

# BTI 2012 | Nigeria Country Report

<b>Status Index</b>	1-10	<b>4.63</b>	# 89 of 128	
Political Transformation	1-10	4.80	# 80 of 128	➔
Economic Transformation	1-10	4.46	# 95 of 128	⬇️
<b>Management Index</b>	1-10	<b>5.00</b>	# 65 of 128	

scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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### Key Indicators

Population	mn.	158.4	HDI	0.459	GDP p.c.	\$	2381
Pop. growth <sup>1</sup>	% p.a.	2.5	HDI rank of 187	156	Gini Index		42.9
Life expectancy	years	51	UN Education Index	0.442	Poverty <sup>3</sup>	%	83.9
Urban population	%	49.8	Gender inequality <sup>2</sup>	-	Aid per capita	\$	10.7

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

## Executive Summary

Nigeria has made modest progress in its transformation to democracy and a market economy, but there have also been serious setbacks. Nigeria suffered a constitutional and leadership crisis from 2009-2010, stemming from the unconstitutional behavior of President Umaru Yar'Adua, who was also gravely ill, and the federal executive council. Surprisingly, the political class, represented by the National Assembly and the 36 state governors, eventually resolved the crisis and determined that Vice President Goodluck Jonathan would become acting president in February 2010. After Yar'Adua's death in May, Jonathan became executive president. In 2009, and even more in 2010, Nigeria experienced a wave of political violence, ethnic and religious conflicts as well as a rise in organized crime, jeopardizing the country's still-weak democratic system. However, an amnesty deal in the Niger Delta significantly defused the violence in that region at least temporarily, yet did not lead to a political and socioeconomic solution to the troubles.

The political system still struggles with state coherence, improving government institutional efficiency, internal security, democratic representation and attitudes, enforcement of the rule of law and economic reforms. Economically Nigeria suffers from major shortcomings in all but two areas: economic growth due to large profits from crude oil and natural gas exports and the large and rapidly growing market for private mobile phone services.

Macroeconomic conditions remained rather stable during the period under review, from early 2009 to January 2011, thanks to soaring oil prices and the availability of sufficient foreign reserves. But a big drop in oil prices in the first half of 2009 again revealed the over-dependency on the export of crude oil and natural gas and the structural weaknesses of the Nigerian economy.

External powers such as the United States, Britain, the European Union and to some extent China, India and Brazil will in the future mainly focus efforts on helping to stabilize Africa's

most populous and most important oil and gas producer, to the extent that this can be done from outside. However, the future prospects of transformation will nevertheless rely on significant changes in Nigeria's internal politics. Interestingly, constitutional amendments inspired by the leadership crisis toward the end of 2009 were internally crafted and implemented rather smoothly, showing at least some modest progress with regard to the capacity for the government's ability to solve problems in a democratic manner.

## History and Characteristics of Transformation

Since gaining independence in 1960, the economic and political transformation process in Nigeria has been marked by periods of limited progress and many setbacks. Apart from two brief phases of civilian government (1960-1966 and 1979-1983), the current dispensation is the third serious attempt (from 1999 onwards) to establish a lasting 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 a civil war (1967-1970). Only in 1979 was the military under the leadership of Olusegun Obasanjo forced to retreat to the barracks. By 1983, a second attempt at democratization 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 a tightly controlled package of economic reforms and a democratization program which, however, was meant to fail. After the annulled elections in mid-1993, General Sani Abacha took over power in November 1993. Until Abacha's sudden death in 1998, Nigeria suffered under its worst military dictatorship, and this experience contributed to the complete loss of legitimacy of military rule. General Abdulsalami Abubakar cleared the way for elections and the transfer of power to an elected president. He also released all political prisoners.

After less than a year, the former junta head Olusegun Obasanjo (1976-1979) took office as president after a clear election victory in 1999. He was re-elected in 2003, and the ruling Peoples Democratic Party (PDP) confirmed its dominant position in 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. However, Umaru Yar'Adua, the two-term governor of Katsina state in the far north, won a landslide victory on a PDP ticket and was sworn in as the first president to assume power from a previously elected leader 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. In addition, parliamentarians used a common law rule, the "doctrine of necessity," to underline their move which had no precedent and was not explicitly backed by the constitution. Almost immediately after Yar'Adua's death Jonathan was sworn in as executive president. Against all odds, Jonathan finally became the presidential candidate of the ruling PDP, which since has experienced deepening divisions which could potentially jeopardize its

dominant position in the forthcoming elections in April 2011. The opposition parties Congress for Progressive Change (CPC) of former presidential candidate Muhammadu Buhari and the Action Congress of Nigeria (ACN) with Nuhu Ribadu as candidate are the main challengers of the ruling PDP. To some extent, the All Nigeria People's Party (ANPP) and its candidate, Ibrahim Shekarau, might play a role as well.

Against the background of increasing political, religious and ethnic violence, oil prices rose to unprecedented heights in 2007 and 2008, and the newly elected President Yar'Adua inherited the healthiest balance sheet of any new head of state since independence with some \$41 billion in foreign reserves. By mid-2008, the federal government collected foreign reserves of more than \$60 billion. But toward the end of 2010, this amount had fallen to some \$32 billion, thanks to massive spending by the incumbent president in the run-up to the elections in April 2011 and due to the intervention into the banking sector in 2009 to avoid a systemic banking crisis. However, Nigeria had reached a hitherto unprecedented deal with the Paris Club in 2005 and had been able to settle its debts with the London Club in 2007. Nevertheless, the windfall profit from oil did not accelerate the deregulation program and fuel prices were still subsidized by some \$1.4 billion annually. Despite real progress in very few deregulated sectors such as telecommunications, banking and education, the poor state-run power and refinery sectors still suffer from neglect and incompetence.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state's monopoly on the use of force is limited in some regions and generally in Nigeria's larger cities. In several parts of the country, the state can only exercise its monopoly to a limited degree. Notwithstanding the amnesty deal with well-established militant vigilante groups in the Niger Delta in 2009, new militant groups mostly composed of young people sporadically emerge in almost all regions of the country. They are however, most active in the oil and gas producing Niger Delta and increasingly in the central and eastern Middle Belt and in the Lake Chad region in the northeast.

All Nigerians are considered Nigerian citizens, and the nation state is widely accepted as legitimate. However, sub-national identities are strong and prevalent. Despite the fact that all citizens possess equal civic rights, the federal quota system, which to a large extent determines access to offices and institutions, by and large had a strong discriminatory effect. Furthermore, the very concept of indigenes was discriminatory against "non-indigenes" of a federal state, for example, immigrants from other federal states.

Under the constitution, the separation of religion and state exists. But secularization was presented with a substantial setback through the introduction of Shari'ah, or Islamic law, in 12 northern out of 36 federal states, where the vast majority of the population is Muslim and Christian fundamentalism has spread widely within the Christian faith. Thus, fundamentalism in both denominations is on the rise and both religions are increasingly making inroads in politics in all tiers of government.

Under the constitution, the three tiers of the federal system (federal, state and local) offer a sophisticated administrative structure, with a federal government including two chambers in the National Assembly, 36 governors and state assemblies, 768 local government bodies and six councils. In addition, the statutory revenue allocation is aiming at financially sustaining the administrative system. In reality,

Question  
Score

Monopoly on the  
use of force

5

State identity

8

No interference of  
religious dogmas

5

Basic  
administration

5

only the federal government and the state governors execute real power, due to their functions to decide on the distribution of financial resources. The other institutions suffer from rather low political skills and corruption, and, especially in local government, from insufficient funding and very poor administrative capacity.

## 2 | Political Participation

Universal suffrage and the right to campaign for elected office exist. In almost all cases up to the period under review, however, elections have not been properly conducted. Primaries as well as presidential, gubernatorial and general elections in 2007 were marred by widespread fraud, intimidation and violence. The ruling Peoples Democratic Party (PDP) used the means of office and its enormous financial resources to again win the elections at federal and state level with a wide margin. But deepening internal divisions and infighting, including the careless handling of security issues before and after the explosions in Abuja on October 1 and New Year's Eve in 2010, put the PDP's dominant position in the forthcoming elections in April 2011 in doubt. In addition, the new chairman of the electoral commission has committed himself to compiling a credible voter register digitally and to publishing only scrutinized and credible results.

Free and fair elections

5

Given severe constraints in the quality of elections, the government cannot be considered fully democratically elected. However, the incumbent President Goodluck Jonathan and his government have the power to govern. The power of the state on the federal as well the state level was undermined by the protracted illness of then President Yar'Adua and challenged by members of the federal executive council and civil servants on state level. In addition, the National Assembly, the states (particularly the state governors), patronage-based networks of active and retired high-ranking military officers and Christian and Muslim clergymen were also fairly influential veto actors.

Effective power to govern

2

Civic organizations can form and meet freely. However, they are still severely fragmented and mostly only active locally. Thus, their abilities to bridge numerous social cleavages are limited. Interestingly, more and more former high-ranking military officers, administrators, politicians and personalities from organized Christian and Muslim groups are founding their own NGOs. New labor laws limit the trade unions' capability to call for industrial action and even ban calls for political action. For example, the trade unions are not allowed to call for demonstrations due to fuel price increases.

Association / assembly rights

8

In general, citizens, organizations and the mass media express opinions rather freely. At times however, individuals and organizations expressing critical views are harassed by state security services. But these cases have significantly decreased in recent years. State-owned media are strongly influenced by the central

Freedom of expression

7

government and state governments. The private media, however, particularly print media, possesses a rather high degree of autonomy and often voices sharp criticism. But this contrasts significantly with the fact that the private media is more and more adopting an attitude of being deliberately biased. Additionally, the media are more and more turning themselves into public relation agencies of different interest groups. It is now common that owner and publisher often intervene to determine the news content. Nevertheless, publishers and editors are at times subject to harassment. The power of issuing licenses for radio and television is still with the president, and he uses that power in the government's favor. Against this background, the Press Freedom Survey 2010 by Freedom House still considers Nigeria "partly free."

### 3 | Rule of Law

Historically, Nigeria had a rather strong separation of powers between the legislative and executive powers on the one hand, and the judiciary on the other hand, with the latter being able to preserve a considerable degree of independence even during times of military rule. By contrast, a separation of powers between the executive and the legislative arms of government hardly exists, with the executive being much more powerful at federal and state levels than its legislative counterparts.

Separation of  
powers

7

However, ever since the National Assembly, encouraged by the 36 state governors, resolved the constitutional and leadership crisis in February 2010, the government's constitutionally enshrined checks and balances system worked, an event unprecedented in Nigeria's history. By using a common law rule, the "doctrine of necessity," the legislature passed a resolution which promoted the vice president to become acting president. This move was done against the background of brinkmanship, manipulation and deliberate misinterpretation of the constitution by the president and his advisers and the federal executive council. Under the constitution the vice president's position is rather weak, although a constitutional amendment in 2010 eventually strengthened this position, in particular in times of crisis.

To a certain degree, Nigeria's judiciary is independent from direct political influence, but also suffers from poor administrative capacities and external influence through corruption, among other issues, especially in the courts of lower jurisdiction. Transformation deficiencies exist in controlling and designating jurisdictional boundaries between three completely different legal systems, secular state law, Islamic law and customary law. Numerous conflicts have emerged between secular state law and customary law, especially with regard to family law and land lease issues. However, concerning civil and minor issues of criminal law, Islamic law has been applied in the north for decades. Numerous inconsistencies

Independent  
judiciary

7

and contradictions in the 1999 constitution have seen an increasing number of issues concerning the relationship between the three tiers of government and other fundamental principles brought to the higher courts and the Supreme Court. The latter also serves as a constitutional court, and any verdict concerning constitutional issues automatically becomes constitutional law. For the first time in Nigerian history, despite the legal, constitutional and political complexity, a government was able to amend the constitution. This landmark decision was achieved by the National Assembly and the state assemblies during President Goodluck Jonathan's short term in office. He took over as acting president in February 2010, and after the death of then President Yar'Adua in May, he became executive president. The Court of Appeal is the first court of jurisdiction for presidential and gubernatorial election petitions. In the course of the period under review the courts passed remarkable verdicts, annulling some election results and even sacking some sitting governors and installing runners-up. The Supreme Court is the highest court of the land and in charge of any appeal. The Supreme Court's and the Court of Appeal's rulings are generally abided by, but the rulings of other secular courts are often disregarded, and in most cases appeals are filed at a higher court. As far as Islamic law is concerned, no case has so far reached federal courts to question the constitutionality of applying completely different legal systems. All stoning sentences passed by lower Shari'ah courts for marital infidelity and extramarital sex were declared null and void by upper Shari'ah courts. However, Shari'ah courts passed verdicts on amputation for theft, and such punishment was delivered in some cases. As such the accused was also given thousands of naira by the state government, money declared as "social welfare," to reintegrate the individual into the socioeconomic system. When it became obvious that more and more very poor men deliberately engaged in petty crime to be charged, amputated and paid, the Shari'ah courts became more circumspect in delivering amputation verdicts.

Corruption and white-collar crime are widespread at every level. Government efforts to curb corruption through the anti-corruption agency Economic and Financial Crimes Commission (EFCC), which is basically financed by western donors, have public support. But the fight against corruption has slowed down, taking into consideration the forthcoming presidential and general elections in early 2011. Moreover, the country's elite has learned how to use the complicated legal system, its drawn-out legal processes and overburdened courts to develop successful defenses against accusations of corruption or crime. Most corruption cases were still pending at the end of the period under review or even dismissed for lack of evidence. International companies such as Siemens, Berger or subsidiaries of Halliburton have escaped prosecution by paying fines to the federal government, amounting to several million dollars. Meanwhile however, the situation has changed slightly and courts have applied new and harsher bail conditions to make it more difficult for the accused to avoid criminal proceedings. During the democratic dispensation, the judiciary has partly won back its former independence and

Prosecution of  
office abuse

5



continues to strengthen it. Some far-reaching verdicts of the Supreme Court and the Court of Appeal confirmed this trend. In 2009, Bode George, former chairman of the Nigerian ports authority and ex-vice-chairman of the ruling Peoples Democratic Party (PDP) was sentenced, along with five other board members, to 18 months in prison. A petition for the individuals to be released on bail was denied, and the Court of Appeal eventually dismissed an appeal thus leaving the accused to serve out their jail sentences. Another prominent public figure, the former Delta state Governor James Ibori, was wanted in Nigeria and in Britain but eventually escaped to Dubai. However, he failed to prevent local authorities from extraditing him. But the case was still pending at the end of January 2011.

The vast majority of Nigerian citizens still do not enjoy civil liberties. This is because the government lacks a general monopoly on the use of force as well as the political will or judicial control. This means that security forces, militias, vigilantes, religious fundamentalists and criminal gangs regularly violate civil liberties. In addition, torture and ill-treatment in police custody and extrajudicial killings are still part and parcel of law enforcement operations. Still in the period under review it is almost impossible for victims to take perpetrators to court, let alone achieve any form of redress. In addition to organized gang violence in the oil and gas producing Niger Delta, the Middle Belt in Central Nigeria and the northeastern region surrounding Maiduguri, the country has experienced waves of sectarian and ethnic violence which has threatened the lives of thousands of noninvolved citizens and has produced tens of thousands of refugees in these regions. The state lacks the ability to protect women and girls, in particularly of lower status, from violence including rape, spousal abuse, female circumcision and abuses perpetrated through customary law. However, the rights of women have slightly improved, indicated by the fact that women can take their husband to court, and no longer need a husband's approval to be issued a passport.

Civil rights  
4

#### 4 | Stability of Democratic Institutions

Given shortcomings in the conduct of elections, Nigeria is not a full democracy. Nevertheless, democratic institutions exist and there are signs that these institutions have further stabilized, although this applies more to the national than the local and regional level. The National Assembly, encouraged by almost all state governors, was even able to make a historic breakthrough by amending the 1999 constitution. In addition, against the background of the ill-health of the then President Yar'Adua and the illegal behavior of the federal executive council, the National Assembly passed a resolution by using a common law rule, the "doctrine of necessity," to support its move which had no precedent and was not backed by the constitution. Eventually, both chambers agreed to allow the vice president to become acting president. This formula expanded the federal political and constitutional scope and

Performance of  
democratic  
institutions  
3

paved the way in pushing through amendments. With the appointment of Attahiru Jega, a well-respected intellectual, as chairman of the Independent National Electoral Commission (INEC), confidence and trust in the commission was partly restored. As far as the forthcoming elections in 2011 were concerned, Jega was committed to prepare, execute and monitor free and fair elections.

The country's political institutions cannot be considered fully democratic. However, most influential political, social and economic actors within and without the state system generally accept and support the state's (nominally) democratic institutions and in addition regard them as legitimate. This commitment also applies to most citizens.

Commitment to  
democratic  
institutions  
3

## 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, which coincides with the run-up to presidential and general elections fixed for April 2011, no organizationally stable, socially embedded party system had been established. Some 63 parties were registered to take part in the elections, but taking into account the absolute majorities of the ruling Peoples Democratic Party (PDP) since 1999, the Nigerian party system qualifies as a dominant party system. The ruling PDP and the All Nigeria Peoples Party (ANPP), so far the two most influential parties, which, under different names, have their roots in the late 1980s and late 1970s respectively, have dominated elections on federal and state level. However, the Action Congress of Nigeria (ACN), which was an incarnation of the former Alliance for Democracy (AD) and afterwards known as the Action Congress (AC), gained momentum during the period under review. The party could reach out from its stronghold in Lagos to other Yoruba-dominated states. With some striking election tribunals' verdicts, the ACN won the governorship in three more states. At the same time, the PDP, which has a rather loose nationwide network, experienced increasing deepening divisions and serious internal wrangling toward the end of 2010, thereby jeopardizing its dominant position. In addition, a new northern platform emerged under the name Congress for Progressive Change (CPC). The former military dictator Muhammadu Buhari, unsuccessfully bidding twice to win presidential elections on an ANPP ticket, became the CPC's presidential candidate. All the registered parties barely have partisan objectives and are mostly dominated by moneyed politicians and local powerbrokers who are expected to mobilize the local electorate. However, at the end of the period under review, it was not even certain that the incumbent president would win the presidential election.

Party system  
4

Traditions of civil society are still weak. Notwithstanding an increase in NGO activity, the landscape of voluntary organizations is still meager and plagued by scarce organizational resources. However, there is a positive general trend in the

Interest groups  
4

development of civic interest groups, but they do not arouse broad citizen participation. This also holds true for the development of a civic culture supporting democracy. But the “godfather system,” made up of local strongmen who dominate regional and national politics, still shapes domestic politics, in particular in crisis-ridden areas such as the Niger Delta, the Middle Belt, the Yoruba heartland and the northeast of the country. In addition, small groups of both religious faiths play a dubious role by politicizing religion, which was demonstrated during several deadly clashes in the Plateau state in 2010 and early 2011.

However, next to civil society and faith-based organizations, there are other cooperative associations and interest groups (professional associations and so on) that sometimes play a role in mediating between society and politics. Nevertheless, important sections of society are not represented at all.

Taking into account the poor quality of elections (in 2007) the BTI considers Nigeria undemocratic and thus the indicator popular approval of democracy does not apply to the country. However, despite the slow pace of civic development, serious setbacks and many shortcomings, public faith in the democratization process still prevails, in particular following the resolution of the serious constitutional and leadership crisis between November 2009 and February 2010. Although skepticism over the country’s ability to hold fair elections increased after the 2007 elections, trust has been slightly regained thanks to the leadership of the electoral commission. Against this background, the majority of the eligible voters were keen to be registered in a registration exercise in January 2011. In the last round of Afrobarometer surveys, 72% of all respondents preferred democracy to any other kind of type of government. Around two-thirds (74%) rejected military rule or a one-party state. However, regarding the actual performance of democracy, Nigerians are much more critical. Some 40% consider Nigerian democracy as having major problems, while 42% see little or no problems. Some 14% deny that Nigeria is a democracy.

Approval of  
democracy  
n/a

Nigeria’s civil society is still weak and highly fragmented. The majority of civil society groups were so-called one-man shows, with minor positive impact on the political system. Weakened by federal legislation, trade unions even lost political ground and widened the space for the state apparatus, state-run companies and parastatals to redistribute income from bottom upwards. The private sector, particularly multinational companies, also benefited from weak unions, meaning that for the foreseeable future Nigeria’s labor movement can only marginally serve as a channel through which societal interests will be articulated. To a certain extent, however, the small group of technocrats in the presidency, in particular from the Nigerian Diaspora and in the National Assembly, listened to the small but well-organized private sector. Sophisticated positions within the private sector such as information and communications technologies, banking, insurance and oil and gas are increasingly occupied by Nigerian technocrats and professionals from the vast

Social capital  
4

diaspora. They play a major role in spearheading reforms, even if their mission is temporarily restricted. Nigerians were to a large extent forced and able to organize themselves on the local level. On the other hand, Nigerians are well-known for not having much interpersonal trust. Notwithstanding that, almost all citizens are members of either the Christian or Muslim faith, which has become the most important communication platform and social and economic security institution for common people.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Key indicators still show a low level of development, which does not fully allow adequate freedom of choice. The rather poor HDI score of 0.423 puts Nigeria at a rank of 142 out of 169 countries. There is widespread and deep-seated social exclusion caused by poverty. The Human Poverty Index (HPI) score for Nigeria is 0.368, which translates into a ranking of 114 out of 135 countries. More than half of the population of 150 million lives on less than \$2 per day. Nigeria's Gini index score is 42.9, its Gender Empowerment Measure score 0.39, while the education index is 0.422 and the literacy rate is just 60%. Inadequate education is reflected by very poor scores of just 0.648, also indicated by a school enrolment of 53% and government expenditure on education of 0.9% of GDP. Nigeria has not succeeded in lessening extreme inequalities and income differences during the observation period. Extreme regional imbalances of development remain unchanged, particularly between the north and south.

Question  
Score

Socioeconomic  
barriers  
2

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	165920.9	207117.9	168567.2	<b>193668.7</b>
GDP growth	%	6.4	6.0	7.0	<b>7.9</b>
Inflation (CPI)	%	5.4	11.6	11.5	<b>13.7</b>
Unemployment	%	-	-	-	-

Economic indicators		2007	2008	2009	2010
Foreign direct investment	% of GDP	3.6	4.0	5.1	<b>3.1</b>
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ mn.	27643.4	28079.1	13153.1	<b>2476.2</b>
Public debt	% of GDP	12.8	11.6	15.2	<b>16.4</b>
External debt	\$ mn.	8530.7	11333.7	7713.0	<b>7882.5</b>
Total debt service	\$ mn.	1243.6	573.6	492.5	<b>348.8</b>
Cash surplus or deficit	% of GDP	-2.1	-1.7	-	-
Tax revenue	% of GDP	0.2	0.3	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	5.3	5.2	5.8	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.6	0.8	0.9	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

## 7 | Organization of the Market and Competition

The foundations of market-based competition exist. The state sector, which still has a monopolistic grip in key segments of the economy such as electricity production, petroleum refining and the import and production of highly subsidized fuel, has been deregulated to some extent. The privatization of the financially troubled Nigerian Telecommunications Limited (NITEL) failed several times and it is doubtful whether any investor will ever be willing and able to take over this state company. However, this company has already lost any relevance in the highly competitive telecommunication market. In addition, there has been no progress in establishing a private power generation market, and the vast majority of Nigerians still suffer with regular electricity blackouts. There are no indicators which could reverse this trend within the foreseeable future. Additionally, there are hardly any remaining restrictions on currency convertibility.

Market-based  
competition

5

There exists no anti-cartel legislation as such. To a certain extent however, the slow but steady privatization trend and competition have broken state monopolies and state cartels. This was particularly true for the largest and highly competitive telecommunication market in Africa. More than 70 million mobile phones are in use, a 50% penetration rate. Administrative incompetence in conjunction with bureaucratic corruption still takes its toll to the disadvantage of a competitive and enabling environment.

Anti-monopoly  
policy  
3

Foreign trade has been deregulated further, and there is no fundamental state intervention in free trade. This particularly applies to the treatment of the significantly growing foreign investment in the oil, gas and information and communications technology sector. There are no longer any real restrictions on transactions, transfers or repatriation of profits. Foreign direct investment reached \$6 billion in 2009, but fell to \$2.3 billion by the end of 2010.

Liberalization of  
foreign trade  
6

The 24 Nigerian banks account for some 60% of the market capitalization of Nigeria's stock exchange. In 2009 however, in an unprecedented move, the Central Bank injected \$2.6 billion into five undercapitalized banks in an effort to prevent a systemic banking crisis. It turned out that these five banks alone accounted for more than 40% of the stock exchange's market capitalization. Shortly thereafter, the Central Bank had to intervene again and provided yet another \$1.3 billion to four more banks expected to face a grave liquidity crisis. However, few banks have successfully opened branches abroad and overseas. Interestingly, the Central Bank dismissed the chief executives and some of the principle staff of the affected banks. Eventually, the anti-corruption Economic and Financial Crimes Commission (EFCC) arrested and detained as many actors from the crisis as it could and prosecuted them on multiple fraud charges. In mid-2010, the government established the Asset Management Company (AMCON) to soak up bad bank loans. It has a projected lifespan of 10 years. Older figures indicate the mixed record of the Nigerian banking system, as in 2008, 19.7% of loans were non-performing (which indicates an increase since 2001) and the bank capital to assets ratio stood at 18% (having been on the rise since 2001).

Banking system  
7

## 8 | Currency and Price Stability

Inflation and exchange rate policy have been rather consistent during the assessment period. The Central Bank's new governor, Lamido Sanusi, enjoyed an unprecedented space of maneuver in resolving the serious financial and banking crisis in mid-2009. Prior to that, more than 1,100 currency exchange offices, to which the Central Bank makes a weekly sale of some \$200 million, were put under tighter control and were even temporarily split into classes A and B to allow easier supervision. Class A outfits were allowed to import and transfer foreign exchange, provided they had a minimum paid-up capital of NGN 500 million at all times and a

Anti-inflation /  
forex policy  
6

minimum deposit of \$200,000 with the Central Bank, while class B was permitted to sell a maximum of \$5,000 per transaction. Notwithstanding this, the new system was abused and eventually abandoned by the end of 2010. Despite soaring oil prices, the government drafted its budget on a benchmark of \$45 in 2009 and \$60 in 2010 for a barrel of oil, thereby demonstrating a certain fiscal discipline. In addition, the government could keep the inflation rate at a low double-digit rate of some 12% to 14% for most of the period under review. The exchange rate to the dollar however, was kept reasonably stable. At the end of 2010, the exchange rate stood at NGN 150 to \$1. For 2009, however, the real effective exchange rate was NGN 109 to \$1.

Thanks to recovered crude oil and gas prices in 2009 and 2010, Nigeria could maintain a reasonable amount of foreign currency reserves of some \$32 billion toward the end of the period under review. However, the unprecedented amount of more than \$60 billion in 2008 was depleted by shrinking world market prices, by intervening in the banking sector to avoid a systemic banking crisis and eventually by huge public spending against the background of the forthcoming presidential and general elections. The external debt portfolio however was kept fairly stable at some \$4 billion, while domestic debts rose to the large amount of some \$28 billion. The outcome of this is a debt-to-GDP ratio of 16.5%. With a growth rate of 6.5% per annum, actual deficit spending increased from 3% of GDP to 6% in 2010. The projected deficit spending for the 2011 financial year is expected at 3% of GDP.

Macrostability  
6

## 9 | Private Property

Property rights and acquisition of property are, in principle, 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 is limited when raw materials are found. In principle, these materials 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 may take a long time to be settled in court. In addition, local chiefs or communities often sell land that is later found to have an unsecured title status. This also hinders investments on behalf of private companies. Moreover, state governors, acting as custodians of the land and handling the leases, very often abuse their office by rewarding their clientele.

Property rights  
5

In general, private companies are permitted. The authority in charge of privatization is still trying to stick to transparent procedures by auctioning state-owned or partially state-owned companies, which are short-listed. However, in several cases this did not produce the desired results, as just one example with the sale of the state-owned telecommunications company NITEL. Either the successful bidder

Private enterprise  
5

turned out to be incapable of paying the balance or the amount offered did not meet the government's expectations. In addition, administrative and legal requirements are quite involved in registering company.

## 10 | Welfare Regime

In general, the societal burdens of an aging population, health concerns, underemployment and unemployment are supported mostly by extended-family networks and the informal sector. This means that only civil servants and employees of the higher education system, state-owned and partially state-owned companies and big international companies enjoy a certain level of social security. However, the pension reform act of 2004 empowered the private sector to introduce a new scheme, crafted by the federal government in 2004 and adopted by the state governments in 2006. The federal government makes monthly payments into the fund of an amount equal to 5% of the total monthly wage bill, payable to all employees of the federal government and the federal capital territory of Abuja. Pension boards in the private sector that existed before the reforms will continue to administer pensions of existing pensioners, and the National Pension Commission will supervise such boards. Pension departments have been created to carry out the functions of the relevant pension boards or offices with the goal of making regular and prompt payments to existing pensioners. The pension funds contribute to the Nigerian Social Insurance Fund (NSITF), into which employees from companies with more than five employees paid 3.5% of their gross salary, with an employer contribution of 6.5%.

Social safety nets  
4

The distribution of income in Nigeria is highly unequal. More than 70 million people live on less than \$2 a day. However, with the U.N. program State Economic Empowerment and Development Strategy (SEEDS) and efforts to achieve the Millennium Development Goals the previous administration tried to create jobs and reduce widespread poverty, but with very limited success. The incumbent President Goodluck Jonathan has so far offered no policies to reverse this negative trend. There are no mechanisms to promote persons with disabilities or the socially disadvantaged. However, women with secondary or even tertiary education have access to state and public institutions, and more and more well-educated women have access to the expanding private sector (banking, insurance, private media and so on). Gender-based discrimination against women in the legal system has also been reduced. Despite the fact that women from within the elite can rise to the top of ministries and state agencies (for example the anti-corruption Economic and Financial Crimes Commission (EFCC) is chaired by a woman), women play a very small political role in state and local government, let alone at the grassroots level. The literacy rate has hovered around 60% at best, and just 53% of the population is enrolled in schools. Against this background, the ECOWAS court passed a verdict

Equal opportunity  
4



in 2010 which ordered the Nigerian government to provide free and compulsory education to every child. Nigeria's government however did not indicate that it would abide by the court ruling.

## 11 | Economic Performance

As a result of rising oil and gas prices during the last quarter of 2010 and at the beginning of 2011, when the oil passed \$90 per barrel, Nigeria showed some positive macroeconomic figures and achieved modest macroeconomic stabilization. However, in the run-up to the elections, the government's spending discipline suffered. Notwithstanding, growth rates averaged between 5.5% and 7.0%. This was in sharp contrast to an atmosphere of unstable and even volatile government policies. In tandem with this positive growth rate, the inflation rate increased to 14% toward the end of 2010. Foreign reserves fell significantly to \$32 billion, 25% lower than the previous year. External debts totaled \$4.5 billion, but internal debts have risen to \$28 billion, which translates into a debt/GDP ratio of 16%. Budget and current account balance deficits became manageable; in 2010, the budget deficit was 6% after being 3% in previous years. The government and international finance agencies predicted a deficit of 3% in 2011.

Output strength  
6

## 12 | Sustainability

Environmental awareness has neither grown within government circles nor among lawmakers or society. No progressive measures have been implemented, despite the government's commitment to address the threat of climate change. Deforestation, overgrazing, desertification, a lack of garbage collection, air and water pollution, industrial pollution, particularly in the oil and gas sector, and the pollution caused by several million privately used generators all over the country were the nation's primary environmental problems. Environmental concerns tend to take a back seat to economic growth considerations. Ecologically sustainable growth only got scant attention and was not reflected in the institutional framework. In fact, worsening environmental problems affected the whole country. This is reflected in Nigeria's poor showing in the Environment Performance Index with a score of 40.2, which ranks Nigeria as 153 out of 163 countries.

Environmental  
policy  
3

Education and training facilities are available in important market segments, but such programs hardly meet internationally accepted standards. Overall, the level of state funded and state run education has sunk further in recent years, despite more than 60 public tertiary institutions. In some indicators such as school attendance, the record has worsened, reflected in enrollment of only 53% of all school-aged children. Major shortcomings exist in research and development. Quantitatively and qualitatively, public investment in education, training, research and development is

Education policy /  
R&D  
3

low. In 2010, state expenditures for education accounted for 0.9% of GDP. Interestingly, private education on all levels is on the increase. At the end of the period under review, 41 private universities were already licensed. This trend continues unabated, indicating that the state's responsibility to keep, promote and finance education is quickly diminishing.

## Transformation Management

### I. Level of Difficulty

The level of difficulty of transformation in Nigeria must still be considered high. The country's rather limited experience with democracy and the rule of law have hindered the stabilization and expansion of democratic transformation. The low level of economic and social development, widespread and severe poverty, a high unemployment rate among the younger generation, endemic corruption, inefficient state administration and rule of law institutions, significant ethnic and social heterogeneity have increased the level of difficulty. In addition, the country still suffers from poor infrastructure and widespread instances of HIV/AIDS infection, which affects more than four million people (though still a low number in comparison to other countries in southern Africa).

Structural  
constraints  
8

Traditions of civil society are still weak. Notwithstanding an increase in NGO activity, the network of voluntary organizations is still weak and plagued by scarce organizational resources. However, there is a positive general trend in the development of civic interest groups, but they have yet to arouse broad citizen participation. This also holds true for the development of a civic culture that supports democracy and democratic institutions.

Civil society  
traditions  
5

The north-south divide between Christians and Muslims is still a hot point. In 2010 and at the beginning of 2011, the violent crisis in the central Plateau state in the Middle Belt, with its capital Jos, seriously jeopardized the stability of the political system. In addition, serious sectarian clashes in the ethnic Kanuri-dominated northeast and in the multiethnic and multi-religious eastern Middle Belt created havoc on the ground and instilled fear in the general population. The still volatile and unresolved crisis in the oil- and gas-producing Niger Delta has only stoked sectarian flames. Additionally, a nationwide-deep split between the political elite and general society, in particular in the run-up to the elections, has often escalated to political violence with ethnic and religious undertones.

Conflict intensity  
8

## II. Management Performance

### 14 | Steering Capability

The country's structural, political and economic problems permitted government actors to pursue only a few medium-term goals, such as the liberalization of the telecommunications sector. The reform agenda of the former President Yar'Adua, whose ill health prevented him from executing constitutional powers, was practically put on hold. After his untimely death in May 2010, his successor, Vice President Goodluck Jonathan, retained the status quo in the interests of preparing his campaign for president as part of the ruling Peoples Democratic Party (PDP) in the forthcoming elections. To the surprise of many, however, a clear majority for the ruling party PDP on both the federal and state level, supported by other parties and the state governors and state assemblies, was able to amend the constitution. The ultimate aim was to avoid a constitutional and leadership crisis, which haunted the political class and the elites for some time during Yar'Adua's protracted illness and absence from office. Nevertheless, the IMF and the World Bank praised the government for preventing a systemic banking crisis in 2009.

The government is in principle committed to democracy and market economy. Notwithstanding the new government of President Goodluck Jonathan and the public administration do not have the organizational capability or capacity to establish, enforce or execute consistent priorities in required economic reforms. The incumbent's predecessor had even reversed modest reform projects initiated by previous governments, maintaining that many projects did not follow procedural rules. In this respect, President Jonathan behaved like all his predecessors, who criticize the previous leader to establish their own and allegedly independent profile. However, the two chambers of the National Assembly and the majority of state assemblies made history the previous year by amending chapters of the 1999 constitution, such as strengthening the once-weak position of the vice president and the National Assembly in case of a leadership crisis, extending the tenure of governors in case of an election rerun, and establishing a new electoral act, as just a few examples. The president and the vast majority of the National Assembly were of the opinion that presidential assent over the amendments was unnecessary, but legal experts outside the relevant institutions challenged that opinion in court. The president eventually gave in to these legal challenges from outside the law, and he eventually assented to the constitutional amendments in January 2011. Jonathan thus avoided a possible legal battle expected after the forthcoming 2011 elections.

Question  
Score

Prioritization  
4

Implementation  
4

Nigeria's political leadership has learned how to successfully deal with the international community, donor countries and relevant international financial institutions. In domestic politics, however, the learning process was different. The federal government under President Goodluck Jonathan's leadership was not able to solve the country's many serious social, ethnic and religious crises, neither with political nor military means. With a wait-and-see attitude, the federal government continued to deliberately ignore the well-known roots of the crisis. In addition, deadly bomb blasts in Abuja, Port Harcourt, Warri and Yenagoa undermined the incumbent's leadership authority. As far as the government apparatus was concerned, the incumbent president used his executive power to establish a new chain of guards within the presidency, the military and other security agencies to strengthen his own position in the forthcoming presidential election. With the appointment of two bankers from the Nigerian Diaspora to handle the finance ministry and the newly established Asset Management Company, the government made it clear to the international community that central portfolios were kept in the hands of highly experienced technocrats.

Policy learning  
5

## 15 | Resource Efficiency

The government does not make effective use of available human and organizational resources for its transformation policy. There is still a consensus that all 36 federal states and the federal capital territory must be somehow represented in government, at least via the six geopolitical zones. This resulted in an inflated cabinet, in the installation of several ministers with questionable qualifications and the creation of a huge number of agencies and commissions. President Goodluck Jonathan reshuffled the federal executive council soon after taking over as acting president in early 2010. In addition, a wide-ranging redeployment of high-ranking and senior military and police officers and the enforced retirement of a great number of leading security staff opened the way for promoting hundreds of officers in the lower ranks. The appointment of members of the numerous boards of parastatals, which in most cases are very inefficient but a lucrative opportunity to earn money in a rather short period of time, is also part and parcel of any government policy. However, despite the fairly high amount of federal reserves and several declarations of intent, no real progress has been made in rebuilding the country's run-down basic infrastructure such as roads, power stations and refineries. Little headway was made in the rebuilding of the disorganized national police force either. Although budget planning has become more transparent, the government regularly failed to implement its own budget within a defined time frame, let alone utilized the budget's respective allocations according to targeted projects, neither on a federal nor on a state or local government level.

Efficient use of  
assets  
4

During the evaluation period, the government was not able to overcome conflicting objectives within and outside government and within parliament concerning the situation in the volatile Niger Delta, the methods of conflict resolution in the Middle Belt, the effective use of government revenue or the efforts to stem corruption. Notwithstanding the government of former President Yar'Adua was eventually forced to give in to the interests of lawmakers in the National Assembly, who finally resolved the leadership and constitutional crisis. The serious impact of that leadership crisis convinced the political class to form a broad alliance in amending the constitution to prevent a similar future crisis. Apart from issues such as a new electoral act, the political class on federal and state level focused on strengthening the position of the vice president and the National Assembly in case of a leadership crisis. From this it followed at least on the political front that the new government under the leadership of President Goodluck Jonathan overcame serious structural impediments.

Policy  
coordination  
5

A broad alliance made up of the government, two anti-graft commissions, NGOs and international actors, namely the IMF, the World Bank, Transparency International and the International Finance Task Force, has at least made inroads into Nigeria's endemically corrupt society. In 2010, Cecilia Ibru, of the renowned Ibru family, was the most spectacular corruption case; Ibru was sentenced to six months imprisonment and several million dollars were confiscated. All the CEOs from banks which were rescued by the Central Bank were sacked and eventually charged with fraud by the anti-graft commission. The cases are still pending in court. The anti-graft commission particularly targeted several former state governors, who have allegedly enriched themselves by helping themselves to federal statutory allocations earmarked for the respective states. So far only a former Bayelsa state governor was sentenced to six months in prison. In addition, the former chairman of the ports authority and vice chairman of the Peoples Democratic Party (PDP), along with five other board members, was convicted and imprisoned in 2009. There is no public procurement system or a required declaration of assets on behalf of office holders. In addition the media or in general citizens have little access to information concerning public funding, except those numbers published officially.

Anti-corruption  
policy  
4

## 16 | Consensus-Building

The government, the small but organized private sector and business-oriented Nigerians at home and abroad were in principle committed to democracy and a market economy as strategic, long-term objectives. There was, however, considerable conflict among the political class and the political and social elites in Nigeria on the substance of a market-based democracy. This conflicting attitude exists within all three tiers of government, in democratic institutions, in parties

Consensus on goals  
6

inside and outside the realm of parliament (particularly in radical and militant “self-help organizations”) in trade unions and in fundamentalist groups affiliated with the Christian or Muslim faiths. In addition, most political actors have very different views and little political theory regarding the contents of the concepts of “market” and “democracy.” At the same time, political actors represent dissenting opinions about the best path to further development. Thus, the reform toward a market economy is still erratic and often suffers setbacks.

In the period under review there were no outwardly anti-democratic powerbrokers on the political scene. However, there were increasing violent and sectarian clashes in different parts of the country, in particular in the Niger Delta, in the Middle Belt and in the northeastern region, which were not able to be quelled by the Jonathan administration. There are several actors who represent anti-democratic sentiments which have not yet been transformed into influential anti-democratic forces. Against this background, erratic speculation and rumors concerning a return to power of the military are rampant, but such rumors largely lack substance. And since the military’s withdrawal from government in 1999, it has regularly emphasized its commitment to democratic and constitutional rule.

Anti-democratic  
actors

6

The record of the political leadership is mixed regarding the management of social cleavages. With an amnesty program, the government could reduce the violence in the conflict-ridden Niger Delta to a certain extent. But the government was unable to handle the massive violent clashes in the Middle Belt and in the northeast. However, in general the government and other political actors were able to contain the violence from engulfing the whole of the country. In addition, the fragmented administrative structure of 36 federal states, 768 local governments and six councils did not really contribute to overcoming social cleavages. To a large extent, this fragmentation even exacerbated deep-rooted local and regional grievances, thus compounding the existing cleavages. A way out of the dilemma could be by politically sticking to and further developing the concept of the six geopolitical zones, which might be able to ease the destructive effects of what appears to be an unending process of ethnic fragmentation and permanent invention between ethnic groups. This concept is slowly influencing political decisions, in particular when it comes to the selection and appointment of high-ranking personnel.

Cleavage /  
conflict  
management

4

The political leadership still tends to ignore civil society actors. However, if it suits the leadership, particularly in times of crises, actors have been successfully co-opted. In addition, NGOs, such as the clubs of retired high-ranking military staff or of former politicians, administrators or top military men, serve the government whenever possible. Despite the general low level of organization within civil society itself, this strategy of co-opting allegedly relevant and influential actors of so-called NGOs has been rather successful. An environmental activist from the volatile Niger Delta for example, who was a prominent figure in the technical committee on the Niger Delta, became Ethiopian ambassador after the report on

Civil society  
participation

5

how to pacify the Niger Delta had been submitted to the former President Yar'Adua. In addition, the activist was also in charge of affairs concerning the African Union and the Horn of Africa.

The amnesty program in the conflict-ridden Niger Delta was a remarkable approach in pacifying the region and in trying to begin a reconciliation process. The current status, however, has had mixed results. Notwithstanding, after almost every serious case of violent ethnic and religious clashes, the federal and state governments appointed commissions to investigate the causes of conflicts. Despite the fact that most of the reports were well-researched and accurate, the findings have not been utilized to compensate victims, let alone take the alleged culprits to court. An exception happened in the Plateau state in 2010 when individuals involved in violent clashes were sentenced and imprisoned. There is a tendency that official reports on serious social cleavages with religious and ethnic undertones are not made public.

Reconciliation

6

## 17 | International Cooperation

Nigeria's progress toward a market economy and market-based democracy was strongly related to the actions of outside actors (IMF, World Bank, African Development Bank and foreign high-profile consultants from privately run finance organizations). Collaboration with these actors underlined the government's increasing willingness to fulfill agreed conditions and effectively use resources provided by others. The role of outside actors in the democratic transformation process (European Union and the United States) however, must be rated at a medium-level at most. Nigeria kept and strengthened the political, economic (crude oil and gas export) and military cooperation with the United States, particularly in the oil and gas producing Niger Delta. In addition, it has been rebuilding and strengthening its ties with Britain, particularly in the northern part of the country. By deepening the economic and to some extent the political cooperation with China and India, there is an ongoing learning process. However, this cooperation was definitely utilized to create an economic and political choice, particularly as far as the close cooperation with the United States is concerned.

Effective use of support

7

Nigeria only collaborated reliably and credibly with international organizations to a certain extent. The government's economic reform program significantly slowed down while spending reached new heights, thus somehow frustrating international donors and finance organizations. At the same time, Nigeria demonstrated its capacity in resolving a constitutional and leadership crisis by democratic means, a success which brought widespread commendation.

Credibility

7



Nigeria tried to act as a credible leader and partner in the African Union, as a respected moderator in Niger, Côte d'Ivoire and Darfur and as a stabilizing force in the ECOWAS region and on the continental level at large. Despite strong internal opposition, the leadership re-established normal relationships with its neighbor Cameroon after resolving the disputed Bakassi and other border issues, thereby demonstrating its capacity to resolve political problems through political and diplomatic means.

Regional  
cooperation  
8

## Strategic Outlook

The country's rather uncertain overall political and economic situation underscores the assessment that Nigeria's transformation is far from over. The institutional efficiency of the government system, the country's pattern of democratic representation and attitudes toward the rule of law are still weak. Some modest progress has been achieved, in the realm of market reform in favor of competition. Though structural constraints should not be neglected in any analysis of Nigeria, the way forward toward democracy and a market economy will to a certain extent be determined by the election marathon in April 2011, outside the period under review. There are indications that the new leadership of the once-discredited electoral commission is capable in conducting reasonably free and fair elections, which could stabilize the country's democratization process, produce legitimized institutions and brush up the Independent National Election Commission's poor reputation.

The United States and the European Union have a role in supporting Africa's most populous country to overcome the vicious circle of election fraud and organized violence before and during elections. Although such influence remains limited, outside support has not yet been used efficiently, due to wider political (regional stability) and economic (crude oil) interests.

The European Union, in collaboration with the United Nations, the IMF and the World Bank must by all means encourage and push democratization to stabilize Nigeria, by encouraging the Nigerian leadership to tackle the deep-rooted crises in the Niger Delta, in the Middle Belt and in the northeast with political and socioeconomic means. Against this background, it is a *sine qua non* condition to keep up the pressure for deregulating key sectors such as refineries and power generation facilities. The telecommunications sector and the booming growth in private schools and universities, which have already proved far more efficient than state-run secondary and tertiary institutions, have indicated that private initiative and capital can deliver key services. That does not mean that the state must give up its responsibility for crucial infrastructure, such as roads, transport, water, security, primary education and basic social services. Without a doubt, strengthening the police force and the judiciary are still the most important tasks and challenges, at least in the short-term, and as such are far more important than giving priority to the war on terrorism. Also, there has been some progress in increasing the performance of government officials and parliamentarians at the federal level, proven by the fact that the serious constitutional and leadership crisis has been resolved. Some ministers and technocrats, particularly those dealing with finance, have performed well. In addition, the judiciary, represented by the Court of Appeal and the Supreme Court, displayed remarkable strength by annulling several election results, sacking governors and in some cases even reversing certain outcomes by installing the runners-up in office.

It is also important to strongly support democratically oriented moderate and enlightened groups within civil society, particular within the Christian and Muslim communities and in the business

community. Nigerian civil society is lively and creative but nevertheless institutionally weak and relatively small. The party system is still underdeveloped, inflated and thus weak and it will take years before new parties will become relevant and establish solid political platforms. Therefore, it is worth using funds and manpower in the field of conflict management and conflict prevention on the local level, particular in the country's hotspot areas, to further stabilize the still fragile, three-tier federal system.