considered to be the most reliable banks in Nigeria and score high compared to banks in other African countries, according to the 2021 ranking by The Banker magazine.

Notwithstanding this, Nigerian banks also face important threats. In 2022, Fitch's long-term issuer default ratings for these banks and others dropped from B to B- following the downgrading of the Nigerian state itself to B-. Moody's is considering

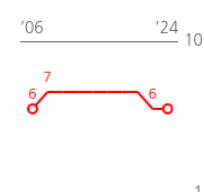
Liberalization of foreign trade

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Banking system

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downgrading nine banks due to the increasing risks of foreign currency scarcity. Commercial banks' liquidity is coming under pressure as the central bank of Nigeria attempts to curb inflation. In 2022, major telecom operators have received licenses for online financial services. This is set to foster competition in the market but may also reduce bank profits.

8 | Monetary and fiscal stability

According to statistics provided by Nigeria's central bank (CBN), consumer price inflation reached 21.47% in November 2022, marking a new high since the significant surge that began early in 2022. The CBN has implemented tighter monetary policies, with the monetary policy rate rising steadily from 11.50% to 16.50% between April 2022 and December 2022. It remains uncertain whether these measures will effectively curb inflation, as the inflationary pressures primarily stem from external factors – specifically, Russia's invasion of Ukraine – rather than economic growth. The value of the naira has weakened significantly on the international market, further driving inflation.

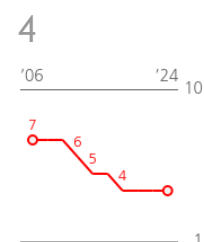
Nigeria operates a multiple exchange rate system, creating a lack of transparency. All rates indicate severe problems, however. The CBN's official exchange rate stood at NGN 313 per \$1 in early 2020 but rose to NGN 381 per \$1 in mid-2021 until the CBN suspended it and announced it would no longer supply forex directly to the Bureaux De Change. The import and export exchange rate has depreciated from NGN 394 per \$1 in early 2020 to NGN 415.6 per \$1 in July 2022. Meanwhile, the Bureaux De Change market rate stands at a whopping NGN 730 per \$1. The CBN is losing foreign reserves rapidly, with gains from oil exports immediately spent on fuel imports due to the continued use of the fuel subsidy policy.

The CBN can be considered less independent from the government than under previous governor Sanusi, who often held views that diverged from those of the federal executive. Godwin Emefiele took over in 2014 and is considered close to the current APC regime, even though he was appointed by the previous administration of Goodluck Jonathan.

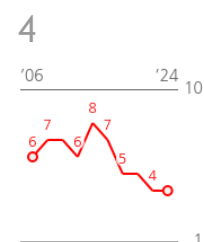
The federal government has continued its deficit spending. Deficit spending amounts to more than 5% of GDP, contrary to provisions in the Fiscal Responsibility Act and international guidelines. According to the Budget Office of the Federation, the total public debt-to-GDP ratio stood at 23% in June 2022. The IMF estimate for 2022 is 37%.

Fitch has downgraded Nigeria's sovereign debt rating to B- at the end of 2022, while Moody's is considering a downward review. This implies that the federal government needs to pay higher interest rates on new loans. Approximately 60% of the debt is domestic, which has the potential to crowd out private investment.

Monetary stability



Fiscal stability



Regardless of the difference between the IMF estimate and that of the Nigerian government, the debt-to-GDP ratio is less than the sub-Saharan African average of approximately 55% in 2022, as reported by the Africa Regional Economic Outlook. Debt has also been accrued in difficult economic circumstances, such as recession and slow growth, COVID-19, and Russia's invasion of Ukraine.

Nevertheless, Nigeria is on a problematic trajectory. In recent years, federal government budgets have projected a deficit, yet the actual deficit has always surpassed the projected one, as Nigeria recurrently reaches only around 50% of its revenue targets. As a result, the president is obliged to seek approval from parliament for additional borrowing, which is granted. Volatile oil prices are only partly to blame. The executive continues to overestimate oil production and has not been able to return production to pre-2015 numbers. Moreover, the currently high oil prices are not benefiting the government. In contrast, oil revenues are practically all spent on fuel imports. While the Buhari regime has long denied the continued existence of the subsidy, it has been maintained and spending has increased sharply. Given that this fiscal deficit situation has been ongoing since 2015, it appears the current government does not have a credible plan to set Nigeria on the path toward fiscal stability. The government has announced that the fuel subsidy will be canceled in 2023, but general elections need to be held first.

9 | Private Property

Registering private property in Nigeria is difficult. The legal situation regarding land has weaknesses, especially concerning the constitution, which grants every citizen the right to acquire and own immovable property. However, customary law often discriminates against women.

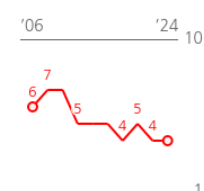
The constitution and the 1978 Land Use Act mandate compensation if the government acquires land for public purposes. Nevertheless, expropriated communities can find it difficult to prove ownership, even if they have lived in a location for decades, and can be left without compensation from the government.

Equally problematic is the phenomenon of land grabbing, caused by a lack of transparency in legal frameworks at the federal, state and local levels. Nigerian citizens can find themselves confronted with claims by private actors asserting that they now own their land. Private actors can collaborate with corrupt state actors and community leaders to acquire the land.

In Lagos, where land is becoming increasingly valuable, there are growing concerns about the “Omo Onile” problem. A significant aspect of conflicts between farmers and herders revolves around private land ownership and the determination of the right of access and use. Nigeria has established a legal framework for intellectual property rights, such as copyright and patent laws. However, enforcement is weak and piracy is widespread.

Property rights

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Nigerian governments are increasingly realizing the importance of the private sector for economic growth, employment as well as government revenues. Private businesses are generally free to operate, but the government is also known to make decisions with little regard to private business interests – for example, new foreign exchange bans, cash withdrawal limits, as well as the banning of commercial bike and tricycle services in Lagos. Legal confusion, particularly regarding taxes and competition law, further complicates private business operations.

Several initiatives have been taken to support micro, small and medium enterprises. These initiatives include a specific development fund, a small and medium enterprise development agency, as well as the Trader Moni, Market Moni and Farmer Moni schemes. Nigeria still has a substantial number of publicly owned enterprises. These include white elephants, such as the infamous Ajaokuta Steel Mill planned since the early 1970s, but plans are (again) in the making to privatize the company. Nigeria also has state-owned fuel refineries with an abysmal production record.

Following the Petroleum Industry Act, the Nigerian National Petroleum Corporation became the Nigerian National Petroleum Company Ltd. in 2022, with the government as the major shareholder. This represents a cautious step toward privatization. In the 2000s, Nigeria witnessed a significant wave of privatization. However, it is noteworthy that government establishments were frequently sold to associates of the regime. In particular, Vice President Abubakar Atiku has been implicated in these activities. As the PDP candidate for the 2023 presidential election, Atiku campaigned for further privatization within the country. It is important to note that previous privatization efforts have not always yielded positive results, with the partially privatized power sector continuing to underperform.

Private enterprise

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10 | Welfare Regime

According to the World Bank's 2022 poverty assessment for Nigeria, the country spent only about 0.3% of GDP on safety net programs. This is significantly lower than the average for low- and middle-income countries, as well as comparator countries in the region. Using data from the 2018/19 Living Standards Survey, it is estimated that just 1.6% of Nigerians live in a household that was enrolled in the National Social Safety Net Project (NASSP), which is funded by the federal government and the World Bank. Only 2% were enrolled in any other program, such as YouWin, Inputs-For-Work Programme, E-Wallet Input Subsidy Programme, Growth Enhancement Scheme, N-Power, and all other federal, state and local government assistance programs. However, the national school meals program has seen more success, with 14.7% of all Nigerians living in a household covered by the program in the previous 12 months.

The state offers limited protection from economic shocks. According to World Bank estimates, during the COVID-19 pandemic between March 2020 and March 2021, a mere 3.9% of households received support from social safety net programs in the

Social safety nets

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form of direct cash transfers from either the federal, state or local government. It is expected that support to address the 2022 flood disaster will also be relatively low. Finally, it must also be mentioned that many programs are associated with clientelism. Government projects include training and the distribution of goods to initiate business ventures (e.g., sewing machines and motorcycles), but recipients often appear to be selected based on political criteria. The federal government's microcredit (e.g., Trader Moni, Market Moni and Farmer Moni) schemes have also been linked to clientelism, particularly leading up to the 2023 elections.

The largest welfare scheme is perhaps the fuel subsidy, but this is an indirect policy that disproportionately benefits richer citizens and comes at a high cost for the government. Observers generally recommend scrapping the fuel subsidy in favor of more direct pro-poor policies, but it is clear that few effective pro-poor policies exist at present.

Inequalities persist between the country's northern and southern regions, as well as between urban and rural areas. These economic inequalities have endured since colonial days, even though some revenue transfer schemes have been put in place. Regional inequalities also overlap with ethnic and religious identities.

As part of their attempt to address inequality, Nigerian governments have made use of quota systems, including those in public service employment and admissions to public tertiary education. This approach is contentious, as individuals from regions that are overrepresented are not selected even if they possess higher qualifications. Despite legal challenges to the system, they have remained unsuccessful.

Similarly contested is the indigeneity system, whereby Nigerian citizens must prove their indigeneity in a community to claim quota rights. This system results in unequal citizenship rights, according to some. On the other hand, opponents argue that non-indigenes should not be able to "profit" twice by claiming rights both from their own locality and from the community they reside in.

Women are at a disadvantage compared to men in terms of access to education, particularly in the north, as well as in employment. According to UNESCO, the literacy rate for women was 53% in 2018, while it stood at 71% for men. The 2022 ratio of female to male gross enrollment in primary, secondary and tertiary education was 1.0, 1.0 and 0.7, respectively.

The ILO estimates the ratio of female to male labor force participation rates at 80 for 2021, down from a peak of 90 in the early 2000s. Customary law often discriminates against women (e.g., property rights), while official law does not offer adequate protection (e.g., against child marriage). Women are poorly represented in executive and legislative institutions. A bill to introduce gender quotas in parliament was rejected in 2022, along with other laws that attempted to improve the position of women.

Equal opportunity

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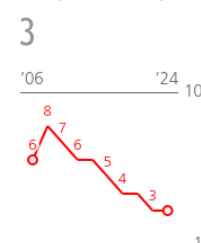
11 | Economic Performance

In 2021 and 2022, the Nigerian economy experienced a modest recovery from the 2020 recession, with real GDP growth rates of approximately 3%. Prior to the 2020 recession, which was worsened by the COVID-19 pandemic, Nigeria had already faced a recession in 2016, with only modest growth of 1%–2% between 2016 and 2020. However, the per capita figures present a less optimistic picture. Since 2016, positive per capita growth rates have only been observed in 2021. The IMF Staff Concluding Statement of the 2022 Article IV Mission also indicates positive per capita growth rates for 2022.

Growth relies mostly on the agriculture and services sectors, including information technology, trade and finance, according to the same statement. However, the film industry (Nollywood) and music business also make substantial contributions to employment and revenue generation. Inflation reached 21.47% by the end of 2022 and has increased significantly since the start of Russia's invasion of Ukraine. Nigeria has been unable to benefit from high oil prices as earnings are lost on fuel subsidy payments and oil production numbers are lagging due to insufficient refining capacity.

Foreign exchange and the value of the naira are under severe pressure. Federal government budgets have been in deficit for several years, with the deficit often reaching more than 5% of GDP, against national and international guidelines. Public debt is expected to reach about 43% of GDP by 2027, still below the regional average. The Nigerian National Bureau of Statistics estimated the unemployment rate at 23.1% in the third quarter of 2018 and 33.3% in the fourth quarter of 2020. It appears that reducing the rise in unemployment due to the COVID-19 crisis will be difficult. Notably, the bureau's estimate differs from the World Bank's unemployment estimate of around 10% due to definitional differences.

Output strength

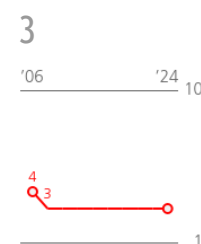


12 | Sustainability

In 2022, Nigeria ranked 168th out of 180 countries on Yale's Environmental Performance Index, down from 151 in 2020. The country underperforms in comparison to others in the region.

Nigeria suffers from a myriad of environmental problems across its territory, including desertification (partly fueling farmer-herder conflicts), erosion and pollution (e.g., due to oil exploitation in the Niger Delta). The Niger Delta has been an area of particular neglect over the course of four decades, with a failure to regulate foreign oil companies such as Shell having led to pollution that has decimated farming, fishing and livelihoods in the area.

Environmental policy



Nigeria has a special ecological fund in place, as well as several agencies at federal, state and local levels (e.g., National Agency for the Great Green Wall and Environmental Protection Agency at the federal level). Different projects and programs have been set up, but substantial progress is yet to be made. Renewable energy consumption stands at around 80%, and solar energy especially has gained popularity with the support from government and international actors (e.g., Solar Power Naija Project).

In 2021, Nigeria updated its Paris agreement commitments, committing to a reduction in absolute greenhouse gas emissions by a greater amount than promised in 2015. In 2021, the Climate Change Act was passed. In line with the act, the federal government also launched the Energy Transition Plan in 2022 to reach net zero emissions by 2060. According to Climate Action Tracker, additional policy efforts would be needed to achieve these targets. The 2022 Petroleum Industry Act aims to attract new oil and gas investments, which does not contribute to the energy transition globally.

According to UNESCO, the share of government expenditure spent on education in Nigeria has declined from 9.3% in 2015 to only 5.1% in 2021. This is far below the sub-Saharan African average of 14%. A 2013 estimate puts public investment in education at 0.5% of GDP. Out-of-school rates for lower and upper secondary education appear to be on the rise in recent years. The absolute number of out-of-school children has increased for primary, as well as lower and upper secondary education. Insecurity has contributed to this situation as Boko Haram, Islamic State and other armed groups have targeted schools and children specifically.

While governments typically create new educational institutions across the country's territory to serve a broader array of people, resources are not increased (they decline). Hence, resources are spread thinner, and the quality of infrastructure and teaching drops.

In the tertiary education sector, strikes are regular. The Academic Staff Union of Universities went on strike for eight months in 2022 as the federal government did not increase funding for the sector, contrary to a previously reached agreement. The strike's success is taken to be limited.

Private education is becoming increasingly popular, and many Nigerian political elites send their children abroad to study. Private education is rarely affected by union threats, with ordinary Nigerians suffering instead. Apart from educational institutes, Nigeria has set up a substantial number of government research institutions, such as the Nigerian Institute for Social and Economic Research, and the Nigerian Institute of International Affairs. Yet, these often serve clientelistic purposes.

The only available World Bank Development Indicator estimate for the share of GDP spent on R&D is from 2007. The estimate was 0.13, lower than the sub-Saharan African average of 0.44. In recent years, several reports have set the number at around 0.2%.

Education policy /
R&D

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Governance

I. Level of Difficulty

Nigeria became independent with deep socioeconomic inequalities between regions, with the northern regions particularly disadvantaged compared to the southern. These inequalities remain largely in place. The country has high levels of ethnic and religious diversity, and these lines of cultural identity also have political salience.

State administrations have a large territory to govern. Especially in the northern regions, this can be difficult, and spillover effects from local conflicts in the Sahel region, including the spread of weapons, can spur violence in Nigeria. Organized crime is on the rise across the country, especially on interstate roads.

The country has the largest population in Africa and faces high population growth rates, which impact GDP per capita growth. Nigeria increasingly sees the consequences of climate change in the form of desertification and flooding. The incidence of malaria and other infectious diseases remains high. The country has weathered the Ebola and COVID-19 crises relatively well, however.

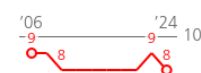
Since the 1970s, Nigeria has transformed into an oil economy. In principle, oil could have brought new wealth to the country. This wealth could, in turn, have been used to redress structural inequalities. Yet, mismanagement has created an oil-dependent economy that serves only narrow political interests. Rather than a structural constraint, Nigeria's oil dependence constitutes a governance problem, albeit one that is difficult to address in the short term.

Currently, economic growth rates and over 50% of government revenues depend to a large extent on international oil prices, making the country very sensitive to price shocks. Other sectors have lost out due to this overreliance on oil and the failure to diversify the economy, but also arguably due to international trade regimes. Food imports are important but sensitive to exchange rate fluctuations.

The oil economy has spurred massive political corruption and has scarcely benefited ordinary citizens. International actors, including oil companies, are not without blame in this corruption dynamic. Negative consequences, including Dutch disease and environmental pollution in the oil-producing areas, have not been sufficiently managed.

Structural
constraints

8



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Civil society traditions are fairly strong in Nigeria, but civil society is fragmented. Many groups exist, often based on communal or religious ties, but there are relatively few cross-cutting civil society organizations that can put real pressure on the government. Larger interest groups often have ethnic and religious political agendas (e.g., Arewa youth forum, Afenifere, Christian Association of Nigeria). Labor unions have played an important role in the past, for instance, challenging military rule. Yet, unions have appeared weaker and have been increasingly co-opted by the government in recent years. New government attempts to stop the fuel subsidy program could, however, lead to new standoffs.

Past movements, including #BringBackOurGirls and #EndSARS, have shown that there continues to be substantial mobilization potential in Nigeria, but these movements have not led to more structurally organized pressure groups. The courage of civil society actors, however, needs to be acknowledged in this very difficult environment, as evidenced by 2020's #EndSARS movement.

Several NGOs are very active in the field of democracy promotion (e.g., BudgIT, CDD, YIAGA) and receive help from international donors. Yet, there are also many small “democracy” advocacy groups that appear to be linked to political actors and mostly serve to discredit opponents.

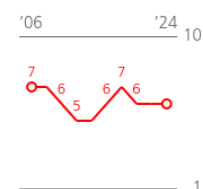
Nigeria has long been known to have a diverse media sector, and news reports and editorials do not shy away from government criticism. Nevertheless, in recent years, Nigeria's difficult economic situation has put pressure on media houses, undermining reporting standards. Media houses are also often tied to factional political interests, reducing their credibility. The Buhari government has increasingly clamped down on the media sector as well.

Conflict intensity is very high, and conflict frequently revolves around ethnic and religious lines. Nigeria is ethnically diverse. The Hausa-Fulani (north), Igbo (southeast) and Yoruba (southwest) are the largest groups, but numerous other minority groups are present. About half of the population is Muslim (mostly in the north), with the other half Christian (mostly in the South). The salience of ethnicity and religion is partially due to the characteristics of colonial rule, which has been insufficiently addressed since independence. While Nigeria has power-sharing policies in place to ensure buy-in for the federal state, this buy-in increasingly appears to exist only at a narrow elite level, where it is supported by political corruption. At the elite level as well, however, perspectives on federalism and power-sharing remain polarized, especially along the north-south axis.

Violent contestation against the Nigerian state has emerged in the Niger Delta region, where oil production operations have proven to be detrimental to ordinary citizens. This contestation has only been partially tempered by an amnesty program. The Boko Haram insurgency in the northeast started in earnest in the early 2010s. Currently, the group has split into several factions, including Islamic State West Africa Province, that continue to cause insecurity in the region. In the southeast, separatist movements have become increasingly violent, spurred on by government repression.

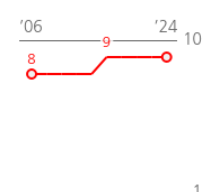
Civil society traditions

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Conflict intensity

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At state and local government levels, minority-majority group conflicts have led to local bouts of serious violence (e.g., in Plateau and Kaduna states). Farmer-herder conflict in the North-Central zone (and increasingly in other regions) remains persistent. These conflicts also revolve around cultural identity lines.

II. Governance Performance

14 | Steering Capability

Since 2015, the Buhari regime has set strategic priorities to address insecurity and corruption, achieve food security, and improve infrastructure through increased capital expenditure. The regime has also committed to ending the fuel subsidy and setting government finances on a more solid footing.

Organizationally speaking, at the federal level, at least, processes have been set in place to coordinate policymaking and ensure the delivery of results on strategic priorities. The Secretariat to the Government of the Federation ensures coordination across ministries, departments and agencies. Strategic goals are set, and monitoring reports are regularly submitted. In addition, the Federal Ministry of Finance, Budget and National Planning plays an important role in the coordination and monitoring of national development plans.

Yet, the regime's record on its priorities has been poor. While the government long maintained that it had ended fuel subsidies, it had simply kept the subsidies off government books and continued to make payments. Oil production has been low, and the federal government has repeatedly met only about 50% of its revenue targets. Currently, all oil revenues are spent on fuel subsidies, and foreign exchange reserves are declining.

This fiscal situation also means that expenditure plans have seldom been achieved and deficits have accumulated. Projects and programs remain scattered, partially funded, abandoned and/or sensitive to corruption. The government has claimed credit for finishing two "legacy" infrastructure projects, namely a 120-km stretch of the Lagos-Ibadan expressway and the completion of the second Niger bridge.

In terms of food security, World Development Indicators show that food imports have once again increased in recent years. Food insecurity is undoubtedly on the rise. Although the government has launched a range of initiatives in the agricultural sector, public evaluations of these measures are scarce. Insecurity has increased throughout Nigeria.

Several actions have been undertaken to halt corruption, but Nigeria's system of sharing the national cake among its elite has largely remained in place. Efforts to combat corruption also seem to target political opponents.

Question
Score

Prioritization

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4 3

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The federal government has been largely unable to implement its priorities. While the Buhari regime has substantially increased capital expenditure to address infrastructural deficits and improve the economy, its budgetary plans have been hampered by low revenues, which have necessitated additional borrowing. Capital expenditure budgets frequently run into the first half of the next fiscal year as funding comes in late, and most projects and programs cannot be executed in time. Failure to prioritize specific projects also means that many projects are only partially funded (e.g., a few kilometers of road here and there), while the declining value of the naira also means projects are becoming more expensive and less can be done with projected funds. Overall, implementation continues to suffer from political corruption at the cabinet and parliamentary levels, as well as across the wider public sector.

Policy learning is poor. Government revenue projections continue to be way off the mark, and expenditure is increasingly funded by debt. There does not appear to be a convincing plan in place to halt this situation. Ministries, departments and agencies generally adopt a business-as-usual approach in their planning, with some projects lacking a clear underlying strategy, regardless of the national development strategies in place.

Over time, the government has launched a range of initiatives to boost agricultural productivity, empower small businesses and support renewable energy, among other things. Yet little information is available on how these initiatives are evaluated and what has been learned from them. The government has also launched several new, but disruptive, initiatives, including import restrictions and foreign exchange bans in the agricultural sector, national identification number requirements for sim card registrations, and cash withdrawal limits to prevent crime. In general, the positive impacts of these initiatives have been scarce.

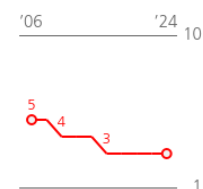
15 | Resource Efficiency

Nigerian governments at all levels have bloated administrations with jobs often awarded on a clientelistic basis. The Buhari regime has implemented some measures to reduce personnel spending, including the introduction of the Integrated Personnel and Payroll Information System, stricter central monitoring of ministry hiring plans, and the non-replacement of staff on temporary appointments.

Non-debt recurrent expenditure has continued to grow, however, even though it currently takes up a smaller share of the budget in comparison to several years ago. The share spent on capital expenditure has largely remained the same, although the amount of money spent has increased substantially. This is because recurrent debt expenditure has increased as well. Indeed, federal government deficits have continued to grow, as have state debts on average. While debt is still sustainable, governments need new strategies to reign in the deficits. Low oil production, increasing fuel subsidy costs and incomplete tax collection have frequently led to poor federal revenue collection in the past years.

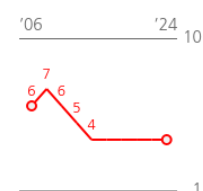
Implementation

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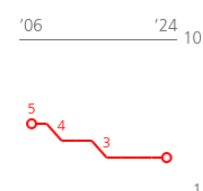
Policy learning

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Efficient use of assets

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Policymaking at both federal and state levels tends to be siloed, and it appears that little effective coordination occurs. There are, however, official platforms in place, including the National Economic Council, and the National Council on Agriculture and Rural Development. At the federal level, the Secretariat to the Government of the Federation is responsible for coordinating between different ministries, departments and agencies. Yet, insiders report that, with road policies, for instance, collaboration between sectors to ensure roads contribute to economic growth by linking raw goods to industries and goods to ports is scarce.

There is also friction between federal and state governments over joint responsibilities, including education. One level of government can wait years for another to contribute its negotiated share, or the federal government might hand over a facility that is then left unused by the respective state government. Preventing farmer-herder conflicts needs extensive collaboration between federal and state governments, with the latter responsible for land rights. For years, effective policymaking has been partly hampered by a lack of effective collaboration between the federal government and multiple state governments involved (e.g., open grazing bans, settlement policies). The newest initiative, the National Livestock Transformation Plan (2019 – 2028), is yet to bear fruit.

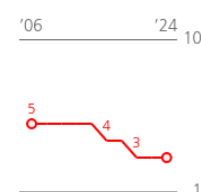
Fighting corruption was one of Buhari's strategic priorities. The Economic and Financial Crimes Commission, and the Independent Corrupt Practices Commission have been strengthened, several corrupt officials have been prosecuted and charged, and stolen assets have been recovered. Most observers do not consider corruption to have decreased in Nigeria, however. Public procurement continues to be sensitive to corruption. Contracts are awarded to favored businesses, contracts get inflated, and contracts get paid for non-executed or only partially implemented projects. Auditor-generals operate at the federal and state levels but do not prevent this system. Nevertheless, the Independent Corrupt Practices Commission's federal project tracking has filled a gap in project monitoring by checking actual implementation in recent years.

At the state level, weaker anti-corruption systems are in place. Legislatures are subjected to greater executive influence at the state level (though legislatures do not necessarily prevent corruption). Moreover, some aspects of the budget are not subject to monitoring, as demonstrated by the infamous "security vote" payments to state governments, which were intended to help curb crime and violence.

The Buhari government's fight against corruption also appears at times to be politically motivated. The Freedom of Information Act has increasingly been used by media actors and citizens to challenge corruption in Nigeria. The BudgIT NGO, for example, analyzes government budgets and their implementation, and makes data available to the public.

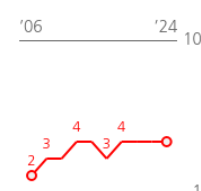
Policy coordination

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Anti-corruption policy

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16 | Consensus-Building

Major political actors in Nigeria generally agree with the current regime constellation. Yet, further democratic consolidation receives insufficient support. Democratic institutions are in place, but political corruption and the sharing of the national cake among Nigeria's main elite actors persist. Indeed, current institutions are primarily used for those aims. The rent-seeking importance of government positions also leads to regular election violence and fraud. Real accountability to voters beyond short-term electoral clientelism is yet to be established. Even as Nigeria becomes increasingly poor, insecure and debt-ridden, there are no real signs that powerful political actors will push for substantial reform.

The market economy is widely supported. Though the Buhari regime has valued state intervention in the economy (e.g., in the agricultural sector), this has generally occurred within the framework of a market economy (e.g., microcredit schemes). And while the government has been less inclined toward privatization, several efforts have been undertaken, including a move toward privatization of the Nigerian National Petroleum Corporation, in line with the Petroleum Industry Act of 2021.

It is difficult to ascertain who is a true reformer in Nigeria. Political actors often campaign on a platform of anti-corruption and poverty reduction. Over the years, little fundamental change has taken place. As Nigerians say, one can fight corruption, but "corruption fights back," indicating that vested interests are difficult to undermine. While Buhari profiled himself as a reformer, it cannot be determined whether this was empty rhetoric or whether he was thwarted in his anti-corruption efforts by powerful actors around him.

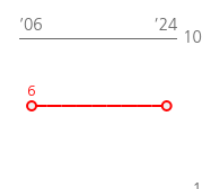
Nigeria's main political parties, the APC and PDP, are, after all, inter-elite networks united by private interests rather than common policy goals. Security forces, both army and police, continue to act with little regard for the lives and livelihoods of ordinary Nigerians, and their abuses are rarely effectively challenged by civilian state actors.

The Labour Party's presidential candidate, Peter Obi, has gained some support during the 2023 presidential campaign by advocating for fundamental change. Testing his sincerity and power to bring this about depends on the 2023 election results.

Nigeria's political elites have successfully maintained national unity through a series of power-sharing elite agreements implemented across federal, state and local levels. Despite such efforts, there are still significant and numerous divisions within the country. Insecurity and crime continue to be prevalent in the Niger Delta region, while unrest in the southeast is escalating. The North-East region continues to grapple with armed violence perpetrated by Boko Haram and Islamic State militants. Additionally, communal violence and crime are on the rise in the northwest, and persistent farmer-herder conflicts persist in the central region of the country. As the 2023 general elections approach, pre-election violence has also surfaced, particularly in the South.

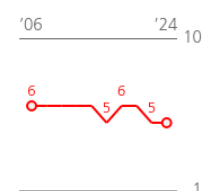
Consensus on goals

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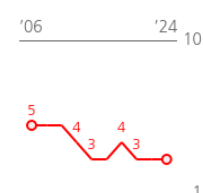
Anti-democratic actors

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Cleavage / conflict management

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While power-sharing policies are in place, these measures have failed to prevent broader societal conflicts. Furthermore, at the elite level, there are signs that adherence to power-sharing is weakening. The APC's presidential candidate, Bola Tinubu, is from the southwest, but like Buhari, he is a Muslim. His vice president is also a Muslim from the north. For many, this ticket deviates from the informal power-sharing rules between Christians and Muslims in Nigeria. The PDP is once again presenting Abubakar Atiku as a presidential candidate, but he is a Muslim from the north, similar to Buhari. His candidacy has also been criticized for a lack of rotation. None of the major parties have presented a southeastern Igbo – who have never held executive federal power – as a presidential candidate, further fueling a sense of marginalization among this group. This also partly explains the success of Peter Obi as the Labour Party's presidential candidate.

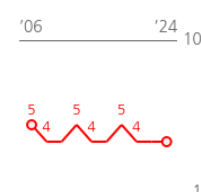
While several official fora are in place, the impact of civil society on policymaking can be considered limited, and the government rarely adapts its policies based on civil society wishes or pressure. Nevertheless, religious actors have become important political actors as they increasingly link voters to politicians. Often, religious actors are interested in monetary exchanges, but they may also influence policies. The introduction of Shariah law in the north has been associated with a wish among elites to secure votes rather than a particular zeal, for example. Similarly, ethnic interest groups have successfully pressured political actors to defend regional interests and positions.

Democracy advocacy groups appear to have less influence. Sometimes, public criticism can be used to change government policies. For example, while First Lady Aisha Buhari initially ordered the arrest of a student after a “defamatory” tweet, she later withdrew the case following widespread criticism. These are one-off situations, however, and systematic consultation is largely absent.

Reconciliation for past injustices does not really feature on the government's agenda. For many Igbos, an acceptable reconciliation agreement to conclude the Biafra war civil war (1967 – 1970), in which an estimated one million mostly easterners died, has not been achieved. The repression of separatist movements and the two main political parties' unwillingness to present an Igbo presidential candidate continue to fuel perceptions of marginalization in the southeast. The Niger Delta insurgency has been partially quelled with a presidential amnesty program since 2007, in which pay-offs to rebels in return for stable oil production have been prioritized over communal reconciliation. For several years now, the federal government has run a reconciliation and reintegration program for Boko Haram fighters in the northeast (Operation Safe Corridor), with support from international donors. According to a 2021 USAID Report on Demobilization, Disassociation, Reintegration and Reconciliation, in northeast Nigeria, the program has been quite successful in keeping fighters away from violence, but community acceptance of former fighters remains a challenge.

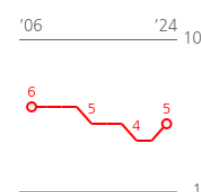
Public consultation

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Reconciliation

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17 | International Cooperation

International actors continue to collaborate with Nigerian governments to achieve development, and Nigeria is a partner in the Sustainable Development Goals (SDGs). The major focus of Western donors is stimulating private sector growth (including in agriculture) and employment, and supporting a renewable energy transition. Nigeria also partners with China, in particular on public infrastructure projects. The IMF provides advice on achieving fiscal and monetary stability. Development partners and governments appear to have similar long-term development goals.

The main obstacles to achieving effective use of support are Nigeria's own budgetary situation and the difficulties political leaders experience in prioritizing investments. Consequently, projects frequently remain only partially funded and incomplete for years before being ultimately abandoned. Clientelism (typical for empowerment schemes) and high-level political corruption continue to undermine development.

Nigeria receives support in the security sector from countries such as the United States and the United Kingdom. However, this has not yet translated into an effective approach to insecurity.

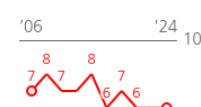
Nigeria generally aims to establish itself as a reliable partner on the world stage and the country is a member to multiple international organizations (e.g., U.N. bodies, WTO, ILO, the African Union, ECOWAS). Generally, the country shows goodwill, ratifying international treaties in the areas of human rights, labor, arms control, the environment and trade. However, it has sometimes been accused of dragging its feet on implementing international agreements domestically and the signing of relevant protocols. Nevertheless, Nigeria works closely with the IMF, the World Bank, USAID and international NGOs in the areas of development and peacebuilding.

In recent years, international state actors have more or less agreed to continue viewing Nigeria as a credible and reliable partner. National and international NGOs and observers have documented increasing threats to human rights in the country, such as repressing protests, threats to freedom of expression (e.g., harassment of journalists and banning Twitter), and flagrant abuses by police and military actors (e.g., extrajudicial killings, torture and forced abortions). Yet, while slap-on-the-wrist statements have been issued, international actors have not fundamentally altered their approach to Nigeria given the country's strategic value as Africa's largest electoral democracy and a major oil producer.

In the area of trade, however, international partners have become increasingly worried by Nigeria's overall protectionist stand, and its increased use of import restrictions and foreign exchange bans. Nigeria has refused to become a member of the EU-West Africa Economic Partnership Agreements (EPA) as the only country in the region. Nigeria was slow to ratify the African Continental Free Trade Agreement, while little progress has been made for now toward implementation. In 2021, the European Union also reportedly submitted a complaint to the WTO regarding Nigeria's milk and dairy restrictions.

Effective use of support

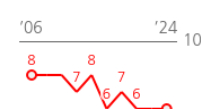
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Credibility

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Nigeria has traditionally sought to act as a leader in the West African subregion. Among others, it led and largely funded ECOWAS peacekeeping interventions in Liberia and Sierra Leone in the 1990s and early 2000s. It currently has peacekeepers deployed with the ECOWAS mission in Guinea-Bissau and hosts the ECOWAS secretariat in Abuja.

Nigeria saw its position as leader of ECOWAS threatened by Morocco's request for membership in 2017, but Morocco has not yet achieved membership. While Morocco's request and Nigeria's pushback have led to some tensions within ECOWAS, these remain largely muted. In 2022, Nigeria and Morocco also signed a gas pipeline agreement.

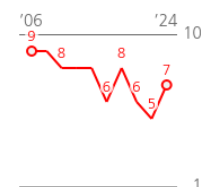
Nigeria's economic relations with its neighbors are generally cordial, but important frictions exist. While ECOWAS aims to encourage free trade between its members, exceptions can be made. In 2019, Nigeria closed off land borders to prevent food smuggling and protect its agricultural sector. Since then, land borders have been gradually reopened, but Nigeria still maintains substantial trade restrictions. Rules of origin are hard to trace, and Nigeria is concerned that goods exported from neighboring countries are not actually produced there. Yet Nigeria also cooperates with its neighbors, for instance, through the newly launched Niger-Nigeria rail project and ECOWAS's West African Power Pool collaboration on energy exchange.

Insecurity in Nigeria also affects relations with neighboring countries, which experience the spillovers of conflict. In the northeast, Nigeria has collaborated with its neighbors, and the multinational joint taskforce (including troops from Cameroon, Chad, Niger and Nigeria) has been an important instrument in the fight against Boko Haram and Islamic State West Africa Province over the past decade. In December 2022, the African Union Peace and Security Council extended the taskforce's mandate by one year, until February 2024. Funding and coordination challenges persist.

Meanwhile, violence has escalated in the northwest of Nigeria, where it also affects northern Benin and southern Niger, but collaboration between neighbors in this region is less advanced. In the southeast of Nigeria, the country borders Cameroon's secessionist Anglophone region. Multiple camps for Cameroonian refugees have been set up, and Nigeria has agreed to collaborate militarily with Cameroon to quell the secessionist insurgency given its own secessionist threats in the region.

Regional cooperation

7



Strategic Outlook

The general elections of February 2023 are the main event to look out for in the short term. The APC's presidential candidate is Bola Tinubu, a former Lagos state governor, while the PDP is represented by former vice president Atiku Abubakar. Both septuagenarian candidates are – quite literally – old guard politicians. As such, their ability to bring fundamental change to Nigeria, and halt increasing insecurity and poverty is doubtful. This also partly explains the increasing support for the 61-year-old Labour Party candidate, Peter Obi, who is running on a platform of change.

As a former PDP state governor of Anambra, Obi is not entirely a newcomer, however. His support base is mainly in the southeast, where the Igbo ethnic group sees him as an opportunity to gain the presidency, as well as in the South-South. Additionally, young urban voters across Nigeria have shown support for Obi, registering in record numbers for the election. In fact, some polls have predicted that Obi will be the winner. Given Obi's regional support base, it is possible that his emergence merely divides the opposition vote, benefiting the APC.

The imposition of cash withdrawal limits and the minting of new naira notes by the central bank of Nigeria, with outgoing President Buhari's support, were seen as constraining the buying of votes by the two main political parties. The government increased spending on microcredit schemes, which should favor the APC candidate. The risk of fraud and election violence remains high, although the greater use of technology by the Independent National Electoral Commission could limit excesses.

Newly elected governments at both the state and federal levels are faced with significant challenges. In recent years, poverty and hunger have worsened, and government finances have been strained due to low production and declining oil revenues. The current fuel subsidy regime is particularly costly, as the expenses of fuel imports exceed those gained from oil exports. Although political actors have expressed their commitment to eliminating the subsidy, this action could potentially lead to social unrest down the line. Nigeria currently has a limited number of direct pro-poor policies in place. Consequently, removing the subsidy without implementing new welfare initiatives that are safeguarded from political corruption may deepen the prevalence of poverty.

Over the longer term, elites will need to steer Nigeria's public finances toward a more stable path by diversifying the economy, reducing government reliance on oil revenues and combating corruption.

Governments not only need sufficient resources to address poverty but also to stop rampant insecurity across the country's territory. Non-state armed groups and criminal gangs will need to be reined in through coordination between state and federal governments, and a strong commitment to follow through. Civilian authorities also need to address rampant human rights abuses by the military and police to ensure the safety of Nigerian citizens.

Nigeria can continue to rely on the support of international partners in its fight against violence and poverty. The country faces limited international pressure to fundamentally alter its political system and practices, however. Therefore, the prospect of significant positive change in Nigeria in the coming years seems dim, as established political elites continue to wield unwavering influence domestically.