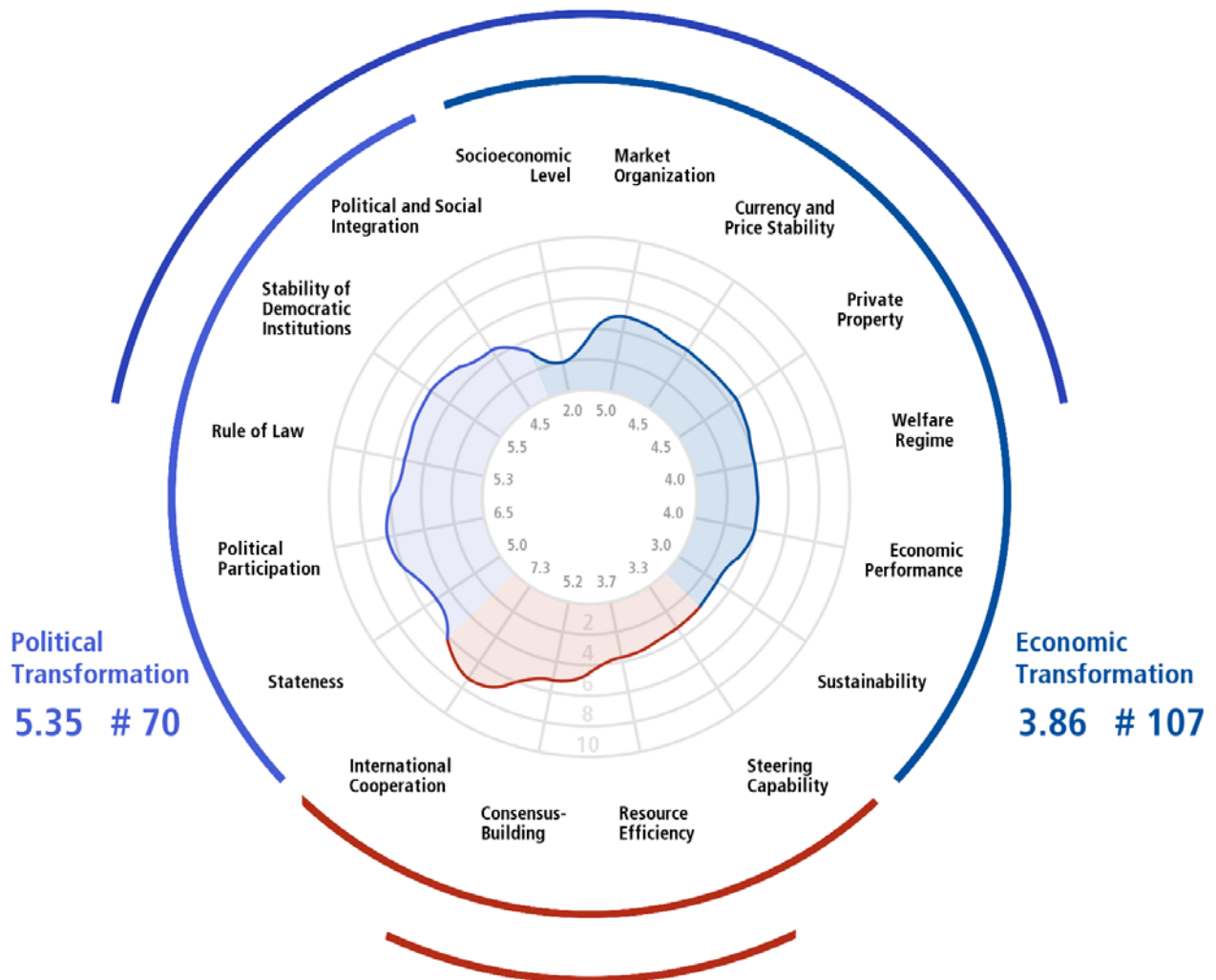


Nigeria

Status Index

4.60 # 91

on 1-10 scale out of 129



Political Transformation
5.35 # 70

Economic Transformation
3.86 # 107

Governance Index

4.59 # 75

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	186.0	HDI	0.527	GDP p.c., PPP \$	5867
Pop. growth ¹	% p.a.	2.6	HDI rank of 188	152	Gini Index	43.0
Life expectancy	years	53.0	UN Education Index	0.499	Poverty ³	% 77.6
Urban population	%	48.6	Gender inequality ²	-	Aid per capita \$	13.4

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The evaluation period (2015-2017) coincides with a change in government, an ongoing Islamist insurgency in the northwest, an increase in the sectarian crisis and organized crime in central and eastern Nigeria, the resurrection of nationalism in the Igbo heartland, the reemergence of violent militias in the Niger Delta and a severe economic recession. For the first time in Nigerian history, a sitting president was voted out of office and in May 2015, Muhammadu Buhari, the three-time presidential candidate, replaced Goodluck Jonathan. In addition, the ruling People's Democratic Party (PDP) was decisively defeated by the All Progressive Congress (APC). On the eve of the elections in March to April 2015, a majority of Nigerians had realized that Jonathan's four years in office were a wasted period and that under his leadership corruption, particularly in key sectors such as oil and gas production, and the mismanagement of internal security matters had reached new heights. The elections and the acceptance of their results eventually prevented a crisis from unfolding that could have had an impact on the whole West African region.

President Buhari and his government reorganized the military and vowed to start an effective anti-corruption campaign, which was supposed to initially stop the looting of public funds followed by the prosecution of those responsible for the misdeeds. In addition, he immediately addressed the widespread and alarming Islamist insurgency in the northeast of the country. Within one year, his counterinsurgency had produced positive results and the military capacity of the Islamists was largely destroyed. Nevertheless, suicide bombings, sometimes carried out by children, still occurred.

The political system still faces considerable problems regarding state coherence, institutional efficiency of the government, internal security, patterns of democratic representation and attitudes, enforcement of the rule of law and economic reform. Thus, the economy still suffers from major shortcomings: economic growth rates are down to zero, economic and financial affairs are poorly managed and the unemployment rate, especially among youth, remains high. At the same time,

the communication sector, the religious industry, retail trade and domestic construction continue flourishing, albeit on a lower scale than previously.

The drastic decline of crude oil and gas prices triggered Nigeria's worst recession in 30 years. Moreover, the situation was aggravated by a significant drop in oil and gas production, caused by sabotage on the part of violent militias in the Niger Delta and offshore. Macroeconomic conditions were unstable and foreign reserves fell to around \$25 billion at the end of 2016. At the beginning of 2017, the exchange rate went down close to NGN 500 to \$1 on the parallel market, while the central bank calculated with an official rate of slightly above the NGN 300 mark.

As far as international credibility and cooperation are concerned, the new government under President Buhari managed to get Nigeria back on track. Enhanced cooperation with neighboring countries in the fight against Islamist terrorists and an improved relationship with the United States produced positive results. Nevertheless, Nigeria is still moving toward an uncertain future.

History and Characteristics of Transformation

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

In May 1999 former junta head Olusegun Obasanjo (1976-1979) took office as elected president. He was re-elected in 2003, and the ruling PDP confirmed its dominant position in the parliamentary elections. But the elections were marred by widespread fraud, violence and open ballot rigging. This also applied to the election marathon in April 2007, when presidential, gubernatorial, National Assembly and state assembly elections took place. Another former military officer, Umaru Yar'Adua, the two-term governor of Katsina State in the far north, won. He was sworn in, the first president to succeed a previously elected president through the ballot

box. His ill health, however, prevented him from fully executing his powers, and shortly before his death in May 2010, the National Assembly passed a resolution to enable Vice President Goodluck Jonathan to act as president. Hardly did Yar'Adua pass away than Jonathan was sworn in as executive president. Against all odds within the ruling party, he finally became the presidential candidate and won a landslide victory in Nigeria's first reasonably credible elections in 2011. Under his government, however, corruption reached new heights and Jonathan's poor leadership allowed the Islamist insurgents of Boko Haram to advance and challenge the state in the northeast, which, estimated rather conservatively, cost more than 20,000 lives.

The short-lived economic boom, triggered by soaring oil and gas prices, came to a standstill toward the end of Jonathan's term. Numerous crises and his apparent incompetence empowered the opposition to establish a strong challenge and in early 2015 Muhammadu Buhari and his party APC eventually emerged as the decisive political force. Such change notwithstanding, the new leadership was facing old and new challenges concerning security issues, corruption, organized crime, renewed nationalism, mushrooming militias, sectarian crises and economic recession. While Buhari's government was able to reorganize the military and to a large extent successfully counter the Islamist insurgency, it could not prevent the resurrection of violent militias in the Niger Delta and the increase of crime such as large-scale cattle rustling in the underdeveloped Middle Belt region. However, the Buhari administration needs to be aware that the redistribution of wealth and the creation of medium-term perspectives for youth will be decisive for the fate of the fourth republic.

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

Transformation Status

I. Political Transformation

1 | Stateness

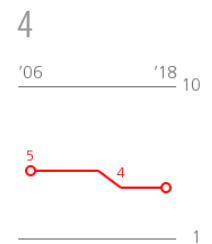
The state's monopoly on the use of force is limited. In several parts of northeast Nigeria, the Islamist insurgency, Boko Haram, still controls certain areas, especially outside the cities, and is fighting military and police forces. The security forces managed to drive Boko Haram back to a considerable extent and it lost a lot of territory under its control. However, the insurgents still challenge any state authority, and in the meantime up to 20,000 Christian and Muslim civilians, and quite a number of security personnel have lost their lives.

In central Nigeria and the eastern Middle Belt, sectarian clashes with quite noticeable ethnic undercurrents occur regularly. In addition, large-scale organized crime has increased and criminal gangs with sophisticated weapons are involved in cattle rustling, killing and terrorizing villages. Militias in the Niger Delta have once again turned to violence and local warfare and are challenging the state's authority. Last but not least, the Igbo heartland has experienced a wave of renewed nationalism in the spirit of a sovereign Biafra.

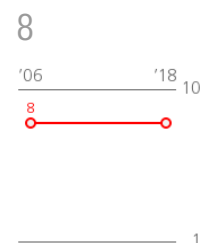
All Nigerians are considered Nigerian citizens, and the nation state is widely accepted as legitimate. However, sub-national identities are strong and prevalent. As per the constitution, all citizens have equal civic rights. However, the federal quota system enshrined in the constitution and upheld by the Federal Character Commission to a large extent determines access to offices and institutions on federal and state levels. By and large, it had a strong discriminatory effect. Furthermore, the very concept of indigenes was discriminatory against the 'non-indigenes' of a federal state, i.e. immigrants from other federal states. Although the political class and large parts of the elites are aware that this concept has problematic consequences, no real efforts have so far been made to address the issue.

Question
Score

Monopoly on the
use of force



State identity



Under the constitution the separation of religion and state is guaranteed. But secularization suffered a substantial set back through the introduction of Shariah, or Islamic law, as the generally applied law in 12 northern states where the vast majority of the population is of Muslim faith. In these states, however, non-Muslims are entitled to take any lawsuit to a secular court and to be tried by such a court.

Sometimes, Shariah law sentences people to death. For example, in June 2015, as detailed in the Religious Freedom Report of the United States State Department, a Shariah court in Kano State announced it had sentenced eight men and

one woman to death for blasphemy as they were accused of making remarks that the founder of the Tijaniyyah group should be elevated above the above the Prophet Muhammad. The court conducted the trial in secret and did not release the names of several of the accused. The case remained under appeal and the authorities did not carry out any capital punishments issued by Shariah courts or sentences such as stoning or amputation during the year.

Interreligious violence is also a severe problem. An approximately equal number of Christians and Muslims live in the Middle Belt, dominated by ethnic minorities, and in the Yoruba-dominated southwest. However, fundamentalism among members of both faiths is increasing and both religions are increasingly permeating politics at all levels of government. Several hundred people were killed in clashes between Christians and Muslims during the period under review.

In theory, the three tiers of the federal system as enshrined in the constitution – federal, state and local government – offer a sophisticated administrative structure. This structure is comprised of a federal government and the two chambers of the National Assembly, 36 governors and state assemblies and 768 local governments and six councils in the Federal Capital Territory Abuja, including a minister in charge of the capital. However, the statutory revenue allocation among these three tiers of government aims more at legally sustaining the system of distributing the wealth among the elites than at providing for efficient functioning. While the federal government, the National Assembly and the state governors execute real power, most of the other administrative institutions suffer from low levels of funding and severe weaknesses regarding institutionalization and political skills. The serious crisis in large parts of the north, in the Middle Belt and in the Niger Delta is to a large extent due to non-functioning of the local and regional government structures.

According to the most recent World Bank figures, only 29% of the population have access to sanitation and only 69% to a water source. Basic administration is even worse in the areas controlled by Boko Haram. However, the insurgents lost large parts of the territory they once controlled.

No interference of religious dogmas

4

'06 '18 10



Basic administration

4

'06 '18 10



2 | Political Participation

Universal suffrage and the right to campaign for elected office exist. In 2015, the presidential, National Assembly, gubernatorial and state assembly elections were the most credible elections in Nigerian history. Although Nigeria's Independent National Electoral Commission (INEC) was forced to move the election from February to March and April due to security issues, INEC leadership and the judiciary stood up to pressure from government circles to cancel the whole process. The elections changed the political landscape after the main opposition APC was able to establish a broad platform and successfully challenged the politically weakened President Jonathan and the dominant ruling PDP on the federal and state levels.

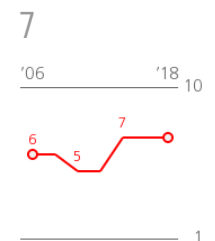
Elections in Nigeria have a record of systemic fraud by all parties involved and a considerable level of electoral violence, especially after election results are publicized. While many illegalities continued to mar the 2015 elections (and other by-, local, and state elections thereafter), electoral violence was much lower in 2015, partly because of INEC's preemptive conflict resolution that convinced politicians to pledge to engage in peaceful conduct. At the end, it was also Jonathan's decision to accept his defeat that prevented violence in 2015. Most importantly, the 2015 elections mark the first instance in Nigerian history in which a sitting president was ousted at the ballot box.

President Muhammadu Buhari and his government have the power to govern. However, their power has been challenged by influential members of the defeated PDP at federal (National Assembly) and state (governor) levels and by the National Assembly at large. The introduction of the Treasury Single Account (TSA) was aimed at monitoring all revenues of ministries and state agencies. The National Assembly, however, rejected this approach by asserting its right to act as an autonomous constitutional pillar of the Nigerian political system. This notwithstanding, the president and his government and the National Assembly were able to pass the 2016 budget and to bail out several ailing state governments.

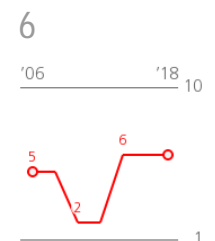
The military has been an important veto player throughout Nigerian history, but its politicization has apparently decreased recently. However, President Buhari is a former general and ousted a democratic president in a military coup in 1983.

The constitution provides for freedom of association and assembly and civic organizations can generally form and meet freely. However, they are still severely fragmented and mostly active locally. Thus, their abilities to bridge numerous social cleavages on a broader scale are limited. However, during the election process in 2015 a number of civic organizations formed a broadly based platform to assist INEC in standing up to government pressure and to monitor the elections. Interestingly, more and more former high-ranking military officers, administrators, politicians and personalities from Christian and Muslim groups are founding their own NGOs.

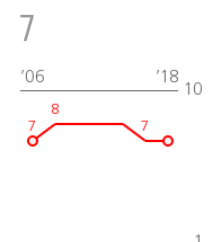
Free and fair elections



Effective power to govern



Association / assembly rights

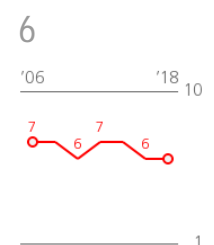


Moreover, former military officers have founded their own official network in order to influence politics at all three levels of government and to lobby for political appointments or political mandates.

Sometimes the government limits freedom of association and assembly. The United States Department of State reports that the government has occasionally banned gatherings when it concluded their political, ethnic or religious nature might lead to unrest. Open-air religious services held away from places of worship remained prohibited in many states, due to fears they might heighten interreligious tensions. In October 2016, several northern states enacted restrictions on religious activities shortly before the Shi'a commemoration of Ashura (as this might have provoked anti-Shi'a attacks by the Sunni majority).

Citizens, organizations and the mass media generally are able to express opinions freely. The freedom of information bill, however, has been challenged in a federal high court, which maintained that it applied to the federal level only. An appeal by civic organizations was still pending as of late 2017. Once in a while, individuals and organizations expressing critical views are harassed by state security services and occasionally charged. But in general, the courts decided in favor of the respondent. Like many civilians, they have become victims of terrorism (Boko Haram) and criminal gangs. State-owned media have lost out to the private media. The private media, electronic as well as print media, possesses a high degree of autonomy and often voices sharp criticism. But this contrasts with the fact that the private media is increasingly adopting deliberately biased editorial positions. Additionally, the media are increasingly turning themselves into public relation agencies for different interest groups, presenters of soap operas and tabloid-like content. Moreover, "brown envelope journalism" is widespread. The power of issuing licenses for radio and television is still with the president, and the National Film and Video Censors Board regulates this booming industry. Against this background, the Press Freedom Survey by Freedom House still considers Nigeria only "partly free."

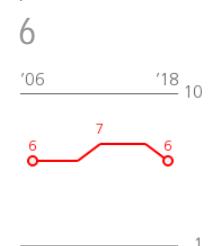
Freedom of expression



3 | Rule of Law

Key democratic institutions such as the presidency, the two chambers of the National Assembly and the structures at the state level (governorship and state assemblies) were more stable than expected despite the precarious security situation in the northern, eastern and southern parts of the country. The positions of the vice president and the deputy governors have been strengthened to avoid political instability and turmoil in case of leadership crisis. At times, the National Assembly holds the executive at bay, particularly concerning financial issues (budget) and the confirmation of important appointments such as ministers, diplomats, judges, top military and police personnel. That underlines the fact that, to some extent, the constitutionally enshrined system of checks and balances works. This statement should not be overrated though. The judiciary as the third pillar within the key state powers only partially fulfils its function to check the executive.

Separation of powers



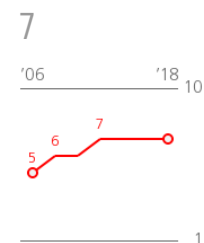
The Supreme Court serves *inter alia* as a constitutional court, and any verdict concerning constitutional issues automatically becomes law. The Court of Appeal is the first court of jurisdiction for presidential and gubernatorial election petitions. Its verdicts can be petitioned at the Supreme Court. Petitions concerning parliamentary elections are dealt with at election tribunals and can be submitted to the Court of Appeal. In the course of the period under review, the courts passed dozens of verdicts in the aftermath of the 2015 elections and decided several cases concerning parliamentary by-elections and some gubernatorial elections due at a later date. The Supreme Court's, the Court of Appeal's and the Federal High Court's rulings were generally abided by.

In October 2016, however, a number of high-ranking judges were temporarily arrested by the state security and the anti-corruption agency for having been bribed. The investigation was still pending toward the end of the period under review. Corruption in the judiciary is rife and poses a substantial challenge to its functioning. In the latest Afrobarometer survey from 2017, 40% of respondents reported that they had to pay bribes in order to get assistance from the courts.

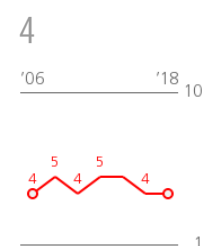
As far as Islamic law is concerned, no case has so far reached federal courts to question the constitutionality of applying a completely different legal system. In the past, all stoning sentences passed by lower Shariah courts for marital infidelity, extramarital sex or blasphemy were declared null and void by higher Shariah courts. Over the course of the period under review, however, some death sentences were passed by Shariah courts against blasphemy. The accused appealed and the cases were still pending at the beginning of 2017.

Corruption and white-collar crime are endemic. Government efforts to master the problem through the Economic and Financial Crimes Commission (EFCC) and to a lesser extent the Independent Corrupt Practices Commission (ICPC) have public support. The new government under President Buhari has vowed to focus on the fight against corruption, which reached an unprecedented level under the previous government. Several well-known persons were arrested and prosecuted. This notwithstanding, no prominent person has been sentenced as of yet and it remains to be seen whether the respective agencies and prosecutors will manage to provide compelling evidence to the courts. Interestingly, more and more court cases concerning corruption take part in Britain and to a lesser extent in the United States, thereby shaping Nigeria's relations with Britain and the United States via legal issues, involving members of the large Nigerian diaspora overseas. For example, James Ibori, a former governor of Delta State, was sentenced to several years in prison by a British court for money laundering but was set free toward the end of 2016 after having served more than half of the sentence. Some cases concerning other crimes are still pending abroad.

Independent judiciary

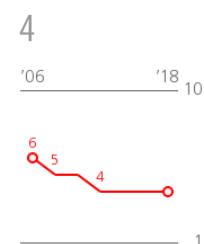


Prosecution of office abuse



Many citizens do not enjoy full civil liberties because the state's monopoly on the use of force is limited as is access to justice. Against this background, security forces, militias, vigilantes, religious fundamentalists and criminal gangs regularly violate civil liberties. In addition, torture, ill-treatment in police custody, extra-judicial killings and illegal military detention camps are still part and parcel of law enforcement. The performance of the once-weak Human Rights Commission has improved. However, the crisis-ridden regions in the northeast, the east and the south experienced waves of sectarian and ethnic violence, organized crime and local warfare. Around two million internally displaced persons live in camps in the northeast and the east. The state still lacks the ability and willingness to protect women and girls, in particular of lower socioeconomic status, against violence including rape, spousal abuse, female circumcision and abuse according to customary law. However, the rights of women have improved, indicated by the fact that women can take their husbands to court for criminal assault, and rape is a serious crime anywhere in Nigeria.

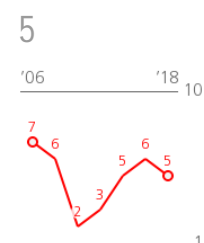
Civil rights



4 | Stability of Democratic Institutions

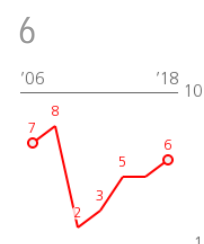
Democratic institutions at federal and state levels such as the federal government and the state governments, the National Assembly and state assemblies were reasonably stable. However, their main task seemingly continues to be to redistribute wealth to favor the political class and members of the elites. This, however, does not apply at the local government level, which suffers from incompetence, lack of funds and legitimacy. The standing of the judiciary has suffered a setback after several high-ranking judges were arrested and investigated for alleged corruption. The performance of INEC improved, particularly during the 2015 elections, and restored some trust in the commission as well as in the electoral process as a whole. In addition, a reliable voter registry, issuing Permanent Voters' Cards (PVC) and the use of card readers at the polling stations have strengthened the commission's image and capacity. The public administration at large, however, is hardly effective in delivering services according to its mandate.

Performance of democratic institutions



Most influential political, social and economic actors within and outside the administrative system are generally committed to democratic institutions and regard them as legitimate, the best example being Jonathan's acceptance of defeat in the 2015 elections. As mentioned above, this marked Nigeria's first peaceful transfer of power at the ballot box and can be looked at as an achievement in the commitment to democratic institutions.

Commitment to democratic institutions



Notable exceptions are Islamists such as Boko Haram (the latter being pushed back lately) and the Muslim Brethren, better known as 'Shi'ites', who consider the Nigerian state in general and the democratic institutions in particular as illegitimate. In addition, radical groups within the Igbo still demand a sovereign Biafran state, and

militias in the Niger Delta draw legitimacy for their armed struggle by referring to late Isaac Boro and his short-lived Niger Delta Republic in 1966. The influence of the latter groups is limited.

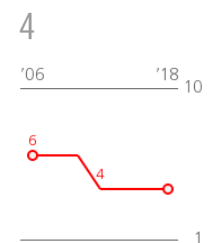
5 | Political and Social Integration

Institutional inefficiency was closely related to the lack of stable patterns of organization for political representation. During the evaluation period, two socially embedded parties have been rather firmly established. The ruling PDP, which has dominated elections at the federal and state levels since the democratization process began in 1999, can be traced back under different names to the 1980s. The APC, however, emerged in 2013 after smaller parties under the leadership of the ethnic Yoruba politician Tinubu, a former governor of Lagos State, and the ethnic Hausa-Fulani Buhari, a former military dictator and thrice unsuccessful presidential candidate, established an alliance and formed an electoral platform toward the end of 2014. This platform resembled a victorious alliance on the eve of the civil war and successfully challenged the PDP. At the federal and state levels, the APC won a landslide victory in 2015 and benefitted from deepening divisions within the PDP, from the poor image of internal security and from a weak and ineffective incumbent president. All registered parties, however, hardly have partisan objectives and are mostly dominated by moneybag politicians and local godfathers who are supposed to mobilize the local electorate.

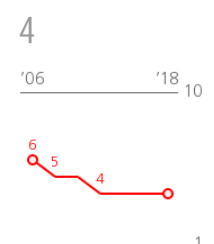
In ideological terms, polarization within the party system is low, if not absent. However, on occasion confrontations between party militants turn violent. Voter volatility has increased, but mainly because of the emergence of the APC (which has attracted the voters from previously active opposition parties).

Traditions of organized interest are still weak. Weakened by federal legislation, the trade unions lost political ground and broadened the space for the state apparatus, state-run companies and parastatals to redistribute income from the bottom up. The private sector, particularly the multinationals and a growing number of large Nigerian enterprises, also benefited from the unions' weakness, meaning that for the foreseeable future, Nigeria's labor movement can only temporarily and marginally serve as a channel through which societal interests will be articulated. However, there is a positive general trend in the development of civic interest groups, in particular during the run-up to elections. But they are not yet able to arouse broad citizen participation. This also holds true for the development of a culture supporting democracy. The 'godfather system,' characterized by local strongmen all over the country and deeply enshrined in the Nigerian political, socioeconomic and cultural fabric is still influencing regional and national policy. The so-called Army Brought Ups (ABUs), several rich entrepreneurs who owe their success to successive military regimes, belong to that system and at the same time represent the richest businessmen

Party system



Interest groups



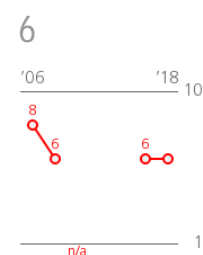
in Africa. In addition, small groups from both religious faiths play dubious roles in that they politicize religion, as indicated by waves of deadly sectarian clashes in large parts of the north. Moreover, there are strong indications that crime and the use of force and violence are part and parcel of the prevailing political culture, considered by an increasing number of interest groups in the Middle Belt and the Niger Delta as appropriate tools in achieving defined goals.

Despite the slow pace of civic development, setbacks such as serious security problems and many shortcomings concerning the state's capacity in resolving widespread problems, such as corruption and the lack of infrastructure, public support for the democratization process still prevailed. The outcome of the elections in 2015 was to some extent a litmus test of approval for democracy. Almost 32 million of the more than 70 million eligible voters cast their votes in the presidential and National Assembly elections, which proved that public support for the notion of democracy was still reasonably sound. In addition, the electoral commission stood up to any attempt by government circles to manipulate the elections.

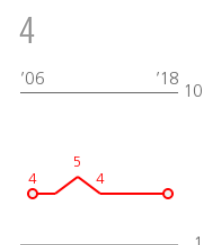
According to the latest Afrobarometer data, 66% favor democracy over any other kind of government and reject personal dictatorship (79%), military (72%) and one-party rule (80%). However, pro-democracy attitudes rank below the African average and only 19% think that Nigeria is really a “full democracy” (although attitudes may have changed since Buhari's victory and first months in office).

Nigeria's civil society is still weak and fragmented. Despite the fact that the number of active NGOs is increasing, the landscape of voluntary organizations is still meager and plagued by scarce organizational resources. The majority of civil society groups are so-called one-man shows, with little positive impact on the political system. The economic crisis, due to a large extent to low oil and gas prices, poorly advised ministries and unresolved security issues in large parts of the country, put on hold most of the intended reforms and raised questions about the capacity of the leadership. Nigerians were to large extent forced to organize themselves at the local level where the informal sector is fairly well developed. Almost all citizens are members of one or another denomination of Christianity or Islam, which has become the most important communication platform and social and economic security institution for the people. However, trust does not cut across these religious (and other) identity boundaries. In addition, religion, in particular Christianity, has been turned into a highly profitable industry, which has expanded its activities across the continent and established several lucrative branches in the United Kingdom and in the United States.

Approval of
democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Key indicators still show a low level of development, which severely restricts freedom of choice. A rather poor HDI score of 0.504 puts Nigeria in position 152 out of 187 in country rankings. There is widespread and deep-seated social exclusion, caused by poverty. Almost 80% of the more than 175 million people live on less than \$2 per day. Despite the economic crisis, which significantly reduced the GDP in 2015-16 and caused a negative growth rate for 2016, the middle class still represents a group with the highest purchasing and consumption power in Africa. Nigeria's GDP fell from around \$570 billion in 2014 to some \$480 billion in 2016. Income inequality is high, although only partly reflected by indicators (Gini Index 2009: 43.0).

But these figures do not reflect the threatening north-south dichotomy. School enrollment in the south is 70%, while in the poverty-stricken north only 30% attend school. While children attend school in the south for an average of 10 years, attendance in the north is only 4-7 years. Government expenditure on education is 10% of the annual budget, some \$30 billion. The threatening north-south dichotomy in all social and economic sectors is significantly illustrated by the current state of this sector. Nigeria has not succeeded in reducing the extreme inequalities and differences in income during the period under review. Extreme regional imbalances in development remain unchanged, particularly between north and south. However, private education is growing rapidly. Currently, 69 private universities in the country compete with 82 federal and state tertiary institutions. Interestingly, among the private-run tertiary institutions, several are run by mega-churches such as the Deeper Life Bible Church and Winner's Chapel.

Question
Score

Socioeconomic
barriers

2

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2 1

Economic indicators		2013	2014	2015	2016
GDP	\$ M	514966.3	568498.9	481066.2	405082.7
GDP growth	%	5.4	6.3	2.7	-1.5
Inflation (CPI)	%	8.5	8.1	9.0	15.7
Unemployment	%	7.1	4.8	4.3	5.0

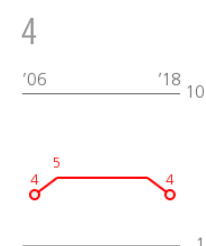
Economic indicators		2013	2014	2015	2016
Foreign direct investment	% of GDP	1.1	0.8	0.7	1.1
Export growth	%	-21.7	24.1	-0.3	-
Import growth	%	12.2	6.0	-26.9	-
Current account balance	\$ M	19049.0	899.2	-15763.2	-
Public debt	% of GDP	12.4	12.5	13.2	17.6
External debt	\$ M	21143.7	24756.0	28943.0	31151.5
Total debt service	\$ M	495.7	4545.9	1463.9	2502.8
Net lending/borrowing	% of GDP	-1.4	-	-	-
Tax revenue	% of GDP	1.5	-	-	-
Government consumption	% of GDP	7.2	6.5	5.9	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.9	0.9	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.5	0.4	0.4	0.4

Sources (as of October 2017): 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

Foundations of a market economy based on competition exist. The state sector, however, still has a monopolistic structure in key segments of the economy such as petroleum and refining and there is a large informal sector (though this is difficult to quantify). To some extent, the import of highly subsidized fuel and the ailing power sector have been modestly deregulated. The competitive and booming telecommunications market, the private media, the building and construction industry, as well as food processing and retail trade, play important roles in Nigeria's economy. Unfortunately, there has been hardly any progress in establishing relevant private power generation industries outside the big national and international companies, which have firmly established a 'captive power' sector with some 15,000 MW compared to 4,000 MW shared by the citizens. The vast majority of Nigerians still suffer from regular blackouts. Those who can afford them use generators. It is estimated that these generators alone produce up to 6,000 MW and as a side effect cause widespread pollution. In the recent past, several power projects, including the

Market-based competition

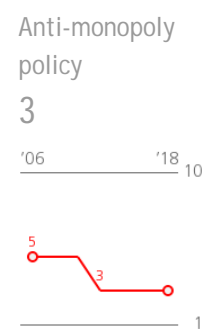


construction of privately run refineries, were abandoned due to incompetence, corruption and intrigues. There are no indications, however, that a breakthrough within the ailing power sector is anywhere near. The severe economic crisis has put a lot of pressure on the value of the local currency and availability of foreign currency. The exchange rate plummeted within a year causing the government and the central bank to introduce restrictions on the Bureau de Change offices. Eventually, in November 2016, some offices were closed down and the respective traders arrested for alleged illegal practices.

Conditions for investment require improvement. The Heritage Foundation ranks Nigeria 115th out of 180 countries and cites a number of impediments to economic freedom such as corruption and state-imposed bans on imports.

There is no anti-cartel legislation as such. To a certain extent, however, the steady privatization trend and competition have broken some state monopolies and state cartels. This was particularly true for the banking sector, the construction sector, the media, the highly competitive, largest telecommunications market in Africa and retail and wholesale trade. Toward the end of 2016, active mobile phone subscriptions exceeded 80 million. Most of these subscribers use the internet as well. Administrative incompetence in conjunction with widespread corruption, particularly in the state-controlled oil and the extremely corrupt petrol sector, an increasing north-south dichotomy and the precarious security situation in the northeast, the Middle Belt and the Niger Delta still take their toll to the detriment of a competitive and enabling environment in several parts of the country.

Foreign trade has been further deregulated, and there is no fundamental state intervention in free trade. This particularly applies to the treatment of the significant foreign investment in the oil, gas, brewery, Information Communication Technology and retail sectors and, to some extent, in agribusiness. This notwithstanding, in mid-2015, the new government tightened foreign exchange controls by excluding 41 items from the interbank foreign exchange market. By the middle of 2016, international airlines threatened to stop service to Nigeria should the government enforce its decision to regulate transfers and repatriation of profits. Against the backdrop of the economic crisis and the drastic fall in the price of oil, China and India were quite cautious concerning direct investment. The Heritage Foundation – as mentioned above – names import bans as a major impediment to foreign trade and economic freedom. No wonder the rate of FDI fell sharply. Initially Nigeria opposed the Economic Partnership Agreement (EPA) between ECOWAS and the European Union, but eventually backed down. The ratification of the treaty by all the ECOWAS member states, however, remains doubtful.



The new government retained the governor of the central bank, who was controversially installed by the previous government. The Asset Management Company (AMCON), better known as Bad Bank, established after the serious banking crisis in 2009, did not perform as expected during the period under review. These facts notwithstanding, the banking sector at large was stable, supported by the fact that four Nigerian banks such as First Bank of Nigeria and Zenith Bank are among the top banks in Africa and to the top 500 worldwide.

According to the latest figures (2015), the bank capital to assets ratio stood at 11.6% (which is a little bit higher than in recent years, but lower than around 10 years ago); and 5.3% of loans did not perform.

8 | Currency and Price Stability

Inflation and exchange rate policy have been rather inconsistent during the assessment period. The inflation rate went up close to 20%, an increase of more than 10% within a year. The exchange rate to the dollar fell significantly. At the start of 2015, the exchange rate stood at NGN 202 to \$1. The central bank official rate was NGN 283 to \$1 in mid-2016, while the exchange rate in the interbank forex market was close to NGN 400. Toward the end of 2016, the exchange rate to the dollar reached the 480 mark on the parallel market. Against this background, the Nigerian economy suffered from low oil and gas prices. In November 2016, the price for its high-quality crude fell to under the \$45 a barrel mark. Against the background of rapidly shrinking foreign reserves of some \$24 billion in October 2016 – in 2008 the reserves stood at around \$60 billion – and an almost depleted Excess Crude Account, the new government under President Buhari decided to finance the budget with huge deficit spending and borrowing from international capital markets.

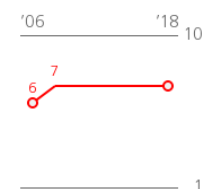
The central bank of Nigeria has been considered relatively independent. However, Buhari's decision to not allow a devaluation of the Naira was seen as “undermining” the independence of the bank.

During the period under review, the Nigerian economy suffered from low oil and gas prices. In November 2016, the price for its high-quality crude fell to under the \$45 mark a barrel. Against the background of rapidly shrinking foreign reserves of some \$24 billion in October 2016 – in 2008 the reserves stood at some \$60 billion – and an almost depleted Excess Crude Account the new government under President Buhari decided to finance the budgets with huge deficit spending and borrowing some \$30 billion from international capital markets over a three-year period. By the end of 2016, the latter however, was still in limbo.

The Heritage Foundation paints a rather grim picture, “Government spending has amounted to 12.6% of total output (GDP) over the past three years [i.e., 2015-2017], and budget deficits have averaged 2.8% of GDP. Public debt is equivalent to 11.5% of GDP.”

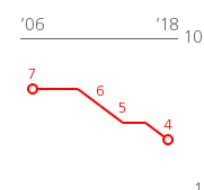
Banking system

7



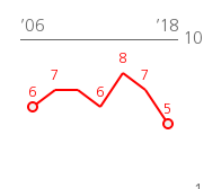
Anti-inflation / forex policy

4



Macrostability

5



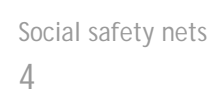
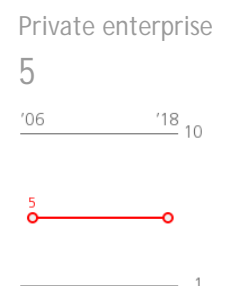
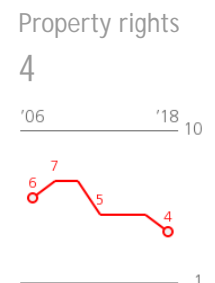
9 | Private Property

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

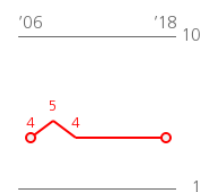
Private companies are definitely viewed institutionally as important engines of development and growth. Although they can, in principle, act freely, the reality on the ground paints a slightly different picture. In general, they encounter a good deal of economic, political and social barriers to development. The banking, insurance and IT sectors, and electronic media, which were deregulated by external forces (the World Bank, the IMF and other western donors), and retail and construction have been flourishing. At the same time, religious (Christian religious industry) and private education, particularly in the south, are booming and growing rapidly. Religious organizations are exempt from paying taxes, a fact that transforms the religious industry into highly lucrative business. As in previous years, however, state companies and international conglomerates in the oil and gas sector still monopolized the economic system. The privatization process is thus slow at best. In late 2016, the National Assembly and the Senate discussed plans to privatize power companies (but no definite policies were introduced).

10 | Welfare Regime

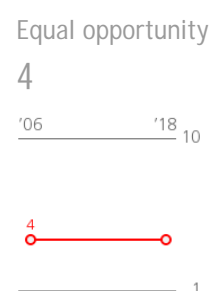
In general, the burdens of aging, illness, underemployment and unemployment are borne mostly by extended family networks and the informal sector. This means that only civil servants and employees in higher education, state-owned and partially state-owned companies and medium-sized and large international companies enjoy a certain level of social security. However, the pension reform act was amended in



2014 to standardize fees and benefits for employees in the public and private sector. The National Pension Commission (PenCom) supervises pension departments, which were created to carry out the functions of the relevant pension boards and offices in the public service of the federation and Abuja with a view to instituting regular and prompt payments of pensions to pensioners. Only slightly more than five million Nigerians have been registered under the Contributory Pension Scheme (CPS), which has more than \$16 billion (mid-2016) in assets available. The expectations of the National Health Bill were not fulfilled.

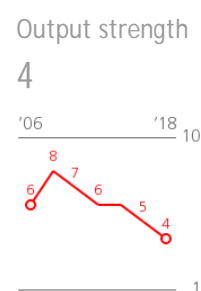


The distribution of income in Nigeria is highly unequal. More than two-thirds of the estimated 180 million people live in absolute poverty. In addition, Nigeria has missed all the Millennium Development Goals, and the outlook for achieving the Sustainable Development Goals (SDGs) as part of Agenda 2030 remains poor – even though enough resources exist. President Muhammadu Buhari and his government are aware of the dire situation of several million unemployed youths. Responding to this challenge, federal and state governments, supported by the National Assembly, started financing various programs in training and empowerment such as the N-Power Programme, which will initially employ 200,000 youths as assistant teachers in primary and lower secondary schools. The police and the military are also offering tens of thousands of jobs. But preliminary results are still sketchy so far. There are no mechanisms to promote persons with disabilities or the socially disadvantaged. Women with secondary or even tertiary education have access to state and public institutions and more and more well-educated women are entering the expanding private sector (banking, insurance, private media, consultancies, etc.). Some women occupy prestigious positions within government and the judiciary, forming 42.4% of the labor force. Gender-based discrimination against women in the legal system has been reduced at the middle and upper social levels. However, although women from the elite can access ministries and state agencies (for example, the Supreme Court, the Ministry of Finance and the office coordinating implementation of the SDGs), women hardly play any political role at the state and local government levels, let alone at the grassroots level. The adult literacy rate stands at 59%. The north-south dichotomy, however, indicates that school enrollment in the south is around 70% as opposed to around 30% in the north.



11 | Economic Performance

Under the condition of oil and gas prices falling to around \$50 per barrel, Nigeria has experienced the worst economic crisis in 30 years. A high unemployment rate, particularly in the underdeveloped north, a growth rate of almost zero, an inflation rate of some 18% and the rapid depreciation of the local currency underline the crisis. This development mirrors the unstable and even volatile situation on the ground, especially regarding internal security. Foreign reserves fell to some \$24 billion at the end of the period under review. External debts amounted to some \$11.5 billion. Domestic debts amounted to worrisome \$50 billion. The debt to GDP ratio was about



11%. Budget and current account balance deficits were on the increase and the budget deficit was about 30% during the period under review. The situation is significantly weakening Nigeria's socioeconomic system.

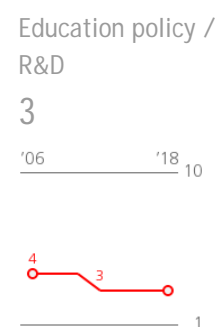
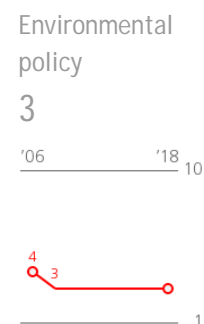
12 | Sustainability

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

On the Environmental Policy Index, Nigeria ranked 133rd out of 180 in 2016 with a value of 58.27 – which overall means a modest improvement over its previous performance, but still shows that much improvement still needs to take place.

Education and training facilities were available in important segments. However, a deep socioeconomic and sociocultural north-south divide and the north-south dichotomy are mirrored as far as education in general and school enrollment in particular are concerned. While overall enrollment amounts to some 53% of all school-age children, the enrollment in the north is just 30% as opposed to 70% in the south. While in the north, the mean school attendance time is 4-7 years, it is almost 10 years in the south. The literacy rate (nationally: 59.6) shows a substantial gender imbalance (male: 69.2% and female: 49.7%).

Definite shortcomings exist in research and development. These shortcomings notwithstanding, at least quantitatively public investment in education, training, research and development has increased. In 2016, the state's expenditures for education accounted for almost 10% (\$2.4 billion) of the federal budget but will be reduced to 8-9% in the 2017 budget. Interestingly, private education on all levels is on the rise. At the end of the period under review, 69 private universities had permits along the 82 federal and state tertiary institutions, a strong indicator of the commercialization of education. The trend in favor of private schools and universities, set up and run by private investors such as charismatic and Pentecostal churches, which consider education as a lucrative business, continues unabated.



Against this background and almost unnoticed, the state is silently withdrawing from the education sector. Increasingly, the state funds do not serve the promotion of good quality education, but only assure the income of teachers and civil servants working in education.

Governance

I. Level of Difficulty

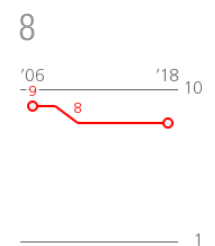
The level of difficulty of transformation of the political and socioeconomic system must still be considered quite high, although the decisive institutions are quite stable and even allowed for a change in leadership. This notwithstanding, civil society is still weak and fragmented, even though the position of some civil society organizations has strengthened against the backdrop of the change in leadership. No government has addressed, let alone overcome, the socioeconomic and sociocultural dichotomy between the underdeveloped, poor north and the rather advanced and booming south or the even more pronounced dichotomy between the few rich and the many poor. Widespread grinding poverty, a very high unemployment rate, particularly among youth, youth violence, endemic corruption in key sectors such as oil and petrol, inefficient state administration, significant ethnic and social heterogeneity, organized crime, the still-threatening Islamist insurgency in the northwest, increasing violence and organized cattle rustling in central Nigeria and the Middle Belt as well as renewed and widespread violence and conflicts in the oil and gas-producing Niger Delta are all factors that increase the level of difficulty. In addition, a very poor infrastructure, an ailing power sector, unabated population growth, widespread HIV/AIDS infections compounded the level of difficulty during the review period, notwithstanding the ambitious, but still largely unimplemented plans of the new leadership.

Traditions of civil society are still weak and mostly confined to narrowly defined groups, such as the religious and ethnic identity groups. Despite the fact that the number of active NGOs is increasing, the landscape of voluntary organizations is still sparsely populated and plagued by scarce organizational resources. The majority of civil society groups are so-called one-man shows.

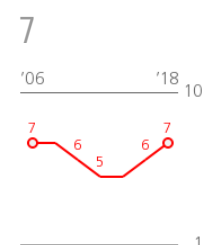
However, private media and religious groups from both faiths play an increasingly important role in strengthening this segment of society – albeit with mixed results. However, trust does not cut across these religious (and other) identity boundaries.

In addition, digital technology made enormous headway during the period under review and has an impact on political developments and the transformation of Nigeria's political culture. Social media is rapidly expanding and had a real impact on the outcome of the elections in 2015, when people voted the incumbent president and his party out of power in federal and most state parliaments.

Structural constraints



Civil society traditions

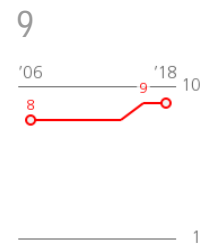


The north-south and Christian-Islamic dichotomy, the deep north-south socioeconomic divide, the prevailing politicization of ethnicity and increasing religious fundamentalism cause tension and mistrust. Although the Islamist insurgency in the northwest is declining, it still challenges the state and country unity.

The Uppsala Conflict Data Program counts more than 10,000 battle-related deaths since 2009. The number of victims peaked in 2015 with over 4,000 and decreased to fewer than 3,000 in 2016 when the counter offensive by Nigerian security forces – supported by neighboring countries and international actors – began to push the rebels back. The Nigerian Armed Forces announced that in 2015 and 2016 they recorded the highest number of servicemen killed in action since the beginning of the insurgency in 2009.

In addition, increasing violence and organized crime in the Middle Belt, the return of nationalist movements in the Igbo heartland, which demand a sovereign Biafra, the outbreak of another wave of organized and orchestrated violence in the Niger Delta and widespread crime, in particular kidnapping and killings, prove that conflict intensity is still high.

Conflict intensity



II. Governance Performance

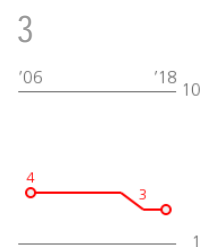
14 | Steering Capability

President Buhari's reform agenda during the fifth legislative period (2015-19) is faced with serious security and economic challenges, accompanied by the worst recession in the past 30 years. The latter, in particular, has a strong external dimension due to low prices for oil and gas on the world market and cannot be domestically influenced, let alone controlled. These structural problems only permit the pursuit of select, medium-term goals at best. In addition, the government was challenged once again by newly emerging militia groups in the Niger Delta, which occasionally triggered a drastic decline in oil and gas production, and by almost bankrupt state governments which had to be rescued by the federal government. Despite all these challenges, the federal government and the National Assembly performed their basic functions and passed several bills and put them into effect. But a problem lies in the enforcement of the bills on federal and state level. Moreover, apart from security issues, the government failed to set meaningful priorities.

Question

Score

Prioritization



The president and his government were in principle committed to democracy and market economy. That commitment notwithstanding, President Buhari and his government and the state governments neither had the capability and capacity nor the political will to establish, enforce, or execute consistent priorities with regards to the required socioeconomic and political reforms.

There was hardly any progress as far as the ailing power sector, construction and privatization of refineries and improving the transportation and road system were concerned. Only the counterinsurgency in the northwest, where the Islamist group Boko Haram was almost cornered, provided some positive results toward the end of the period under review. There were strong indications, however, that the fight against widespread corruption did not show any of the expected results.

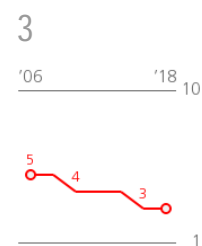
At times, even implementing the annual federal budget was an issue of concern. Despite the economic recession, the new government was still able to redistribute quite reasonable resources favoring politicians and the elites.

Nigeria’s political leadership has to a large extent learned how to successfully deal with the international community, the donor countries and the relevant international financial institutions. As far as domestic politics were concerned, the record regarding the learning process was at best mixed. The federal government under the new leadership of a committed President Buhari was only partially able to address the multiple social, ethnic, sectarian and economic challenges. Concerned with the ultimate goals in relation to the fight against corruption on all levels and the counterinsurgency in the northwest, the government lost touch with economic realities, indicated by the fact that it held on to an unrealistic exchange rate for the local currency and pursued a growth strategy through huge deficit spending, which did not produce the expected results. In fact, as far as socioeconomic challenges are concerned, the learning process of the new government is very disappointing.

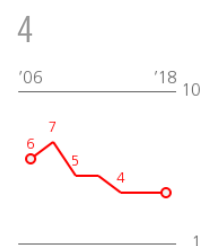
15 | Resource Efficiency

The federal government and the governments of the federal states do not make effective use of available human and organizational resources in their transformation policy. A consensus still exists that all 36 federal states and the federal territory shall be represented in government. This federal model – in other words the “Nigerian System” – is to a large extent a disguised legal modus operandi for enriching politicians, the huge state apparatus and segments of the elites. The new leadership responded to the decline of revenue triggered by the fall in oil and gas prices and the unprecedented scale of corruption under the previous leadership with questionable budget deficits, a controversial bailout of bankrupt state governments and increased efforts in the fight against corruption. Against the backdrop of declining exchange reserves, however, there was no real progress in rebuilding the rundown national infrastructure in the form of roads, power and refineries. This notwithstanding, there was some progress in reorganizing the military and to some extent in improving and strengthening the national police force.

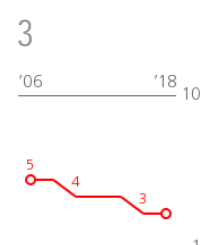
Implementation



Policy learning



Efficient use of assets

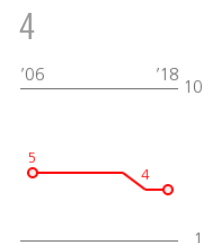


During the period under review, the president and his government were not able to overcome conflicting objectives within the government and parliament, including the state government and state assemblies, particularly concerning socioeconomic and financial affairs, the renaissance of militias in the oil and gas-producing Niger Delta and the increasing sectarian crisis and organized crime in central Nigeria and the eastern part of the Middle Belt. Against the backdrop of influential veto powers within the state apparatus, the defeated ruling party PDP, and prevailing widespread corruption within key ministries and parastatals, failure to overcoming conflicting objectives also applies to other fundamental questions: overcoming the deep economic recession; development of an adequate infrastructure; establishing sustainable development goals; demography; a result-oriented anti-corruption drive; tackling the issue of widespread unemployment among youth. This notwithstanding, the elite in general and the political class and lawmakers still find sufficient common ground when it comes to distributing the country's wealth among themselves. In addition, the still-stable democratic institutions manage to pass bills and, often after internal wrangling and 'horse-trading,' come up with federal and state budgets.

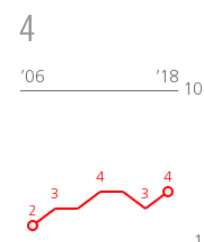
During the period under review, the new leadership under President Buhari vowed to focus on a result-oriented anti-corruption campaign and provided greater financial resources to the EFCC than the previous administration had. The ICPC holds broad authorities to prosecute most forms of corruption, while the EFCC writ extends only to financial and economic crimes. According to the United States Department of State, in October 2016, the ICPC had 82 prosecutions under way and 1,311 open investigations. It secured eight convictions between September 2015 and August 2016. The EFCC had 66 corruption cases pending in court, secured 13 convictions during the year, and had 598 open investigations. The ICPC and EFCC anti-corruption efforts largely focused on low- and mid-level government officials. However, following the 2015 presidential election, both organizations initiated investigations into and brought indictments against various current and former high-level government officials. Many of these cases were pending in court. According to both the ICPC and EFCC, the delays were the result of a lack of judges and the widespread practice of filing for and granting multiple adjournments.

There is a structural dilemma of still-weak institutions, constantly challenged by strong veto-powers. The commitment to fight corruption, however, still remains and the justice minister considers the campaign his most important mission. Although no prominent figure has been convicted so far, several former high-ranking politicians and military personnel who were investigated returned quite a remarkable sum of funds, which they had illegally privatized. However, most of the people sentenced were ordinary criminals.

Policy coordination



Anti-corruption policy



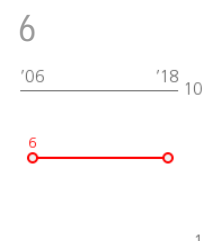
16 | Consensus-Building

The ideological difference between the ruling APC and the defeated PDP is the difference between six and half a dozen. However, both parties as well as the vast majority of Nigerians from all walks of life, are in favor of establishing and consolidating democracy and market economy as strategic goals for transforming the system. This notwithstanding, there is still a deep divide regarding how to achieve this transition, taking into consideration the north-south dichotomy, widespread corruption, sectarian crisis, renewed nationalistic movements, violent militias in the Niger Delta and organized crime in several parts of the country. The consequence of the civil war is, however, that whenever a serious crisis occurs, the political elites and the political class are able to find a consensus concerning the unity of the country, which, according to them, is not negotiable.

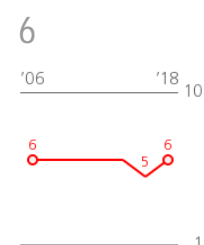
The broad alliance made up of the government, the anti-corruption commissions, NGOs and international actors, namely the IMF, the World Bank, Transparency International, the International Finance Task Force, the European Union and the United States have made only modest inroads into the endemically corrupt political system. This notwithstanding, there are strong indications that during the fifth legislative period (2015-2019), the level of corruption within the federal and state governments, particularly with regard to looting public funds, will, to some extent, be reduced. The drastic fall in oil and gas prices since the new president came to power provides a further incentive to the government to prosecute those who loot the state treasury, although with limited success so far. Interestingly, only one southern federal state, the hub Lagos, was able to mobilize a certain amount of internal revenue, which put it into a relatively better position to pursue its own socioeconomic and political agenda.

The vast majority of the political class, the security forces, the elites, the business community and the electorate openly support democracy and market economy. Nonetheless, there are still anti-democratic veto powers within democratically legitimized institutions, the security services and, probably more importantly, within the business community. The anti-democratic forces within the latter is made up of interest groups able to prevent any progress in key areas such as the power and refinery sector and almost deliberately derailed the democratization project of the fourth republic during the 2015 general elections. In addition, there are still quite strong reservations among traditional rulers and puritanical and fundamentalist forces in both Christianity and Islam.

Consensus on goals



Anti-democratic actors



Regarding the management of social cleavages, the political leadership's record is mixed at best. Attempts to at least temporarily "pacify" the oil and gas-producing Niger Delta did not result in any sustainable results. On the contrary, the emergence of new violent militia groups openly challenged the lifeline of the Nigerian ruling elites through disrupting oil and gas production. In addition, numerous sectarian clashes with quite noticeable ethnic undertones, organized crime and the resurrection of nationalist movements in the Igbo heartland compounded the cleavages.

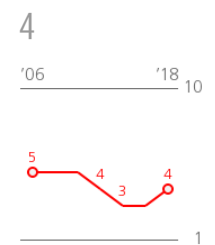
The government usually responds with a mixture of military repression and negotiations, depending on the conflict. The government stepped up its military efforts against Boko Haram but also apparently tried to engage in secret talks. Militants seeking greater control of oil revenue staged pipeline attacks in the Niger Delta, undermining talks between President Buhari and community leaders aimed at ending the upsurge in violence that emerged after Buhari came to power.

Nigerian security forces have dismissed allegations by Amnesty International that since August 2015 they have killed at least 150 peaceful campaigners for independence of the Biafra region in the Igbo heartland.

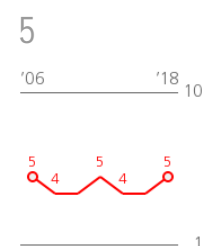
Despite the fact that President Buhari and his government have a strong mandate, they face a fragmented administrative structure of 36 federal states, 768 local governments and six councils. This was once considered an appropriate structure for dialog and resolving and overcoming social cleavages. But its decay has exacerbated deep-rooted local and regional grievances. Enhancing the concept of six geopolitical zones could lessen ethnic fragmentation and the invention and politicization of ethnic identities. The major cleavage in Nigeria, the divide between the poor and the rich, however, has not even rudimentarily been addressed to date.

Generally, the political leadership still tends to ignore civil society actors. At times, however, particularly in times of crisis, such as the uncertainty preceding the general elections in 2015, private media and representatives of mainstream and charismatic mega-churches, Islamic organizations, and trade unions and a broad coalition of NGOs have influence on the political process and decision-making. However, if it suits the leadership, civil society actors are successfully co-opted. In addition, organized groups such as the officers' club of retired high-ranking military staff or the group of former presidents, politicians or administrators serve the government's purposes whenever it is beneficial for both sides. This notwithstanding, the outcome of the general elections and the defeat of a sitting president and his ruling party had a certain impact on the strengthening of civil society.

Cleavage /
conflict
management



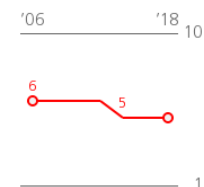
Civil society
participation



In times of crisis, the political class and the elites tend to sweep the causes of crises under the rug. Commissions of inquiries are regularly created after clashes, but their results are hardly ever published or acted upon. Against the backdrop of several crises and well-established social networks and other media, however, this approach was not applicable any more in a number of instances. However, although the government is committed to trying to reconcile conflicting interests, the numerous losers and victims of failed policies, fierce power struggles on all administrative levels, extrajudicial killings, arbitrariness and lack of justice hinder any form of sustainable reconciliation efforts.

Reconciliation

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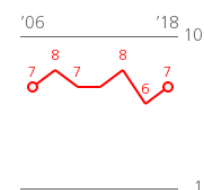


17 | International Cooperation

Progress in the transformation process toward a market economy and market-based democracy was mainly related to pressure from outside actors (the IMF, the World Bank, the African Development Bank, foreign high-profile consultants from privately run finance organizations and Nigerian experts in the diaspora in Britain and the United States). The role of outside actors in the democratic transformation process (the United States, the European Union), however, must still be rated as middling. Against the backdrop of falling oil and gas prices and conflicting interests and approaches concerning the anti-terror campaign in Nigeria's northeast, both the strained political, economic (crude oil and gas export) and military cooperation with the United States improved under the new leadership. In addition, Nigeria's new leadership vowed to improve cooperation with the European Union, France, Britain and its neighboring states in combating the Islamist insurgency. After years of half-hearted commitments, the new approach produced remarkable results in the fight against terrorism, proved by the fact that the military capacity of the Islamist insurgents has to a large extent been contained, if not destroyed. However, the issue and danger of suicide bombings had not been resolved by the end of the period under review. Nigeria's leadership and security forces do not ignore external intelligence any more. Moreover, Nigeria is committed to Sustainable Development Goals (SDGs) and has firmly established a coordinating office. But taking into consideration the failed implementation of the Millennium Development Goals introduced by WHO, one has to be cautious as far as expectations in dealing with the SDGs are concerned.

Effective use of support

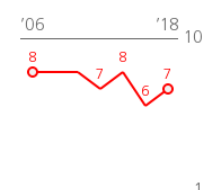
7



Nigeria's new leadership improved the country's reputation and enhanced its cooperation with international partners and organizations. In this context, a Nigerian became chairman of the African Development Bank for the first time, and a Nigerian woman was appointed UN deputy general secretary. Other high-status positions globally were occupied during the period under review by Nigerians, underlining the country's improved international reputation. In the Gambia crisis, triggered by the surprise defeat of the incumbent President Jammeh, Nigeria was appointed to lead peaceful negotiations to convince Jammeh to step aside. As far as domestic affairs

Credibility

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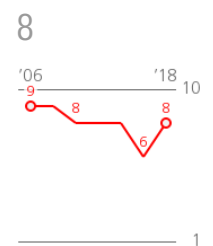


are concerned, however, this reputation was at times questioned due to the frequent abuses of the security agencies' powers in the fight against terrorists, crime, nationalists and militias.

The government has also tried to improve the country's investment climate, but, according to the Heritage Foundation, besides security issues, "severe economic policy distortions and a lack of transparency in the economic system continue to impair progress." Although, foreign and domestic investors were treated equally, the judicial and regulatory systems impeded foreign investment.

Nigeria's credibility with regards to regional cooperation has improved during the period under review. President Buhari managed to get the country back on track as a credible leader and partner in the African Union, as a respected moderator, a deployer of peacekeeping forces and a stabilizing force in the ECOWAS region. In addition, it improved the handling of the Islamist insurgency along the border with Niger, Chad and Cameroon. Nigeria's government was able to significantly remove prevailing mistrust in the context of fighting the Boko Haram insurgents, which put Nigeria back into the self-proclaimed leading role in the sub-region. In the case of the crisis in Gambia, Nigeria acted in line with its former commitment and the expectations of other countries in the region.

Regional
cooperation



Strategic Outlook

The assessment confirms the fact that Nigeria's transformation process is still an unfinished project. The institutional efficiency of the government system, the patterns of democratic representation, political attitudes and the political culture, as well as the rule of law, are still weak. Nevertheless, some progress has been achieved in the democratic transition by conducting free and fair elections in 2015. It is remarkable that, for the first time in the Nigerian history and largely thanks to the tenacity of the leadership of the electoral commission, these elections prompted a change of government after a sitting president was voted out of office. And this will likely have an impact on future ballots. The new government under the leadership of Muhammadu Buhari and the former opposition APC, equipped with a strong mandate that raised unrealistic expectations, is still committed to a market economy. However, the government faces numerous challenges in the years to come. For example, Nigeria is challenged by security issues comprising Islamist terrorism, widespread organized crime, youth violence and unemployment, militia groups, nationalism and sectarian crises. Getting the ailing economy back on track is another Herculean task. Moreover, external factors beyond Nigeria's influence, such as oil and gas prices on the world market, and domestic factors, first and foremost, the still deep-rooted corruption in all walks of life, will render the implementation of sustainable reforms in favor of market economy and competition difficult. However, the service sector will continue making some headway, still backed by revenues from the export of oil and gas.

The role of the United States, the European Union and the UN is crucial in supporting Africa's most populous country to keep the democratization process going and to further strengthen market economy-oriented structures. With substantial political and socioeconomic means, the western partners in collaboration with the UN, the IMF, World Bank and the African Development Bank must encourage and support the new Nigerian leadership in further tackling the unprecedented scale of corruption, the Islamist insurgency, the sectarian crises and organized crime in the Middle Belt and central Nigeria. This also applies to keeping down renewed nationalist and separatist movements and the mushrooming militias. Against this backdrop, it is a sine qua non condition to assist Nigeria in tracing looted funds stashed in banks in Europe and the Middle East, which should be utilized for restoring the ailing infrastructure. The telecommunications sector and the number of private schools and universities, which to some extent have proved their efficiency and quality, indicate that private initiative and capital can deliver key services. This trend continues unabated. Nevertheless, the federal government still spends huge sum on public schools and federal and state universities without being competitive. For the most part, these funds tend to be used as political tranquillizers for the huge number of teachers and lecturers and as quite a lucrative source of corruption. Strengthening the police force in order to protect the citizens against crime and to improve the police's bad reputation is still a key challenge in legitimatizing the state and its monopoly of the use of force. The judiciary, in the higher levels, has displayed remarkable strength in resolving legal cases, particularly in relation to the interpretation of the constitution and to election petitions. Such a reputation notwithstanding, its standing suffered a setback after several high-ranking judges were arrested for alleged corruption.

It is necessary to strongly support democratically oriented, moderate and enlightened groups within civil society, particular within both Islam and Christianity, the business community and the vibrant media. Nigerian civil society is lively and creative. By professionally utilizing social media, it played a decisive role in voting a sitting president out of office. The outcome of the elections gave a fresh impetus to strengthening this part of society. Although the party system is moving toward a two-party system, the defeated People's Democratic Party (PDP) struggles to survive as a political actor to be reckoned with. However, it is imperative that the new government invests greater funds and manpower in conflict management, conflict prevention and against youth violence to stabilize the still-fragile federal system.