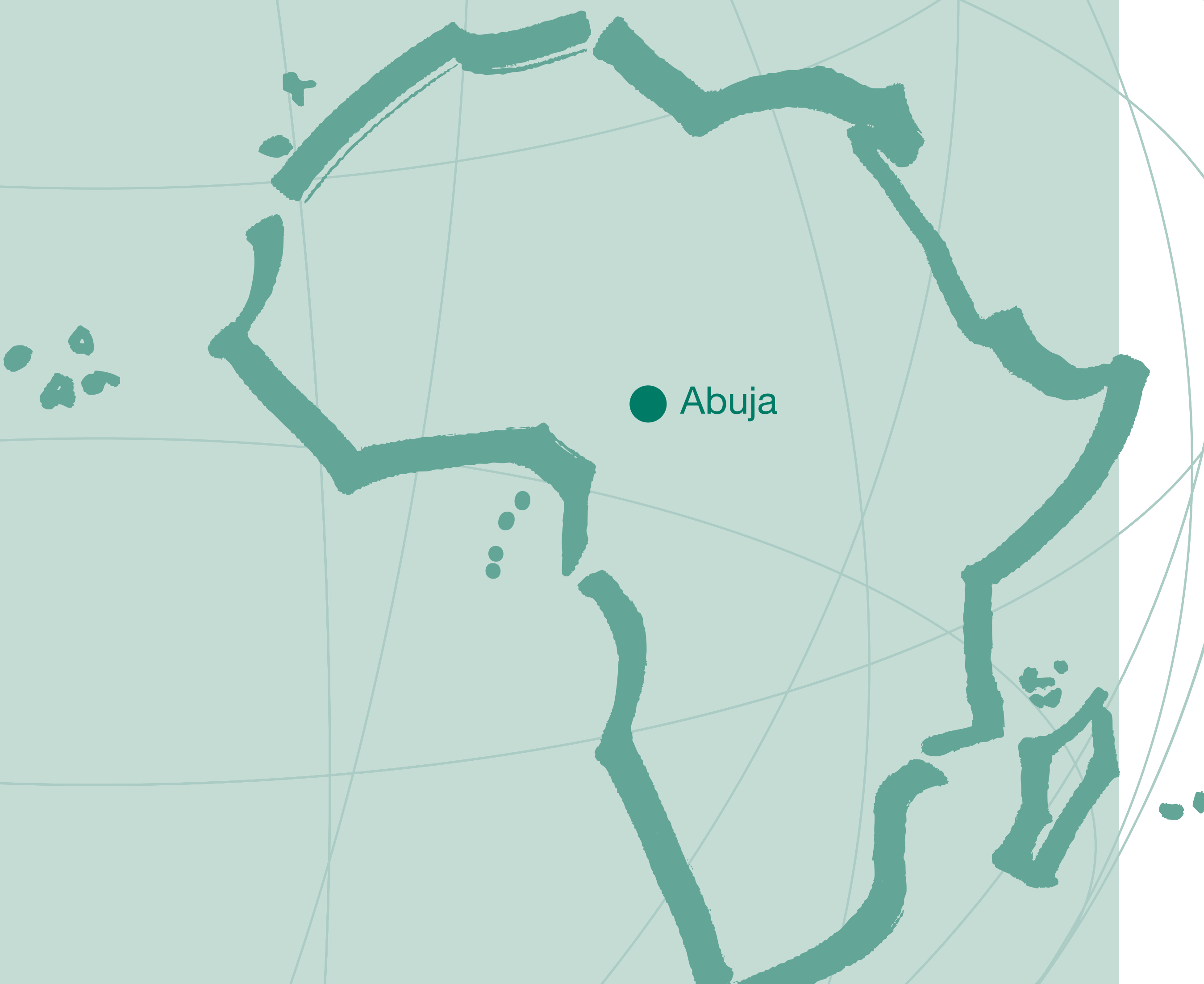
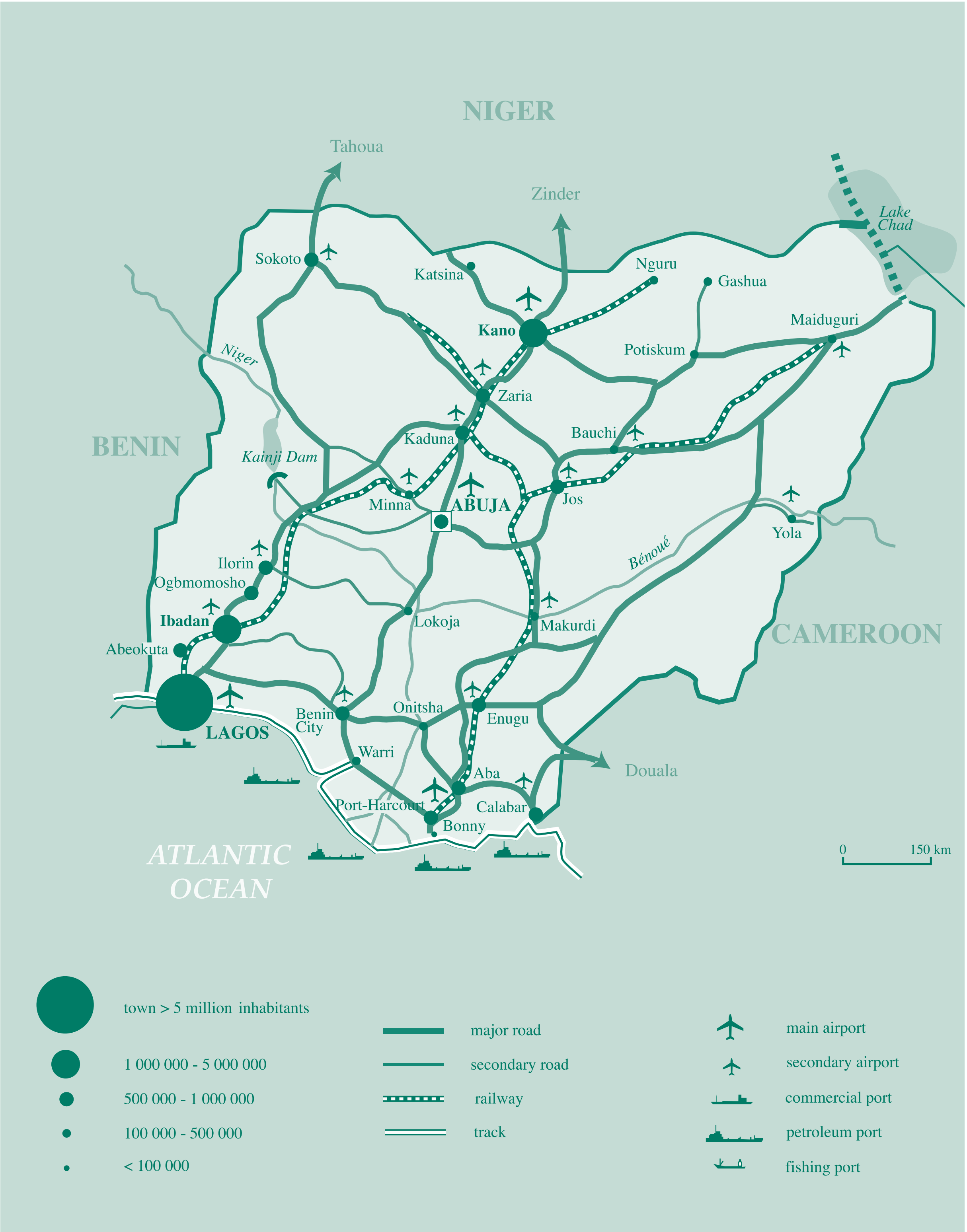
Nigeria



key figures

• Land area, thousands of km²	924
• Population, thousands (2007)	148 093
• GDP per capita, USD at constant 2000 prices (2007)	446
• Life expectancy (2007)	46.9
• Illiteracy rate (2007)	26.9

Nigeria


NIGER
Tahoua
Zinder
Lake Chad
BENIN
CAMEROON
ATLANTIC OCEAN
Niger
Bénoué
Kainji Dam
Sokoto
Katsina
Kano
Nguru
Gashua
Maiduguri
Potiskum
Zaria
Kaduna
Bauchi
Minna
ABUJA
Jos
Yola
Ilorin
Ogbmomosho
Ibadan
Abeokuta
Lokoja
Makurdi
LAGOS
Benin City
Onitsha
Enugu
Warri
Aba
Port-Harcourt
Bonny
Calabar
Douala
0
150 km
town > 5 million inhabitants
1 000 000 - 5 000 000
500 000 - 1 000 000
100 000 - 500 000
< 100 000
major road
secondary road
railway
track
main airport
secondary airport
commercial port
petroleum port
fishing port

Nigeria

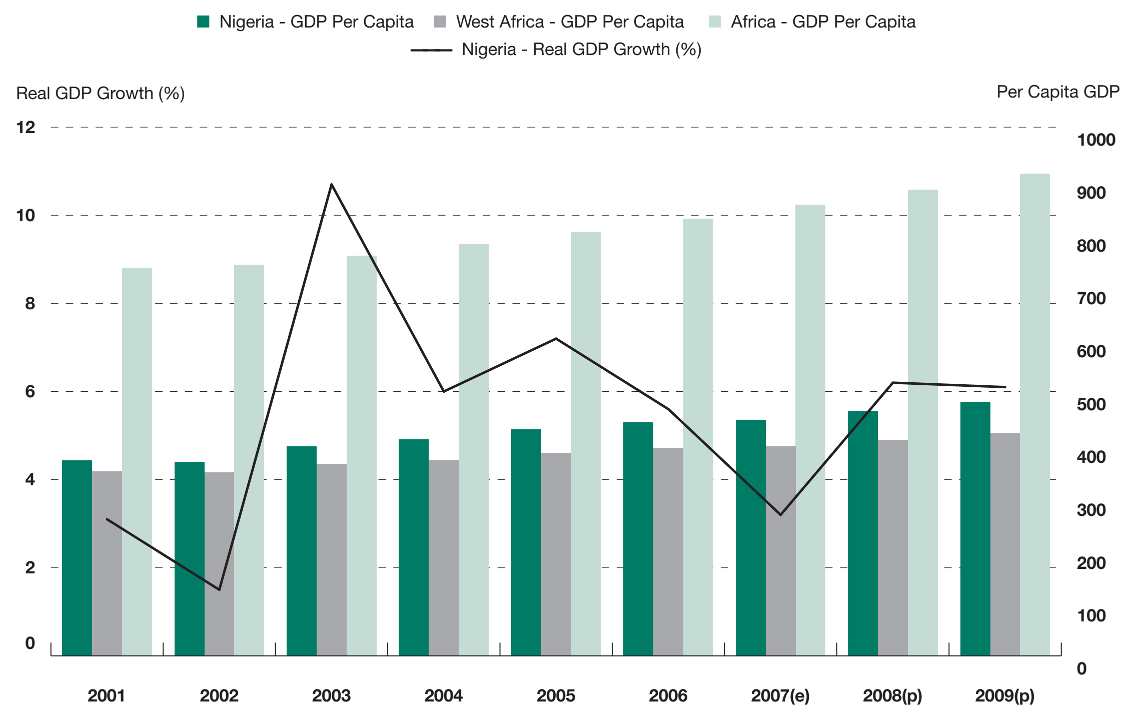
THE YEAR 2007 WAS AN EVENTFUL one in Nigeria, both politically and economically. Growth slowed in the face of continued turmoil in the oil-producing Niger Delta, but medium-term economic prospects are supported by high oil prices and prudent macroeconomic policies. At the political level, the elections were marred by widespread allegations of fraud and intimidation, but the new president has nonetheless assumed office peacefully and appears committed to economic reform.

The National Economic Empowerment and Development Strategy (NEEDS), which is targeted at accelerating economic growth, reducing poverty, and achieving the Millennium Development Goals (MDGs), remains the guiding framework for economic reforms. Oil revenues have been managed carefully, with "excess" revenues saved under the oil price fiscal rule. Nigeria successfully completed a two-year Policy Support Instrument (PSI)[1] with the IMF in mid-October 2007.

High oil prices, reforms and relative political stability open the way for poverty reduction.

Economic performance was mixed in 2007; real GDP growth slowed to an estimated 3.2 per cent and inflation remained in single digits at 6.7 per cent. In

Figure 1 - **Real GDP Growth and Per Capita GDP**
(USD at constant 2000 prices)



Source: Domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

StatLink http://dx.doi.org/10.1787/316756370031

1. The PSI is an IMF programme intended to help the government maintain prudent macroeconomic policies, strengthen financial institutions, and create a conducive environment for robust private-sector development, involving surveillance but no funding from the IMF.

addition, progress was registered in the financial sector, debt management, foreign reserves management, exchange rate stability and the fight against corruption. Fiscal prudence was institutionalised through enactment of the National Procurement and the Fiscal Responsibility Acts. Nevertheless, the Nigerian economy is still characterised by dismal infrastructure, widespread insecurity, high levels of poverty, and simmering political and ethnic tensions, notably in the oil-producing areas.

NEEDS is successfully spearheading efforts to address structural and institutional weaknesses of the economy, tackle corruption and overhaul public expenditure management. Following the completion of the first phase (2004-07), an enhanced programme with more ambitious targets is at the final stage of approval, having undergone several reviews. Similarly, the government is continuing to improve governance and transparency, notably through the Nigerian Extractive Industries Transparency Initiative (NEITI) for the oil and gas industry. All these efforts are intended to improve the investment climate.

Recent Economic Developments

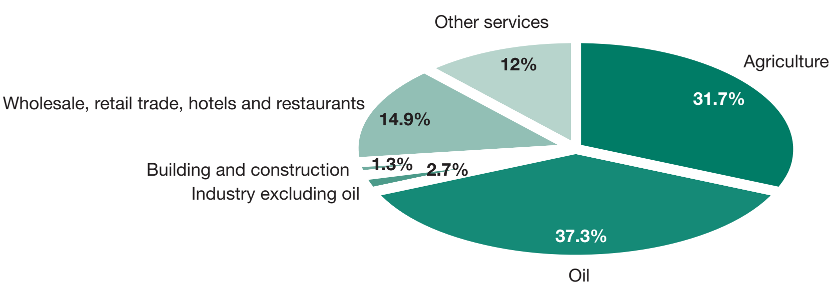
In recent years Nigeria has made significant progress towards sustainable growth and macroeconomic stability, taking advantage of high world prices of oil to undertake bold economic reforms. Real GDP growth averaged 6.5 per cent during the period 2003-07, but has slowed from a high of 10.7 per cent in 2003 to 7.2 per cent in 2005, 5.6 per cent in 2006 and an estimated 3.2 per cent in 2007, largely because of the disruptions in oil production in the Niger Delta. Real oil output contracted by 4.5 per cent in 2006, after very weak growth of 0.5 per cent in 2005. Oil output is estimated to have contracted further by 5.6 per cent in 2007. On the other hand, non-oil sector performance has been very encouraging, with growth of 8.6 per cent in 2005, 9.4 per cent in 2006, and an estimated 9.8 per cent in 2007.

With the relative stability in the Niger Delta following negotiations between the government and local militants, along with increased offshore investments in the oil sector, oil production is projected to respond gradually in the short term. Consequently, real GDP is projected to grow by 6.2 per cent in 2008 and 6.1 per cent in 2009.

The leading non-oil sectors were telecommunications, general commerce, manufacturing and agriculture. Agriculture, constituting 31.7 per cent of GDP, grew by an estimated 7.7 per cent in 2007 compared to 7.4 per cent growth in 2006. Manufacturing grew by 9.9 per cent in 2007, though it constitutes only about 4 per cent of real GDP. The rapid growth of the communication sector continued in 2007 with a growth rate of 32.9 per cent following 28.4 per cent and 34.5 per cent in 2005 and 2006 respectively.

Total investment is estimated to have increased by 15.2 per cent in 2007 with a projection of 12.2 per cent

Figure 2 - **GDP by Sector in 2006** (percentage)



Source: Authors' estimates based on National Bureau of Statistics data.

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Table 1 - **Demand Composition**								
	Percentage of GDP (current prices)		**Percentage changes, volume**			**Contribution to real GDP growth**		
	1999	**2006**	**2007(e)**	**2008(p)**	**2009(p)**	**2007(e)**	**2008(p)**	**2009(p)**
Gross capital formation	**27.7**	**21.8**	**15.2**	**12.2**	**7.2**	**5.0**	**4.5**	**2.8**
Public	7.6	10.2	12.0	10.0	8.0	1.9	1.7	1.4
Private	20.1	11.6	18.0	14.0	6.5	3.2	2.8	1.4
Consumption	**74.8**	**56.1**	**8.9**	**7.3**	**7.0**	**6.2**	**5.4**	**5.2**
Public	13.2	21.8	6.1	6.2	6.2	1.8	1.9	1.9
Private	61.6	34.3	11.0	8.2	7.5	4.4	3.5	3.3
External demand	**-2.5**	**22.0**				**-8.0**	**-3.7**	**-1.9**
Exports	37.1	56.6	-2.5	4.9	6.6	-1.2	2.2	2.9
Imports	-39.5	-34.6	13.6	10.6	8.4	-6.8	-5.9	-4.9
Real GDP growth	**-**	**-**	**-**	**-**	**-**	**3.2**	**6.2**	**6.1**

Source: Domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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and 7.2 per cent growth in 2008 and 2009 respectively. Private investment and private consumption remain the key drivers of real GDP, contributing 3.2 per cent and 4.4 per cent to real GDP growth in 2007. The weak growth of the oil sector continued to dampen the contribution of the external account to growth.

Macroeconomic Policies

Fiscal Policy

Nigerian fiscal policies continued to adhere to the medium-term expenditure framework (MTEF) with the objectives of maintaining prudent expenditures and due process in public procurement. The strategic process of the 2007-09 medium-term expenditure framework led to greater coherence and consultation in the formulation of the 2007 budget. The consolidated fiscal revenues of the three tiers of government averaged 42.1 per cent of GDP during 2005-07, with oil and gas contributing 82 per cent. Consolidated expenditures represented 33.8 per cent of GDP over the same period, thereby giving rise to a very large average fiscal surplus of 8.2 per cent of GDP. The federal budget, however, recorded an estimated deficit of 1.1 per cent of GDP in 2007, a deficit of 2.7 per cent of GDP in 2006 and a small surplus of 1.1 per cent of GDP in 2005.

The government continued to follow the fiscal rule of saving oil revenues when prices rise above a specified threshold, set at $40 per barrel for 2007, depositing the excess revenues in a special account. The balance in the excess crude oil account at the end of June 2007 stood at $11.66 billion. The authorities are revising the MTEF for the period 2008-10 with the aim of ensuring fiscal balances that are consistent with macroeconomic stability. A tax policy unit was also set up in the Ministry of Finance in 2007 to help strengthen tax policies of the federal government while also leading the discussion of tax issues. The long-awaited Fiscal Responsibility Bill, which aims at fiscal prudence and accountability of public funds at the federal level, was signed into law in early November 2007 by the president.

Oil continued to account for the bulk of total government revenue in 2007, at an estimated 33.1 per cent of GDP, following 36.7 per cent in 2006. With the favourable oil price and the relative calm in the Niger Delta region, oil revenue is projected to increase to 35.8 per cent and 34.5 per cent of GDP in 2008 and 2009 respectively. Interest on the public debt in 2007 is estimated to have declined to 1.2 per cent of GDP from the 2.2 per cent level in 2006 because of the final settlements of the Paris Club and London Club debts.

A larger-than-anticipated carry-over of capital spending from the 2006 capital budget increased

Table 2 - **Public Finances** (percentage of GDP)

	1998	2003	2004	2005	2006(e)	2007(p)	2008(p)
Total Revenue and grants[a]	**29.4**	**43.0**	**43.4**	**43.0**	**39.9**	**42.5**	**41.2**
Tax revenue	7,2	7,4	6,2	6,1	6,5	6,4	6,5
Oil revenue	21,8	34,9	36,8	36,7	33,1	35,8	34,5
Total expenditure and net lending[a]	**32.5**	**33.1**	**32.7**	**34.5**	**34.3**	**32.5**	**32.7**
Current expenditure	14.4	9.8	10.8	11.3	10.9	10.4	10.5
Excluding interest	*6.5*	*7.4*	*7.8*	*9.1*	*9.7*	*9.3*	*9.5*
Wages and salaries	3.9	4.6	4.1	4.5	4.7	4.5	4.5
Interest	7.9	2.4	3.0	2.2	1.2	1.1	1.1
Capital expenditure	11.5	7.5	6.8	7.3	8.2	8.0	8.1
Primary balance	**4.8**	**12.3**	**13.7**	**10.7**	**6.8**	**11.0**	**9.6**
Overall balance	**-3.1**	**9.9**	**10.7**	**8.4**	**5.6**	**9.9**	**8.6**

a. Only major items are reported.
Source: Domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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spending significantly in 2007 (by about 1.75 per cent of non-oil GDP). The fiscal authorities also proposed a 2007 supplementary budget which reprioritises and increases spending, while seeking to raise revenues to meet the end-2007 federal government non-oil primary deficit target. An already planned 15 per cent civil service salary increase, which initially applied to government agencies that completed the civil service reform programme, was broadened to all agencies and made retroactive to the beginning of the year. The measures to offset the impact of these salary increases on the budget include freezing of customs waivers and exemptions.

Monetary Policy

The Central Bank of Nigeria (CBN) adopted a new framework for monetary policy implementation, which started in December 2006. The new framework establishes an interest-rate spread of three percentage points above and below a short-term monetary policy rate (MPR) set by the CBN. The upper limit is the repo (repurchase agreement) rate at which the CBN lends to banks. The lower limit represents the interest rate which the central bank pays on overnight deposits by other banks at the CBN. The MPR for 2006 was fixed at 10 per cent, and the lending and deposit rates were 13 per cent and 7 per cent respectively.

The monetary policy goals in 2007 were to ensure price stability and adhere to the PSI targets for monetary aggregates. With inflation declining and the external position strong, the MPR was lowered by 200 basis points from 10 per cent to 8 per cent in June. Also, the interest rate spread for CBN deposit and lending rates around the MPR was reduced from 600 to 500 basis points. Consequently, the CBN deposit and lending facilities stood at 5.5 per cent and 10.5 per cent, down from 7 per cent and 13 per cent respectively. However, the CBN raised the MPR in October and December 2007 to 9.5 per cent, in response to increased inflationary pressures of the last quarter of 2007.

The broad money (M2) supply grew above its target range in 2006 and 2007 with growth rates of 30.6 per cent and 30.9 per cent respectively. However, the rapid growth of M2 has not yet led to higher inflation. Year on year inflation was in single digits throughout 2007 with a low of 6.6 per cent at the end of December compared with 8.5 per cent and 11.6 per cent in 2006 and 2005 respectively. Core inflation also fell in 2007 with a low of 9.2 per cent at the end of December, down substantially from the 17.3 per cent recorded in 2006. Interest rates remained generally stable and positive in real terms throughout the year with the exception of the savings deposit rate which has been consistently negative in real terms.

The naira remained relatively stable until the last quarter of 2007, during which it appreciated, entailing an overall appreciation by 8.7 per cent between the end of December 2006 and December 2007. The end period exchange rate was $1=NGN 117.97 (Nigeria naira) in 2007 compared with $1= NGN 130.29 and $1 = NGN 128.27 in 2005 and 2006 respectively.

The efficiency of intermediation in the economy improved with the ratio of currency outside banks (COB) to M2 dropping to 15.2 per cent in 2007 from 20 per cent and 18.8 per cent in 2005 and 2006 respectively. Deposit money banks' credit to the private sector more than doubled from $19.4 billion in 2006 to $41.9 billion in 2007, representing about 30.6 per cent of non-oil GDP.

Other developments in the banking system in 2007 include the redesign and launching of lower note denominations of NGN 5, NGN 10, NGN 20 and NGN 50, as well as three new coin denominations of 50 kobo, NGN 1 and NGN 2 in pursuit of the clean notes policy of the central bank. The clean notes policy aims at stopping the abuse of the local currency notes, such as spraying them on individuals during celebrations and squeezing the notes into the pocket on receipt or when distributing them. The country's mint, the Nigerian Security Printing and Minting (NSPM) plc, was reorganised and restructured to strengthen its capacity to meet the national and sub-regional currency and security printing needs. A significant proportion of the country's currency has until now been printed overseas.

The payment system was also made more sophisticated with the introduction of additional automatic teller machines (ATMs), international payment cards, Internet banking, and electronic payments. The introduction of Central Interbank Funds Transfer System (CIFTS), a Real Time Gross Settlement System (RTGS), during the year was expected to result in enhanced interbank transfers and a more effective and rapid clearing system.

Inflation targeting has been accepted as the principle to guide monetary policy by the government and the CBN. However, the CBN's commitment to the effective implementation of this framework remains to be seen. For instance, the CBN has not specified if targeting refers to core inflation or overall inflation or if the target is a specific level or a range. The central bank also lacks the operational autonomy that is required for effective inflation targeting.

The Nigerian Stock Exchange recorded an impressive performance in 2007. In the first and second quarters of the year, the market recorded aggregate returns of 31 per cent and 55 per cent respectively. For 2007, the all share index rose from 33 163.94 points to close the year at 51 330.46 points, representing a 85.1 per cent rise in share prices, and total market capitalisation of new and existing listed companies ended at NGN 7 818 billion from the end-2006 level of NGN 4 223 billion, also a 54.8 per cent increase.

External Position

Developments in the international oil market continued to influence heavily Nigeria's external position, as the country is both a major exporter of crude oil and an importer of petroleum products. Because of the poor condition of the local refineries, Nigeria continued to import about 90 per cent of its domestically consumed petroleum products. Nevertheless, the country remains a large net exporter of oil, as the world's eighth largest exporter of crude oil. The average price of crude oil increased from $64.3 per barrel in 2006 to an estimated $71.2 per barrel in 2007. These high oil prices have created large merchandise trade surpluses of 28.1 per cent of GDP in 2005, 27.4 per cent in 2006, and an estimated 20.8 per cent in 2007.

Merchandise trade surpluses have outweighed deficits in services, so that Nigeria has recently had substantial current account surpluses averaging 8.6 per cent of GDP over 2005-07; the surplus is projected to remain strong at 9.3 per cent and 10.2 per cent in 2008 and 2009 respectively.

Long-term capital inflows, including foreign direct investment (FDI) and portfolio investments, increased in 2007, boosted by financial reforms and other measures improving the business climate. FDI inflows are estimated to be about $9 billion in 2007.

Table 3 - **Current Account** (percentage of GDP)

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Trade balance	7.3	24.6	28.1	27.4	20.8	22.8	21.5
Exports of goods (f.o.b.)	34.6	51.6	53.9	54.2	49.8	51.4	49.5
Imports of goods (f.o.b.)	27.3	27.0	25.8	26.8	29.0	28.6	27.9
Services	-9.8	-8.2	-6.8	-5.1	-5.2	-5.4	-5.0
Factor Income	-9.2	-15.1	-15.5	-12.8	-14.1	-10.3	-8.3
Current transfers	3.3	3.9	3.4	2.9	2.7	2.2	2.0
Current account balance	**-8.4**	**5.4**	**9.2**	**12.4**	**4.2**	**9.3**	**10.2**

Source: Domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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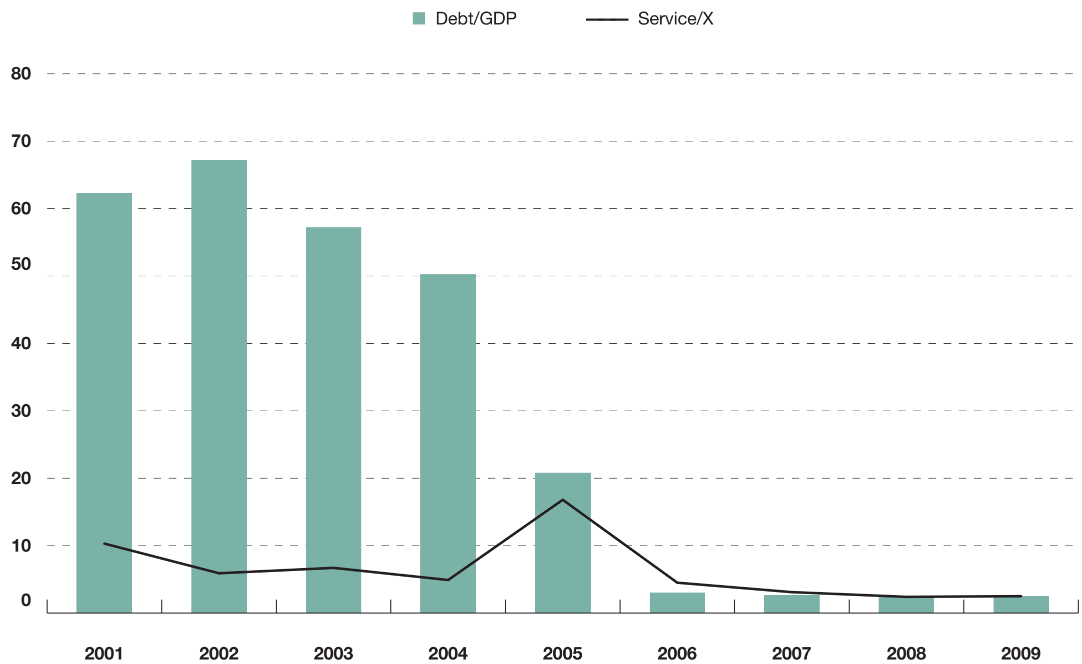
Following the settling of all debt from the Paris Club, Nigeria has also eliminated its London Club debt by redeeming Par Bonds (about $1.5 billion) and repurchasing its promissory notes. The stock of Nigeria's external debt consequently plummeted to a mere $3.63 billion (about 3 per cent of GDP) by December 2007. The total external debt service payments amounted to a low $0.78 billion at the end of June 2007, mostly accounted for by promissory notes (61 per cent), multilateral institutions (24.8 per cent) and the London Club (13.1 per cent). The huge drop in external debt and debt-servicing will make more resources available for investment in infrastructure, poverty alleviation and security improvement.

By virtue of its large size, Nigeria is the dominant member of the Economic Community of West African States (ECOWAS) and one of the leading members of the African Union (AU). The country has been playing an active role in pursuing the AU New Partnership for

Figure 3 - **Stock of Total External Debt** (percentage of GDP) **and Debt Service** (percentage of exports of goods and services)



Source: IMF.

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African Development (NEPAD). The level of intra-ECOWAS trade remains very low, accounting for a mere 10 per cent of member countries' total trade.The low level of sub-regional integration reflects the delays in adopting and implementing trade agreements, notably the Trade Liberalisation Scheme (TLS), cumbersome rules of origin, and daunting non-tariff barriers to intra-ECOWAS trade. These include bureaucracy; corruption in customs; slow port operations; poor roads and communication infrastructure between countries; wastage and theft at ports; poor storage conditions; harassment by police and other personnel at innumerable checkpoints; and inter-country payment difficulties.

ECOWAS is one of the regional groups in Africa which is negotiating Economic Partnership Agreements (EPAs) with the European Union (EU). The EPAs involve reciprocal trade liberalisation to replace the non-reciprocal preferential agreements under the Lome and Cotonou conventions. The impetus for negotiating EPAs between the EU and the ACP African, Caribbean and Pacific (ACP) countries arose out a challenge by non-ACP countries at the WTO against the discriminatory nature of the preferences granted to ACP countries under the Lome and Cotonou conventions. There is concern that the EPAs could involve significant costs to African countries, in the form of forgone tariff revenue, reduced intra-regional trade and increased pressure on local industry, that more than outweigh any benefits of greater access to the EU market. Consequently, a final agreement has been postponed.

Nigeria is also eligible for trade preferences under the United States African Growth and Opportunity Act (AGOA). Nonetheless, utilisation of this opportunity remains low, especially with regard to non-petroleum exports.

Nigeria's foreign exchange reserves hit an all time high in December 2007 of about $50 billion, equivalent to about 15 months of imports of goods and services. To manage effectively the investment of these reserves, 14 custodians and asset managers were appointed during the year.

Structural Issues

Recent Developments

The NEEDS structural reform programme, focusing on economic governance and the business climate, continued to have a positive impact. Reforms have occurred in public sector management, trade and domestic market liberalisation, privatisation and the financial system. A survey conducted by the World Bank found increased transparency and fairness in procurement. The World Bank's *Doing Business* indicators show a slight improvement with Nigeria ranking 108th in 2007 compared to 109th in 2006, out of 178 countries. Increased confidence in Nigeria is also reflected in a sovereign rating of BB-, the success of several Nigerian banks in raising capital on international markets, and the oversubscribed public offers of banks on the Nigerian Stock Exchange, in their bid to raise more capital in the aftermath of the consolidation exercise.

Market liberalisation and privatisation of key public enterprises are advancing at an uneven pace. In spite of significant progress towards the end of the previous administration with the sales of the national telephone company, NITEL, and two oil refineries, along with the concessions of the maritime ports, controversies have erupted. The lower and upper houses of parliament have launched investigations into some of the sales. The sale of the Port Harcourt and Kaduna oil refineries in April 2007 was rescinded two months later. The sale helped trigger a four-day general strike in June among the oil workers that nearly paralysed the economy.

Progress in the power sector has been mixed. Nigeria's three refineries have been dysfunctional for decades because of mismanagement, corruption and sabotage. With the appointment of the National Commission on Privatisation, the concession of the Transmission Company of Nigeria is under way. Privatisation of the Abuja Electricity Distribution plc is awaiting a full review of the energy sector. In addition, eight oil service companies were sold ahead of schedule.

Civil service reforms are continuing, with dismissals of 35 600 under-qualified staff. Restructuring of parastatals also involved layoffs of 32 240 workers. These staff reductions involved substantial severance payments and retraining programmes for those who lost their jobs. A new higher salary structure was introduced to motivate civil servants and attract higher quality staff.

Twelve core federal ministries were restructured in 2007. These cover the state house, finance, solid minerals, national planning commission, federal capital territory (FCT) administration, health, education, foreign affairs, commerce, science and technology, transport, and internal affairs. The government has also merged a number of ministries.

A new policy framework is nearing completion, which will build on NEEDS by adding several new objectives as outlined in the president's seven-point plan presented in his late May 2007 inaugural address. They include improving electricity supplies, food security, employment, transport, land reform, security and education.

Increased adherence to the new "due process" law – the Public Procurement Act 2007 – has instilled fiscal discipline in government and parastatals' activities. The Public Procurement Bill, initiated by the Obasanjo administration, was passed by the National Assembly and, incidentally, was the first bill signed into law on 4 June 2007 by President Musa Yar'Adua. This law, which spells out strict guidelines and procedures for contract implementation, has been enhanced by the enactment of the Fiscal Responsibility Bill, which the president signed into law in November 2007. As enacted, the National Procurement and Fiscal Responsibility Acts are binding only on the federal government, its ministries, departments and agencies. However, state and local governments are being urged to enact similar laws to foster fiscal prudence and transparent procurement processes.

With the banking sector consolidation completed, there are now 24 banks in Nigeria, following the post-consolidation merger of IBTC Chartered and Stanbic. The soundness of the system has improved markedly. At the end of 2007, the highest capitalised Nigerian bank had more capital than the entire 89 fragile banks that existed before consolidation in June 2004. The total asset base of Nigerian banks grew by about 277 per cent between 2003 and 2007. Eleven banks had over $1 billion in Tier 1 capital by the end of 2007, whereas none was in this category before banking consolidation. One of the Nigerian banks was rated 355th in the world in terms of capital in 2006 with 12 others in the top 1 000, compared to none in 2004. Twelve of the banks are valued at between $1 billion and $8 billion on the Nigerian stock exchange, making the banking sector the dominant sector of the exchange.

The Nigerian authorities, under the lead of the CBN, launched Nigeria's Financial System Strategy 2020 (FSS 2020) with the hosting of an international conference in June 2007. The FSS aims to position Nigeria as a financial hub for Africa by boosting its financial system and strengthening its catalytic role in the growth of the real sector. The emergence of the Africa Finance Corporation (AFC) is another landmark development in Nigeria's financial system in 2007. The AFC is an investment bank that contributes to Africa's development through the financing of infrastructure and other activities.

Technical and Vocational Skills Development

Technical training pre-dates modern education in Nigeria. The apprenticeship system has long trained youths in smithing, weaving, pottery, wood-carving, farming, basketry and a multiplicity of other local handicrafts. The Yaba College of Technology, established in 1932, was Nigeria's earliest formal technical and vocational education and training (TVET) institution at the tertiary level.

There are five types of TVET institutions in Nigeria outside the universities: the pre-vocational and vocational schools at post-primary level; and at the post-secondary level technical colleges, the polytechnics and technical teacher education colleges. Pre-vocational education involves basic vocational skills for primary school pupils. Vocational schools focus mainly on the secondary school age group. The technical colleges, which also focus on the secondary school age group, teach elementary level vocational skills. The polytechnics and technical teacher education colleges are the main tertiary TVET institutions with the latter focused on producing instructors for TVET institutions.

Nigeria's TVET system has been ineffective. Lack of funding and low teaching salaries are even more constraining for TVET than for the rest of the educational system. TVET is looked down upon in Nigerian society as a low-status track. Overall, TVET constitutes only about 1 per cent of total educational enrolment with female participation in TVET averaging about a third. Informal TVET in Nigeria is pervasive but poorly documented.

Vocational schools are mostly operated by state governments with little federal government participation. In public institutions, teaching materials are inadequate and the teachers are less competent than their private sector counterparts, although there are substantial variations in quality. Private institutions have much more useful programmes, with trained and experienced staff and high quality equipment. Students in private schools learn practical skills in metalwork, woodwork, electricity, petroleum technology and refining, automobile, carpentry, painting etc. Foreign companies, such as Shell, Leventis and UAC, among others, offer technical training courses. Nigerian enterprises offer little formal vocational training.

TVET programmes are poorly integrated into the economy's demand for skills. For instance, the Industrial Training Fund (ITF) was established to provide TVET trainees with actual work experience in both private and public sector organisations but as a result of poor funding and weak management, the arrangement has virtually collapsed. There is also a mandatory one-year work experience requirement for the higher national diploma in TVET. However, because of the surplus of job seekers and the disorganisation of the economy, most TVET participants are unable to obtain work experience.

One of the goals of NEEDS is the strengthening of vocational and entrepreneurial skills. However, the review of the 2004-07 phase of NEEDS found no progress on skill acquisition. The 2008-11 phase of NEEDS is expected to address this issue with greater financial support and new efforts to create more effective TVET programmes that instil useful skills and to create partnerships with the private sector.

Financing of TVET in Nigeria is a shared responsibility among the private sector, public sector and donor agencies. The private sector financing is mostly for in-house vocational training activities while public sector financing encompasses public recurrent and capital expenditure on TVET by the local, state and federal governments. While information on local and state governments' expenditures on TVET is unavailable, that relating to federal expenditure can be obtained from the National Board for Technical Education (NBTE) and other institutions. The NBTE is the commission responsible for overseeing the polytechnics in the country and curriculum development for vocational education. Available data indicate that 20.9 per cent, 7.1 per cent and 13 per cent of total expenditures on education in 2003, 2004 and 2005 respectively went to the NBTE of which 39.2 per cent, 83.6 per cent and 78.4 per cent of yearly budget appropriations to NBTE in the same years were actually spent.

Donor agencies involved in financing skills development in Nigeria include UNESCO's creation of six regional UNESCO technical and vocational centres (UNEVOC) for the retraining of TVET instructors. The African Development Bank initiated in July 2005 a $42 million five-year TVET project. The project's goal is the upgrading of 10 TVET institutions and restructuring of the present supply-driven TVET into a demand-driven system that responds to the needs of the private sector.

Political Context

The controversial April 2007 elections marked a potential turning point in the political history of Nigeria. The elections were touted as the country's first democratic political transition. A total of 51 political parties participated, with the main contenders being the ruling People's Democratic Party (PDP) and two major opposition parties, the All Nigeria People's Party (ANPP) and the Action Congress (AC), with the latter led by the vice-president, who had become disaffected with the incumbent President Olusegun Obasanjo and the PDP. An ally of Obasanjo, Musa Yar'Adua of the PDP, was declared the winner. President Obasanjo's supporters had previously tried unsuccessfully to change the constitution so that he could run for a third term.

According to local and international observers, the elections were marred by severe irregularities, including arbitrary disqualification and arrest of candidates, voter-card fraud, poor logistics and non-transparent results collations. The results of most of the elections, including the presidential election, were contested at various election petition tribunals and courts. In February 2008 an election tribunal upheld president Yar'Adua's victory, dismissing a petition. But six governorship elections were annulled by various state election tribunals. These states are Anambra, Rivers, Kogi, Adamawa, Kebbi and Enugu. Two of the governors in the annulled governorship elections (Anambra and Rivers) were immediately replaced by the appropriate courts; three others have their appeal cases pending; and new elections have been scheduled in Kogi during the first quarter of 2008 following the confirmation of the annulment by the Appeals Court.

The fight against corruption in Nigeria progressed markedly in 2007, through the work of both the Independent Corrupt Practices Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). The public disclosure of the assets of both the president and his deputy was also an important step. Following the end of the terms of most state governors and their loss of immunity to prosecution, the EFCC targeted a large number of them. Eight of the governors were arrested and prosecuted on charges of corruption and misuse of public funds. On the other hand, the replacement of the head of the anti-corruption agency towards the end of 2007 dampened public confidence in the vaunted "zero tolerance for corruption" posture of the new administration.

The impeachment of the speaker of the lower house of the National Assembly on grounds of corrupt practices and non-compliance with due process in the award of contracts was another source of controversy in 2007. President Yar'Adua's non-interference in the case against the speaker, who incidentally was the first woman to occupy this position in Nigeria, despite strong political pressures in the legislature, shored up his standing as an opponent of corruption.

Social Context and Human Resources Development

Progress on social and human development indicators in Nigeria in 2007 was mixed. The United Nations Development Programme's *Human Development Report 2007/2008*, compiled on the basis of 2005 data, ranked Nigeria as 158th out of 177 countries, below the average for sub-Saharan Africa. Infant mortality (per 1 000 live births) declined to 109.5 in 2007 from 140 in the 1970s. Similarly, the under-five mortality rate (per 1 000 live births) declined from 265 to 187 during the same period. In 2006, the government conducted a core welfare indicator survey which showed that 55.1 per cent of the population had access to medical services, with a much higher access rate found in urban areas (70.9 per cent) than in rural areas (47.8 per cent). The survey also revealed that 67 per cent expressed satisfaction with medical services. Here again, the rate was higher for urban communities (75.1 per cent) than for rural ones (62.7 per cent).

The government has made significant progress towards addressing the HIV/AIDS pandemic. The HIV/AIDS prevalence rate declined to 4.4 per cent in 2006, down from 5.8 per cent in the preceding year. The targets for 2007 are to reduce the prevalence and incidence rates by 50 per cent for both sexual transmission and mother-to-child transmission of HIV, to ensure 100 per cent access to antiretroviral drugs, and to ensure that at least 30 per cent of health institutions in the country are able to offer effective care for and control of HIV/AIDS. The National Action Committee on AIDS (NACA) has continued with its strategic focus on treatment as well as prevention through advocacy, information and education campaigns.

The Nigerian Federal Ministry of Health reported an outbreak of measles, cholera and cerebrospinal meningitis in the northern region of the country in the last quarter of 2007. The renewed outbreak resulted in about 196 deaths in 2007 out of the 5 957 reported cases. Scores of children were also admitted to hospitals in the riverine communities of the Delta State because of the outbreak of cholera, though no deaths occurred.

The government has increased spending on education. Universal basic education (UBE), which was introduced in 1999 at the inception of the Obasanjo's administration, was aimed at providing free education for all pupils at the primary and junior secondary school levels. It was also expected to raise the primary school enrolment rates. According to national sources, the total gross primary school enrolment rate increased from 98 per cent in 2000 to 120 per cent in 2005, while the total secondary school enrolment rate rose marginally, from 34 to 36 per cent, during the same period. Although school enrolment ratios have recently increased for both boys and girls, there remains a considerable gender gap at all levels. For instance, the primary-school enrolment rate in 2004 was 132 per cent for boys, as opposed to 107 per cent for girls. The secondary-school enrolment rates were 40 per cent and 32 per cent for boys and girls, respectively.

The 2006 government survey data also revealed a wide disparity between male (74.6 per cent) and female (56.8 per cent) adult literacy rates. Thus, based on current trends, Nigeria may not achieve the gender-related MDG. Nigeria's Gender-related Development Index (GDI), which captures inequalities in achievement between men and women, is 0.443, which ranks Nigeria 82nd out of 136 countries.

Nigeria has made substantial progress in reducing poverty levels. According to a recent survey the proportion of people living below the poverty line declined from 70 per cent in 2000 to 54.4 per cent in 2006 thanks mainly to progress in macroeconomic performance and the gradual implementation of the

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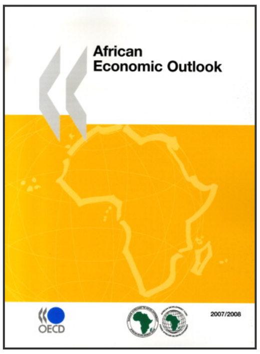

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