

BTI 2016 | Nigeria Country Report

	scale	score	rank	trend
Status Index	1-10	4.88	# 85 of 129	
Political Transformation	1-10	5.40	# 70 of 129	➔
Economic Transformation	1-10	4.36	# 99 of 129	➔
Management Index	1-10	4.06	# 94 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. 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	177.5	HDI	0.504	GDP p.c., PPP \$	5911.2
Pop. growth ¹	% p.a.	2.7	HDI rank of 187	152	Gini Index	43.0
Life expectancy	years	52.5	UN Education Index	0.425	Poverty ³	% 76.5
Urban population	%	46.9	Gender inequality ²	-	Aid per capita \$	14.6

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

The evaluation period ends shortly before the presidential, gubernatorial and federal and state assembly elections. Originally scheduled for February 2015, these elections have been postponed to the end of March 2015. During the evaluation period, two substantial security crises have emerged: an unprecedented Islamist insurgency in the northeast and sectarian clashes in the eastern Middle Belt. Nigeria's economy grew, overtaking South Africa's economy, to become the largest in Africa. However, a dramatic collapse in the world oil price toward the end of the evaluation period threatens this recent improvement. President Goodluck Jonathan and the ruling party, the People's Democratic Party (PDP), face a new challenge from the All Progressive Congress (APC). The APC has become a formidable political challenge since its recent formation in 2013 following the merger of several minor parties. It has a solid platform, and well-known leader in the former military dictator and a three-time presidential candidate, Muhammadu Buhari. Having considered the results of the upcoming elections a forgone conclusion, President Goodluck Jonathan and the ruling PDP began to show signs of complacency towards the end of 2014. Momentum has built behind a desire for change, which has caused unease and even panic within the government and PDP. Increasingly President Goodluck Jonathan's four years in office are being perceived as wasted. Under his leadership, corruption has increased, particularly in the oil sector as well as public expenditure on fuel subsidies and internal security.

President Goodluck Jonathan and his government have totally failed to address, let alone resolve, the Islamist insurgency in the northeast of Nigeria. While widespread corruption within security services, poor military equipment and a lack of political will make any meaningful military campaign impossible. In addition, Nigeria's political and military leadership have proven themselves incapable of developing an effective strategy to counter the insurgency, which has the potential to destabilize the entire political system. The government has resorted to the same strategy practiced by previous regimes, brinkmanship.

The political system still faces problems regarding state integrity, institutional efficiency of the government system, internal security, patterns of democratic representation and attitudes, enforcement of the rule of law and economic reform. Meanwhile, the economy still faces serious structural and performance issues. Although economic growth rates over the evaluation period increased. This was driven by an increase in crude oil and natural gas exports, growth in the construction and communication sectors, a flourishing religious industry, more sophisticated consumption patterns and an increase in retail trade.

Until the dramatic decline in the world oil price in the second half of 2014, macroeconomic conditions remained reasonably stable. However, the decline in the world oil price caused foreign reserves to decline by \$10bn and the exchange rate with the dollar to fall from NGN 160 to \$1 to slightly more than NGN 200 to \$1.

The international community is skeptical of Nigeria's approach towards the Islamist insurgency of Boko Haram. Relations with the United States have weakened as a result of different strategies on how to respond to the insurgency. While a decline in demand for Nigerian crude oil from the United States has meant that India has overtaken the United States as primary importer of Nigerian crude oil. Should President Goodluck Jonathan and the PDP hold on to power, Nigeria's future will become even less certain.

History and Characteristics of Transformation

Since gaining independence in 1960, the economic and political transformation process in Nigeria has been marked by small steps of progress and many setbacks. Apart from two brief phases of civilian government (1960 to 1966 and 1979 to 1983), the current dispensation is only the third serious attempt (1999 to ?) to establish a democratic political system - though admittedly having lasted for more than 15 years by now. In between, various military regimes had ruled after gaining power through coups d'état and palace coups. The first two coups d'état, in January and July 1966, had triggered the Biafran civil war (1967 to 1970). Only in 1979, the military under the leadership of Olusegun Obasanjo more or less voluntarily handed over power to an elected government. In the night of New Year's Eve 1983, the second attempt at democratization failed, and the military under Maj. Gen. Muhammadu Buhari took over again. Almost two years later, a palace coup brought General Ibrahim Babangida to power. He initiated a firmly controlled economic reform and democratization program, which, however, was meant to fail. After the annulled elections in mid-1993 and a military-controlled controversial 'Interim Government', General Sani Abacha took over power in November 1993. Until his sudden death in 1998, Nigeria experienced the worst military dictatorship ever, and this experience contributed to the complete loss of legitimacy of military rule. General Abdulsalami Abubakar took over 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, the former junta head Olusegun Obasanjo (1976 to 1979) took office as elected president. He was re-elected in 2003, and the ruling party 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. Umaru Yar'Adua, the two-term governor of Katsina state in the far north, won and was sworn in as the first president to take over power from a previously elected one 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, the parliamentarians used a common law rule "doctrine of necessity" to underline their move which had no precedent and was not explicitly backed by the constitution. Hardly did Yar'Adua pass away that 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 reasonable and credible elections in 2011. And he was given a very strong political mandate by the electorate that no other Nigerian leader ever had. To a large extent, however, Jonathan used this mandate to derail an overdue economic reform program and he and his clientele pocketed billions of Dollars from the oil and gas revenues.

Despite the Islamist insurgency in the northeast and sectarian violence with a quite noticeable undercurrent in the eastern Middle Belt, Nigeria experienced an unprecedented economic boom, particularly in the south. The government of Obasanjo was even able to settle its debts with the Paris and London Clubs. This notwithstanding, real progress in very few deregulated fields such as telecommunications, banking, retail, education and religion did not compensate for the poor state-run power and refinery sectors, which still suffer from neglect, incompetence and corruption. Nigeria's real challenge, however, is related to the forthcoming elections, now scheduled to take place at the end of March 2015, and to deal with the insurgents' revenge mission against the state and security forces, caused by the extra-judicial killing of their leader Mohammed Yusuf and some of his close aides in 2009. Far more than 10,000 people have been killed to date, and more than a million made homeless.

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. The Islamist group, Boko Haram, now controls large areas of northeastern states, including larger towns like Monguno, Dikwa, Bama and Damboa. Although attacked, Maiduguru remains under government control. In the eastern Middle Belt, sectarian clashes are common. In both areas, covering up to 20% of the territory, the state has lost its monopoly on the use of force. The insurgents have successfully challenged the state's authority. At the time of writing, more than 10,000 people of both faiths and including security personnel have lost their lives. The level of violence in the oil and gas producing Niger Delta, which at times turned into local warfare, has significantly declined by means of paying off leading militias. However, the structural problem of underdevelopment in this region prevails.

All Nigerians are considered Nigerian citizens, and the nation state is widely accepted as legitimate. However, regional, ethnic and religious identities are strong and prevalent. All citizens possess equal civic rights. Notwithstanding, the federal quota system enshrined in the constitution and overseen by the Federal Character Commission to a large extent determines access to offices and institutions on federal and state level. By and large, it has had a strong discriminatory effect. Furthermore, the very concept of indigenes was discriminatory against "non-indigenes" of a federal state (i.e. immigrants from other federal states). Although the political class and most of the elites are aware that this is a question of substance, no real efforts were made to deal with it.

Question
Score

Monopoly on the
use of force
4

State identity
8

Under the constitution, the separation of religion and state exists in the Federal Republic of 36 states and the Federal Capital Territory Abuja. But secularization suffered a substantial set back through the introduction of Shariah, or Islamic law, in 12 northern states where the vast majority of the population is of Muslim faith. In addition, an approximately equal number of Christians and Muslims live in the Middle Belt, and in the Yoruba-dominated southwest. However, Christian and Islamic fundamentalism is increasing and both religions are increasingly permeating politics, whether local, state or national. In the northeastern regions controlled by Boko Haram, the influence of religion is very strong.

No interference of religious dogmas

4

At least under the constitution, the three tiers of the federal system – federal, state and local government – offer a sophisticated administrative structure. This structure is comprised of a federal government, two chambers of the National Assembly, 36 governors and state assemblies, 768 local governments and six councils in the Federal Capital Territory Abuja, including a minister in charge of the capital. In addition, the statutory revenue allocation sustains the system of wealth distribution among Nigeria’s elites. The federal government, the National Assembly and the state governors execute real power, because most of the other administrative institutions have very little administrative capacity and political skills. The serious challenge posed by the Islamist insurgency in northern Nigeria can be attributed to a collapse in local government structures.

Basic administration

4

2 | Political Participation

Universal suffrage and the right to campaign for elected office exist. The 2011 presidential, National Assembly, gubernatorial and state assembly elections were the most credible elections in Nigerian history, despite a chaotic run-up with legal wrangling, violence, shortcomings and lapses during the voting process. Despite considerable progress since the 2007 elections, the 2011 elections still failed to meet international standards.

Free and fair elections

7

As a result of the Boko Haram insurgency, elections were postponed from February to March 2015.

However, the political landscape is likely to change after forthcoming elections, because the main opposition party, the All Progressives Congress, will present a serious challenge to the weak incumbent government of President Goodluck Jonathan at federal and state levels. In addition, the ruling People’s Democratic Party is increasingly torn apart by internal frictions.

Thus, the 2015 elections will be tightly contested, and a litmus test for the current level of political culture and development. In addition, these elections will be a strong indicator concerning the question of “quo vadis.” Remarkably, some 50% of more

than 70 million eligible voters are expected to vote in the presidential and National Assembly elections. This would demonstrate that public faith in the democratization process is still reasonably sound. In addition, the electoral commission has already updated the electoral register and distributed permanent voter cards in order to rebuild trust in the electoral system.

The incumbent President Goodluck Jonathan and his government have the power to govern. However, this power has been openly challenged by top members of the ruling party - such as former President Obasanjo, former chief executive of the Central Bank Sanusi and five state governors – as well as the Islamist insurgency led by Boko Haram. Despite this challenge, the government have been able to pass a several significant laws, including a pension reform act, a controversial law banning same-sex marriage and a national healthcare act. In addition, economic growth, especially in the south, was driven by soaring oil and gas prices. As a result of this economic growth, Nigeria now has the largest economy in Africa.

Effective power to govern

6

Citizens can assemble and protest freely, with only occasional interference by security forces. Civic organizations can form and meet freely as well. However, they are still severely fragmented and mostly 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. Moreover, former military officers have formed their own official network, which lobbies for political appointments and issues.

Association / assembly rights

7

In general, citizens, organizations and the mass media express opinions freely. The freedom of information bill, however, has been challenged in a federal high court. The high court ruled that it applied only to the federal level. The final verdict on that issue may be announced by the Supreme Court in several years. Once in a while, individuals and organizations expressing critical views are harassed by state security services and occasionally charged. However, the courts have historically decided in favor of the respondents. Organizations and the mass media, like many civilians, 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. However, private media sources are increasingly adopting biased editorial positions. Additionally, the media are increasingly acting like public relation agencies advocating for different interest groups or alternatively presenting soap operas and tabloid-like content. Moreover, “brown envelop 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. For example, the film “Half of a Yellow Sun,” based on Chimamanda Ngozi Adichie’s famous novel about the Biafran War, was initially denied release for security reasons. After heated debates and severe criticism, the board backed down. Against this

Freedom of expression

6

background, the Press Freedom Survey by Freedom House still considers Nigeria as only “partly free.”

3 | Rule of Law

In principle, Nigeria has a federal presidential system with many checks and balances. However, although the judiciary is an additional check, it is a largely ineffective check. Overall, the main democratic institutions were more stable than to be expected despite the precarious security situation in the northern parts of the country. The positions of vice president and deputy governor have assisted in avoiding political instability. In addition, the dispute between the federal and some state governments, regarding the distribution of revenue from the oil and gas sector, will be decided by Nigeria’s highest court. This demonstrates respect for the constitution, and the effectiveness of checks and balances.

Separation of powers

7

Inconsistencies and contradictions in the 1999 constitution have created ambiguities in the relationship between the three tiers of government and other fundamental principles. These ambiguities have led to the referral of several cases to Nigeria’s higher courts, including the Supreme Court. The latter also serves as the constitutional court, and any verdict concerning constitutional issues automatically becomes constitutional law. The Court of Appeal is the first court of jurisdiction for presidential and gubernatorial election petitions. Its verdicts can be petitioned at the Supreme Court. Petitions concerning parliamentary elections are dealt with at election tribunals and can be petitioned at the Court of Appeal. In the course of the period under review, the courts passed several remarkable verdicts, such as the vetting of top military personal by parliament, financial autonomy for local governments and a widow’s rights to inherit the estate of the deceased husband. The rulings of the Supreme Court, the Court of Appeal and Federal High Court are generally respected. Concerning Islamic law, no federal court case as yet challenged the constitutional right of a parallel legal system. In the past, all stoning sentences passed by lower Shariah courts for marital infidelity and extramarital sex were declared null and void by upper Shariah courts. Over the course of the period under review, no death sentences were passed by Shariah courts. On second thought, the Shariah courts shun verdicts on amputation for theft because it had become a costly affair for the respective state governments. It became too obvious that more and more very poor men deliberately acted as petty criminals to be charged, amputated and paid. And it was common practice that in such cases the culprit was given thousands of Nigerian naira by the state government, declared as “social welfare” to get the culprit reintegrated into the socioeconomic system.

Independent judiciary

7

Corruption and white-collar crime are still widespread. Government efforts to master the problem through the anti-corruption agency EFCC and to a lesser extent the ICPC, which are basically financed by western donors, have public support. But the fight against corruption has slowed down due to incompetent prosecutors, political interference and overburdened courts. Most cases are dismissed for lack of evidence and poor investigation. Nevertheless, the courts have applied new and harsh bail conditions to make it more difficult to escape criminal proceedings. In this respect, the judiciary has partly won back its former independence and continues to strengthen it. Interestingly, more and more court cases take place in the United Kingdom and to a lesser extent in the United States, which have a strong influence on Nigeria's relationship with the United Kingdom and the United States. In 2014, for example, the Nigerian Access Bank executed a UK court ruling against the former bank manager Erastus Akingbola. The Nigerian Access Bank sold two of Erastus Akingbola's properties in London for more than £13m. Two years ago, a UK court ordered the well-known former Nigerian bank manager to pay the Nigerian Access Bank £654m for having committed fraud as manager of the defunct Intercontinental Bank, which Access Bank later acquired. The Lagos federal high court, following a UK court ruling, ordered the ex-manager to pay the bank NGN 212bn. In addition, Akingbola was facing trial for allegedly stealing NGN 47bn from depositors' money.

Prosecution of
office abuse

4

The government's limited monopoly on the use of force restricts citizens' ability to freely exercise their civil liberties. 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. Although a Human Rights Commission exists, the institution is weak. Recently, it has begun to agitate on behalf of innocent civilians and victims of the government's anti-terrorist campaign. Until now, it is almost impossible for those affected to take the perpetrators to court let alone to get any form of redress. In addition, northern Nigeria experienced unprecedented waves of sectarian violence. Serious clashes between factions of the Islamic sect Boko Haram and state security forces displaced more than half a million civilians. Concerning women and girls, in particular of lower status, the state still lacks the capacity to protect them against violence, including rape, spousal abuse, female circumcision and abuse by customary law. However, the rights of women have improved, indicated by the fact that women can take the husband to court for criminal assault, widows can now inherit the deceased husband's wealth and rape will soon be considered a serious crime. In the state of Edo, for example, a convicted rapist was recently sentenced to life imprisonment.

Civil rights

4

4 | Stability of Democratic Institutions

Democratic institutions at federal and state levels, such as the federal and state governments, the National Assembly and State Assemblies, were more or less stable. However, these institutions continued to actively redistribute wealth in favor of Nigeria's political elite. However, this pattern does not apply to local government institutions, which suffer from incompetence, inadequate funding and a lack of legitimacy. The standing of the judiciary has significantly improved due to some groundbreaking verdicts. The performance of the electoral commission INEC has improved, which has restored public trust in the commission and electoral processes. In addition, the introduction of a relatively reliable electoral register and Permanent Voters' Cards for the forthcoming 2015 elections has further strengthened the commission's credibility.

Performance of
democratic
institutions
6

Most political, social and economic actors are committed to Nigeria's democratic institutions and regard them as legitimate. Parliamentarians' amendments to the constitution – the first time that democratically elected institutions were able to achieve that – and some reform-oriented legislation demonstrate this commitment. However, the Islamist insurgents in the north consider the Nigerian state and its democratic institutions as illegitimate.

Commitment to
democratic
institutions
5

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 parties have been established, though their long-term viability is questionable given their shallow social roots. The ruling party, the PDP, has dominated federal and state elections ever the beginning of Nigeria's democratization process in 1999. The PDP can even be traced back under different guises to the 1980s. In opposition to the PDP, the All Progressives Congress (APC) formed in 2013 following the merger of several small political parties. Among these were parties led by the ethnic Yoruba politician Tinubu, a former governor of Lagos State, and the ethnic Hausa-Fulani politician Buhari, the former military dictator and three-time unsuccessful presidential candidate. The APC, from its stronghold in Lagos, made inroads into some neighboring states. On the other hand, the PDP suffered from deepening divisions, serious internal wrangling and a poor record on internal security, particularly in the north. In addition, the defection of several governors and government ministers was perceived as a serious blow. There are few ideological distinctions between the 26 registered parties with all of the parties dominated by wealthy patriarchs who are able to mobilize the local electorate. However, the introduction of new legislation and the appointment of a respected chairman to the electoral commission has caused political parties to comply more often with the commission's rulings. The high level of violence during elections is evidence of the extreme polarization between the PDP and APC parties, though this is not evidence of pronounced ideological differences.

Party system
4

Traditions of civil society and networks of interest groups are still weak. Despite the fact that the number of active NGOs has been increasing, the landscape of voluntary organizations is still meager, and plagued by scarce organizational resources and weak representation. This also applies to most labor unions. However, there is a positive general trend in the 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. The Godfather System, which is characterized by local strongmen deeply enshrined in the country's political, socioeconomic and cultural systems, remains locally and nationally highly influential. The so-called Army Brought Ups, several entrepreneurs who owe their success to supportive military regimes, belong to the Godfather System. Simultaneously, these Army Brought Ups are among Africa's richest individuals. In addition, small Christian and Muslim groups have been politicizing religion, as evidenced by an unprecedented wave of fatal sectarian clashes in the north.

Interest groups
4

Despite numerous challenges and the slow pace of civic development, public confidence in democratization remains strong. This is remarkable given that these challenges include serious external security threats, increasing internal sectarian violence, inadequate physical infrastructure and the limited state capacity to tackle, among other things, corruption.

Approval of
democracy
6

According to Afrobarometer survey data from Afrobarometer published in 2013, 69% of respondents supported the statement that democracy is preferable to any other kind of government. In a pre-election survey by Afrobarometer conducted in 2014, 80% of respondents said they are free to vote as they choose. Although 50% of respondents expressed significant concern about political intimidation or violence during the current election process, compared to only 34% in 2012.

Given the lack of functional state institutions, Nigerians have been forced, largely successfully, to organize themselves at the local level, despite traditionally low levels of interpersonal trust. Almost all citizens are either Christian or Muslim, which has become the most important social, economic and security institution in people's daily lives. Religion, in particular Christianity, has become a highly profitable industry. Religious activities have expanded across the continent and lucrative branches have been established in the United Kingdom and United States.

Social capital
4

II. Economic Transformation

6 | Level of Socioeconomic Development

Key indicators still show a low level of socioeconomic development, though this has not restricted freedom of choice. With a poor score of 0.504, Nigeria ranked 152 out of 187 countries in the most recent HDI. There is widespread and deep-seated social exclusion, caused by poverty. Despite a growing middle class, almost 80% of a population of 173 million live on less than \$2 per day. In addition, Nigeria's GDP, which was \$500bn for 2013, is the largest of any African economy. Nigeria's adult literacy rate, however, is only 51%. The threatening north-south divide in all social and economic sectors is significantly illustrated by the current state of this sector. Interestingly, school enrollment in the south gets to some 70%, while in the poverty-stricken north only some 30% attend school. Nigeria has not succeeded in lessening the extreme inequalities and income differences during the review period. Extreme regional imbalances of development remain unchanged, particularly between north and south. However, private education is growing rapidly. Currently, there are 50 private universities in the country, competing with 79 federal and state tertiary institutions.

Question
Score

Socioeconomic
barriers
2

Economic indicators		2005	2010	2013	2014
GDP	\$ M	112248.3	369062.5	514964.7	568508.3
GDP growth	%	3.4	7.8	5.4	6.3
Inflation (CPI)	%	17.9	13.7	8.5	8.1
Unemployment	%	7.6	7.6	7.5	-
Foreign direct investment	% of GDP	4.4	1.6	1.1	-
Export growth	%	12.4	53.5	-45.8	-
Import growth	%	33.6	12.7	12.1	-
Current account balance	\$ M	36529.0	14459.2	-	-

Economic indicators		2005	2010	2013	2014
Public debt	% of GDP	19.5	9.6	10.5	10.5
External debt	\$ M	20475.9	7206.8	13791.9	-
Total debt service	\$ M	8807.1	292.0	486.4	-
Cash surplus or deficit	% of GDP	-1.1	-2.0	-	-
Tax revenue	% of GDP	2.9	2.3	-	-
Government consumption	% of GDP	6.8	8.7	8.1	-
Public expnd. on education	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	1.2	0.9	1.1	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.6	0.5	0.5	0.4

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Although the informal sector dominates and SOEs monopolize key economic sectors, such as petroleum and refining, the foundations of market-based competition exist. To some extent, the import of highly subsidized fuel and the ailing power sector have been further deregulated. The competitive and booming telecommunications market (one of the fastest growing mobile phone markets in the world) as well as media, construction, food processing and retail industries increasingly dominate Nigeria's economy. Unfortunately, there has been little progress in establishing a competitive and equitable power industry. At present, large national and international companies have access to 15,000MW compared to the 4,000MW that is accessible to the wider population. The vast majority of Nigerians continue to suffer from regular black outs and many people, if they can afford it, are using private generators. It is estimated that these generators alone produce up to 6,000MW. Unfortunately, these generators cause widespread pollution. Recently, several power projects, including the construction of private refineries, were abandoned due to incompetence, corruption and political intrigue. There are indications, however, that a breakthrough within the ailing power sector is imminent. There were hardly any restrictions on currency convertibility.

Market-based
competition

5

No anti-cartel legislation was introduced during the period under review. To a certain extent, however, the steady privatization trend and competition have broken several state monopolies and state cartels. This was particularly true for the banking, construction, media, telecommunications and retail sectors. Towards the end of 2014, active mobile phone penetration exceeded an impressive 120 million subscriptions. Administrative incompetence, widespread corruption (particularly in the state-controlled oil sector), an increasing north-south divide and the precarious security situation in the northeast undermine economic opportunities restricting economic competition.

Anti-monopoly
policy

3

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 FDI in the oil, gas, brewery, ICT and retail sectors, and to some extent in agrobusiness. There are no real restrictions on transactions, transfers or repatriation of profits any more. However, amidst falling oil prices, in November 2014, the central bank banned the sale of dollars at its Retail Dutch Auction System to importers of telecom equipment, power generators and finished products. Excluding the oil and gas sectors, FDI increasingly came from China and India. The dramatic fall in the world oil price is likely to reduce the high rate of FDI in the coming years. Having strongly opposed the Economic Partnership Agreement (EPA) between ECOWAS and the European Union, Nigeria eventually backed down. However, the ratification of the treaty by all ECOWAS member states is unlikely within the foreseeable future. Nigeria is a member of the WTO, though without significant influence.

Liberalization of
foreign trade

7

The controversial change of the central bank's leadership in early 2014 did not affect the banking sector at large, while an in-house appointment guaranteed continuity. The Asset Management Company (AMCON), established in 2010 to soak up bad bank loans, did not perform as expected during the period under review. Only 10 to 15 of the 113 companies, whose debts AMCON had bought, had been able to pay off their debts. In addition, the AMCON recorded an after tax loss of \$3bn in 2013. Despite this, however, the banking sector has been generally stable, as evidenced by the dominate position of several Nigerian banks within Africa. In addition, the anti-corruption agency EFCC prosecuted the dismissed management of the rescued banks on multiple fraud charges. The most prominent case was execution of a UK court ruling, in early 2014, by the Nigerian Access Bank. The Nigerian Access Bank sold two properties belonging to the former bank manager Erastus Akingbola for more than £13m. In 2012, Akingbola had been ordered by a UK court to pay the Nigerian Access Bank £654m for instances of fraud while in charge of the defunct Intercontinental Bank, which the Nigerian Access Bank had later acquired. A federal high court, following the UK court ruling, ordered the former bank manager to pay the bank NGN 212bn. Akingbola was also being prosecuted for allegedly stealing NGN 47bn from depositors. More cases against bank managers are still pending in court.

Banking system

7

8 | Currency and Price Stability

Inflation and exchange rate policy have been rather consistent during the assessment period. The government kept the inflation rate at around 8% for most of the period under review. The naira to dollar exchange rate was reasonably stable until the Nigerian naira depreciated substantially towards the end of 2014. At the start of 2015, the exchange rate was NGN 202 to \$1, lower than the previous year's rate of NGN 160 to \$1. Against this background, the Nigerian economy only partly benefited from high oil and gas prices. In January 2015, the price for its high quality crude fell under \$50 a barrel. However, in the run-up to the postponed forthcoming elections, government and parliamentarians spent huge amounts of money on campaign handouts. Most of these handouts were paid from public funds, which depleted the Excess Crude Account. In addition, Nigeria is no longer able to finance itself through domestic sources of income, due to a depreciation in the world oil price, despite its relatively well-developed capital market. As a result and due to country's low level of foreign debts, the government is likely to increase its borrowing from international capital markets.

Anti-inflation /
forex policy

5

The Central Bank of Nigeria is relatively independent by African standards, especially after the re-democratization in 1999. Its head is nominated by the president and approved by the Senate for a period of five years, with the possibility of re-appointment after this period.

The government's fiscal policies, particularly concerning debt, have increased macroeconomic stability. However, the dramatic fall in the world oil and gas prices has led to a reduction in Nigeria's foreign currency reserves from \$43bn at the beginning of 2014 to \$34bn at the end of the period under review. The total debt of the federal government, the 36 federal states and the Federal Capital Territory Abuja, as of September 2014, was \$69.6bn. External debt was \$9.5bn, while domestic debts were \$60bn. The states' share, however, was around \$10bn domestic and \$3bn external debts. The result of this is a debt to GDP ratio of 20%, slightly higher than in previous years. With an economic growth rate around 6% to 7% per annum in 2013 and 2014, deficit spending was kept at 2.9%. For 2014, deficit spending was equal to 3% of GDP.

Macrostability

7

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 cases, the land is usually expropriated and the owner compensated. However, very often the change of ownership of a hereditary lease is difficult and complicated. Quite often, 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 a constitutional amendment to the Land Use Act has been discussed in public. But as long as the governors and the majority of the country's elites are the sole beneficiaries of this act, changes are highly unlikely. In addition, the high cost of land, particularly in urban areas like Lagos and Abuja, helps to consolidate the status quo.

Property rights
5

Private companies are definitely viewed institutionally as important engines of development and economic growth. However, the reality is slightly different. There is little regulation restricting the actions of private companies. However, the development of a vibrant private sector is restricted by a number of economic, political and social factors. For example, SOEs have a monopoly in key economic sectors, such as the petroleum and refining sectors. To some extent, the import of highly subsidized fuel and the ailing power sector have been further deregulated. Electronic media, banking, insurance and ICT sectors, which were deregulated by international donors, as well as the retail and construction industries are flourishing. At the same time, a Christian religious industry and private education, particularly in the south, are growing rapidly. As in previous years, however, state-owned and international companies continue to monopolize the oil and gas sectors. The import of highly subsidized fuel, however, is now run by private enterprises. However, sophisticated forms of corruption are common in this sector.

Private enterprise
5

10 | Welfare Regime

Poverty is a huge problem in Nigeria. Life expectancy was 50.7 years in 2012. In general, the burdens of aging, illness, underemployment and unemployment are mostly borne by extended-family networks and the informal sector. This means that social security is only available to employees of the higher education system, state-owned and partially state-owned companies, medium-sized and international companies as well as civil servants. However, the pension reform act was amended

Social safety nets
4

in 2014 to harmonize costs and benefits for public and private sector employees. At the same time, the Nigerian Police Force Pension Limited has been licensed to operate as a Pension Fund Administrator. The federal government is making a monthly payment 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 Abuja. The National Pension Commission (PenCom) is supervising pension departments, which have been created to carry out the functions of the relevant pension boards or offices in the public service of the federation and Abuja with a view to making regular and prompt payments of pensions to existing pensioners. There are 6.3 million Nigerians registered under the Contributory Pension Scheme (CPS), which has a fund of more than \$20bn. In addition, a National Health Bill has been passed into law, paving the way for a national healthcare framework.

The distribution of income in Nigeria is highly unequal. More than two-thirds of the 173 million people live in absolute poverty. In addition, Nigeria will again miss the Millennium Development Goals, though it has enough resources. President Goodluck Jonathan and his government at least acknowledged a precarious level of unemployment among young people – the first time that a government raised this frightening issue taking into consideration that more than 20 million young people are unemployed. However, federal and state governments, supported by the National Assembly, have started financing various programs of training and empowerment. These programs include SUREP (Subsidy Reinvestment and Empowerment Program), YEA (Youth Empowerment in Agric), YouWIN (Youth Enterprise with Innovation in Nigeria) and BOYES (Borno Empowerment Scheme). But the impact of these programs is at present far from clear. There are no mechanisms to promote persons with disabilities or the socially disadvantaged. Women with secondary or tertiary education are entering work in the public and expanding private sector, particularly in the banking, insurance, private media and consultancy industries. Some women occupy prestigious positions within government and the judiciary. Gender-based discrimination against women in the legal system has also been reduced. The Supreme Court passed a landmark verdict which gives widows the right of inheritance of the deceased. However, despite the fact that women from within the elite can get to the top of ministries and state agencies (for example the Supreme Court and the Ministries of Finance and Petroleum Resources are chaired by women), women hardly play any political role at state and local government, let alone in grassroots politics. The adult literacy rate is estimated to be 51%. The north-south divide, however, indicates that the school enrollment in the south is around 70%, while in the north it is around 30%.

Equal opportunity

4

11 | Economic Performance

With soaring oil and gas prices (e.g. \$100 for a barrel of oil) combined with the revaluation of its GDP along international standards, Nigeria's economy is now the largest in the African continent, ahead of South Africa. However, South Africa's economy retains the status as Africa's most developed economy. In addition, the unemployment is high and is felt particularly in the underdeveloped north. Officially, the unemployment rate is estimated to be around 20%, but it is likely to be close to 40%. The high official and even higher unofficial estimates place the economic growth rate, measured by GDP gains, in context. Nevertheless, Nigeria recorded some remarkable macroeconomic successes, particularly concerning the service sector which represents around 50% of GDP. The retail and wholesale sectors, which dominate the service sector, experienced an extraordinary increase in demand, which drove short-term macroeconomic stabilization. In addition, economic growth rates averaged between 5.5% and 7.0%, during the period under review. This was in sharp contrast to volatile policy areas, especially regarding internal security in the northwest. Along with a reasonable economic growth rate, the inflation rate was kept at high single digit figures. Foreign reserves increased significantly to more than \$43bn in early 2014, but fell to \$34bn by the end of the period under review. External debts amounted to \$9.5bn. Internal debts, however, increased to a worrisome \$60bn. The debt to GDP ratio was about 20%. Budget and current account balance deficits were manageable with the budget deficit remaining below 3% of GDP throughout much of the period under review. However, the situation changed rapidly at the beginning of 2015 following the dramatic drop in the world oil price. This change will significantly weaken the Nigerian socioeconomic system in the coming years.

Output strength
5

12 | Sustainability

Environmental issues are not a priority for the government, though a Ministry for the Environment exists. In conjunction with international partners, the federal government and to a larger extent state governments are developing several renewable energy projects in the Middle Belt region. The government's commitment to address the threatening impact of climate change remains unsubstantiated. Meanwhile, the National Oil Spill Detection and Response Agency (Establishment) Act, which aimed to address oil pollution in the Niger Delta, has not yet been implemented. Nigeria's environmental challenges include deforestation, overgrazing, desertification, inadequate waste collection and processing services, sewage systems, air and water pollution, industrial (particularly in the oil and gas sector) and domestic pollution (caused by several million private diesel generators), and an extremely inefficient national grid. In fact, worsening ecological problems, exacerbated by demographic growth, continues to cause serious damage to the socioeconomic system.

Environmental
policy
3

Education levels are low, though not that acute by African standards. The adult literacy rate, for instance, is 51.1% according to the World Bank Development Indicators. Education and training facilities were available in important segments. However, a deep cultural, economic, political and social divide separates Nigeria's north and south, this divide is reflected in the provision of education in general and school enrollment in particular. While the enrollment rate for all school-aged children is around 53%, the enrollment in the north is just 30% compared to 70% in the south. While there are definite shortcomings in research and development, public investment in research and development as well as education and training has increased. In 2014, public expenditure on education accounted for almost 10% (\$3bn) of the federal budget. In other words, public expenditure on education was half of total expenditure on security. Interestingly, private education institutions are booming. At the end of the period under review, 50 private universities were operating in addition to 79 federal and state tertiary institutions. This is a strong indicator of commercialization of education in Nigeria. This privatization of education is driven by the creation of schools run by, among other denominations, Pentecostal churches. These churches consider education as a lucrative business. Against this background and almost unnoticed, the state has been promoting privatization, while gradually withdrawing from the education sector. Public expenditure on education largely assure the incomes of teachers and civil servants, rather than promote good quality education.

Education policy /
R&D
3

Transformation Management

I. Level of Difficulty

The process of achieving economic and political transformation continues to encounter obstacles. An immature civil society, a limited experience of democracy and the weak rule of law have restricted democratization efforts. No government has addressed, let alone overcome, the deep divide between an underdeveloped north and prosperous south. Additional obstacles include grinding poverty, a precariously high unemployment rate (particularly among young people), youth violence, endemic corruption (particularly in the oil sector), inefficient state administration, strong ethnic heterogeneity, organized crime and a threatening Islamist insurgency in the northwest, a very poor physical infrastructure, an ailing power sector, unabated population growth, widespread HIV/AIDS infections and an incompetent leadership.

Structural
constraints

8

While traditions of civil society remain weak, private media and religious groups are taking a more active role in strengthening this segment of society. In addition, the increasingly widespread use of digital technology has begun to transform Nigeria's political culture. While it is still too early to assess the full impact of social media's rapid expansion, the forthcoming elections will give an indication of its potential. However, the landscape of voluntary organizations is still meager and plagued by scarce organizational resources.

Civil society
traditions

6

The Christian-Islamic dichotomy, the north-south divide and prevailing patterns of politicized ethnicity are still causes of intense tension, which has led to thousands of displaced, injured and dead people. The Islamist insurgency in the northwest in conjunction with a weak political leadership has undermined the state and divided the country. Over the past two years, the security situation went from bad to worse. The kidnapping of more than 200 female students in Chibok, a small town in southern Borno state in April 2014, and the massacre in Baga, at the shore of Lake Chad in early January 2015, were particular low points in the conflict. The sectarian crisis, which began in the ethnic Kanuri dominated northeast, has even reached eastern and southeastern parts of the Middle Belt. The mayhem and fear that this has caused has led to the displacement of large numbers of people.

Conflict intensity

9

II. Management Performance

14 | Steering Capability

President Goodluck Jonathan's reform agenda during his first real term in office (2011 – 2015) turned out to be more idle talk. The structural political and economic problems limited Jonathan's government to pursuing only selected medium-term goals. These goals included liberalizing the ICT market and allowing the expansion of the retail sector. In addition, the government promoted oil and gas production in the Niger Delta, and stabilized the financial sector, in particular the banking sector. Moreover, the National Assembly passed a pension reform act, the national health bill and an administrative reform bill. In early 2014, however, President Jonathan signed the controversial legislation banning same sex-marriage. All other important goals, such as reforming the power sector, privatization of refineries, improving the transportation system and tackling the Islamist insurgency in the northwest were set back. Instead, the president, some key ministers (including the ministers for petroleum and defense) and his special advisors diverted huge amounts of revenues. There are strong indications that the government of Goodluck Jonathan is the most corrupt in Nigeria's history and that internal party conflicts over access to state resources are directly connected to corruption. Against this background and the forthcoming elections in early 2015, President Goodluck Jonathan's priority is to hang on to power by all means.

The president and his government were in principle committed to democracy and market economy. That commitment notwithstanding, President Goodluck Jonathan, his government and the state administration lacked the capacity and political will for meaningful action. In particular, President Goodluck Jonathan's government failed to meaningfully counter the Islamist insurgency and overhaul the country's ailing physical infrastructure (e.g. power, refineries, water and roads). At times, even implementing the annual federal budget had been an issue of concern. However, the government demonstrated a capacity to redistribute enormous amounts of resources in favor of the political and economic elites.

Nigeria's political leadership has to some extent learned how to successfully deal with the international community, the donor countries and the relevant international financial institutions. As far as domestic politics was concerned, the learning process at best receives a mixed grade. The federal government under the weak and hapless leadership of President Goodluck Jonathan was not able to counter, let alone resolve the multiple social, ethnic, sectarian crises with political or military means. Predominantly concerned with the ultimate goal of holding on to power, the federal

Question
Score

Prioritization
3

Implementation
3

Policy learning
4

government resorted to brinkmanship in negotiating with the insurgents. The government's wait-and-see attitude ignored the challenge of the Islamists, and the unabated deadly attacks by Boko Haram on state institutions and civilians undermined the president's authority. In fact, learning was basically restricted to the redistribution of Nigeria's wealth to supporters of President Goodluck Jonathan.

15 | Resource Efficiency

Neither the federal nor state governments make efficient use of available human and organizational resources for transformation. The consensus still exists that all 36 federal states and the federal territory be represented in government, at least via the six geo-political zones. This federal model - the "Nigerian System" - disguises the modus operandi of legally enriching the political class. Against this background, the inflated cabinets, the regular cabinet reshufflings, the number of agencies, commissions and parastatals is an important part of this system. In most cases, the appointments are inefficient, but the positions offer lucrative opportunities. This also applies to wide ranging redeployments of high-ranking military and police officers, and to enforced retirements of a large number of leading security staff. However, despite abundant federal reserves and several declarations of intent, there was no real progress in rebuilding the run-down basic national infrastructure such as roads, power and refineries. Likewise, rebuilding the almost destroyed national police force did not make much progress.

Efficient use of assets

3

During the period under review, the president and his government were not able to overcome conflicting objectives, particularly concerning the unparalleled Islamist insurgency in the northeast and the sectarian crisis in the eastern part of the Middle Belt. Against the background of influential veto-powers and widespread corruption within key ministries, this inability to overcome conflicting objectives also applies to the north-south divide, the development of an adequate physical infrastructure network, tackling demographic challenges, implementing anti-corruption measures and providing effective leadership. Nevertheless, the elite in general and the political class and lawmakers in particular find common ground in distributing the country's wealth among themselves. However, some reforms were passed, including an amended pension act, a national health bill and the controversial anti-gay law.

Policy coordination

4

During the period under review, the anti-corruption campaign reached a low, despite a new leadership of the anti-corruption commission EFCC. The EFCC was transformed into a lame duck due to a lack of capacity, incompetent leadership, insufficient financial resources and no political support from the democratic institutions. Only in court cases prosecuted abroad did the commission take action in pursuing individuals. For example, the former bank manager Erastus Akingbola and former Governor of Delta State, James Ibori, were found guilty of fraud and money laundering in the United Kingdom. Until now, the EFCC has not been able to successfully prosecute any high-ranking politician, civil servant or businessman for corruption or fraud.

Anti-corruption policy

3

16 | Consensus-Building

The ideological difference between the ruling party, the PDP, and the only alternative party, the APC, is marginal. However, all 26 registered political parties as well as the vast majority of Nigerians are in favor of the principles of democracy and the market economy. However, there is a strong disagreement concerning what democracy is and how to achieve it. This disagreement reflects tensions related to the north-south divide, sectarian crisis and the Islamist insurgency in the northeast. The usual consequence of a major crisis, such as the civil war currently being fought in the northeast, is that the political elites are able to find a consensus based on national unity. While there is a broad consensus among major political actors for democracy, specific principles of democracy - representation, accountability and transparency - are deliberately ignored.

A broad alliance made up of the government, the anti-graft commissions, NGOs and international actors, namely IMF, World Bank, Transparency International, International Finance Task Force, the European Union and the United States have only made a modest inroad into the endemically corrupt political system. There are strong indications that during President Goodluck Jonathan's current term (2011-15) the level of corruption within federal and state governments has become increasingly sophisticated and widespread. Unfortunately, soaring oil and gas prices concealed the scale of corruption. However, the dramatic collapse in the world oil price towards the end of the review period, revealed the vast extent of looting that had taken place, particularly by president and minister of petroleum. In particular, looting targeted subsidies on imported petrol. In addition, federal ministries failed to pay millions of dollars to the national electricity supplier and anti-terrorism programs. Interestingly, only the prosperous southern states, which were able to secure internal revenue, were able to pursue their own socioeconomic and political agendas vis-a-vis the federal government.

Although the vast majority of the political class, the business community and the electorate openly support democracy and market economy, there are still anti-democratic power brokers within democratic institutions, the security services and the business community. The business community were able to prevent progress in key areas, such as the power and refinery sectors, and reform of the land use act. In addition, traditional rulers and among fundamentalist religious leaders express strong reservations about democratization. The most dangerous challenge, however, comes from the Islamist insurgency. The vast majority of the military and other security forces are still committed to democracy and market economy, but the insurgency in the northeast has revealed some internal resistance to democratic principles. In case the elections in February 2015 (recently postponed to end of March) fail, the attitude of the security services might change.

Consensus on goals

6

Anti-democratic actors

5

Regarding the management of social cleavages, the record of the political leadership is poor. The lesson of the pacification of the oil and gas producing Niger Delta - at least temporarily - has not been applied to the northeast, which is under siege by Islamist insurgents, nor to the eastern Middle Belt, where numerous sectarian clashes have occurred. Recently, these crises have begun to affect neighboring countries, such as Cameroon, Chad and Niger. Under the weak presidency of Goodluck Jonathan and his government, the crisis may even reach deep into Nigeria, including the capital Abuja. The fragmented administrative structure of 36 federal states, 768 local governments and six councils does not promote effective dialogue in resolving social cleavages. This exacerbated deep-rooted local and regional grievances, thus compounding the existing cleavages. A way out of the dilemma could be enhancing the six geo-political zones, in order to find an end to ethnic fragmentation and permanent invention of ethnic identities.

Cleavage /
conflict
management
3

The political leadership tends to ignore civil society actors. However, particularly during crises, private media, religious representatives, Muslim organizations and trade unions have some limited influence on the policymaking process. Although when it suited the leadership, actors were co-opted. In addition, officers' club for retired high-ranking military staff as well as former presidents, politicians and administrators serve the government whenever possible. Despite the general low level of organization within civil society itself, this strategy is up till now rather successful.

Civil society
participation
4

Historical acts of injustice refer to the Biafra war (1967-1970), periods of military rule, especially the Abacha era (1993-1998) and, recently, to the conflict with Boko Haram. In general, the government does not manipulate memories but hardly initiates a process of reconciliation.

Reconciliation
5

Former leaders of the Biafra secession attempt have been re-integrated into the Nigerian political class, but in times of crisis, the Nigerian elites tend to sweep the causes of the latter crisis under the carpet. However, this approach has proven less effective during the current Islamist insurgency. The government lacks any strategic approach to containing the insurgency, let alone resolving it. Moreover, forthcoming elections have created a fierce power struggle characterized by instances of violence. Furthermore, the unprecedented looting of state funds by the current regime makes any reconciliation effort almost impossible. The extra-judicial killings of the founders and sympathizers of Boko Haram as well as civilians, and the torture of alleged suspects were hardly investigated let alone prosecuted.

17 | International Cooperation

Progress in the transformation process towards a market economy and market-based democracy was mainly related to outside actors (IMF, World Bank, African Development Bank, foreign high-profile consultants from privately run finance organizations and Nigerian experts from the diaspora in the United Kingdom and the United States). However, the role of outside actors in the democratic transformation process (e.g. the United States and European Union) must be rated at a medium level at most. Nigeria's previously strong economic, political and military relationship with the United States has been undermined by the emergence of fracking, falling world oil prices and conflicting approaches toward the Islamist insurgency. Although the Nigerian government vowed to cooperate with the European Union, France, the United Kingdom and its neighboring states in combating the Islamist insurgency, Nigeria's commitment has been half-heartedly at best. Nigeria's leadership and security forces ignored intelligence offered to them. Against this background, the strengthened economic cooperation with China and India must be considered as a political reorientation.

Effective use of support

6

Nigeria's cooperation with international partners suffered a setback. Its reluctance to cooperate with international partners during the serious Malian crisis in 2013, which was far less cooperative than, for instance, the approach adopted by Chad, damaged its credibility. However, this did not prevent the United Nations from electing Nigeria as a non-permanent member of the Security Council for a two-year period between 2014 and 15. The international finance organizations welcomed Nigeria's revaluation of its GDP, which has made Nigeria's economy the largest in Africa. At the same time, however, Nigeria hesitated in addressing the high unemployment rate, particularly amongst young people. Nigeria's campaign against the Islamist insurgency has been counterproductive. The military systematically and brutally abused its power by torturing alleged Boko Haram sympathizers and innocent civilians.

Credibility

6

During the period under review, Nigeria's credibility concerning regional cooperation suffered a setback. Nigeria was previously considered a credible leader and partner in the African Union, a respected moderator as well as dependable source of peacekeeping forces and stabilizing force in the ECOWAS region. However, following the crisis in Mali and the handling of the Islamist insurgency along the border with Niger, Chad and Cameroon, Nigeria's leadership is now perceived as weak and incompetent. The unprecedented withdrawal of its troops from Mali soon after they had been deployed in mid-2013 was considered as a serious setback within ECOWAS. Mistrust and arrogance in the context of fighting the Boko Haram insurgents further damaged Nigeria's self-proclaimed leading role in the sub-region. Although Nigeria's response to the crisis in Burkina Faso in 2014 suggested a reversal in this trend. In dealing with the Ebola crisis, Nigeria used all its political instruments and logistics within ECOWAS in preventing the epidemic to spread within Nigeria.

Regional cooperation

6

Strategic Outlook

Overall Nigeria presents a desperately poor example of transformation. The efficiency of public administration, effectiveness of democratic representation and the rule of law remain weak. Some progress toward developing a prosperous market economy, particularly in the service sector, has been achieved. Yet, the scale of corruption under the presidency of Goodluck Jonathan has been staggering. As a result of the increasing awareness of corruption within government, fierce political battles have been waged and President Goodluck Jonathan appears intent to hold on to power by any means necessary. Further democratization and development of a market economy will be determined primarily by the forthcoming elections, which have been postponed until the end of March 2015, though also by overcoming the Islamist insurgency in the northeast and sectarian violence in the eastern part of the Middle Belt. In ensuring that the elections are properly organized, the electoral commission, the INEC, will have a crucial role in determining whether the election results are accepted.

The United States and the European Union should provide the support necessary to ensure that Nigeria remains committed to democratization and developing a strong market economy, despite the limited leverage of external actors within Nigerian politics. Through economic and political means, international partners, such as the United States, European Union, United Nations, IMF and World Bank, must ensure that the future Nigerian government address the unprecedented levels of corruption, the Islamist insurgency and the sectarian crises in the Middle Belt. To address corruption, for example, the government must close the main channels that enable the embezzlement of fuel subsidies and public expenditure in the ailing power sector. The telecommunications sector, and private schools and universities demonstrate that private initiative and capital can deliver key services efficiently and to a high standard. In contrast, public expenditure on education is repeatedly misspent because it is not being invested competitively. For example, public education expenditure is typically used to politically pacify teachers and lecturers, while also being a lucrative source of corruption. The federal government and many state governments will maintain high public expenditure, while low oil and gas prices will reduce government revenue. In addition, they will continue to neglect Nigeria's failing physical infrastructure and security issues. Instead, the political class, civil service and service sector will continue to serve their own interests. Although Lagos and other big southern cities as well as Kano and the capital Abuja appear to be exceptions to this trend. Strengthening the police force so that they are capable of protecting citizens and improving public trust in the police force remains a key challenge to the state's legitimacy and monopoly over the use of force. The judiciary's diligence is commendable, as demonstrated by the Federal High Court, the Court of Appeal and the Supreme Court's interpretation of the constitution. The judiciary will play a very important role in the context of the forthcoming 2015 elections.

The government and international community should support democratically oriented civil society groups, particularly within religious, business and media communities. Nigerian civil society is lively and creative, but remains small and institutionally weak. The political system is moving towards a two-party system with the ruling People's Democratic Party likely to lose power in the forthcoming elections. However, a precondition for the stabilization of the presently fragile federal system will require increased public expenditure, increased manpower. Effective conflict management and prevention strategies as well as policies tackling youth violence are needed.