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## 1.0 ABSTRACT

Distinctive national achievements are usually preceded by comprehensive plans, directed actions and the concerted will of a united people in the face of seemingly insurmountable challenges.

In the past eight years, and particularly in the last four, Nigeria has witnessed unprecedented, but well articulated economic and social reforms geared towards setting the country on the path of development. These reforms were considered necessary, indeed inevitable, if the country was to break away from the cycle of poverty and underdevelopment and take her rightful place as the purveyor of growth and prosperity to Africa and indeed the black race. These reforms will be sustained and indeed deepened.

The National Economic Empowerment and Development Strategy (NEEDS), the economic development blueprint, developed by the Peoples Democratic Party (PDP) led government, as well as the 2007 Manifesto (Programme Implementation) of the PDP, are two distinctive documents that have influenced the creation of President elect Umaru Musa Yar'Adua's 7-Point Agenda; an articulation of Policy Priorities that will strengthen the reforms and build the economy, so that the gains of the reforms are felt widely by citizens across the country.

The Nigeria Project Agenda provides a comprehensive articulation of how each Priority Policy will be achieved and the specific time frames.

The Nigeria Project Agenda approach to all round prosperity is based on consolidating and sustaining the reform process, while also creating and maintaining a higher standard of living and a better quality of life for all. To meet this challenge, the focus of the Nigeria Project Agenda is to drive the type of growth which recognizes the economic value of natural and human capital.

In other words, the Nigeria Project Agenda provides the unambiguous answer to "how" the campaign promises predicated on the 7-Point Agenda can be translated into widespread economic gains and democratic dividends for the benefit of all Nigerians.

The Priority Policies, hinged on reforms, derived from the 7-Point Agenda, address:

- Sustainable growth in the real sector of the economy
- Physical Infrastructure: Power, Energy & Transportation
- Agriculture
- Human Capital Development: Education & Health
- Security, Law and Order
- Combating Corruption, and
- Niger Delta Development



There is some acknowledgement as well as evidence that the reforms have recorded successes. However, these need to be deepened and improved upon. The challenge for ongoing and future reforms is to ensure that the benefits positively affects and impacts all Nigerians.

There is also a need to employ more effective communication strategies, so that the incoming Government can ensure the buy-in of all Nigerians for current and future reforms to achieve widespread acceptance.

The Nigerian middle class has all but disappeared. Part of the aim of the the Nigeria Project Agenda is to introduce policies and measures that would lead to the re-emergence of a vibrant middle class with positive impact on the quality and standard of living of all Nigerians.

The need for reform in Nigeria cannot be overemphasized. Faced with limited resources, competing demands, unmet expectations and the very high aspirations of the Nigerian people, the reforms must be consolidated, sustained, improved and accelerated.

The incoming government needs to appreciate the huge gap between where we are as a nation and where we want to be or where we should be. This gap can only be narrowed by well-planned and implemented reforms across board, affecting all aspects of the economy and institutions. Public sector in partnership with the private sector should be a key strategy in narrowing the gap.

It is envisaged that in the next four years the incoming government shall be propelled by the historical challenge of making the common man a major beneficiary of the nation's common resources. For an enduring democratic government, our performance in the next four years must be assessed on the basis of the impact of the Nigeria Project Agenda on the vast majority of the people.



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*From the Very Beginning – Set the Tone for...*

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**...Deepening The Reforms For The Benefit Of All**

- Declare emergency in Power Sector
- Constitute a credible Economic Team
- Present a prioritized supplementary budget
- Commit to Fiscal Responsibility
- Commit to prudent borrowing policy
- Initiate a land reform process
- Review and adopt NEEDS II document
- Pursue the implementation of Reviewed Trade Policy

**...A Responsive Social Policy**

- Develop and Launch Marshal Plan for Niger-Delta development
- Enhance rate of investment in education, health and infrastructure
- Immediately resolve ASUU strike and other labour-related issues

**...A Clean Government**

- Commit to Rule of Law
- Constitute a qualitative cabinet guided by Ethical Codes
- Asset declaration by the President and the entire Cabinet members
- Demonstrate commitment to transparency in areas such as:
  - Government finances
  - Oil block allocation
  - Fertilizer distribution
  - Sale of public assets
- Initiate a comprehensive electoral reform
- All major appointments, policies, contracts etc taken after the election to be reviewed
- Increase representation of women in government
- Grant Presidential Amnesty to Niger-Delta militants and other political detainees



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*After the First 100 Days Until the First Anniversary – Begin the Quest For...*

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**...Job Creation**

- Focus on Private-Public Partnership (PPP) as a key tool for infrastructure development
- Develop a comprehensive SME framework
- Have a comprehensive back to farm programme and aggressive tree planting campaign
- Effectively implement local content policy in the oil and gas industry
- Alter investment guidelines for pension firms in favour of real sector and housing
- Commit to building gas infrastructure (pipelines) to increase gas utilization in the country
- Introduce Manufacturing Expansion Grant (MEG)

**...Improving the living conditions of all Nigerians**

- Support four year mass housing scheme through aggressive mortgage finance
- Enhance enrollment in primary and secondary schools.
- Increase resource allocation for universal access to cost effective relevant health services
- Design an institutional framework for evaluation of social and economic programmes which will report directly to the President
- Coordinate efforts to roll back poverty through fiscal and monetary policies that are self-reinforcing and with positive feedback on PPP.

**...Genuine National Reconciliation/Institutional Reforms**

- Accelerate the ongoing reforms of the police, prisons and judicial system, and all other institutions of government
- Strengthen the effectiveness of the Nigeria police



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*After the First Year – Focus on...*

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**...Sustainable Growth**

- Promote sustainable large scale commercial agriculture based on plantation economy, cash, crops, orchards, irrigation and proteins production
- Increase public and private sector investment in agricultural R&D
- Evolve ways of encouraging flow of capital the real sector of the economy
- Boost power generation by building more hydro and coal power plants
- Link the evolving housing market / needs with capital market to raise home ownership rate

**...Strengthening Human Development**

- Embark on comprehensive reform of tertiary institutions
- Sustain increased funding of Primary and Secondary level of education
- Sustain increased funding provision of basic health services
- Resolve dysfunctional educational system

**...A Functional Government**

- Introduce nationwide community policing
- Comprehensive review of bankruptcy and insolvency laws and strengthening of foreclosure procedure
- Deepen Expenditure Management Reform



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*By Mid-Term – Advance Towards...*

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**...Long – Term development**

- Lay emphasis on bio-technology and Genetically Modified Foods (GMF) to boost food supply
- Launch new targeted investment drives in specific industries where competitive advantages exist
- Establish and adopt a routine process to annually meet JV cash calls in oil and gas industry
- Expand rail and road network and maintain existing infrastructure
- Strategic development of mineral resources
- Establish a comprehensive set of fiscal incentives to encourage the development of high potential industries
- Evolve ways to enhance all seasons farming through irrigation
- Encourage linkages between formal and informal sectors of the economy
- Sustain the development of rural infrastructure
- Tackle environmental degradation

**...Sustainable Social Programmes**

- Expand the coverage of health insurance and provision of basic health care for all
- Create Youth Development Fund for capacity building
- Help poor to broaden their asset base and increase access to financial services

**...Quality service delivery**

- Accelerate implementation of:
  - E-Government agenda
  - Civil Service Reforms
  - Reform and modernize of the Judiciary
  - Property Rights and land tenancy (legal & regulatory framework)



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*And by The End of Four Years – Achieve...*

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**...A more prosperous economy**

- Country with a high credit rating
- Functional and efficient infrastructure
- Efficient and Adequate Power supply
- Adequate supply of refined petroleum products (emphasis on local refineries) and doubling of local content in the oil and gas industry
- Significantly reduced cost of doing business

**...Substantial progress towards achieving the MDGs**

- Substantial reduction in the number of people living below poverty line and income inequality
- Eradicate preventable diseases
- Easier access to Anti-retroviral drugs
- Towards achieving environmental sustainability
- Eliminating gender disparity in primary and secondary education

**...A more stable polity**

- A country based on law and order and a disciplined society
- Lower Corruption –Transparency Index
- Responsive, ethical and efficient civil service
- Corruption free and efficient Judicial system
- Adoption of true fiscal federal structure – allocate revenue to different tiers of government commensurate with powers





## 2.0 INTRODUCTION

Nigeria is at the threshold of history. The tempo of change has accelerated in recent years. At the same time, the polity, economy and society have undergone some profound changes. The democratic order that emerged eight years ago was premised on the wide-ranging expectations of a prosperous, secure and stable country. Efforts have been made to build the pillars upon which these expectations could be realized and to satisfy the yearnings and aspirations of Nigerian citizens. These efforts have culminated in an unprecedented series of economic reforms, specifically meant to address the mismanagement, waste and corruption that have for two decades destroyed the economy and in so doing laying the foundation for sustainable growth thereby unleashing Nigeria's potential as a major growth driver in the African continent.

In the last eight years, the international context has been quite favourable for the Nigerian economy. This is indicated by high oil prices, foreign investment flows and a landmark debt exit. Thanks to decisive and bold government's decisions, we have experienced improved macroeconomic stability, robust economic growth, and have also built up a healthy foreign reserve position. In addition, considerable progress has been made in investment in physical infrastructure, in our renewed focus on human capital development, in improved public debt management, and favourable credit ratings. We also have a more improved environment for doing business. These are opportunities that must be seized and consolidated now. We cannot afford to revert to the old ways of doing things, with adverse consequences on economic growth, confidence, good governance and social cohesion.

This means that we must build on a solid foundation already laid; a departure, for the first time in the nation's history from recent trends whereby incoming governments had cause to "change the course", a habit that further compounded our developmental dilemma and made it quite difficult to build enduring institutions which would guarantee good governance and continuity of effective policies. More importantly, however, we are building the country on a foundation laid by the steadfast commitment to reform, growth and prosperity that was characteristic of the Obasanjo government. From this premise, the Nigeria Project Agenda will, perforce, delineate a broad-based framework for continuity of reforms with a view to underpinning the strategic decision-making, as well as achieve a national consensus on Nigeria's policy objectives and aspirations.

In seizing these opportunities, however, we must bear in mind the fact that a lot of work lies ahead. From the economic perspective, the modest growth rates we have achieved must be sustained through the adoption of appropriate measures aimed at sustaining and increasing economic growth to reduce poverty and maximize social welfare. From the political perspective, there is a huge task of evolving a common national identity that will underpin the socio-economic and political integration of the polity.



## **2.1 THE NIGERIA PROJECT AND SHARED ASPIRATIONS**

Although never loudly expressed, there has always been a 'Nigerian Dream'. The Dream of every Nigerian is to live in a peaceful and prosperous society, managed by trustworthy and credible leaders who will ensure the provision of equal opportunities for economic empowerment, as well as the protection of basic human rights. This Dream could be alluded to the fact that Nigerians have long been frustrated by inexplicable poverty in the midst of an abundance of resources.

At the heart of our Nigeria Project Agenda is the Nigerian Dream. It is our historic responsibility to ensure the realization of this Dream and put behind us the echoes of years of political uncertainties and economic wastes and mismanagement that have constrained our ability to become a modern and industrial economy. We have at our disposal the evidence of the progress we have made, as well as the missed opportunities in our efforts to build the country. This could provide us with valuable lessons on how to accelerate development and improve the living conditions of our people. Accordingly, we will emphasise community empowerment and direct participation of the citizens as a fulcrum around which our development initiatives should revolve, thus putting the people in charge of their destiny.

## **2.2 VISIONS OF THE FUTURE AND THE NOTIONS OF A BETTER NIGERIA**

If Nigeria is to occupy its rightful place in the comity of nations, we must first define the direction of our development and articulate a shared vision of what we desire as a nation. The National Economic Empowerment & Development Strategy (NEEDS), Nigeria's much-internationally-acclaimed policy document, has been the key driver of our developmental efforts since 1999 with very far reaching results. To ensure continuity, we are currently in the process of developing the NEEDS II policy document which will serve as our development policy blueprint for the next few years. Our aim would be to accelerate economic growth, engender enhanced public sector efficiency, as well as address the challenges of human capital development, poverty reduction and regional development, especially in the Niger Delta.

## **2.3 THE CHALLENGES, THE OPPORTUNITIES AND THE PROMISE**

Nigeria, like any developing country faces a myriad of opportunities and challenges. How we deal with these opportunities and challenges will define the future of the country for many generations to come. Nigeria can overcome its challenges and take advantage of its opportunities by drawing on its strength, diversity, resilience and enterprise. There is an urgent need for this Government to promote a shared notion of a progressive Nigeria to overcome our limitations and make Nigeria a viable, prosperous and united country.



## 2.4 NIGERIA WITHIN THE GLOBAL CONTEXT

The global landscape for development has changed quite dramatically in recent years, with the rapid growth in world trade, capital flows and communications technology. For countries in transition like Nigeria, these changes have presented both challenges and opportunities. It is widely agreed that by ensuring the emergence of more efficient and competitive financial markets, globalization provides vast opportunities for greater financial intermediation and capital formation, and hence, the acceleration of economic growth in these countries. These opportunities include: greater scope to achieve a better allocation of financial resources domestically and internationally, better portfolio diversification, expanded investment outlets, easier and cheaper access to international finance.

Nigeria is richly endowed with vast economic potentials: physical, human and natural resources. The potentials in the oil and gas sectors, agriculture and manufacturing, as well as investment potentials in infrastructure are undoubtedly huge. As a major growth driver in the West African sub-region and the African continent, Nigeria has enormous geopolitical and strategic advantage that must be leveraged upon to foster growth. Nigeria is an emerging mass market given its sizeable population, with a highly educated and enterprising workforce.

In view of the rapid integration of global economies, the place of Nigeria within this process must necessarily become an issue of policy relevance. In this regard, a key objective of this Government will be to strengthen existing relationships with Nigeria's major development partners and maintain the current high level of foreign investor interest in Nigeria.



### **3.0 THE NIGERIA PROJECT AGENDA- VISION**

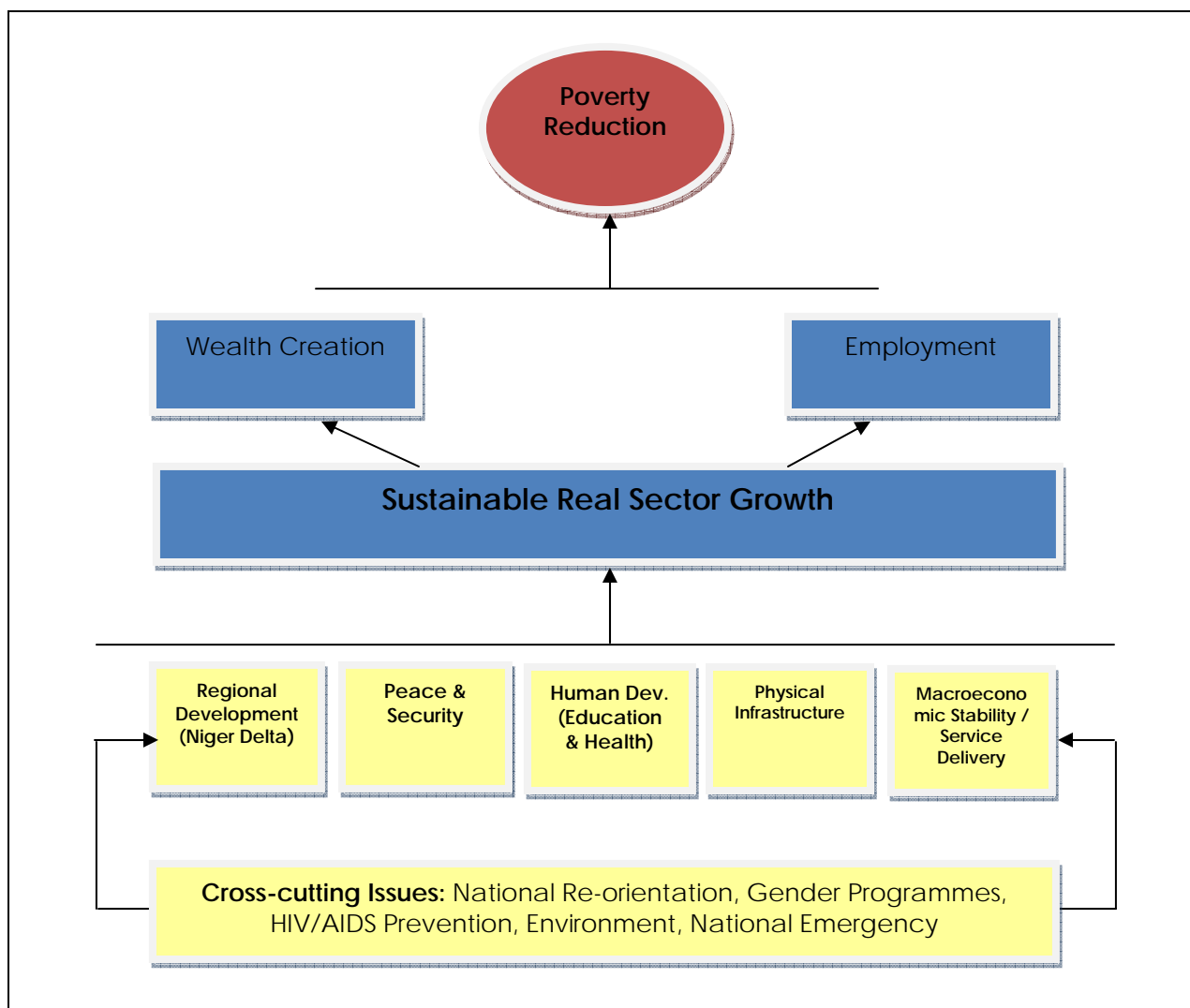
“To develop a united and secure society underpinned by strong democratic principles and a modern and industrialized economy, which is fair, just and especially socially inclusive, environmentally responsible and a key player in the regional and global economy. “

#### **3.1 KEY OBJECTIVES**

- 3.1.1 Consolidate and deepen the economic reforms to impact the lives of all Nigerians
- 3.1.2 Address the current development challenges facing the Nation
- 3.1.3 Make significant progress towards the attainment of the MDGs
- 3.1.4 Propel Nigeria into one of the 20 largest economies in the world by 2020.
- 3.1.5 Run a responsible, accountable and transparent government
- 3.1.6 Reform and strengthen the democratic and political process



#### 4.0 STRATEGIC FRAMEWORK FOR POLICY GUIDANCE





## 5.0 SUSTAINABLE GROWTH IN THE REAL SECTORS OF THE ECONOMY

### 5.1 MACROECONOMIC POLICY

#### 5.1.1 CURRENT POLICIES

Nigeria's economic reform agenda, which has largely been driven by the NEEDS policy has involve the application of fiscal, monetary, trade and exchange policies to stabilize the economy in the short-run, achieve internal balance in the medium term and move the economy towards the attainment of external balance in the medium and long-term. In the main, macroeconomic management in Nigeria has been directed at achieving a high and sustained non-inflationary rate of growth. The specific measures that have been applied since 2003 are as follows:

##### 5.1.1.1 FISCAL POLICY

The prevailing Fiscal policy is intended to achieve macro-economic stability and internal balance. Fiscal policy is also aimed at achieving fiscal transparency, viability, efficiency and improved revenue base. Under the reform, a Medium-Term Expenditure Framework (MTEF) was adopted as an instrument of strengthening public expenditure management by outlining strategic priorities for expenditure allocation and engendering fiscal discipline. An important initiative in this regard was the introduction of an oil price-based fiscal rule, which seeks to de-link government expenditure from the volatility of oil prices and effectively ensures that excess crude revenues are saved.

The government also made efforts to curtail budget deficits by limiting it to no more than 3% of GDP. This had served to reduce undue burden on monetary policy and provide the right environment for private investment.

To complement fiscal reforms, governance reforms which are anchored on the tenets of transparency, accountability and anti-corruption were introduced. These include: the **"Due Process"** mechanism; the Nigeria Extractive Industry Transparency Initiative (NEITI); OPEN-Oversight of Public Expenditure in NEEDS; public sector restructuring; as well as anti-corruption agencies (EFCC and ICPC).

##### 5.1.1.2 MONETARY POLICY

Monetary reforms largely focused on the maintenance of price stability. Also a number of steps were adopted aimed at strengthening the financial sector and enhancing its ability to provide credit to the private sector, as well as creating an environment for effective monetary policy and financial intermediation. The monetary authorities have also embarked upon implementing more active, transparent and predictable <http://www.cenbank.org/MonetaryPolicy/Policy.asp> - [top#top](#) interest rate and exchange rate policies. These measures are expected to prevent the financial system from being the weak link that could precipitate instability in the event of domestic or external shocks.



### 5.1.1.3 STRUCTURAL REFORMS

The structural reforms have entailed liberalization, deregulation and privatization of key sectors of the economy. The objective was to ensure that the private sector remains the driver of economic activity.

It is noteworthy that several legislation designed to deregulate and govern key sectors, such as telecommunications, electricity and public-private sector partnership (PPP) in infrastructure development, have been passed. For instance, the liberalization of the telecommunications sector had engendered a boost in investment in the sector (over US\$1 billion a year for the past four years) as well as provision of telecommunications services (from just fewer than 500,000 to over 30 million GSM lines since 2001).

### 5.1.2 PRESENT PERFORMANCE: APPRAISAL OF POLICY MEASURES

The ultimate objective of economic reforms is the stimulation of a sustainable, non-inflationary economic growth. Indeed, prudent fiscal policy supported by sound monetary policy has been largely successful in Nigeria. The success of fiscal reform efforts have ushered in a period of improved macroeconomic stability. Fiscal operations of the government have become more transparent than in the past.

The exchange rate has become relatively more stable and is underpinned by the successful introduction of a wholesale market for foreign exchange. The liberalization of the foreign exchange market in 2006 allowed the unification of the exchange rate and greater exchange and interest rate flexibility. Inflation has been significantly reduced from 23% in 2003 to below 10% in 2006. Chronic fiscal deficits have given way to consolidated surpluses, thus improving the overall fiscal balance. Government fiscal balance moved from the previous 3.5 percent of GDP deficit to a consolidated fiscal surplus of about 10% of GDP in 2004, and 11% in 2005.

A sizeable revenue windfall has also been saved. By the end of December 2006, Nigeria's external reserve stood at over US\$40 billion. Consequently, a strong economic growth of almost 7% in 2005 and 2006, including strong non-oil sector growth of 8%, particularly in agriculture, which is key for employment generation and poverty reduction, was achieved.

The reforms contributed to attaining the landmark Paris Club debt relief deal that Nigeria successfully negotiated with its creditors in 2005, which in turn is already having a beneficial impact on investment and growth in the economy. As part of the debt relief deal, saved oil revenues were used to eliminate payment arrears and buy back foreign debt at a discount and this led to a reduction of foreign debt to below 5% of GDP from 57% in 2003. The relatively good debut sovereign credit rating of (BB-) with a stable outlook which Nigeria secured from two major international rating agencies (Fitch and Standard & Poor's) was regarded in international circles as a vote of confidence in the government's economic reform efforts. The rating has put Nigeria at par with other emerging markets such as Brazil, Turkey, Venezuela and Vietnam. It has benchmarked Nigeria internationally and enabled the pricing of her risk. It also enables Nigerian businesses to have easier and more affordable access to international finance and capital markets.



### 5.1.3 CHALLENGES

From the foregoing, it is clear that the reforms have resulted in stable macroeconomic policies, which have helped build investor confidence in the economy. However, the expectations that employment in the real sector of the economy would greatly expand have not been significantly realised. Improvements in poverty and social indicators have been less than impressive (more than half of the population is still in the poverty trap, with high incidence of extreme poverty particularly in the rural areas). Despite steady growth in the non-oil sector exports, the envisaged diversification of the economy is still proceeding at a slow pace, as the oil sector continues to be the dominant source of foreign exchange.

Regarding fiscal policy, there are still challenges on both the revenue and expenditure sides. Notwithstanding the reduction in fiscal deficits, fiscal policy in Nigeria is still limited by its low revenue base. While tax revenues have grown in recent years due partly to new tax measures, it is still low. There is still a high level of tax evasion. On the expenditure side, there is still the challenge of responsibility in spending and borrowing, getting value for money, as well as monitoring and evaluation of expenditures.

With respect to monetary policy, the challenge remains the persistence of high interest rates despite measures to control inflation.

Evidently, the recent strong economic growth has been far too short to make a significant impact on poverty and reduce unemployment. There is need for the benefits of economic growth to trickle down to all Nigerians and achieve the objectives of NEEDS. There is also the need to involve Nigerians in the reform process which should have the restoration of the middle-class as one of its goals.

Besides the above, a recent study concludes that a range of shortcomings in the Nigerian business environment significantly impedes the possibility of sustained high economic growth. The key short comings are (i) Poor physical Infrastructure – inadequate transportation, epileptic power supply and poor communication systems (ii) a burdensome administrative, regulatory and institutional environment for businesses that significantly raises the cost of doing business and (iii) lack of access to long term finance which is an essential prerequisite to financing long term projects.

### 5.1.4 POLICY OPTIONS

While reforms have advanced in key areas, there remains a substantial unfinished agenda. Nigeria needs to continue with prudent macroeconomic management while making further efforts to foster an environment conducive to private sector and employment growth.

For Nigeria to consolidate the economic gains achieved in the last four years, it must deepen reforms that improve human capital, promote high-quality public infrastructure, and encourage competition. The pillars to sustain this consolidation must include a firm





fiscal policy, transparent fiscal operations, development oriented monetary and exchange rate policies, and strengthening of the financial sector. In all of these, Nigeria has room for progress.

#### **5.1.4.1 MACROECONOMIC MANAGEMENT**

A key and central policy option is to continue with sound macroeconomic management. This will support and consolidate the confidence in the economy, and encourage foreign direct investment (FDI). This would entail:

- Concerted stakeholder buy-in through policies that generate quick-wins for those most affected by the reforms.
- The assertion of political authority, intelligence and political will are also important pre-requisites for advancing the reform process and strengthening macroeconomic management.

#### **5.1.4.2 FISCAL POLICY**

Fiscal policy should involve strengthening the tax administration system and ensuring fiscal responsibility at all levels of government. Fiscal policy should focus on:

- A comprehensive framework for fiscal coordination at national level that will entail the enactment of the Fiscal Responsibility Law.
- A comprehensive reform of the public sector with a view to creating a more efficient work force.
- Participation of the private sector in the provision of some infrastructure and other public goods. This will entail developing a solid legal, institutional and fiscal framework for PPP operators, including the reporting of contingent liabilities arising from guarantees provided to PPP firms.

#### **5.1.4.3 MONETARY POLICY**

Monetary policy should involve the emergence of an independent but development-oriented Central Bank, that will use instrument of policy to support the developmental objectives of government. Monetary policy should continue to focus on:

- strengthening the financial system
- Encouraging domestic savings
- Deepening of the domestic capital market
- Proactive management of systemic risks (the Basel guidelines).

#### **5.1.4.4 STRUCTURAL REFORM**

Structural reforms need to be deepened and accelerated with unfinished reform agenda in the following areas:

- Privatisation/concessioning of key infrastructure (power, communications systems, ports, etc.).
- Improved Infrastructure: the development of medium term investment strategies for all infrastructure sectors would be critical in developing a clear vision that will facilitate the selection of the most cost efficient projects and provide clear performance indicators



- Improve the lending environment by accelerating the establishment of credit bureaus, strengthening creditor rights and the insolvency framework and contract enforcement procedures in general
- Building Human Capital
- Linking R&D and innovation to the real sector and improve capacity to manage technological changes



## 5.2 AGRICULTURE

At the moment the agricultural sector is the fastest growing sector in the non-oil sector. In 2005, it contributed 6.81% out of the 8.21% growth rate recorded by the entire non-oil sector (see figure 1 below).

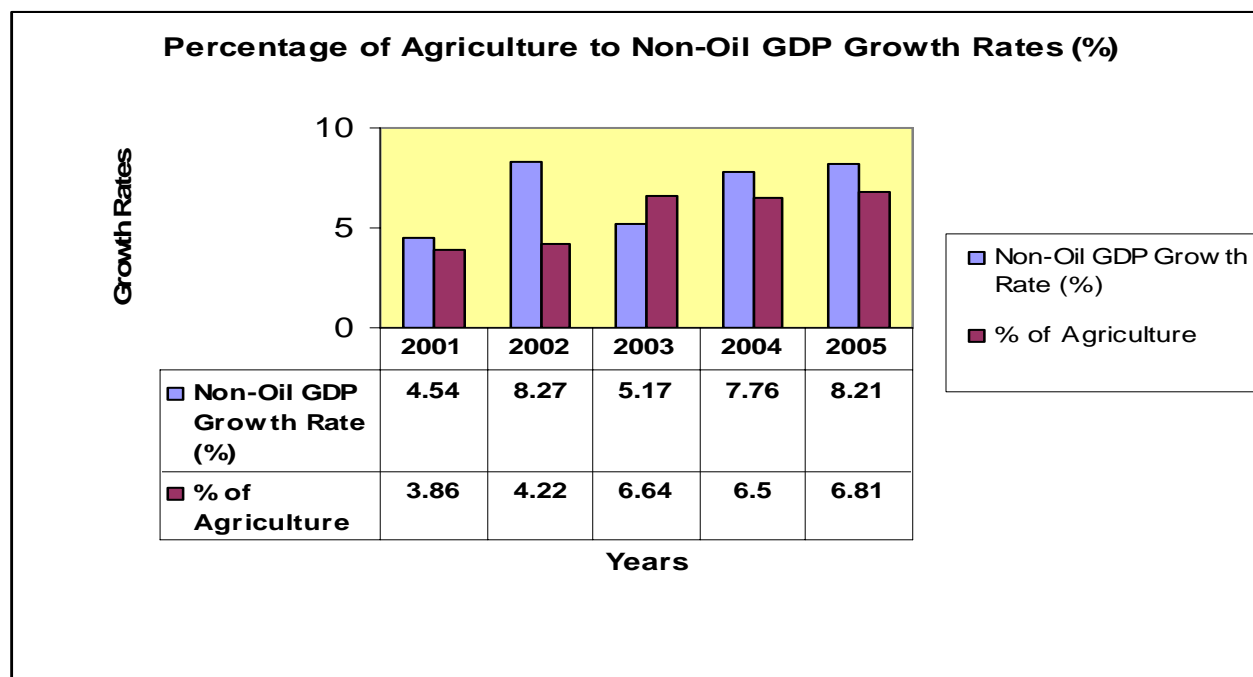


Figure 1. Percentage of Agriculture to Non-Oil GDP Growth Rates (%)

### 5.2.1 CURRENT POLICY

Several reforms, programmes and policies have been introduced by successive Governments to boost production in the agricultural sector (including foreign funded projects). Some of the initiatives include the formulation of irrigation policy for Nigeria, introduction of Agricultural Development Programme (ADP) and National Seed Service (NSS) programme, establishment of Federal Agricultural Coordinating Unit (FACU) with the responsibility for the provision of planning and implementation support to the activities of the ADP in Nigeria. Other projects and programmes initiated by past Governments include the establishment of National Agricultural Land Development Authority (NALDA), Agricultural Credit Guarantee Scheme (ACGS) and Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), among others.

The present Government has undertaken a number of policy initiatives since 1999 with a view to boosting production in the agricultural sector. These initiatives include the liberalization of different agricultural input delivery systems, introduction of measures to involve the private sector in the agricultural sector, Special Programme on Food Security (SPFS), Fadama II, Strategic Grains Reserve (SGR) and SMEDAN and increased budgetary allocation to the agricultural sector. In the NEEDS documents, agriculture was identified as



a major priority and performance targets were set for the sector in terms of annual growth rate of 6%.

The Government equally set up Presidential Committees (on rice, cassava and vegetable oils) with the mandate to initiate programmes that will boost agricultural production.

### **5.2.2 PERFORMANCE**

After a long period of sluggish growth, the country's agriculture has recorded significant growth of about 7% in two successive years (2005 and 2006). The present Government has shown commitment in the area of increasing private sector participation in the different sectors of agriculture especially in the distribution of fertilizers and other farming inputs. In the area of agricultural finance, some measures were also introduced to encourage the growth of microfinance institutions and SMEDAN.

However, the Government recorded only modest improvement in the overall performance of the sector. Agricultural GDP grew from 4.1% in 2000 to about 7% in 2006. It is important to note that the sector was characterized by inefficiencies in the supply and distribution of farm inputs, especially the distortions in the fertilizer markets, protectionist policies in the form of imposing import duties on several agricultural products and inadequate market linkages.

### **5.2.3 CHALLENGES**

Although the agricultural sector has strong potentials, it is faced with a lot of challenges which have impeded substantial growth in the sector. Some of the key challenges that face the sector include the following:

#### **5.2.3.1 LOW PRODUCTIVITY**

There is an inverse relationship between growth in the area of land cultivated and yields for virtually all crops. Nigeria's yield is lower than those of her competitors, both in the areas of cash crops and food crops and animal husbandry. The low productivity in the sector can be attributed to weak research and extension services, low use of improved genetics and purchased inputs, low levels of mechanization and irrigation, poor access to production credit especially in accessing micro credit facilities, decline in soil fertility, ageing farm population, rural-urban migration by the youths, high drudgery (physical effort per output), unattractiveness and natural factors.

#### **5.2.3.2 LOW QUALITY OF PRIVATE SECTOR INVESTMENT**

Private investment in agriculture, both in primary production as well as processing (value added), is currently low. Factors contributing to the low level of investment include high risk of investment caused by policy inconsistency, low investor confidence in the sector, high production cost, insecurity of land tenure, insufficient institutional and infrastructural support (roads, national railway network, electricity, and storage facilities), low use of business credit and unfavourable business climate.

#### **5.2.3.3 NON-COMPETITIVENESS**



The sector cannot compete in the international markets. This non-competitiveness can be attributed to several factors, including: high cost of marketing, high production cost structure, processing, and transportation to trade points, exchange rates, difficulty of accessing regional and global markets, domestic policy-related obstacles that discriminate against export and the price of competing products.

#### **5.2.3.4 WEAK DOMESTIC POLICIES AND INSTITUTIONS**

Successive governments have formulated and implemented conflicting policies to support agricultural production, and as a result agricultural policies have tended to change frequently with changes in political leadership. Consequently, there are ineffective linkages between policy-research-extension and farmer-input-market-factory/industry, etc. This fragmented approach to policy making has constrained agricultural growth because it has prevented a sustained commitment to a coherent, integrated strategy for agricultural development. The loose policy framework does not encourage stability in import-export of certain crucial items (either as raw materials or finished products such as textiles, vegetable oils, etc).

#### **5.2.3.5 INADEQUATE FUNDING**

Inadequate and untimely funding of agriculture by the public sector coupled with inefficient and/or ineffective application of such funds (budgetary or otherwise), also constitute bottlenecks to agricultural development.

#### **5.2.3.6 LAND OWNERSHIP AND TENURE**

Incentives to invest in agriculture are undermined by policies regarding land ownership and land tenure. The Land Use Act of 1978, invested proprietary rights to land in the State. User rights are granted to individuals through administrative systems rather than a market allocation system. Individual and public ownership of land are often implemented side-by-side, and rather than seek allocations from the local government, people acquire access by a variety of informal means. The Land Use Act does not recognize the informal contracts, so most of these are legally secure. The insecurity of tenure is therefore a constraint to expanding production in agriculture and also serves as a disincentive to making long term improvements of the land.

#### **5.2.4 POLICY OPTIONS**

Achieving substantial and sustainable growth in the agricultural sector can be realized if productivity, profitability and competitiveness of agriculture can be improved. For this to happen it will be important for the Government to adopt the following suggested strategy policy options:

- Review existing policies such that a functional public-private sector collaborative approach will be developed in pursuance of a fully integrated and coordinated agricultural revolution in Nigeria.
- Review the agricultural input supply and distribution system with a view to developing an effective and sustainable private sector-led input supply and distribution system
- Address cross-cutting constraints like the exchange rate constraint, monetary policies especially in the area of cost of borrowing, access to appropriate financial services such as micro credit facilities, NACRDB and AGS. The Nigerian Agricultural



Cooperative & Rural Development Bank (NACRDB) needs to become a more pivotal and real fulcrum/catalyst to real agricultural development.

- Support all-season farming by promoting rain-fed and irrigated farming, with an emphasis on Fadama agriculture.
- Develop markets and agribusiness with the provision of adequate infrastructure in the area of transport (rural feeder roads, good rail network, and water transportation), communication, power and water resources.
- Put measures in place to minimize or completely eradicate post-harvest losses resulting from inadequate storage facilities.
- Strengthen agricultural research and streamlining the extension delivery system through the involvement of NGOs.
- Improve the competitiveness of Nigerian agriculture in the international markets.
- Expand and possibly consolidate existing initiatives e.g. Bio-fuels as a globally favoured sector can attract substantial foreign investment as well as carbon credits.
- Resuscitate the Greenbelt Programme. The Greenbelt Programme should be resuscitated with due cognizance given to the menace of desertification in the north, erosion and flood in the middle belt and south; and the coastal/riverine pollution in the coastline and neighboring States.
- Take advantage of the various concessional arrangements provided by the World Trade Organization (WTO), African Growth and Opportunity Act (AGOA), the European Union-African-Caribbean and Pacific states agreement (EU-ACP), National Partnership for African Development (NEPAD).
- Increase budgetary allocation to the agricultural sector
- Reform the land tenure system

#### **5.2.5 EXPECTED OUTCOMES**

The successful implementation of the strategic options and programmes will enable the Government to achieve the agricultural targets set in NEEDS 2 and the Party Manifesto, with a positive impact on the lives of the people. Specific expected outcomes include:

- Diversified Economy
- Food Security
- Employment Generation
- Economic Linkages
- Exports
- Poverty Reduction



## 5.3 MANUFACTURING AND SMALL AND MEDIUM ENTERPRISES (SMEs)

### 5.3.1 CURRENT POLICY

Manufacturing contributed only an average of 3.6% to Nigeria's GDP over the 2001-2004 period, trailing behind agriculture that contributed an average of 41% over the same period. In 2005, manufacturing contribution to GDP slightly improved to 3.8%. Capacity utilization has not been very impressive, as it averaged only 53% over 2004-2005 period.

With the privatization programme, manufacturing activities are no longer under the ambit of the public sector. A broad framework that takes care of the manufacturing and SME needs is infrastructure and private sector development as well as an investment climate.

A major policy issue that aimed at an accelerated manufacturing activity is the establishment of the Export Expansion Grant (EEG). With regards to the Small and Medium Enterprises (SMEs), the Small and Medium Industries Equity and Investment Scheme (SMIEIS) which mandated banks to set aside 10% of their after tax profit for SME finance was introduced about four years ago. It was aimed at resolving the financing constraints faced by the SMEs. To complement it, the National Credit Guarantee Scheme was conceived to help mitigate risks associated with lending to SMEs.

### 5.3.2 PERFORMANCE

In general, Nigeria recorded a very steep fall in its competitiveness, ranking only 101st worldwide, down 18 places from 2005 in the World Economic Forum's Global Competitiveness Index (GCI) rankings in 2006. Moreover, it lost 34 places (falling to rank 112) in the basic requirements sub-index, which highlights the fundamentals for achieving sustained growth namely strong institutions, adequate infrastructure, a supportive macroeconomic environment, among others. By contrast, the country did better on innovation (52), improving its position vis-à-vis last year by 12 places by raising its rankings for company spending on Research and Development R&D and university/industry research collaboration. Nigeria has also boosted its technological readiness, especially in the areas of Foreign Direct Investments ("FDI") and technology transfer and firm-level technology absorption.

As government is no longer at the commanding heights in driving the sector, progress made so far is measured in terms of privatization; the establishment of new regulatory arrangements to govern infrastructure market development as well as improving the investment climate.

On the part of the MSME/SMEs, progress is measured in terms of policies put in place to resolve the teething problems identified in the diagnostic studies. Progress made in respect of these drivers include, changes in customs and business registration procedures.

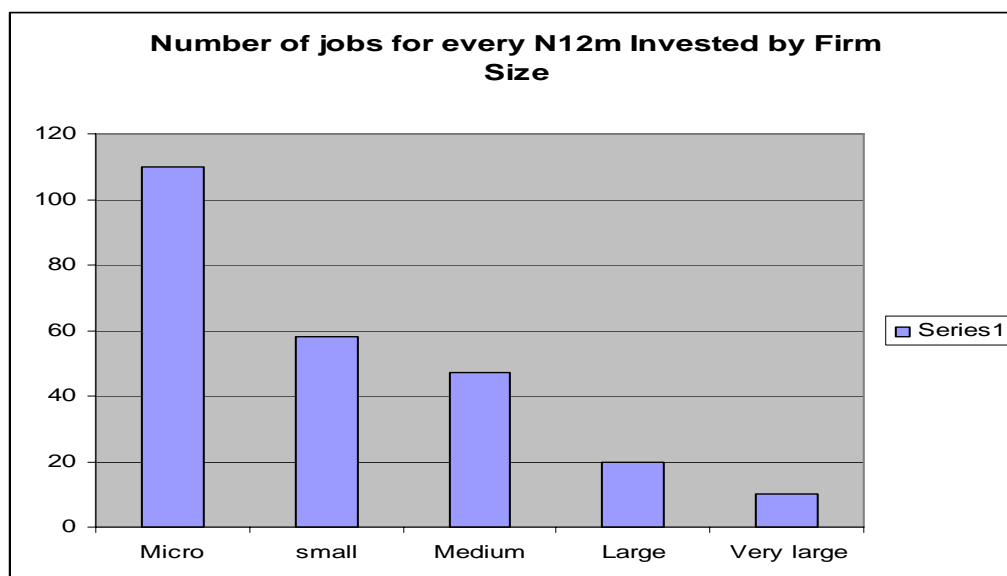
Privatization policy to role back the frontiers of State capitalism made substantial progress, but remain incomplete as the major public enterprises especially power remains in absolute government control. So far, over 100 State-Owned Enterprises (SOEs) have been



privatized or concessioned with privatization proceeds exceeding US\$3billion. A couple of productive sector privatization also yielded some positive economic stories about employment increase and income growth especially in the cement and sugar sub-sector. There exist elements of transparency in the system although with substantial scope for improvement.

SMEs create more job opportunities than large enterprises. The Figure 4.1 below confirms this assertion.

Figure 4.1



### 5.3.3 CURRENT CHALLENGES

Diagnostic work has been done on the sector in the last couple of years which indicates four key constraints to enterprise growth as follows:

- Cost-increasing factors such as insufficient and inefficient infrastructure services;
- Growth inhibiting factors such as lack of finance especially with the MSME/SMEs;
- Investment constraining factors informed by uncertainty about government policies;
- Profit-sapping factors associated with poor laws, regulations and inefficient administration of business environment.

A major challenge in freeing resources and encouraging private sector development is completing the privatization agenda. There is scope for improving the transparency of the process. Top on this agenda should be manufacturing and service related State-Owned Enterprises (SOEs) as well infrastructure. Infrastructure is relevant because the reform of the power sector is of great importance to the overall performance and competitiveness of the manufacturing sector.

Another issue that poses major challenge to manufacturing growth in Nigeria is the fact that most manufacturing outfits lack the capacity to resolve basic competitiveness bottlenecks on their own and the Public-Private Partnership mechanism to achieve that is very weak. There is need therefore to strengthen inter-agency coordination and provide





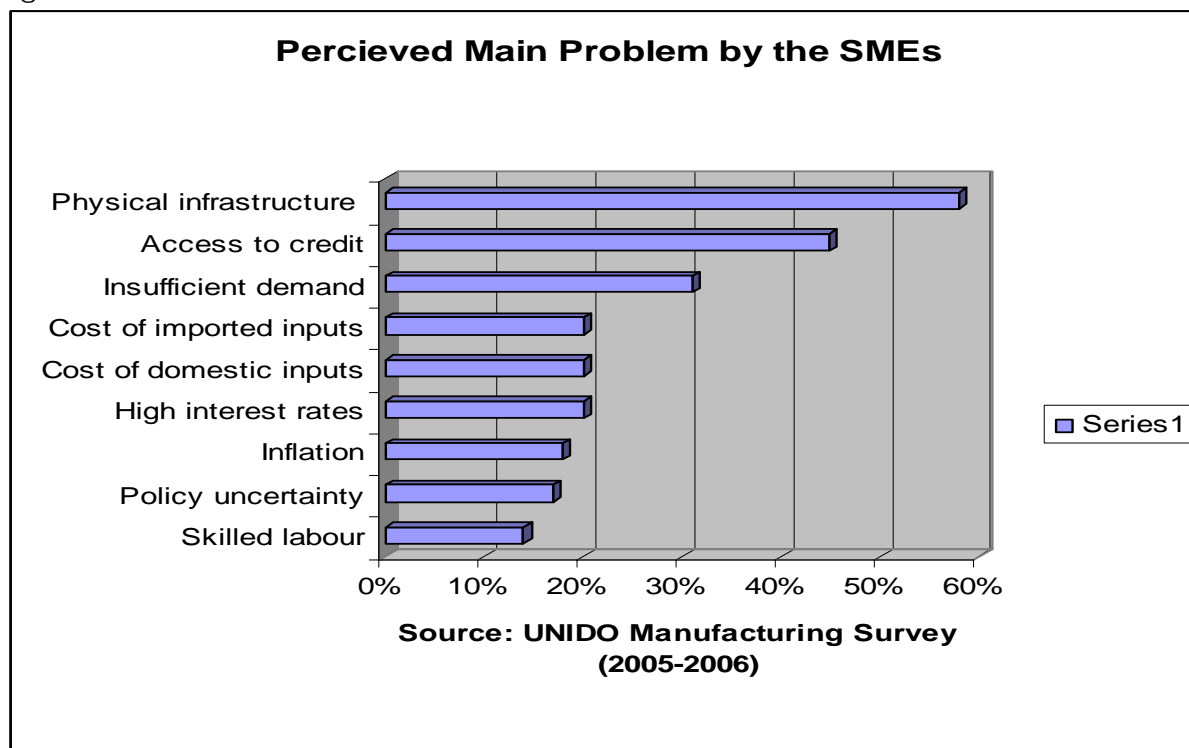
standard procedures to achieve a cost effective PPP that targets infrastructure development.

Small firms lost 24 per cent of their output to power outages; medium firms lost 14 per cent and large firms 17 per cent.

To make SME's more competitive, major reform issues need to be addressed. This is necessary given the SMEs employment generating capabilities. In this regard, the policy/implementation inadequacy to resolve the infrastructure, finance and overall competitiveness problems needs to be fully addressed. The following initiatives could help to kick-start the SME sector in Nigeria:

- There is an urgent need to simplify the SMIEIS access and disbursement process. Latest statistics indicate that projects financed by the scheme are in the region of 250 across the country;
- Public sector intervention and facilitation to enhance collaboration to resolve the competitiveness obstacles among the SMEs;
- Public sector intervention in Value Chains development that provides competitive opportunities among SMEs. Without these value chains the possibility of instigating new non-oil growth is grossly undermined.

Figure 4.2





### 5.3.4 POLICY OPTIONS

#### 5.3.4.1 PRIVATIZATION

There is an urgent need to follow through on the privatization agenda whilst strengthening and improving the level of transparency already established. Other issues to be addressed include:

- A programme to deal with a possible massive retrenchment during the exercise.
- Complete the establishment of new regulatory agencies that have enabling Acts. This should be done in close consultation with the private sector. These agencies should have a time-bound and measurable outcome. This is to help resolve likely teething inter-agency coordination problems.

Before proceeding to privatize the major public enterprise, the provision of an enhanced mechanism to improve process transparency has to be frontloaded.

#### 5.3.4.2 SMALL AND MEDIUM ENTERPRISES (SMEs)

To address the problem of manufacturing and SMEs, key infrastructure issues especially power needs to be tackled through:

- The anticipated unbundled public sector dominated Power Company. This is to be complemented by an increased number of IPPs;
- Public sector-driven cluster formation across the country, depending on regional resource leverage;
- Private sector-driven consortia formation across all SME related economic activities;
- A value chain initiative that encompasses minimum infrastructure platforms, targeted investment climate reforms and capacity building at institutional and human resource levels;
- Alternative sources of energy should be sought and developed by both the government and the manufacturing sector. More research should be encouraged in this regard;
- Gas pipelines should be efficiently networked nation wide to ensure full utilization by consumers. An effective gas policy should be put in place by the policy makers as well as a workable gas pricing mechanism;
- The guidelines for accessing SMIEIS Fund should be relaxed and implemented.
- Strengthen the Bank of Industry through the injection of additional equity capital to support the manufacturing sector and SMES

#### 5.3.5 EXPECTED OUTCOME

5.3.5.1 To increase capacity utilization in the medium-term (2007-2009) to 70%.

5.3.5.2 Have at least 3 functional SME clusters across the country, depending on regional resource leverage by 2009.

5.3.5.3 Increase manufacturing sector contribution to GDP to 10% within the same planning horizon.

5.3.5.4 Provide a business climate conducive to manufacturers by lowering infrastructure, regulatory and other costs by 45% by 2009;

5.3.5.5 Increase annual growth rate in manufacturing to 10% by 2009;

5.3.5.6 Increase manufactured goods.



## **5.4 SOLID MINERALS**

### **5.4.1 BACKGROUND**

Mineral development in Nigeria has been highly focused on the oil industry. The mining industry has been neglected but interest in the industry has been rekindled by the Ministry of Mines and Steel Development (MMSD), intent on increasing the role of this sector of Nigeria's economy.

Thirty-four minerals have been identified, and are currently being promoted for commercial exploitation and production. Recently, the Nigerian Geological Survey Agency (NGSA) identified the occurrence of additional forty-two mineral resources across the country and these are being captured on the mineral commodity maps of the NGSA.

Development of the Solid Minerals sector of the economy is key to the current government policy of diversifying the revenue base of the economy and the attraction of FDI

The Key targets enumerated in the NEEDS document for the sector includes;

- Promote vigorously the exploration and exploitation of solid minerals to provide inputs for local industries and exports
- To make mining fields attractive to investors and formalize informal and artisanal mining activities to contribute to exports
- Increase opportunities for self employment through mining
- Increase revenue to government
- Reduce environmental degradation
- Diminish social and health problems- child labor and the spread of HIV/AIDS

### **5.4.2 PRESENT POLICY**

#### **5.4.2.1 THE NATIONAL GEOLOGICAL SURVEY AGENCY**

The Agency is in the process of updating and reviewing the geological map of the country. NGSA has also embarked on staff training in the use of software for interpreting and implementing geophysical data.

#### **5.4.2.2 SEEKING SUPPORT FROM HOST COMMUNITIES**

There have been several Ministerial visits to host communities to solicit support for engagement in environmentally conscious mining activities.



#### **5.4.2.3 THE ARTESANAL AND SMALL SCALE MINING DEPARTMENT**

The department is in the process of assisting and organizing artisanal miners into cooperatives. These cooperatives have led to better monitoring of the activities of small scale miners and have provided a channel for improved funding of their projects. The MMSD is in the process of securing a N15.6 billion facility from the World Bank, of which N1.43 billion has been received and disbursed.

#### **5.4.2.4 REVOCATION OF DORMANT MINING TITLES**

Government has adopted a policy of revoking all dormant mining titles awarded to different mining companies. This exercise has since been completed and new titles are being issued. A policy of openness and due process in the award of new mining licenses has been adopted.

#### **5.4.2.5 ESTABLISHMENT OF PROCESSING CENTERS**

In a bid to increase the export of more value added products, the MMSD has encouraged the private sector to set up processing centers.

#### **1.1.1.1 PRIVATIZATION OF GOVERNMENT OWED MINING COMPANIES**

**THE PRIVATIZATION OF THE NIGERIAN MINING CORPORATION AND THE NIGERIAN COAL COMPANY IS** geared towards making the sector private sector driven. It is expected that the private sector will bring improved managerial expertise and skills, make new investments, encourage technological transfer and increase competition and efficiency.

#### **5.4.2.6 PROVISION OF BUYING OUTLETS FOR MINING PRODUCTS**

Promotion of mining activities by the MMSD has been further deepened through the provision of buying outlets for small scale miners.

#### **5.4.3 CURRENT PERFORMANCE**

- The Minerals and Mining bill after being thoroughly scrutinized to make it more private investor friendly and to protect public interest has been passed into law. The law will serve as the backbone of operations in the mining sector, it gives the Mining Cadastre Office autonomy to grant mining titles and licenses and it establishes the security of tenure of mining leases. Furthermore, it removes Ministerial discretion from the granting of licenses and provides for the establishment of a Solid Mineral Development Fund, where a certain percentage of federal revenue is set aside for the development of the solid mineral resources.
- The NGSA has almost completed the geological survey of the entire mineral sites and the Skills and Competence of the staff of NGSA have been immensely



increased in the discharge of their duties. The Mining Cadastral Office is in the process of setting up computer based cadastral system for accelerated and transparent processing and granting of titles.

- Education on the environmental impact of mining has taken place in several host communities. The MMSD and the World Bank have also undertaken an audit of mining environmental management.
- There is now better monitoring of the activities of small scale miners which has provided a channel for improved funding of their mining projects.
- Mining license bids are now advertised by the MMSD under the open tender system and a due process office has been set up in the ministry.
- Privatization of the Nigerian Mining Corporation and the Nigerian Coal Company has been completed
- Award of contracts for the building of buying centers for small-scale miners nationwide is in progress and the Abuja Securities and Commodities Exchange has minerals marketing as one of its core responsibilities.
- The MMSD has also established the Sustainable Management of Mineral Resources Project (SMMRP). A major component of the project is to support artisanal and small scale miners to have access to better mining facilities (financial, capacity building and equipment).

#### 5.4.4 CURRENT DEVELOPMENT CHALLENGES

***Absence of a comprehensive Geological Survey of the entire country for mineral deposits:*** a comprehensive survey of the entire country using remote sensing equipment and also to digitize the maps has to be completed.

***Problems of Environmental Degradation:*** The establishment and enforcement of global best practices of environmental standards for mining activities is also a major challenge. Mining activities can lead to environmental pollution with the creation of abandoned pits, shallow ponds, poisonous waste, radioactive wastes etc with severe health implications.

***Improved training of staff of mining regulatory agencies:*** To ensure that Nigeria is abreast of globally acceptable methods in mining regulation, staff of regulatory agencies should possess the proper skills and expertise to discharge their duties effectively.

***Promotion of small scale miners:*** To promote a vibrant mining sector, the Government should allow small scale miners to capitalize exploration and pre-developmental expenses.

***Prevalence of informal and illegal activities:*** There are several illegal mining operations in the country at the moment. These illegal mining activities are usually practiced by small scale miners.

***Absence of adequate buying centers:*** The establishment of buying centers for small-scale miners to interface with local users/ exporters is also a major challenge. The location of the buying centers and modes of operation must be agreed upon.



***Inadequate mineral processing centers:*** Presently, there are inadequate processing centers and revenue from exports can be increased. The few processing centers for minerals are operated by the private sector and are very small scale. Therefore, the establishment of central mineral processing centers should be a major objective of the government.

***Lack of Modern Mining Technology and Skills:*** Lack of new technologically advanced mining equipment by small operators hampers efficiency and growth.

#### 5.4.5 POLICY OPTIONS

- As in the oil industry, the MMSD should embark on an aggressive campaign to promote sound environmental management in minefields and penalise offenders. Proactive enforcement of environmental standards by mining companies should also be ensured by the MMSD.
- FG should ensure that constant training is undertaken for staff in the industry to keep up with the latest knowledge and modes of application of skills required in the sector.
- In addition to the disbursement of the World Bank facility, tax holidays and low royalties. The MMSD should link the small scale miners cooperatives with the banks saddled with the responsibility of disbursing the loans and ensure that there are standard rules and procedures for eligibility.
- The MMSD should also establish an illegal mining monitoring department. As part of the small scale mining department. Informal and artisanal mining activities should be formalized. To enable the formalization of all activities, CAC should expedite and simplify the registration of business names of all small scale miners. It should also be affordable.
- FG should ensure that the Abuja commodities exchange commences operations and the MMSD should encourage the private sector to establish buying centers while strengthening its regulatory role.
- The FG should assist the private sector in establishing improved processing centers by providing funding and tax breaks in line with international standards. MMSD should also regulate their activities to ensure international competitiveness.
- FG should encourage banks to set mining equipment loan desks. Furthermore, leasing companies can be encouraged to purchase and lease important mining machinery or a government backed company can be established to lease them with a view of privatizing it later. MMSD should also organize training programs for small scale operators to acquire new skills.

#### 5.4.6 EXPECTED OUTCOME

- Sound environmental management by mining companies
- Increased opportunities for self- employment through small scale mining
- Ease in marketing products by miners
- Enhancement of local expertise in processing minerals and increase the local content value in exports of minerals and commodities
- Progress in the diversification of the revenue base of the economy



- Development of rural communities and mining cities as a result of mining



## 5.5 HOUSING

### 5.5.1 CURRENT POLICIES

**Institutional framework for housing delivery:** The institutional framework forms the basis of the entire housing delivery system:

<p><b><u>Federal Government:</u></b></p> <ul style="list-style-type: none"><li>• Federal Housing Authority</li><li>• Federal Mortgage Bank of Nigeria</li></ul>	<p><b><u>Sub National Government</u></b></p> <ul style="list-style-type: none"><li>• State Governments Housing Agencies</li><li>• Local Governments Agencies</li></ul>	<p><b><u>Private sector</u></b></p> <ul style="list-style-type: none"><li>• Primary Mortgage Institution's</li><li>• Bond &amp; Capital Market</li><li>• Secondary Mortgage Markets</li></ul>
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The firm resolve by the Federal Government to address the nation's housing problem is shown by its adoption of a new national policy on housing and urban development in 2002. The policy is an embodiment of workable strategies to reform the nation's housing sector to ensure that Nigerians have access to affordable and decent rental housing and homeownership. This is to be achieved through a private sector-led housing delivery system anchored on mass construction of houses and strong mortgage finance.

The main objectives of the current housing policy driving the ongoing reforms in the sector are summarized as follows:

- Ensure that all Nigerians own or have access to decent, safe and sanitary housing accommodation at affordable cost with secure tenure.
- Pursue vigorously the implementation of private sector led mass construction of houses with government encouragement and involvement.
- Provide adequate incentives and an enabling environment for greater private sector (formal and informal) participation in the provision of housing.
- Strengthen existing institutions involved in housing delivery at the Federal level.
- Promote measures that will mobilize long-term and affordable funding for the housing sector.
- Promote the use of locally produced building materials as a means of reducing housing construction cost.
- Promote the use of Nigerian professionals, appropriate designs and technologies in housing delivery.
- Encourage active participation of other tiers of government in housing delivery.
- Improve the quality of rural housing and infrastructure.

### 5.5.2 EXPECTED PERFORMANCE

Once significant progress is made with the ongoing reforms in the sector, the sector's regulatory body as well as operators will be better positioned to meet the housing needs of the nation:





- The housing financing strategy of the current reforms should deliver robust mortgage finance through secondary mortgage and capital market operations to effectively deal with the huge housing deficit and give Nigeria a respectable homeownership rate in the near future.
- Relying on the capital market rather than depository funding, a responsive mortgage system will ultimately be established which will be readily accessible for homeownership loans. First home origination will be broadened by bringing universal banks, life funds, insurance companies and pension funds into the primary mortgage market for the benefit of Nigerians seeking to be homeowners.
- The capital market and the financial system as a whole will be deepened by an upsurge expected in the trading of mortgage instruments.
- The reforms will lead to the establishment of a strong mortgage enabling legal system.
- The reforms offer an opportunity to exploit the potential of the mortgage industry to turn around the Nigerian economy. The industry has associated multiplier effects which contribute to the improvement of the macro-economic indices such the GDP, unemployment rate, etc. Since the advent three years ago, the housing reforms have stimulated high levels of activities in mortgage financing and housing construction from the NHF window to the improvement of the Nigerian economy.

### **5.5.3 CURRENT CHALLENGES**

#### **5.5.3.1 CURRENT STATE OF HOUSING INFRASTRUCTURE AND SERVICES**

The following gives a picture of the present state of housing infrastructure and service in the country:

- A situation of gross inadequacy of infrastructure and service provision, coupled with inadequate maintenance is prevalent in urban and rural settlements nationwide.
- The existing technology for infrastructure development and management is rudimentary.
- Settlements, especially in urban centers, are characterised by overcrowded habitations, traffic congestion, growth of slums and increasing crime rate.
- Limited private sector involvement as government (whether federal, state or local) are pre-eminently responsible.
- With government failure to fulfill its obligations on primary infrastructure, developers are constrained to fund same and build such costs in to projects, thereby escalating market prices and ultimately frustrating mass and affordable housing provision.

#### **5.5.3.2 FACTORS DELIMITING HOUSING INFRASTRUCTURE PROVISION**

- The mismatch between urban population growth and infrastructure development rate.
- Legal and constitutional constraints: Government monopolies foreclose competition and, where existent, metropolitan administration agencies are grossly inefficient. In addition, local governments have limited powers to borrow funds. The provisions of the Land Use Act are heavily stifling to infrastructure development.



- Resource supply constraints: Due to limited available revenue-generation sources, governments' infrastructural investments are meagre. On the other hand, financial institutions are unwilling to lend long-term and find infrastructure financing unattractive.
- Wrong institutional framework arrangements.
- Scarcity of competent technical and managerial capability.
- Inadequate support institutions.
- Improper pricing and poor marketing of public facility services.
- Overbearing political influence in commercial decisions.

### 5.5.3.3 CHALLENGES IN AREAS & SEGMENTS

- **Urban Area:** The housing problem in the urban areas is not only restricted to quantity but also to the poor quality of available housing units, infrastructure and the environment. The result is manifest in growing overcrowding in homes and increasing pressure on infrastructure.
- **Rural Area:** The scenario is only slightly different in the rural areas where the problems are primarily that of quality of housing and inadequacy of infrastructure like roads, drainage, water and power supply, etc.
- Another important characteristic of both the urban and rural scenes is the dominance of the poor and low income groups. It has been estimated that over 70% of the nation's population fall within this category.
- **Housing Finance:** The major weakness of the past housing finance systems was entire dependence on depository arrangements as the source of funding, the lack of a deliberate effort at linking the housing finance sector to the capital market, and that of integrating the sector into the nation's overall financial system, for a robust mortgage finance environment.

Thus, the housing finance system was severely under-developed and ill-equipped to mobilize and channel adequate resources to the housing sector. The past housing strategies depended entirely on depository arrangements, relying on the meager long term savings mobilized through the National Housing Fund (NHF) and augmented by the Primary mortgage Institutions (PMIs). The deficiencies of the depository approach have resulted in a large deficit of long term funds for housing. The financing need to redress this housing shortage based on affordable housing lies between ₦31 trillion and ₦44 trillion.

Furthermore, although the Federal Mortgage Bank has been created to essentially serve as a wholesale and apex institution, the other institutional component of the finance market in terms of primary mortgage institutions (such as; Building Societies, Housing Associations, Credit Unions and Housing Co-operatives) still remain underdeveloped.

- **Low Income Housing:** Is where the greatest challenge lies. Hinged on the concept of 'Social housing', it is best understood in the context of economic and geographical



peculiarities. Whether as the provision of state-owned rental housing or cheap housing on owner-occupier basis, the common indices of diverse interpretations remains shelter provision for relatively economically disadvantaged target groups for the goals of preserving the dignity and upholding the social status of beneficiaries. Implicit in the 'social housing' concept is the element of government subsidy in one form or the other.

In Nigeria the direct construction of low income housing has been a failure given the high cost of construction, given its high import content, inadequate and poor structuring of loans, given the low and short funding channels available to intermediaries' among other factors.

Within this context, social housing can be said to be virtually non-existent in Nigeria, as the only beneficiaries are civil servants, who constitute a minute proportion of the populace. With a population estimated at over 140 million, a countrywide housing unit demand of about 16-17 million requiring over ₦36 trillion, and a per capita score placing the country among the league of Least Developed Economies, Nigeria, more than most countries requires a robust social housing system capable of meeting globally acceptable housing standards, in the shortest time possible.

Compounding this problem is the ineffectiveness of a one-size-fits-all (or rather), one-pattern-fits-all approach to social housing in Nigeria. Mapping out a social housing scheme requires the factoring-in of local sensitivities and cultural diversities. A typical case is the Gwaris who, in the course of being resettled, outrightly rejected occupying government-constructed houses for the reason of distaste.

Currently, social housing institutions are limited to government-owned housing authorities (federal and state), and non-existent private initiatives in this regard. There is little or no attention paid to the rural areas; with the drying up of budgetary allocations for social housing, most (state government) housing authorities are finding the National Housing Fund (NHF) estate development loan the only source of funds for executing their statutory functions. Private-owned housing corporations largely focus on developing sale and rental accommodation for medium and low income classes of the society.

#### **5.5.4 POLICY OPTIONS**

##### **5.5.4.1 RURAL HOUSING**

Given that the housing problem in the rural areas is mainly that of qualitative improvement in terms of sanitation and infrastructure for existing housing stock, emphasis should be placed more towards:

- Promoting orderly development of rural areas by improving infrastructure and sanitation.
- 
- Support the improvement in the quality of rural housing.



- Extending the benefits of new technological findings on building materials and construction to the rural communities so as to improve the quality of housing and reduce the cost of construction.
- Working to link research in the development of local building materials with the industrial sector for mass production and distribution.
- Supporting and developing existing local thrift, credit and mutual finance associations as vehicles for finance.
- Ensuring that all relevant strategies earlier formulated with regards to low income housing are vigorously pursued.
- Increase the quantity and improve the quality of manpower skills and needs in the sector –particularly in the rural areas. Utilize housing location as an instrument for a balanced population distribution to minimize associated problems of overcrowding transportation and other services.

#### **5.5.4.2 URBAN HOUSING**

Although Governments' housing schemes have in the past been concentrated in the urban areas, the specific needs of the low income group, for access to habitable and affordable accommodation have not been adequately addressed. To reverse this trend and ensure adequate and efficient housing delivery there is the need for government to:

- Encourage massive private sector investment in cheap habitable rentable accommodation.
- Provide access to building finance at favourable terms to developers of low income accommodation.
- Consider the provision of serviced land at subsidized rates to developers.
- Give appropriate tax incentives to investors involved in providing housing.
- Determine the short-fall in supply of major building materials and work towards meeting same by appropriate fiscal and economic measures so as to substantially reduce the cost of building materials.
- Re-organize and fund the various Federal and State housing agencies, to enable them develop and make available subsidized rentable housing for the urban low income group;
- Extend necessary infrastructural facilities to vacant lands to make such areas developable and habitable.

#### **5.5.4.3 LOW INCOME HOUSING**

- Work through cooperatives for direct construction and distribution of building materials.
- Link long term funding pools with low-cost housing schemes, by altering the present investment pattern of pension fund administrators to accommodate same.
- Adopt functional design standards to reduce cost and enhance socio-cultural acceptability, safety and security.
- Providing alternative cheaper and durable building materials to initiate a change in the rural housing output.



#### 5.5.4.4 STRATEGIES FOR EFFECTIVE MOBILIZATION OF FUNDS FOR HOUSING FINANCE

- Create mandatory schemes while still ensuring government Budgetary Allocations & Financial Transfers.
- Over 50 -60% of building cost constitutes of building materials and components, thus emphasis should be placed at developing local capabilities and resources while stemming the current indiscriminate importation of building materials. [strategic manufacturing policies should apply here]
- Efforts should be also made towards developing, enhancing and positively altering present building methods and design.

#### 5.5.4.5 MOBILIZING PRIVATE SECTOR PARTICIPATION

- Grant capital allowances on residential building and exempt interest on loans from tax.
- Streamline the procedure and speed up the issuances of certificates of occupancy and consent to mortgage.
- Encourage employers of labour in the private sector to set up building societies to provide housing loans to their staff particularly low income earners.
- Provide sites and services to facilitate home ownership and orderly urban and rural development.
- Encourage continual flow of funds from various sources into the Apex institution [Federal Mortgage Bank] for on-lending to other mortgage institutions.
- The difficulty of providing long term funding for loans may be addressed through special arrangements with long term fund deposits like: Pensions Funds –which has grown significantly and is presently in excess of 100billion Naira- as well as the Life Funds of insurance companies, particularly given that they will be more robust following the industry's consolidation exercise.

In this regard, there is need to ensure that the investment pattern of Pension Fund administrators support housing, as is the case in Brazil and Jamaica. In Nigeria, the investment pattern of these companies is skewed almost entirely towards investment in company stocks and Government development stocks.

#### 5.5.5 EXPECTED OUTCOME

On conclusion of the reforms in the sector and the adoption and implementation of the above enumerated strategic policy options it is expected that:

- The present housing deficit will be significantly reduced from its current level of 17 million houses – in monetary terms, this translates to approximately ₦31 trillion.



- There will be a continuous flow of long funds from the capital market to the housing sector –thus strengthening the housing financial system to better intermediate.
- The economy will be greatly stimulated, as aggregate demand will rise through involvement of other sectors of the economy mobilized for the construction process.
- Furthermore, efficient housing delivery will provide bases for improved access to micro credit by home owners for investment.



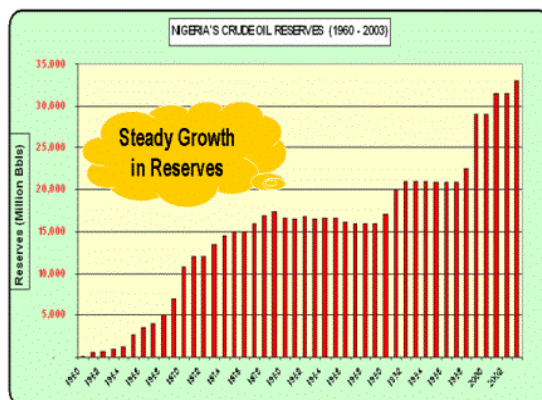
## 5.6 OIL & GAS

### 5.6.1 CURRENT POLICY

The Upstream (Oil and Gas Production) targets are:

#### Oil:

- Grow reserves to 40 billion barrels by 2010,
- Grow production capacity to 4.5 million barrels per day by 2010
- Maximize oil sector value addition to national economy by;
  - Improved Nigerian capacity and content
  - Enhanced multiplier effect of oil in the national economy
- Move from an Oil industry to an Integrated Oil & Gas industry



#### Gas:

- Generate as much revenue from gas as oil within the decade
- Address the environmental issues and end flaring (in line with government policy of stopping gas flaring by 2008)
- Enable local industry and energy requirement with an efficiently developed Domestic Gas market / business
- Create new industries out of the old Oil industry

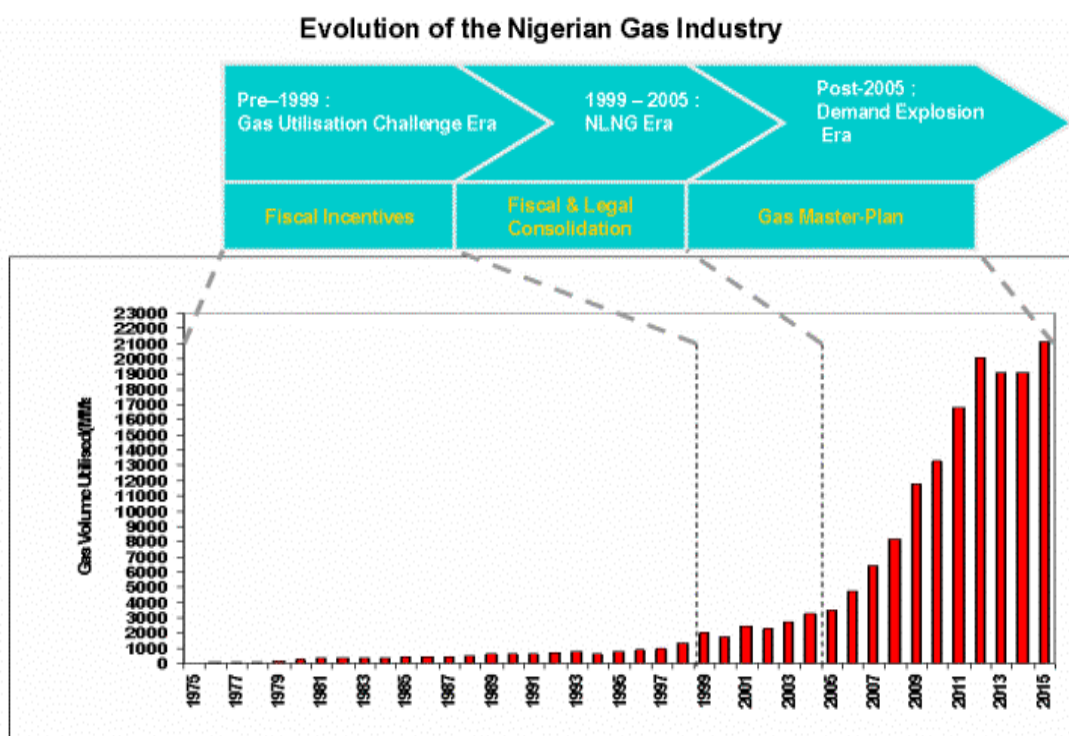
The Downstream goals are all targeted in the short term at improving capacity utilization of the existing infrastructure (consisting of Refineries, Depots, Pipeline systems), while the long term goal is the privatization of refineries and depots. This is directed towards attracting additional investments, improving efficiency through experienced downstream operators and, significantly growing infrastructure to support domestic and regional demand.



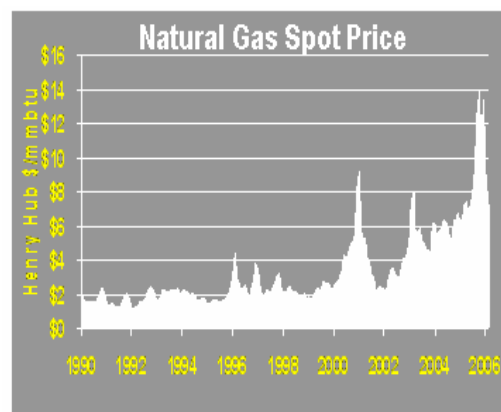
### 5.6.2 CURRENT PERFORMANCE

Currently, there is a robust portfolio of projects planned to grow Oil capacity further. These will mitigate against natural decline and enable growth to about 4mmb/d by 2010. The projected sector capacity growth is one of the most aggressive in the global oil industry, and should create significant investment potential for all players.

Like oil, the gas sector is experiencing a major expansion in utilisation opportunities. A demand explosion underpinned by growth of diverse demand sectors is re-positioning Nigeria from being a leader in gas flaring to being the most aggressive in gas utilisation growth. Demand is forecast to grow from about 5bcf/d to over 20bcf/d by 2010/2011



Two key factors underpin the gas demand growth (1) sustained rising gas prices in Western (US and Europe) and Pacific markets (2) Unprecedented Power sector growth in Nigeria arising from government reforms. The gas sector has been positioned to sustain this level of demand to achieve its goals.







Robust Growth in the last 5 – 10 years has delivered a rich Gas sector portfolio that should generate significant income for the country in the future as well as fuel the continuous growth in the Nigerian economy. The drivers include the following:

### **Domestic and Regional sector:**

#### *Power Sector*

- 4 new PHCN (Power Holding Company of Nigeria) power plants (in Omotosho, Geregu, Papalanto and Alaoji)
- 7 new Power Plants in the core of the Niger Delta
- new JV Oil Company IPP Plants
- new Third Party IPPs

#### *Fertiliser*

- A Refurbished Plant (NAFCON)
- new Third Party Plants

*Methanol & Other related projects* - 3 Methanol plants and 2 Gas-to-Liquids Plant

*Cement* - 2 new plants

*Steel & Aluminium* - 2 Refurbished Steel Plants & 1 Refurbished Aluminium Plant

#### *Strategic Inter-Government Projects*

- 2 Pipeline projects to West Africa
- 1 Pipeline project to North Africa (supply Europe)

### **Export (International) Sector**

Nigeria has the second fastest growing LNG capacity in the world, second only to Qatar. And the building blocks include:

- NLNG (Nigeria Liquefied Natural Gas) company growing to about 30 MTPA (million tones per annum) by 2012
- OK-LNG (Olokola Liquefied Natural Gas) company will achieve 22 MTPA by 2011
- Brass LNG company will achieve 10MTPA by 2010

### **5.6.3 CURRENT CHALLENGES**

#### **Inadequate local content**

Between \$12 to \$15 billion is invested in the Oil & Gas Industry annually to fund operating costs and capital projects. These significant investments are not having the desired impact on the national economy. Current estimates suggest that less than 30% of this amount is actually value added in Nigeria because most of the services, fabrication and development are undertaken offshore.

#### **Unrest in the Niger Delta Region**

The Nigerian Petroleum Industry, both in the upstream and downstream sectors, is significantly affected by the unrest and agitation that has characterized the Niger Delta region over the past 5 – 10 years. The unrest and agitation is for resource control as there is perceived injustice. The inhabitants of the region believe that they are not receiving their fair share of oil proceeds which is being used to develop other regions. This is evidenced by the lack of infrastructural development in the Niger Delta compared to other parts of the country.



Arguably, the agitation within the Niger Delta can be divided between (a) the just community demands based on their yearnings for development and a fair share of the benefits of oil & gas obtained from their land, (b) the criminal activities of a few, hiding behind the cloak of community agitation. The latter appears to be the element that is most destructive to the oil & gas activities in the Niger Delta.

The effect of the crises on the Nigeria Petroleum Industry and the overall country can be summarized as follows:

- Oil and Service companies are leaving the Niger Delta as it is considered a very unsafe area for their staff and their assets (related to the hostage taking and the violence)
- Loss of revenue due to interruption of production operations and theft of crude oil from pipelines and tank farms
- Escalating operating and development cost (of operations and project activities), arising from (i) the requirements of additional security for oil company and contractor staff and assets, (ii) increasingly significant demands from the host communities, and (iii) the cost premium of operating in a very unstable business environment.
- Lower than expected rate of growth of the Nigeria Oil & Gas Industry (in terms of production and industry capability), as a result of (i) delayed and abandoned projects in communities where companies are unable to sustain a License-to-Operate (e.g. Ogoni and several parts of the Western Delta), (ii) diversion of investment capital to other less risky environments, and (iii) lower return on investment capital.
- Comparatively, an unattractive environment for Investment, thus making oil companies limit their exposure in Nigeria within their overall global portfolio, and increasingly a higher investment risk for other (service & supplier) companies
- Inability to attract first class companies and skills, because of the un-attractiveness of Nigeria and Niger Delta as a base location as well as the high security risk profile of the Niger Delta in the global Oil & Gas Industry
- Generally, more inefficient and less effective operations due to incessant disturbances that prevent stable and continuous operations

The effect of these disturbances in the Niger Delta can be quantified as follows (when compared to when community disturbances were negligible, say pre-1994):

- Increase in (direct and in-direct) unit operating and development costs of between 50 –200%
- Erosion of production growth levels of between 25% - 50% as a direct result of community agitation and disturbance, criminal activities
- Erosion of bottom-line profit to the FGN and the Oil Companies
- Decline in industry execution capacity and capability due to the exit of several service companies from some parts of the country and in certain cases, from the country). Example is the exit of approx. 90% of all the major service companies operating in Warri between 1996 to date, and over 50% and increasing from Port-Harcourt to date.



### OPEC Constraints

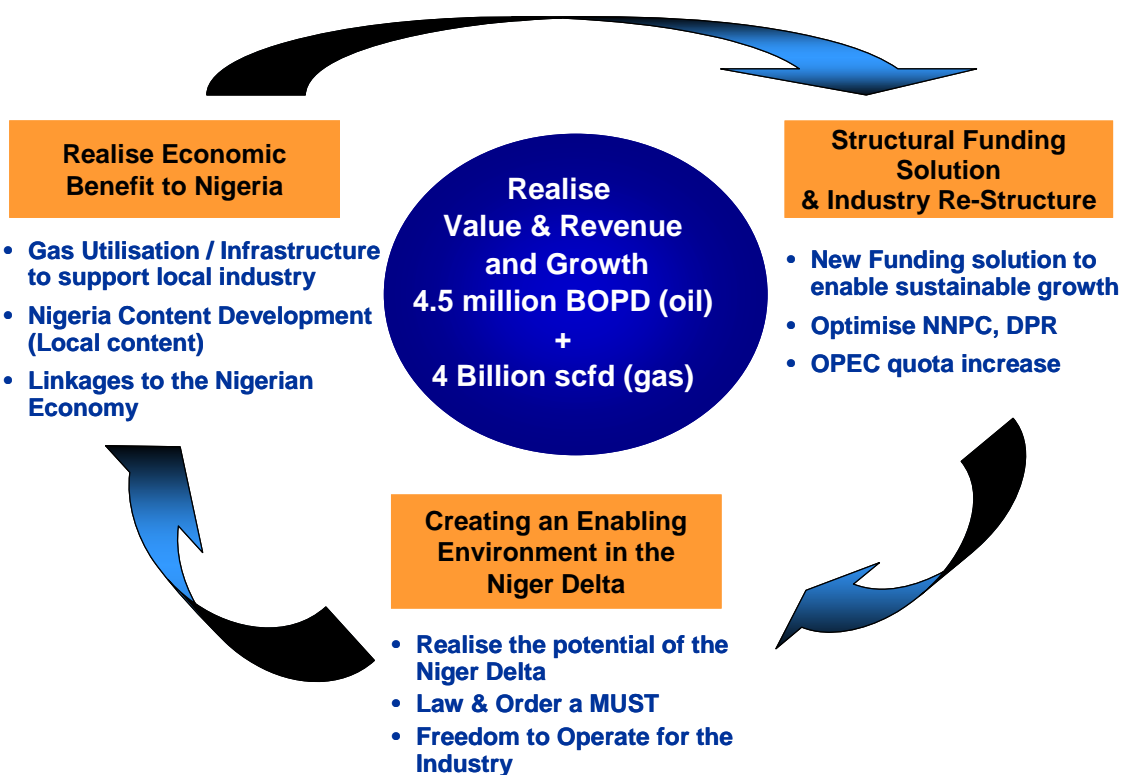
Nigeria is a member of the Organization of Petroleum Exporting Companies (OPEC) and along with other members voluntarily subscribes to oil production quota restrictions to stabilize oil prices. The goal of achieving oil production of 4.5million barrels per day will be significantly hampered if the current OPEC constraints are not removed.

### FGN's Inability to Meet Cash Calls

The Oil and Gas Industry requires up to \$15 billion per year to execute all the developments that will deliver 4.5 million barrels of Oil per day by 2010 and over 4 billion standard cubic feet of gas per day by 2012. The Federal Government of Nigeria is expected to provide its share of this investment, about \$8 billion. Despite this investments being the most attractive to FGN in terms of return and revenue generation, it still struggles to deliver appropriate funding to sustain business growth.

### 5.6.4 POLICY OPTIONS

## Un-Leashing the Nigeria Oil and Gas Industry



Unleashing the Nigeria Oil and Gas Industry for growth and added revenue generation to the benefit of Nigeria and international investors requires a focused solution to key developmental challenges discussed above.



It is recommended that Government's strategy for the Oil and Gas Industry should be underpinned by the following:

- Creating an enabling environment in the Niger Delta
- Realizing economic benefits to Nigeria through greater linkages
- Structural solution to the issues of the Oil and Gas Industry with respect to funding, enabling policies and an efficient NNPC/DPR structure.

Most of these issues have been studied and recommendations are available to be implemented, but it is important that the solutions be integrated and targeted at the whole rather than a sum of its parts.

#### **5.6.4.1 CREATING AN ENABLING ENVIRONMENT IN THE NIGER DELTA**

It is evident that Nigeria will not realize the economic benefits the Oil and Gas Industry portends if it does not quickly find solutions to the Niger Delta issue.

The problem the Petroleum Industry faces in the Niger Delta can be summarized as follows:

- Absence of law and order and related lack of security
- Inadequate infrastructure (basic infrastructure as well key developmental infrastructure)
- Low literacy levels due to a poor/limited education system, resulting in inadequate capability of the work-force to service / support the local oil industry
- Extremely high unemployment levels as well as limited income generating opportunities across a diverse range of working and skills groups.

The agitation of the Niger Delta communities is spurred on by the desire to have solutions to all these monumental problems as soon as possible and in the belief that it is within their just right to achieve their goals by any means. Suggested solutions to the above problems are fully discussed in Chapter Eight (*Niger Delta*) of this report.

#### **5.6.4.2 OIL AND GAS INDUSTRY – LINKS AND ECONOMIC IMPACT**

The Oil & Gas Industry has failed to catalyse the rapid growth of our industries and related businesses. To reverse this undesirable trend, the Federal Government should drive the realization of the goals in each of the following four initiatives to the benefit of the country and economy.

#### **5.6.4.3 NIGERIA CONTENT DEVELOPMENT (ACHIEVING LOCAL CONTENT)**

The Federal Government of Nigeria (NNPC) has a Nigeria Content Policy to ensure that investments made in the Oil & Gas Industry have a significant trickle down effect on the Nigerian economy, and has set local content target of 70% by 2010. The overall objective of the policy is to create an economic engine for growth, driving employment, wealth creation and improved linkage between the Oil and Gas Industry and other sectors of the Nigerian economy. This policy needs to be pursued vigorously with emphasis on utilizing Nigerian (i) Human resources, (ii) Material resources and (c) Local Services

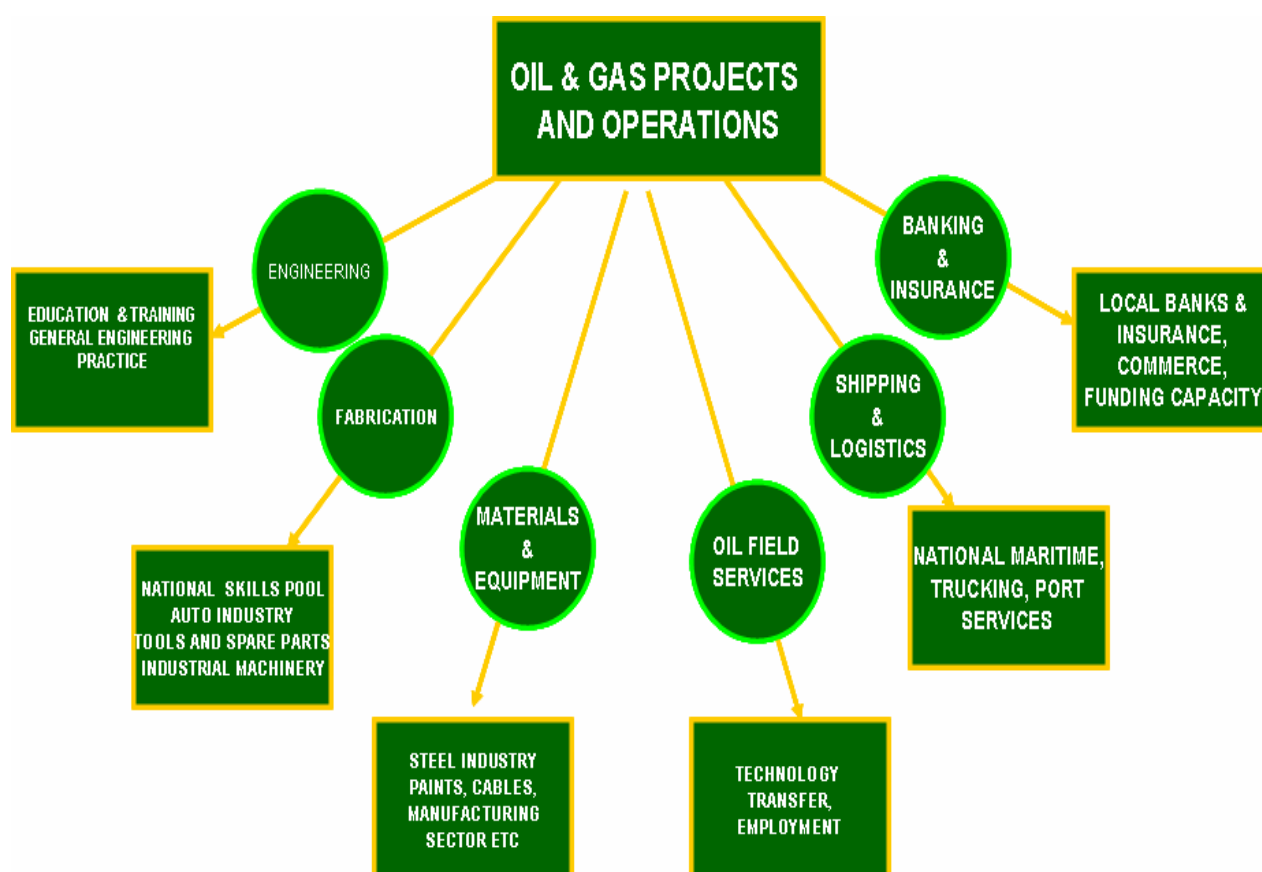


#### 5.6.4.4 TECHNOLOGY DRIVE

The Oil and Gas Industry is dependent on new innovations and technology to enable it open up new frontier oil and gas fields, optimize and introduce new efficiencies to how it discovers, develops and operates it's assets and ultimately create value for it's shareholders. Most of this technology is imported into Nigeria for implementation. The industry represents an opportunity for Nigeria to grow its technology development capabilities.

It is proposed that the Federal Government should identify key Technologies that are pertinent to the growth of the Oil and Gas Industry and create tripartite partnerships with International Technology Centers (Oil Company Research Centers / Universities), Nigerian Universities and Local Enterprises/Companies that will be the implementation vehicles for these technologies.

#### Forward and Backward linkages to the Nigeria Economy





The Oil and Gas Company's and the related Service Company's through their Projects and Operations directly employ in the range of 25,000 and 50,000 personnel and spend between \$12 - \$15 billion. However, if forward and backward linkages are established with other business sectors as shown in the diagram above, it will have significant benefits in the following areas:

- Potentially a 10 – 100 fold increase in direct and indirect employment generation in the Industry
- Growth in the employment opportunities in the manufacturing and service sector
- Significant proportion of the \$12 - \$15 billion retained in the Nigerian economy
- Significant revenue generation for FGN through taxes
- Increased capacity utilization in the manufacturing and service sectors
- Increased business efficiency across all sectors

#### **5.6.4.5 CAPACITY BUILDING**

Capacity building involves developing the skills at the technician, engineering, support & general services, management and executive level to appropriately support the requirements of the industry. This is essential if we are to have an industry that is successfully run and managed by Nigerians and the appropriate amount of expatriates.

Capacity building should focus on the following areas:

- Focused development of Technical Training Institutes (such as the Nigeria Institute of Welding and the range of Polytechnics and Technical Institutes in the country)
- Update the curricula and quality of the Engineering and Geosciences departments of the Universities (focus could be on the Niger Delta universities, as well as other top universities)
- Upgrade of the Petroleum Training Institute into a top capacity building institute in support of the resource requirements of the industry.

#### **5.6.4.6 ADEQUATE FUNDING OF THE OIL & GAS INDUSTRY**

The Oil and Gas Industry requires up to \$15 billion per year to execute projects that will deliver 4.5 million barrels of Oil per day by 2010 and over 4 billion standard cubic feet of gas per day by 2012. As mentioned earlier, the FGN is expected to provide its share of this investment, which is about \$8 billion

Currently the Joint Ventures and other related Oil & Gas Ventures are funded from the following sources:

- Government funding of it's equity share from appropriated funds from the FGN budget
- Project Finance through Bank/Finance Institution
- International Oil Company Partner Financing concepts (called Alternative Funding)
- Short Term Corporate Loan for venture partners of banks
- Minor equity sell-down to raise capital for major projects

However, going forward, a structural and permanent funding solution is required to adequately fund the growth of the business. The FGN would need to focus on solutions such as:

- Incorporation JVs





- Commercialisation of NNPC
- Conversion of the JV/MOU business to PSC
- Structural Partner Financing solutions
- Third party Financing solutions

#### 5.6.4.7 UTILISATION OF THE GAS TO FUEL THE NIGERIAN ECONOMIC GROWTH

The huge gas resources in Nigeria will play a major role in fuelling the economic growth of the country. A Gas Utilisation Master Plan will be required to give focus to how Nigeria realizes the true potential of this huge gas resource to the benefit of the economy in terms of revenue generation as well as associated economic enabler/benefits. The Plan will define the investment requirements, the sequence of activities and the role of respective stakeholders (both in government and the private partners).

Gas provides the opportunities to satisfy:

- (i) Energy requirements;
  - a. Gas to Power (Electricity)
  - b. Gas to Liquids
  - c. Gas as a fuel (Liquefied Petroleum Gas (LPG) / Compressed Natural Gas (CNG))
- (ii) Feedstock into our Petrochemical Industries
  - a. Fertiliser
  - b. Plastic

The majority of the gas resources are in the Niger Delta, and there will be need to deliver gas across the country if we are to achieve the balanced economic growth across the country





As shown above, the Federal Government of Nigeria will develop the back-bone infrastructure for the delivery of gas to the key industrial and major cities in the country. The Gas Utilisation Master Plan will define the major backbone pipeline and distribution systems that will enable gas availability across the country.





## 6.0 PHYSICAL INFRASTRUCTURE

### 6.1 POWER

#### 6.1.1 CURRENT POLICY

In 1999, average annual available and installed generation capacities were 1750MW and 5906MW, respectively. Of the 79 generation units in the electricity system, only 19 were operational. This led to frequent system collapses and widespread national outages. By 2000, available capacity had plummeted to about 25 percent of total installed capacity. Electricity supply was falling in the face of growing demand, which was estimated at 4,500MW.

It was against this backdrop that the Obasanjo Government adopted a two-pronged approach to addressing the problems of the electricity industry, namely, addressing the electricity supply gap by rehabilitating existing plants and constructing new plants; and implementing a holistic reform of the industry.

The first aspect of the two-prong approach, termed “short-term action plan (STAP)” required the rehabilitation of existing plants (a goal of 4000MW available generation capacity was set) and the construction of new capacity to be contracted under IPPs (800MW in 2001 and 700MW in 2002).<sup>1</sup>

The second aspect of the two-pronged approach is the holistic reform of the industry. Quintessentially, this is comprised of restructuring of the industry (vertical and horizontal unbundling of NEPA into successor companies, establishment of a regulatory commission, and instituting wholesale electricity market), liberalisation of industry (encouragement of private sector participation and investment),<sup>23</sup> and privatisation of the PHCN successor companies.

The cardinal thrust of the reform programme is the introduction of competition and choice to improve efficiency in operations and electricity supply. The reform commenced in 2001 with the legal and regulatory review, which culminated in the preparation of the National Electric Power Policy and Electric Power Sector Reform Bill. These documents were adopted and enacted in 2001 and 2005, respectively. In the intervening period, BPE with the mandate to undertake the reform, worked with NEPA/PHCN and the erstwhile Federal Ministry of Power & Steel in ensuring the successful unbundling of NEPA, institution of shadow wholesale trading arrangement, and the establishment of the regulatory commission.

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<sup>1</sup> See National Electric Power Policy, 2001.

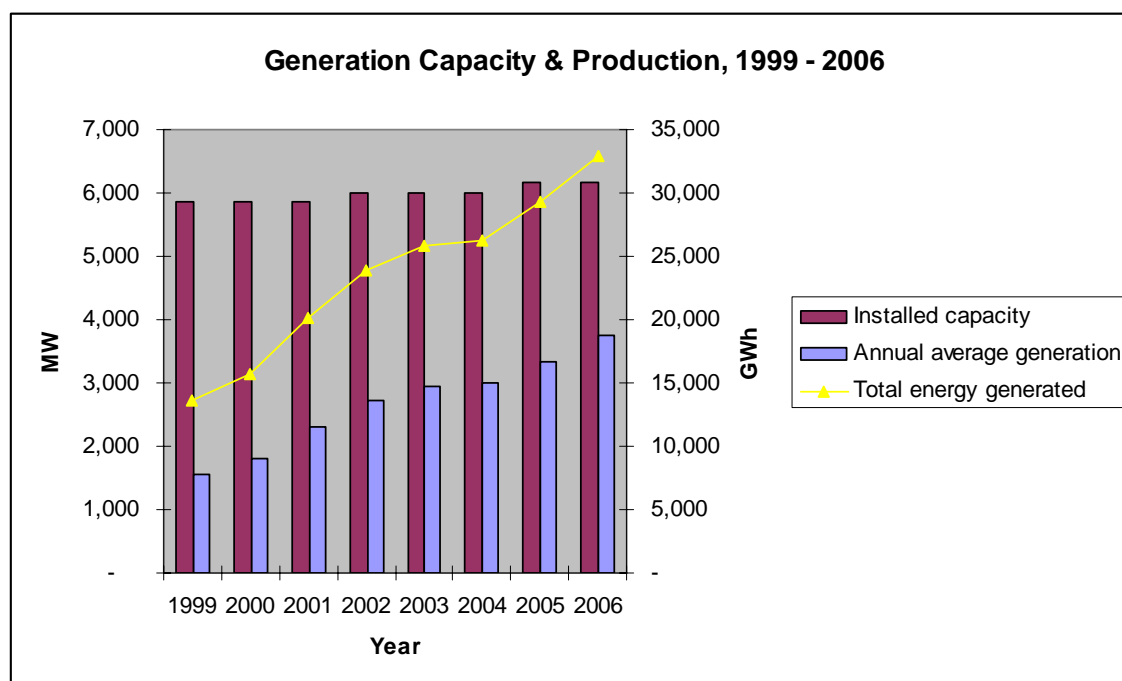
<sup>2</sup> Reasons adduced to earlier lack of success with attracting private sector investment in electricity include: (a) maintaining NEPA as a monopoly, (ii) failure to institute appropriate incentives and firm securitisation arrangement.

<sup>3</sup> NERC has issued 14 licences to private developers – 12 for construction of independent power plants and 2 for private distribution operations.



### 6.1.2 PERFORMANCE

STAP was only partially successful. Firstly, there were considerable improvements in available generation and electricity supply – see figure below. These improvements, however, were constrained as the majority of the rehabilitated plants were existing plants that were aged (between 18 and 43 years old). Secondly, the fragile and unstable transmission and distribution network only received a fraction of the investment required for reinforcement and expansion. Thirdly, apart from the controversial 270MW ENRON (later AES) project, no additional IPP capacity was added to the system until 2005 when the 450MW AGIP Okpai Plant was commissioned.



By 2002, the failure of private investment to materialise in electricity generation led the Federal Government to directly fund the construction of new host plants (Afam V, Papalanto, Omotosho, Geregu, and Alaoji – some of which are only being commissioned now). The recent oil revenue windfall is facilitating a renewed drive in electricity infrastructure expansion in generation (target of 10,000MW installed capacity), transmission, distribution and gas supply tagged **National Integrated Power Projects (NIPP)**.

Construction of NIPP commenced in 2005 and is expected to be completed in 2008. The nameplate capacities of the (7) generating plants range between 188MW and 561MW and are expected to add an additional 2743MW to the national grid. Installed generation capacity is expected to exceed 10,000MW by end of 2008. In addition to NIPP, government is also committed to the construction of Mambilla, Zungeru and Dadinkowa hydroelectricity plants.



Electricity production and supply are capital intensive. An estimation of the cost of government's efforts in addressing inadequate and unreliable electricity supply in Nigeria between 2000 to date has been conservatively estimated at **US\$10 billion** by industry experts.

While the reform programme is now at an advanced stage, some have argued that it seems to be losing focus and undermining the operational performance of the industry.

### **6.1.3 CURRENT CHALLENGES**

It is safe to assert that in spite of the numerous attempts to remedy the problem, improvements in provision of adequate and reliable electricity supply in Nigeria is yet to be achieved. . The challenges facing the sector have been classed under two headings: (a) operational and (b) reform.

#### **6.1.3.1 OPERATION-RELATED ISSUES AND CHALLENGES**

##### **Technology**

Broadly speaking, **generation** capacity is inadequate and poorly maintained. This situation is further compounded by lack of knowledge of the total electricity requirement of the country.

The **transmission** network is radial and not robust enough to support more than 5000MW generation capacity. Further, the dispatch facilities and control system is grossly inadequate. To cap the challenges in transmission, there is no proper or coordinated system planning.

**Distribution** has received the least attention in the last fifteen years. Most of the distribution networks are old and dilapidated and are characterised by high technical and non-technical (theft) losses. The metering and billing systems are grossly inadequate. Further, limited resources compounds operations as faulty or obsolete equipment are not easily repaired or replaced. Finally, poor planning results in haphazard expansion of network to accommodate growing demand. It is estimated that a minimum of US\$400 – 500million per annum will be required in the first 5 years post-unbundling to enable the distribution systems to be fully effective.

The combined effects of these are inadequate generation and high system losses.

##### **Gas supply and availability**

Gas supply is a critical input in electricity generation. Lack of integrated planning between gas and electricity has meant that gas supply and availability are major and binding constraints in electricity production. The lack of gas supply infrastructure explains the preponderance of gas-fired power stations in the Niger Delta region. This reality poses a considerable challenge for evacuation of electricity from the point of generation to demand centers.



Delving into the gas supply and availability problem reveals that the challenges are two fold: (a) supply and (b) price-related. According to NNPC sources, current gas availability can only meet 10,000MW generation capacity. Additional gas requirement for electricity generation will require a minimum of three years (from when investment is committed) to develop field and build pipelines to supply plants. There are also the twin issues of militancy and sabotage that continues to affect gas supply.

The price paid by PHCN and what new IPPs would like to pay is not attractive enough for gas producers to want to invest in gas production and supply.

### Investment and Funding

The capacity inadequacies that characterises the Nigerian electricity industry coupled with the capital-intensity of electricity infrastructure means significant investment is required not just across the electricity industry but the whole energy spectrum (including gas production and supply) if the industry is to support national economic and social development aspirations. For instance, a ball-park estimation of the amount of investment required to expand capacity to 30,000MW (from a base of 10,000MW) is in the order of US\$25 – 30billion.<sup>4</sup> It is obvious that private investment must be encouraged to complement public investment.

Year	Installed Capacity	Cumulative Cost of Generation, Transmission and Distribution (US\$bn)
2008	10000	
2011	13333	3.20
2015	19565	8.58
2019	28710	12.58
	Total	24.34

The consequence of systemic deficiencies (low tariffs (see below), high system losses, inefficient cost structure etc), and reluctance of Federal Government to give guarantees makes private investors risk averse. The challenge is not the dearth of investment capital at the disposal of the industry but measures and initiatives that must be put in place to attract the much required investment.

### Cost Structure and Electricity Pricing

A consequence of above-mentioned systemic deficiencies is high cost structure. The cost of producing 1kWh of electricity is estimated at N12 – 14 per kWh, whereas N8 per kWh is considered reasonably efficient. Juxtaposing this with current approved tariff of N6 per

<sup>4</sup> This figure will increase substantially if provisions for gas production and supply were to be made.



kWh shows a significant revenue gap – this is further exacerbated by poor revenue collection practice.

Two significant costs element in PHCN's operating expenditure are labour-related costs and cost of electricity purchased from IPPs. Given the burgeoning staff strength (in excess of 35,000), the monthly salary and wage bill in 2005 was about N4billion (compared to monthly revenue collection of N7billion). Also, while AES and AGIP jointly generate about 20 percent of grid electricity, they are paid in excess of N2billion per month for electricity they produce.

Without improvement in the financial performance of PHCN, this situation is not sustainable. To alleviate the financial pressure, PHCN has clamoured for a tariff increase – the latest attempt was in 2006 with a request for tariff increase to NERC. Although the review was carried out, it remains inconclusive. Although tariff increase will ameliorate the parlous financial status of the industry, it should not be seen as a panacea. High costs and inefficiencies must be simultaneously addressed.

Without putting an appropriate tariff regime and firm off-take arrangement in place, it will be extremely difficult to convince the private sector to invest in the industry.

### **Management and Government Involvement**

The experience of the Nigerian electricity industry is that government involvement in management selection and decisions have not stood the industry in good stead. Further, appointment of board members based on political consideration has undermined corporate governance and, consequently, the performance of the industry.

As a consequence of the compromise on management, the industry has witnessed less than best practice in allocation of resources, lack of proper planning and co-ordination and operational and commercial practices etc. Both principal (government) and agents (managers) over-emphasise supply and pay scant regard to commercial consideration.

### **Economic, social and political objectives**

While the National Electric Power Policy emphasises the need for separation of economic and political objectives, PHCN is still used as a tool for achieving social and political objectives at the expense of economic objectives. For instance, universal access to electricity and politically determined electricity prices (usually below true costs) distorts signalling effect of pricing and encourage over-consumption. Also, inadvertent policy of employment of staff without due consideration for optimal input mix distorts cost structure, which ultimately leads to misallocation of resources and worsening of financial performance.

#### **6.1.3.2 REFORM-RELATED ISSUES AND CHALLENGES**

### **Implementation and Co-ordination**

Electricity industry reforms, without the additional challenge of chronic poor performance, is complex on its own. There are policy, technical, organisational, institutional, market design, and regulatory issues to contend with in the electricity industry, which make



implementation of reform a daunting challenge. It requires clear, unambiguous focus on issues to be addressed, which usually form the impetus for change. The BPE is currently leading the coordination of

## **Industry Structure**

Choice and competition, which are an integral to improving performance of the electricity industry, are being introduced via wholesale electricity model.<sup>5</sup> Moving from an integrated and publicly owned structure to a disaggregated industry led by the private sector is proving to be a major challenge to different stakeholders.

Management of PHCN have opposed reform for similar reasons including staff retrenchment and the prospects of losing perks of office.

Ministry officials oppose reform because of the loss of authority and fiduciary responsibility over PHCN and reassignment of some of their roles and responsibilities to other agencies (such as NERC and Rural Electrification Agency).

There are other classes of stakeholders opposed to reform; those that enjoy free or heavily subsidized electricity, importers of electricity generators, major diesel importers etc

## **Effective Regulation**

The EPSR Act established a sector regulator, Nigerian Electricity Regulatory Commission (NERC), for the electricity industry. NERC was officially inaugurated on October 31, 2005 and has begun putting structures in place. NERC's key functions include licensing, and implementing effective economic and technical regulation.

Independence, accountability, adequate funding, legitimacy as well as professional and technical expertise are some of the attributes of a good regulator. There are, however, a number of regulatory challenges that have to be addressed. These include the need to build professionalism in regulation, the need for regulatory discretion and independence, the pricing approaches to be adopted by the commission and the phasing of competition in the market. Another major challenge relates to the functional competence of the regulatory commission and the need for NERC to protect customers and market participants through attentive and fair oversight of the transitioning energy market.

## **Funding Consequence of Restructuring**

One of the primary objectives of the reform programme is to address systemic deficiencies such as over-employment, removal of monopoly powers in sectors that are naturally competitive etc. These deficiencies have consequences that have to be funded. For instance, dealing with the problem of over-employment requires right-sizing of staff. Severance packages have to be provided for. In the case of PHCN this is expected to run into tens of billions of Naira, which it cannot afford. There is also a significant pension fund liability that has to be addressed.

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<sup>5</sup> This model has some similitude to what obtains in the GSM sector in so far as it is multiplicity of participants in upstream, midstream and downstream activities. The overall impact of efficient and better quality of service to consumers is the desired outcome that will advance public interest.



The consequence of non-economic price in the short term is revenue deficits, which are expected when proper arms-length trading relationships are established. Government will have to provide financial support for a pre-defined period of time.

#### **6.1.4 POLICY OPTIONS**

For consistency, the measures, policy options and programmes are, to a large extent, correspond to the issues and challenges identified in the preceding section.

##### **6.1.4.1 OPERATION-RELATED**

###### **Technology**

- Undertake a national demand study to determine the exact electricity requirement and long-term projection.
- Develop an integrated least cost system expansion plan for the efficient development of the Nigerian electricity industry in medium and long-term.
- Develop initiatives for diversifying electricity generation so as to improve security of supply.
- Develop framework for encouraging development of electricity generation closer to demand centers.
- Complete projects to convert the radial transmission network into a robust grid with appropriate dispatch and control equipment for effective management.
- Upgrade and reinforce distribution networks to support expected increase in generation.

###### **Gas supply and availability**

- Develop appropriate gas policy to encourage production and supply of gas for electricity generation.
- Develop appropriate pricing regime and incentive measures to attract investment and efficient operations
- Develop gas production and supply infrastructure
- Explore and develop measures for ensuring long-term supply of gas for electricity generation.

###### **Investment and Funding**

- Based on proposed system expansion plan, ascertain financing requirement and identify funding sources and develop long-term financing plan
- Adopt rigorous investment appraisal framework (to include investment incentives)
- Establish electricity infrastructure development fund



## Cost Structure and Electricity Pricing

- Develop measures for improving efficiency in the provision of electricity services
- Implement appropriate tariff methodology and pricing regime (NERC has developed the Multi-Year Tariff Order. The methodology has in-built price reviews to ensure prices do not fall below costs while concomitantly providing operators with confidence and predictability, and consumers with stability.)
- Embark on aggressive measures to reduce excessive cost of production including staff right-sizing.
- Estimate financial support required to meet energy purchasing obligations
- Develop policy position on IPPs and appropriate take off arrangement to give private investors confidence.

## Management and Government Involvement

- Clear and unambiguous separation of roles and responsibilities of private and public sector on one hand, and clearly defined objectives and targets between management and government *qua* owner of assets in the electricity industry pending privatisation, where feasible.
- NERC to effectively monitor and supervise industry for efficient operation and provision of services

## Economic, social and political objectives

- Policy and initiatives should be primarily predicated on economic objectives but could be tempered by social and political consideration and not the other way round.

### 6.1.4.2 REFORM-RELATED

#### Implementation and Co-ordination

- Immediate establishment of a presidential task force to articulate how the Yar'Adua Government will address the problems of inadequate and unreliable electricity services. The task force should report directly to Mr. President.
- Establish an electricity council for proper co-ordination and development planning of industry. The Council is to champion effective and timely development of the Nigerian electricity industry
- Develop realistic programme plan starting with a 100-day plan based on Mr. President-elect's promise of tackling the perennial problem of electricity supply in Nigeria.
- Develop communication strategy for sensitising and increasing the awareness of the imperative of reforming of the industry





- Review and undertake re-assignment of responsibilities to reduce overlaps, conflicting objectives and ensure smooth implementation of reform and development of electricity industry

### **Industry Structure**

- Review on-going reform and government to make unambiguous and realistic pronouncements on policy and strategic issues
- Complete the restructuring of PHCN in line with the wholesale electricity model
- Develop a broad-based consensus to minimise opposition to reform

### **Effective Regulation**

- Ensure NERC, still in its infancy and regulation nascent, is appropriately staffed and supported to meet government's objectives and set goals
- Ensure consistency between policy, legislation and regulation
- Measures to be taken to protect autonomy and independence of NERC and develop mechanisms for avoiding excessive powers of NERC

### **Funding Consequence of Restructuring**

- Government to provide adequate financial support to see reform to its logical conclusion and efficient operation of the industry

#### **6.1.5 EXPECTED OUTCOME**

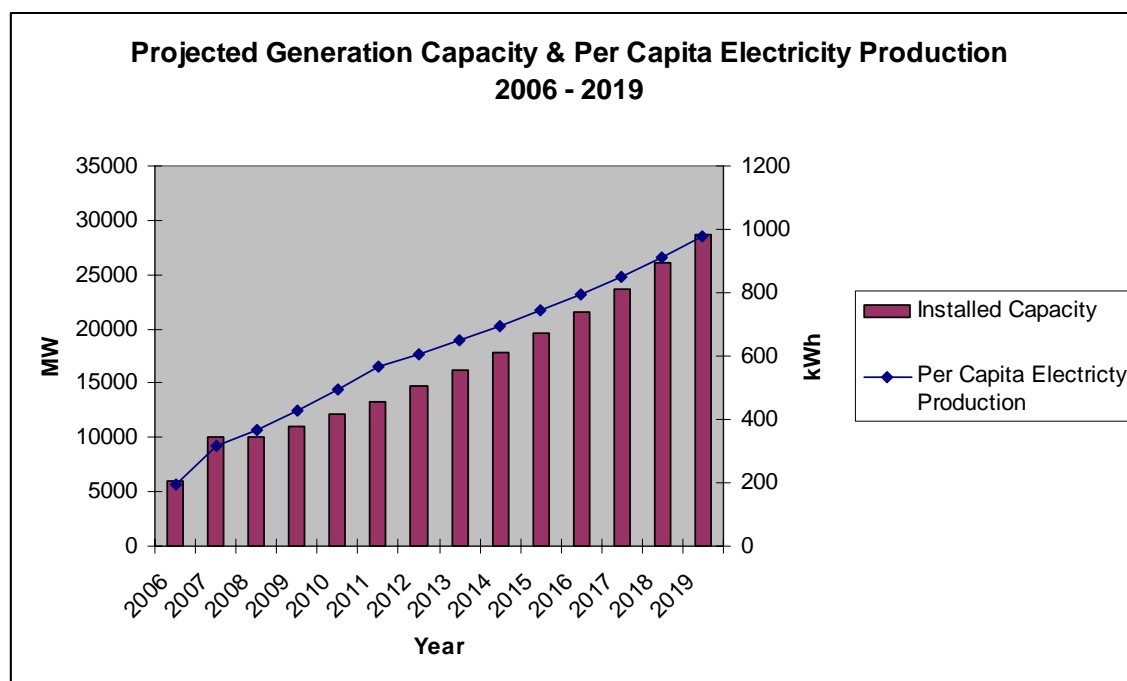
There is a strong positive correlation between electricity and economic growth. If jobs and wealth are to be created and poverty reduced, as enunciated in the National Economic Empowerment and Development Strategy and the Millennium Development Goals, electricity infrastructure will necessarily have to be improved.

Starting with a 10,000MW generation base, electricity infrastructure will need to be increased annually by a minimum of approximately 1000MW, 1500MW and 2000MW annually in the short-term, medium-term and long-term, respectively, if GDP per capita (or some other human development indices) are to be doubled within ten years. For this to be achieved, the minimum economic growth rate is 7 percent per annum.



Period	Additional Capacity (MW)	Average Annual Increase in Generation Capacity (MW)
2008 – 11	4674	1169
2012 – 15	6859	1715
2016 – 19	10065	2516

The overall impact on the socio-economic development and benefit to consumers are expected to be significant with corresponding multiplier effects on the economy. Per capita consumption, which stands at about 200kWh would be expected to increase to approximately 1,000kWh at around 2019 when installed capacity would have grown substantially to about 30,000MW.





## 6.2 TRANSPORTATION

### 6.2.1 CURRENT POLICY

**Roads:** Road networks are limited and in poor condition, with only 31 percent of them paved. In the Roads Vision 2000 strategy, the government recognizes the need to totally overhaul the sub-sector. This document provides the basis for the way forward, including a proposal for the establishment of an autonomous Highway Authority. Establishment of a Road Fund dedicated to the maintenance of the strategic road network is also underway.

Further policy improvements were made in 2005 with the enactment of the Infrastructure Concessioning Regulatory Commission Act to better regulate and enhance the participation of the private sector in the financing, construction, maintenance and operation of infrastructure. In 2006, the Federal Government of Nigeria adopted the National Policy on Rural Travel and Transport which gives priority to the core rural road network with private sector participation as one of its key objectives.

**Railways:** Nigeria has recently embarked on a railway revitalization programme. A milestone in this programme was the signing of a \$8.3billion agreement contract with the Chinese government. The planned project of railway modernization was signed in two tranches which includes the main contract covering the first rail that would connect the nation's economic capital Lagos to the largest commercial city in the north, Kano which would be concluded in five years by a Chinese firm and an Italian consultancy outfit.

The railway project is a part of an integrated transportation system for the country covering land, air and maritime transport. The construction of the new standard gauge track north-south is only the first phase of a modernization programme that would cover two major longitudinal lines. The second would link Port-Harcourt and Jos and another would link all the 36 states' capitals in Nigeria.

**Aviation:** A cursory look at the Nigerian aviation industry suggests that some degree of liberalization has taken place since the collapse and final liquidation of the national carrier-the Nigerian Airways. This is characterized by the entrance of a couple of private operators. It is important to note that, poor investment, weak regulatory oversight has over the years rendered the Nigerian Airspace unsafe. Some progress has been made in policy reforms. In 2006, the Federal Government enacted the Civil Aviation Act with the aim of making the Nigerian Civil Aviation autonomous with increased funding. An accident investigation Bureau was also created. Another forward-looking decision in the transport sector was the concessioning of Abuja Airport in November, 2006.

### 6.2.2 PERFORMANCE ANALYSIS

**Roads:** There has been a noticeable scale-up in terms of funding road maintenance projects over the last few years. There was also appreciable progress in handling road maintenance over the country. This helped to reduce the level of road accidents which claims lives higher than the AIDS/HIV pandemic.



**Railways:** Modernization work on the Western line has made some progress. About US\$10billion is being planned for the execution of the project, with some 35% external funding.

**Aviation:** The Nigerian Civil Aviation Authority has been undertaking internal capacity building by partnering with international organizations. It has also embarked on retrenching unqualified staff and has also prepared a Safety Management System. The rehabilitation of Part the Harcourt runway is equally nearing completion. In terms of improving their capabilities for proper air traffic surveillance.

### 6.2.3 CURRENT CHALLENGES

**Roads:** Poor roads and weak regulatory environment with respect to transport infrastructure and services have made Nigerian roads unsafe in the past. This also leads to vehicle overloading which damages roads prematurely.

The present condition of Nigerian roads is such that, despite the higher spending levels, the impact of this higher expenditure has been limited partly due to:

- i. Weak strategic planning, oversight and regulatory functions on the part of the public sector.
- ii. Weak contracting procedures, quality control and regulatory functions.

**Railways:** The Nigerian Railway policy is characterized by high dependence on public sector subsidies. The rail system consists of only two narrow gauge lines originating from the coast in the South down to the North, the West and Eastern lines, and an unfinished standard gauge Central line. The infrastructure is highly dilapidated and there is a lack of serviceable locomotives and rolling stock.

**Aviation:** Nigeria has a total of 20 airports and 62 airstrips spread all over the country. Many of them, including the international airports are in a poor state of disrepair. These airports are equally supported by inadequate and non-state-of –the art visual and navigational aids. This situation led to the frequent air crashes. Part of the problems highlighted is directly linked to lack of a well-articulated national air transport policy and weak enforcement of current polices.

### 6.2.4 POLICY OPTIONS

#### **Roads:**

(a) A mechanism to ensure adequate, timely and predictable funding for road investments as well as maintenance of the existing assets needs to be put in place with dispatch. This could involve the adoption of a user-charge operating under a revised legal and institutional arrangement. The funds generated should be managed by an independent entity –for example, Road Fund Board.

(b) Another policy that should be vigorously perused is ensuring facility upgrades and scale up. This would involve the adoption and utilization of modern methods and technologies for better efficiency and effectiveness in Road maintenance. A strong and professionally managed Highway Authority is necessary to be able to handle road planning, designing,



implementation and maintenance. Other tiers of Government should be involved in the process.

**Railways:** (a) Present efforts to revive the railway system should be sustained. Private sector involvement is crucial, while the Nigerian Railways Corporation should be streamlined functions and should operate in a commercially oriented manner.

**(b) The Federal Government should consider** renegotiating the overall cost of modernizing the Western line by the Federal Government. All other future similar engagements should be thoroughly backed by vigorous feasibility studies to ensure value for money for the public.

**Aviation:**

(a) Government should give the highest priority to the establishment of an autonomous and technically competent NCAA as it is the cornerstone of any reform in the aviation industry.

(b) Recertification project should be undertaken seeking the assistance of the Banjul Accord specified in Cooperative Development of Operational Safety and Continuing Airworthiness Program (COSCAP).

A cross cutting policy option with respect to transport in general is that the effort to provide platforms for Public-Private –Partnership arrangements covering infrastructure should be sustained and fast- tracked. All legal and institutional arrangements should be completed with dispatch to allow for private sector participation. This will require massive capacity building for PPP implementation across ministries and agencies.



## 7.0 HUMAN CAPITAL DEVELOPMENT

### 7.1 EDUCATION SECTOR

#### 7.1.1 CURRENT POLICY

The current policy of the government revolves around the 10-year Strategic Plan by the Federal Ministry of Education as well as the NEEDS document. The reform process is intended to overhaul the entire education sector and to promote quality education for life –skills acquisition, job creation and poverty eradication. It will put in place a sound framework that will enable implementing authorities to widen access, increase equity and enhance the quality of educational provision. In addition to the education sector reforms, there are other initiatives that have been introduced by the current Government. Some of which include:

#### **Structural and Institutional Reforms**

In July 2006, the Federal Government launched a major restructuring of the Federal Ministry of Education and a reform package for the entire education sector. One of the outcomes of the restructuring exercise is the drafting of a Federal 10-Year Education Sector Plan, with a re-classification of the education system as follows:

#### **Basic Education**

This incorporates Early Childhood Care and Development, and Primary and Junior Secondary education anchored on the UBE programme. The Federal Government through the UBE program aims to tackle gender disparities in enrolment, attendance, and low completion rates. The current Primary net enrolment is about 61 percent and 7-8 million children are currently still out of school. An estimated 35 percent of the relevant age group attends junior secondary schools.

#### **Senior Secondary Education**

The objective is to develop a framework for implementing the public/private partnership model for management of unity schools. Other goals include reforming science, technology, technical and vocational education to increase its relevance to the economy and labour market. It also aims to attract and retain teachers, encourage private sector participation and encourage student enrolment at senior secondary school level.

#### **Special Education**

The aim of the Federal Government is to develop a formula for funding adult and non-formal, special needs and nomadic education.

#### **Tertiary Education**

The vision is to advance Nigeria's economic growth and global competitiveness through the provision of accessible, affordable, relevant and high quality education in our tertiary institutions.



### Universal Basic Education Programme

The current government introduced the UBE programme in 1999, making it compulsory for every child to receive nine years of “free” education. The Child Rights of 2003 also provides a legislative framework to protect children and secure their basic rights, including the right to education. The introduction of the UBE programme is in line with the Federal Government’s effort to achieve education-related Millennium Development Goals (MDGs). Concerned with the achievement of education related MDGs, the Federal Government established the Assessment and Monitoring Committee on the MDGs, chaired by the President, to fast-track decision making and guide and monitor the implementation of MDGs related policies and programmes in all sectors of the economy.

### Post-Basic Education Initiatives

At the post-basic education level, Nigeria has adopted a strategic vision for tertiary education with emphasis on Science and Technology. Current education policies call for increased enrolment in science and technology programmes, improved research and technology infrastructure, and strong quality assurance mechanism.

#### 7.1.2 PERFORMANCE ANALYSIS

There have been remarkable improvements in the education sector with adult literacy rate rising from 57 percent in 2001 to 62 percent in 2005. Primary school enrolments rose from nineteen million in 2001 to over twenty-six million in 2005 (see figure 1).

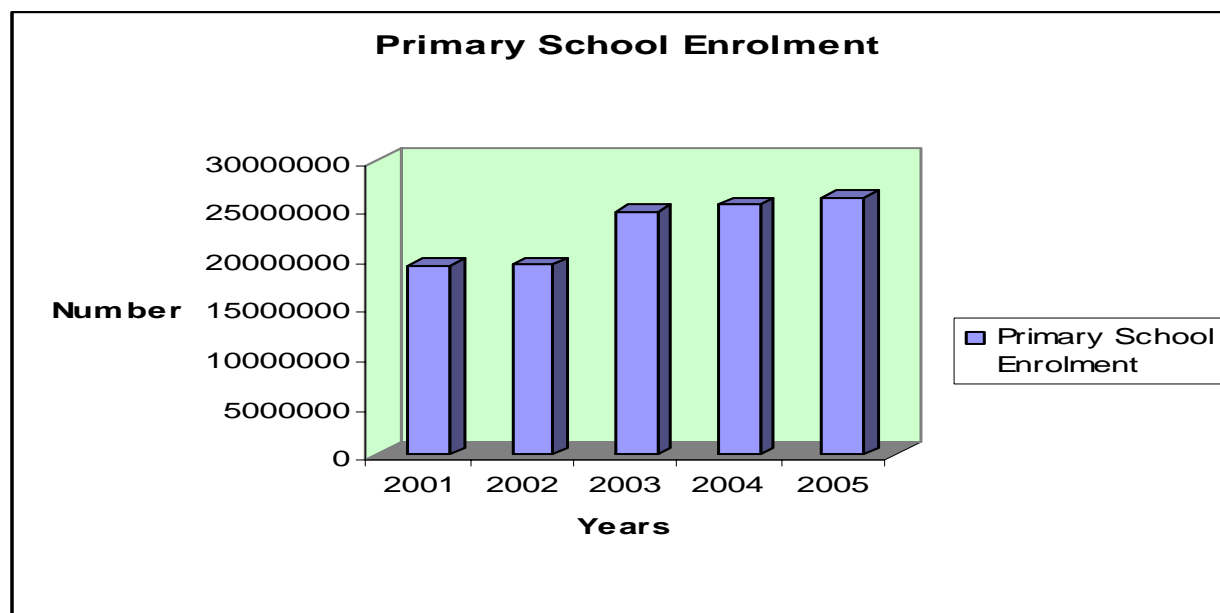


Figure 1: Number of Primary School Enrolments

In the primary school category, the percentage of females in educational institutions rose to 53 percent in 2005 from 51 percent in 2001. However, there was a decline in the percentage of female in both the secondary and tertiary institutions from 47 percent in



secondary school in 2001 to 44 percent in 2005. The tertiary institutions also witnessed a decline in the number of females from 45 percent in 2001 to 43 percent in 2005. With the implementation of the UBE programme, the number of primary schools rose from slightly over forty-nine thousand in 2001 to over fifty-nine thousand schools in 2005 (see figure 2).

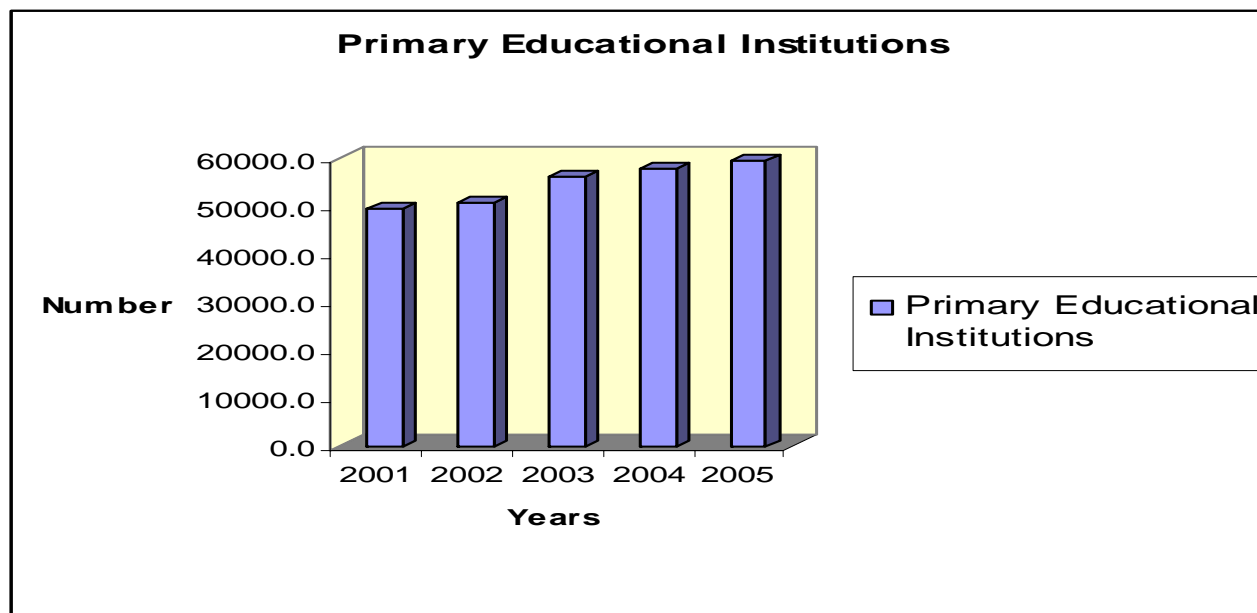


Figure 2: Number of Primary Educational Institutions

The Federal Government total expenditure on education from 2001 to 2005 averaged 6 percent of the overall budget, with the exception of 2002 which had a percentage of almost 11 percent (see figure 3). This is well below the UNSECO benchmark that recommends budgetary expenditure on education of at least 20 percent of the overall total budget.

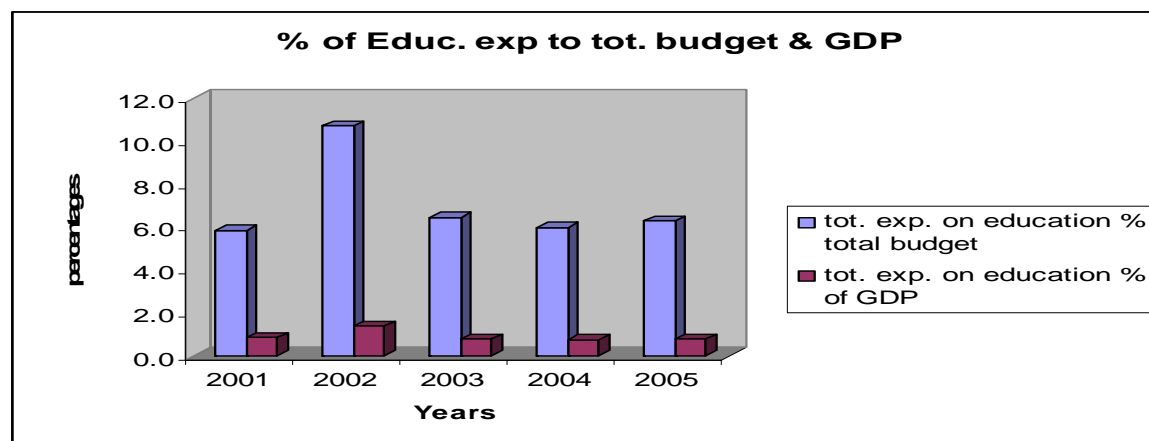


Figure 3: Total Federal Government expenditure as a percentage of Overall Budget & GDP





### 7.1.3 CURRENT CHALLENGES

#### **Equity and Access to Education**

Despite significant efforts since the launch of its UBE programme, Nigeria is falling behind in its progress towards achieving the education related MDGs and Education For All (EFA) goals. Nation-wide, 64 percent of school-age boys and 53 percent of school-age girls attend primary school. There are large gender, income and regional disparities in enrolment rates. Enrolment rates for girls in some Northern States are only around 20%. The cost of schooling, both direct and indirect opportunity costs, remains the key reason for low enrolment and for dropping out of school.

#### **Quality and Relevance of Education**

The quality of education is weak and varies considerably within and across States. There is inadequate systematic and reliable information on student's learning outcomes. Available surveys showed that learning outcomes in primary schools are weak and vary considerably across states (see World Bank Policy –DFID-USAID on Nigeria Education Policy Notes).

The main contributing factors to low learning outcomes are (i) the poor conditions of the learning environment to support effective teaching and learning (e.g., poor conditions of physical facilities), (ii) shortage of textbooks and essential instructional materials, (iii) ineffective pre- and in-service teacher training, and (iv) outdated curricula.

#### **Inadequate Funding**

Despite increases in public spending on education, available funding (based on the current trends) is insufficient to achieve the education-related MDGs and improve the quality of post-basic education. The budgetary spending on education as a percentage of GDP still remains less than one percent.

#### **Monitoring and Evaluation**

Weak management information systems have resulted in a scarcity of quality data for policy making and monitoring performance on the education system.

### 7.1.4 POLICY OPTIONS

In view of the challenges faced by the education sector, the Federal, States and Local Governments must ensure an effective implementation and sustenance of some policy options to bring about the desired changes in the sector. Some of these policy options include the following:

- Provision of adequate resources for the entire education sector and improving the efficiency and effectiveness of the use of available funds for the implementation of the MDG and UBE programmes, especially at the state level. The current level of public spending is insufficient to fill the financing gap to achieve UBE and improve the quality and relevance of post-basic education in Nigeria. Further increase in support to the education sector through additional resource mobilization from domestic (including the private sector), development partners and other international agencies, is required.



- Physical Rehabilitation of all Secondary and Primary schools in the country, using additional 0.1% besides the 2% contribution to the Educational Tax Fund (ETF) and partnering with the private sector.
- Develop at least 10% computer and internet access in all Primary Schools, at least 30% in all Secondary Schools and at least 70% in all Tertiary institutions.
- Encourage local internet companies to sponsor connectivity to schools.
- Provision of free text books in Primary and Secondary schools.
- Strengthening the capacity of the Ministry of Education and its relevant institutions, at all levels of government, for planning and management and the operationalizing of the Federal Government 10-year Education Sector Plan.
- Design and implementation of state education reforms based on the ongoing federal education reforms.
- Removing barriers to girls' basic education especially in the Northern regions and boy's school drop-out in the Southern regions, including community mobilization and advocacy, recruitment and deployment of women teachers, and improvement of physical facilities.
- Design and implement strategies to increase school enrolment, train, increase and retain the number of teachers at all levels of education. The current effort by the Federal Government to provide one free meal per day for every pupil at the primary school level should be sustained.
- Preparation of a national post-basic education strategy, focused on science and technology quality innovation, in line with the objectives of NEEDS that will re-align education with the needs of labour market.

#### **7.1.5 EXPECTED OUTCOMES**

A successful implementation of the strategic policy options and the sustenance of the ongoing reform programme are essential if Nigeria's quest to build human capital for a knowledge-based economy is to be realized. Some expected outcomes include:

- Improved quality education that would meet the needs of the labour market especially in areas of ICT, Science and Technology
- Increased private sector participation
- Substantial progress towards education related MDGs
- Gender balance in Education
- Increased school enrollment
- Increased literacy rate



## 7.2 HEALTH SECTOR

### 7.2.1 CURRENT POLICY

Current Federal Government health policy is anchored on the ongoing health sector reform which has resulted in the formal launching of the National Health Insurance Scheme, a revised National Health Policy, a draft National Health Bill and the designing of a framework for achieving the Health-Related MDGs in Nigeria.

### 7.2.2 PRESENT PERFORMANCE

The country has made some significant progress in the health sector as result of reforms introduced in the sector. Alongside the Health Sector Reform Programme, several significant new policy initiatives in the health sector were developed. These include the Revised National Health Policy; a draft National Health Bill; formal launching of the National Health Insurance Scheme; National Drug Policy and other sub-sectoral policies including, Maternal, Neonatal and Child Health. Government effort in the fight against HIV/AIDS was firmly demonstrated with the creation of National Action Committee for Aids (NACA) in Nigeria. Currently the prevalence rate for HIV/AIDS has decreased from 5.8 percent in 2001 to 4.4 percent in 2006, though the prevalence among some States is still high. Other areas of achievement include the immunization of Children with more than 75 percent success rate, increase in the number of health institutions especially Primary Health Care institutions which rose from less than 11,000 in 2001 to over 18,000 in 2005 (see figure 1)

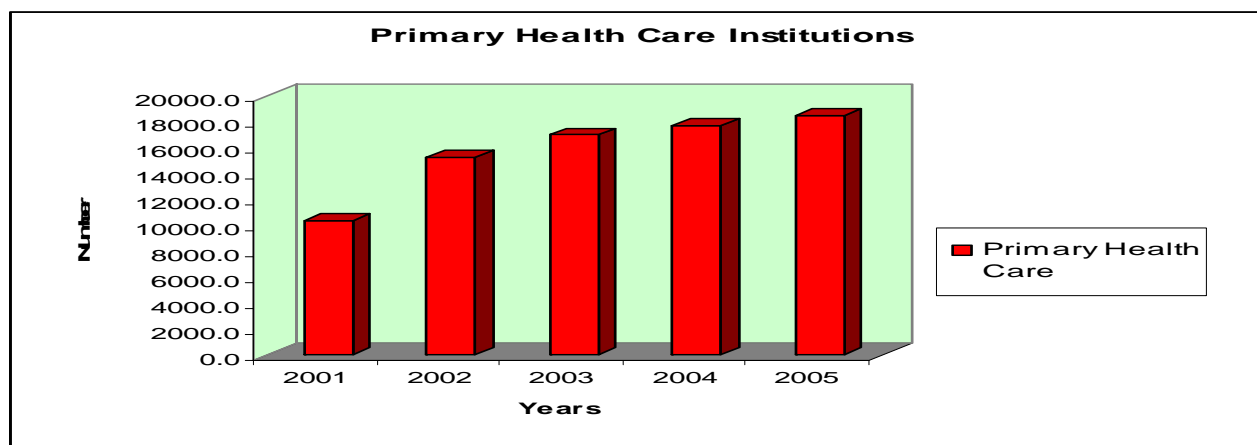


Figure 1. Primary Health Care Institutions 2001-2005

Infant mortality rate decrease from 80.2 per 1000 in 2001 to 76 per 1000 in 2005 (see figure 2); however, maternal mortality rate and total fertility rate remained constant between 2001 and 2005.

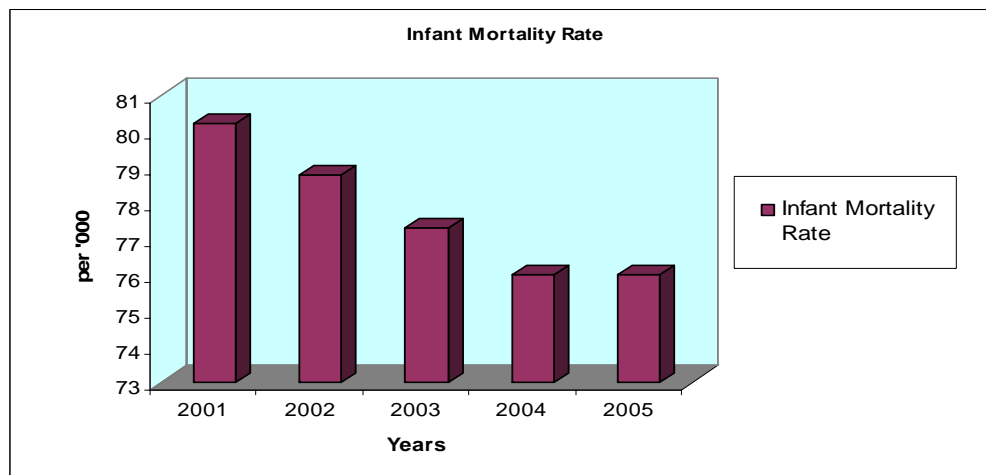


Figure2: Infant Mortality Rate

The Federal Government budgetary spending on the health sector remained at an average of 4 percent of overall budget expenditure between 2001 and 2005. However, it is important to note that there are other areas of Federal Government intervention in the health sector such as the NACA and National Programme on Immunization.

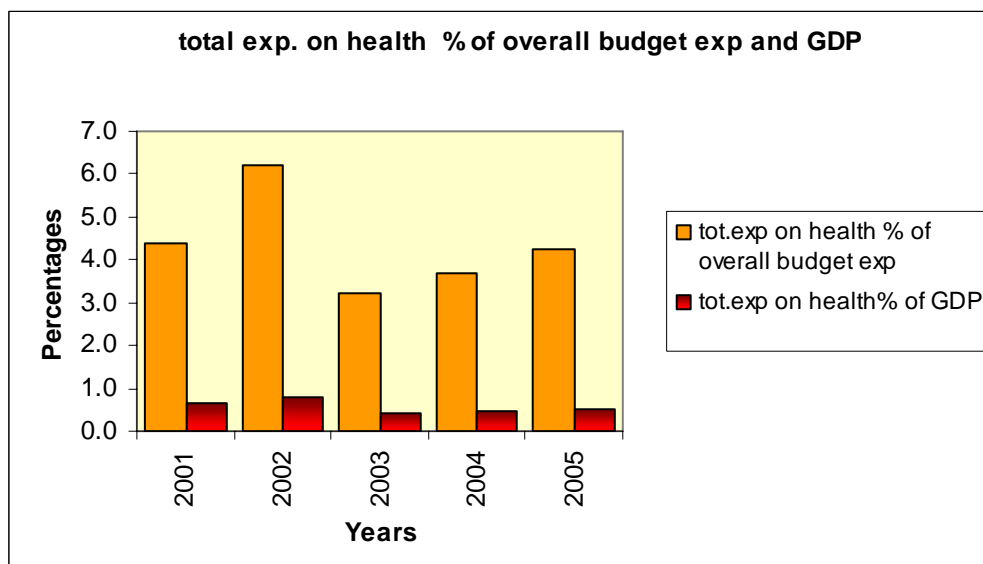


Figure 3: Total Federal Government Exp on Health % of overall budget exp and GDP

Figure 3 above shows that the Federal Government budget expenditure as a percentage of GDP remains below one percent between 2001 and 2005, though this is higher when expenditures from other sources such as NACA, National Programme on Immunization and MDGs health-related spending are added. The average life expectancy at birth remained at 54 years between 2001 and 2005, but Population per Physician decreased from 3,373.6 in 2001 to 3,059 in 2005 (see figure 4), alongside Population per Nursing Staff which declined from 1082.1 in 2001 to 714 in 2005 (see figure 5).

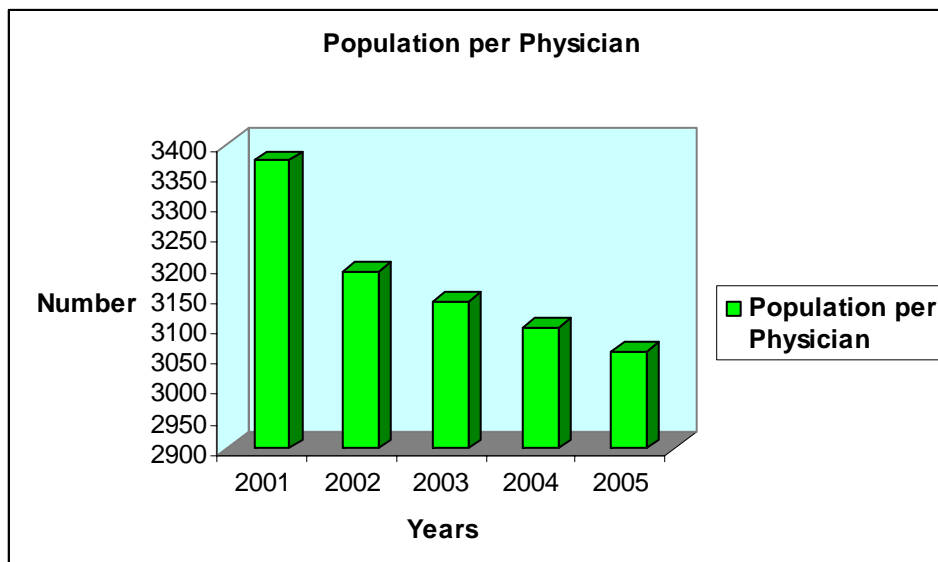


Figure 4: Population per Physician

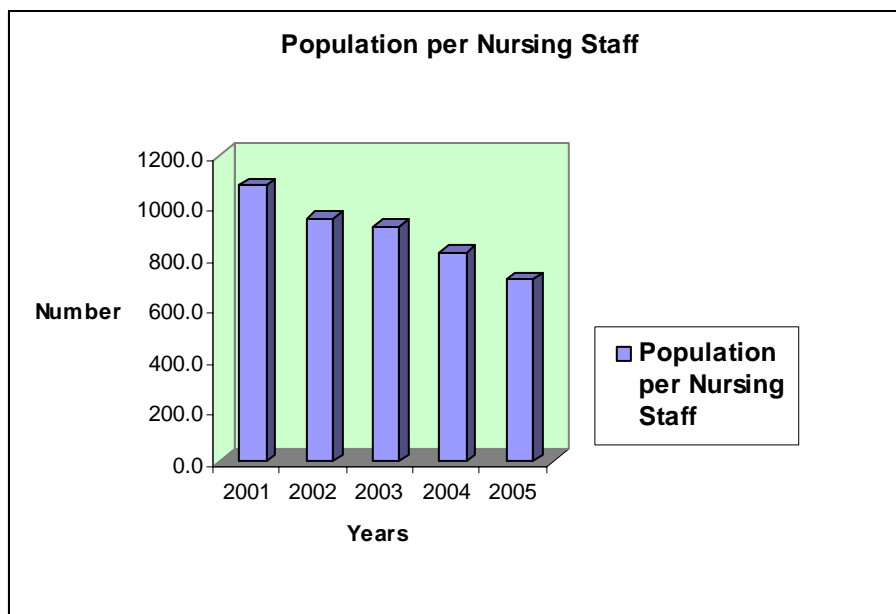


Figure 5: Population per Nursing Staff

The situation did not improve in the area of providing hospital beds. The Population per Hospital Bed increased from 1,651.6 in 2001 to 1,806 in 2005 (see figure 6).

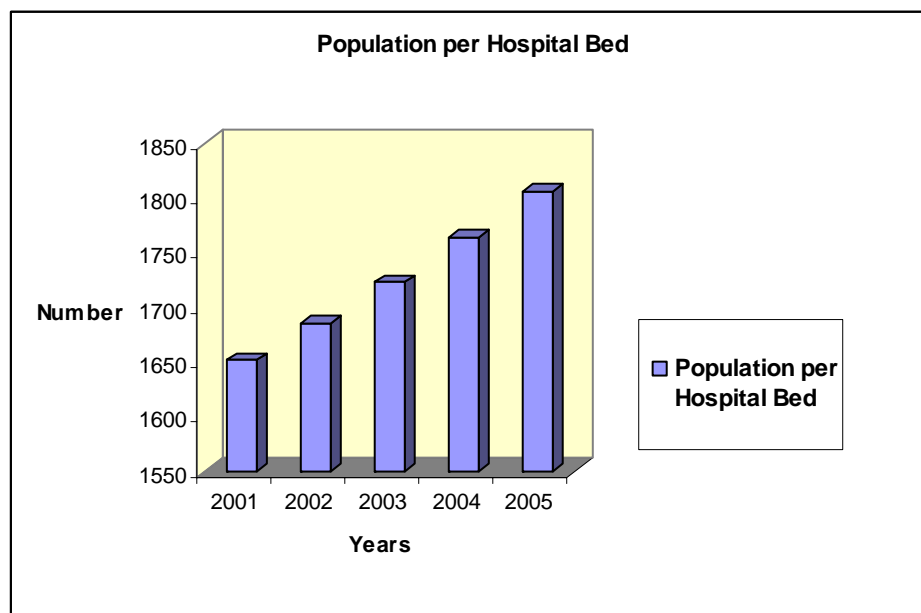


Figure 6: Population per Hospital Bed

Nigeria has also played a key leadership role on health in Africa. Nigeria hosted the African Union Summits on Malaria in 2000 and on HIV/AIDS, Tuberculosis (TB) and Other Related Diseases in 2001, and a follow-up Summit on AIDS, TB and Malaria in 2006. These resulted in the Abuja Declarations, to which all African Union member states have signed up.

### 7.2.3 CURRENT CHALLENGES

Despite some progress made in the health sector, a lot of challenges still remain. Some of these include the following:

- Poor health indicators: Infant and child mortality rates are extremely high, even when compared to other Sub-Saharan African countries and other parts of the world.
- There are large regional and income inequalities in health outcomes and in health care utilization in the country
- Ineffective Primary Health Care System (PHC): Public Primary Health Care facilities and their personnel offer low quality services partly due to chronic under-funding and to the insufficient accountability of the level of government in charge of PHC.
- Access barriers: There are very high financial, physical and cultural barriers that prevent access to effective health care by much of the population, especially the rural poor. Only three out of every five Nigerians receive medical care when in need.
- Inadequate and inappropriate resource allocation: The internationally accepted benchmark for adequate financing of a comprehensive basic health care package is \$34 per capita per annum. Although there is no complete account of public expenditure on health, some estimates indicate that between 1998 and 2002 the average per capita expenditure on health was less than half of this at \$16.



- Institution and Managerial weakness: The Nigerian health system is very fragmented, with poor coordination at all levels, contributing to and exacerbated by weak management systems.
- Role of the private sector: The private sector (formal and informal) provides a large share of health care service delivery, but its potential benefits have not been exploited fully as public-private partnerships are still very limited.
- High prevalence rate of HIV/AIDS.

#### 7.2.4 POLICY OPTIONS

- Addressing the Institutional and Managerial Weakness: To eliminate the fragmentation of the system, its waste of scarce resources and the negative consequences on service delivery, there are three areas where Government needs to take action: (i) the further definition and clarification of health care responsibilities between the three level of government; (ii) the coordination between levels; and (iii) the rationalization of the Federal Government structure
- Increasing resource allocation to ensure universal access to basic package of cost-effective health services.
- Revitalizing the Primary Health Care System through increased allocations, stewardship and community empowerment.
- Adequate dissemination of practical information on government's actions to improve health outcomes, in particular on actions by State and Local Governments.
- Reducing barriers to access health care by ensuring financial access through social insurance, community financing and targeted subsidies and also through rational deployment of physical and human resources, education and effective communication.
- Exploiting the full potential of Public-Private Partnership.
- Increased access to Anti-retroviral drugs
- Substantial reduction in infant and maternal mortality rates
- Substantial progress towards health related MDGs
- 100% success rate in child immunization
- Easy access to health insurance for all Nigerians



## **8.0 SECURITY, LAW AND ORDER**

### **8.1 LAW ENFORCEMENT**

Few institutions have a bigger impact on the daily life of ordinary citizens than law enforcement, yet relations between the police and Nigerians continue to be characterized by distrust and mutual hostility. In 1999, the Nigeria Police Force numbered about 138,000, servicing a country of over 120 million people. The transition from military rule marked the first real efforts to undertake reform of the Nigerian Police Force.

In 2000, the Ministry of Police Affairs produced a five-year development plan for the police force and with support from the United States and British governments, drew up a detailed strategic plan to guide its implementation. This included the drafting of a mission and values statement for the Nigerian Police Force and the identification of six organizational goals and strategies to achieve them.

This section looks at the present policies aimed at police reform and other law enforcement agencies, assesses their performance and suggests possible ways forward.

#### **8.1.1 CURRENT POLICIES**

The present Government set out to create an image of a new police that is courteous, polite, well disciplined, well behaved police force that will truly serve the people. There was a massive recruitment drive to increase Police strength, the promotion of senior police officers and members of the rank and file, the provision of training and development facilities and improvements in the salary and welfare packages for officers.

To address the continued shortage of personnel, a five year plan was launched to recruit an average of 40,000 new officers per year. Under the plan, police ranks increased from 138,000 to 320,000 in four years. In addition to this, the Police Service Commission (PSC) has, since November 2001, promoted over a hundred thousand officers. Salaries were increased by over 30 percent and are now paid on time.

Welfare packages were improved and even more officers were promoted. An initiative was also launched to tackle low level corruption, especially at road blocks where police officers extort money from passing motorists. In 2003, a Police Complaints Bureau and Human Rights Desks were established in all state commands, these measures were aimed at improving the police's relationship with the general public.

A pilot community policing project was introduced in Enugu State, formally launched by President Obasanjo in April 2004, the community policing program aims to transform the culture and organization of the police, improve relations with ordinary citizens and quality of service delivery. The program has since been replicated in other states of the federation. According to the community policing project plan, the six key components of the program are:





- Creating awareness of community policing both within the force and wider society;
- Introducing intensive skills development and leadership training of local police officers;
- Examining police structures and organization;
- Reviewing training curricula and methodologies of the police;
- Developing intelligence led policing and the use of new technology; and finally,
- Reviewing legislation and procedures.

“Operation Fire-for-Fire” introduced in 2002 was aimed primarily at combating rising crime and the resultant insecurity felt across the Nation, particularly in urban centers. However this initiative raised concerns that the police would take it as an invitation to engage in disproportionate use of force.

On his appointment in 2005, the new Inspector General launched a new ten-point agenda on a broad range of issues, such as:

- improving the intelligence and investigative capacity of the police,
- combating violent and economic crimes,
- conflict prevention,
- community policing,
- improving relationships with the general public,
- anti-corruption and
- Improving the salary and welfare package of officers.

A review of the Police Act started in November 2004 and is being undertaken by an interagency committee comprising police, government and civil society representatives.

Other law enforcement agencies, such as the Customs Service, NDLEA, and Immigration and Prison services have also seen initiatives aimed at improving their services. As in the Police, motivation was low, salaries were poor and not paid promptly, and promotions were rare, with officers frequently stuck at the same rank for upwards of 10 years. Internal and external accountability was either weak, ineffective, or nonexistent.

The current Government has made efforts to boost officer’s morale, enhance accountability and effectiveness and check corruption. Other initiatives aimed at improving internal and external communications as well as the provision of adequate resources have been adopted. The resource allocation to these agencies has also been increased; and this has facilitated the purchase of modern equipments and conduct of training to boost capacity.

The Nigeria Security and Civil Defense Corps was established in June 2003. Governed by the Immigration Prisons Services Board, the agency was formed to further enhance security by assisting in the maintenance of peace and order and also in the protection and rescuing of the civil populace during periods of emergency. Furthermore, they are responsible for monitoring the activities of private guard companies, surveillance of infrastructures and arrest, investigate and handover of suspected criminals to the Police.



### **8.1.2 PERFORMANCE ANALYSIS**

Although these reforms may need more time to make real impact, initial observations have shown no significant changes in the conduct and attitudes of the Nigerian Police Force. Problems of torture and deaths in custody have still not been addressed. Local human rights organizations and lawyers say there has been no significant reduction in the level of human rights violations, such as torture, killings and extortion, committed by the police since 1999.

Nevertheless, there have been increased information on the activities of law enforcement agencies via programs aired on TV stations. Furthermore, agencies such as the FRSC have managed to avoid some of the pitfalls like rampant corruption and having a lackadaisical attitude towards work like the Nigerian Police. Agencies such as the Customs service have shown improved effectiveness evidenced in their interception of more contraband and increased revenue collection on behalf of the Federal Government.

### **8.1.3 CURRENT CHALLENGES**

While welcome, these new policies and programs have not significantly changed the behavior of officers on the streets in Nigeria, nor has public perception of the police improved significantly. Citizens continue to complain of human rights abuses by police, including extortion, brutality, torture, and even extra-judicial killings.

The Nigerian Government must support community policing initiatives countrywide, improvements in police training and a nationwide campaign to raise awareness that torture and other abuses are forbidden under Nigerian and international law.

Internal and external accountability mechanisms such as the PSC and the Public Complaints Bureau are still underfunded and enjoy little support in the discharge of their functions.

The capacity of police training schools must be increased in order to deliver more quality training to officers. In the Government's drive towards increasing manpower, police schools are being stretched to breaking point because they don't have the capacity to take on so many recruits.

Even more disturbing, there are still reports of cross border crimes with great implications for national security. The danger of having porous borders was underscored by the recent clash of foreign fighters with the Nigerian Army in Kano. Also, social and economic problems such as unemployment, tribalism, cultism and religious intolerance still plague the country leading to further insecurity.

Social and economic problems such as unemployment, tribalism, cultism, religious intolerance still plague the country leading to further insecurity felt by Nigerians.

### **8.1.4 POLICY OPTIONS**

- The government should place a cap on further recruitment and instead immediately launch a program of retraining for all those recruited in the last four years.



- Accountability processes and mechanisms should be given greater political support and a higher priority in police budgeting.
- Investments in social and economic measures for crime prevention should be increased in order to make community policing more effective in building partnerships between the police and the communities they serve in Nigeria.

#### **8.1.5 EXPECTED OUTCOMES**

Increasing investments in social and economic measures will prevent crime caused by socio-economic problems such as unemployment. Furthermore, it will serve to promote harmony among Nigerians, and thereby prevent ethnic and religious altercations.

More emphasis on accountability processes will help to reduce incidences of Police brutality, torture, extortion and extra-judicial killings. This policy will serve as a vehicle for further cooperation with international organizations such as the British Department for International Development (DFID) and the United States Agency for International Development USAID, who have shown willingness to contribute, financially, to law enforcement training programs.

These will all help to create a people oriented defense and security personnel who respect and protect the citizenry and are civil and courteous when handling them.



## 8.2 JUSTICE

The NEEDS document identifies the following problems with the Nigerian justice system:

- Enormous load of pending cases
- Frequent adjournments
- Ineffective dispensation of justice
- Occasional perversion of justice

In analyzing the Nigerian Judiciary, this paper asks three questions

- Is it timely?
- Is it fair?
- Is it accessible?

### 8.2.1 PERFORMANCE ANALYSIS

**Timeliness:** According to the World Bank, Nigeria ranks among the countries with the least efficient systems of enforcing contracts and settlement of commercial disputes. Court rules and procedures are complex and are riddled with poor management, even corruption. Furthermore, slow police investigations and enforcement of judicial decisions contribute to delays in justice delivery. It takes an average of 50 months to resolve contract disputes, 42 months to resolve a land or property case and 27 months for criminal cases (World Bank)

**Fairness:** An inefficient justice system is likely to lead to resorting to illegal means like corruption to solve disputes. Enforcement of court decisions deeply affects the quality of a judicial system. Nigeria is notorious for not enforcing court decisions and if it is done it takes a very long time. Furthermore, delays in resolving disputes may compel court users to pay bribes to speed up court proceedings thereby diminishing trust in the judicial system. According to the World Bank, as high as 82% of lawyers in Lagos say they had to pay money to expedite court proceedings.

Furthermore, delays in judgements cause suspects to be remanded in prison for sometimes even longer than the sentence of the offence which they are accused of. More than half of Nigeria's prison inmates have not been convicted of any crimes in a court of law.

Other shortcomings also plague the Nigerian Judicial system; this includes obsolete laws which are not up to date with the ongoing economic reforms which deny the nation the added advantage of its judiciary contributing to business and investment in the country. As a result many small businesses enter into agreements based on personal trust or family ties therefore limiting their scope for expansion.

**Accessibility:** Complexity of process, high cost of legal services and the length of process are the main obstacles to accessibility by disadvantaged groups like the poor, uneducated and even women.



Smaller companies too, tend to have a lower level of trust in the court system. This is because they have the worst experience in terms of delays, service delivery, corruption and affordability.

### 8.2.2 CURRENT POLICIES

**Presidential Commission on the Reform of Administration of Justice (PCRAJ):** This commission was set up in March 2006 to review the state of administration of justice in Nigeria. The commission has issued its final report taking into consideration recommendations proposed by the commissions of justice, police and awaiting trial prisoners.

**Bills:** A number of bills have emerged from the presidential commissions aimed at improving the Nigerian Judicial system. These bills include:

- Bill on Criminal Justice Administration
- Administration of Justice Commission Bill
- Legal Aid Council Act (amendment) Bill
- Human Rights Commission Act (amendment) Bill
- Community Service Bill
- Police Act (amendment) Bill
- Victim of Crime Remedies Bill
- Elimination of violence in the society Bill
- Prison Act (amendment) Bill
- Act to amend the Legal Practitioners Act

The President has directed the Attorney General of the Federation to compile key recommendations from all the commissions, which will form the basis for the government's judicial reform strategy. This will also provide a framework by which international organizations can contribute to reforms.

The Attorney General of the Federation has also established a **National Committee on the Review of Nigerian Investment laws**, with the view of creating an enabling environment for investment. He also created the National Committee on the Reform and Harmonization of Nigeria's Arbitration and Alternative Dispute Resolution Laws to recommend improved legislation relating to ADR.

Several far reaching reforms have also been proposed by the **National Summit on Judicial Reform** created by the Chief Justice of the Federation. These reforms are concerned with:

- Reforming court structures and jurisdictions
- Looking at the viability of introducing specialized courts and small claims courts
- Reforming civil procedures rules and courts rules to address problems of delays
- Development and implementation of effective case management system
- Capacity building for Judges, registrars, court clerks and other staff
- It also made recommendations on the use of ADR, with a view of promoting it.



### 8.2.3 CURRENT CHALLENGES

- Implementing proposed reforms
- Passing of proposed reform bills into law
- Initiatives on how to make the justice system (a) timely (b) fair (c) accessible

### 8.2.4 POLICY OPTIONS

1. **Action Plan:** The myriad of Judicial Reforms needs a clearly defined action plan with milestones to be achieved if it is to be implemented effectively. The Presidential Committee on Judicial Reforms has already recommended the basis for the reform strategy and an action plan.

2. **Pushing through the reforms to become law:** The Federal Government and all concerned stakeholders must join in the efforts to make sure the various recommended bills are passed into law by the National Assembly. Civil society and advocacy groups should participate in publicity activities to educate people on the importance of the proposed bills and also take part in National Assembly public hearings.

3. (a) To make the judicial system more **timely**, reforms aimed at civil procedures rules and courts rules to address problems of delays and the development and implementation of effective case management system should fully implemented. Clear yardsticks should also be established to measure their effectiveness.

(b) Improvements in Prisons and the initiation of other methods of punishment can be examined by the government. The Nigerian prison system is in decay and serves as a breeding ground for criminals instead of rehabilitation. Furthermore, reforms in investment and commercial laws - where commercial disputes are resolved quickly and impartially - will bolster the confidence of the business community; encourage greater investment and support increasing numbers of transactions. Every measure geared towards improvements in Judicial integrity must be vigorously pursued to create a **fairer** judicial system.

(c) In improving **accessibility**, the ADR system should be expanded to all states and enforcing of court orders must also be improved by law enforcement. Improvements in timeliness and curbing corruption our justice system will encourage disadvantaged groups to seek justice in our courts and enjoy the benefits of a fair and just society.

### 8.2.5 EXPECTED OUTCOME

Creating an effective justice system which is considered fair, timely and accessible will strengthen the Nigerian legal system which is fundamental to ensuring the rule of law and improving Nigeria's investment climate.

Rule of law - including systems which ensure the sanctity and enforcement of contracts - provides predictability and stability for investors, without which they will go else were.



## 9.0 COMBATING CORRUPTION

### 9.1 INTRODUCTION

Corruption has been identified as one of Nigeria's major problems. Corruption damages Nigeria's reputation in the international community, undermines her ability to fight poverty, stifles the inflow of Foreign Direct Investment (FDI) and economic growth and leads to a lack of proper services by the government.

Since 1999, significant in-roads have been made in the fight against corruption. The establishments of the EFCC, ICPC, the passing of the Fiscal Responsibility Law (FRL) and the restructuring and reforms of the civil service among others have all contributed in tackling corruption. Corruption has been fought on several fronts but a lot more has to be done.

#### 9.1.1 CURRENT POLICIES

The fight against corruption in Nigeria can be classified under two main headings:

- **Enforcement:** This refers to the activities of the Code of Conduct Bureau, the EFCC and ICPC in investigating and prosecuting offenders.
- **Preventative Measures:** This refers to the laws and policies put in place such as the publication of federal budgets, public procurement reforms, due process, FRL, EITI and the elimination of payroll fraud. These measures have contributed immensely in the preventing corruption through improvements in accountability and transparency.

#### 9.1.2 Current Performance

##### Enforcement

- **The Economic and Financial Crimes Commission ("EFCC"):** EFCC has recorded unprecedented successes in its fight against corruption. Besides the prosecution of high profile government officials, the Commission has also recorded successes in the fight against advanced fee fraud, securing at least 15 convictions and the confiscation of over \$750 million in assets since its inception.
- **The Independent Corrupt Practices Commission ("ICPC"):** The ICPC has also recorded successes in the persecution of corrupt government officials. The successful prosecution and subsequent sentencing of several government officials including heads of governments agencies, Local Government Chairmen is a strong testimony to the commission's efforts.
- **The Code of Conduct Bureau ("CBC"):** This mainly engages in the monitoring assets declaration of public officials. It complements the EFCC and ICPC, by identifying offenders.
- **Financial Intelligence Unit ("FIU"):** FIU increases capacity for monitoring and enforcing laws against money laundering and other economic crimes.



The combined activities of these agencies has led to:

- The delisting of Nigeria from the FAFT list non-compliance countries.
- Steady improvements in the Transparency International's annual ratings of corrupt countries
- Prevention of corrupt practices for fear of persecution
- Steady improvements in international reputation as evidenced by the improvements in Nigeria's position in the annual corruption perception index
- Better services in the civil service and increased of achieving the MDGs.

### Preventative Measures

- **EITI:** As most of government revenue is obtained from oil and gas, Nigeria has adopted the Extractive Industries and Transparency initiative and is now considered a global leader in its implementation. Since February 2004, the Government launched a communication strategy aimed at engaging civil servants and private sectors stakeholders on the importance of this initiative, which calls for independent audits of the oil and gas sector towards contributing to a culture of transparency and accountability in that sector. Under EITI, technical work done by the staff Oil & Gas accounting unit have led to the recovery of monies due to the government by oil companies estimated at about \$ 1 billion.
- **Public Procurement:** A major avenue for corruption and waste in Nigeria's Government is in the award of contracts. The Public Procurement reforms have led to the reduction of costs of government contracts and have increased the accountability of contractors. The BMPIU (Budget Monitoring and Price Intelligence Unit) has led to the estimated savings of \$800 million in inflated government contracts.
- **Budget and Fiscal Transparency:** Towards ensuring transparency in Budgetary and Fiscal activities, the Government adopted a policy of publishing its details of the funds disbursed to all levels of Government.
- **Tacking Payroll Fraud:** At both the Federal and State level, payroll fraud has been reduced through the improvement of payroll and HR systems which have contributed to the detection of ghost workers.
- **Monetization:** Abuse of privileges and entitlements by the public officials have been reduced through the monetization policy, thus enabling the FGN to reduce public expenditure.

The World Bank Institute and Transparency International have reported that bribery in Nigeria has reduced and their surveys have suggested that the fight against corruption has been intensified.





### 9.1.3 CURRENT CHALLENGES

#### **Perceptions of Selective Justice**

Although anti-corruption agencies have recorded unprecedented success, rightly or wrongly, Nigerians believe that the crusade is selective. They feel that those who have fallen out of favor with government are being victimized.

#### **Further strengthening of anti- corruption agencies**

The EFCC, ICPC etc must have the resources in terms of funding and training of staff for better investigation and prosecution of offenders. Intelligence gathering into off-shore accounts and companies and allegations of money laundering activities require a certain amount of expertise to prove.

#### **Operation within the limits of the law**

In several instances, anti-corruption agencies have been accused of breaking the laws of the land in the carrying out of their duties. This is a serious concern as it diminishes public support and undermines much of the good work they have done.

#### **Ministerial anti-corruption units**

Anti-corruption units in all Government Ministries, Departments and Agencies must be more effective and there should be strong links between these units and anti-corruption agencies.

#### **Greater transparency in budgetary and fiscal activities**

Issues such as inadequate personal accountability of public officials, insufficient information on actual budget execution and inadequate public access to government monitoring activities must be dealt with.

#### **The Auditor-General**

The capacity of the Auditor-General's office must be further improved for it to carry out effective audits of government accounts.

#### **Impending Anti-corruption Bills**

The Government must ensure that impending bills are passed in earnest. These bills include:

- The Freedom of Information Bill
- The Public Procurement Bill

### 9.1.4 POLICY OPTIONS

**Correct Perceptions of Selective Justice:** The government must not interfere with anti-corruption agencies investigations into alleged impropriety of public officials. This can be ensured by making the agencies truly independent and communicating to Nigerians the strenuous steps in terms of evidence and other information gathering before suspected offenders can be charged to court.

**Further strengthening of anti- corruption agencies:** Government must improve the funding of the anti-corruption agencies and encourage the training of staff in new anti-money



laundering detection skills. Increase in manpower and equipment will also be effective in this regard. More so, the government must vigorously pursue the support of the international community for assistance in investigation, capturing offenders or even further funding of the anti-corruption agencies. The choice of leaders of these agencies is of utmost importance as it ensures effectiveness of the agency and demonstrates commitment.

**Operating within the limits of the law:** Anti-corruption agencies can set-up internal checks and balances of its activities to make sure that they operate with the realm of the law. This will lead to better prosecution and convictions rates, plus continued public support as the gathering of evidence and mode of arrest are done in a lawful manner.

**Ministerial anti-corruption units:** All Ministries must work out a more effective mode of operation of these units for them to be more effective and performance must be closely monitored. Work on this has already begun.

**Greater transparency in budgetary and fiscal activities:** The Government may also consider making public actual amounts that have been spent on all its projects and contracts awarded.

**Involvement of NGOs and Civil Societies:** Civil Societies and NGOs should be empowered to ask questions about how government money has been spent.

**The Auditor-General's Office:** A way forward is improved funding of the Office and stronger follow-up on its recommendations by the executive.

Further suggestions

- Public perception surveys can be carried out in all the states of the federation to find out about people's opinions on the anti-corruption drive
- Programs of Ethical reorientation of the Nigerian public in offices, schools, tertiary institutions and the using the media can also be embarked upon to reduce instances of bribery
- Strong and ethical leaders should be appointed to anti-corruption agencies and other agencies such as the police and customs

#### **9.1.5 EXPECTED OUTCOMES**

A vigorous and sincere campaign to battle corruption in Nigeria will:

- Improve Nigeria's image abroad
- Boost efforts to fight poverty because corruption diverts resources from the provision of basic services which the poor are most depended on
- Economic growth and government performance will be improved as resources will not be diverted away from genuine economic growth policies and the business of policy making by the government is not subverted by the search of proceeds from inflated contracts.





## 10.0 NIGER DELTA DEVELOPMENT

### 10.1 CURRENT POLICY

In 1999, the Obasanjo Government encouraged dialogue with the Niger Delta region. Firstly, the government increased derivation albeit somewhat belatedly, from 3 per cent to 13 per cent in line with the 1999 Nigerian constitution, as well as allocations to states and LGAs, empowering the tiers of government to improve conditions within their constituencies.

Secondly, the government forwarded a bill for the establishment of the Niger Delta Development Commission (NDDC) to the National Assembly. The Commission was duly established by an Act of the National Assembly in 2000 as an agency mandated to facilitate the sustainable development of the Niger Delta region.

NDDC is currently funded by both the Federal Government and the oil companies. According to the Act, The FGN is supposed to give NDDC the equivalent of 15 percent of the total monthly statutory allocations of the nine member states while the oil companies are supposed to contribute 3 percent of their annual budget to the NDDC fund. In addition, 50 percent of funds due to the member states from the ecological fund is also allocated to the NDDC. Finally The NDDC also has other funding sources such as grants etc.

### 10.2 PERFORMANCE

From 2001 to December 2006, NDDC has received an aggregate of N241.584 billion. Considering the enormity of the challenges and the coverage area (Nine States) this figure is considered inadequate. This amount when distributed to the 9 States on an even basis averages about N4.4 billion per State per year. It should be noted that NDDC has to date not been fully funded as prescribed by the Act.

In the six years of its existence, NDDC has recorded some progress particularly in infrastructural development in the region. However, it has be noted that the NDDC has been the subject of recent criticism, following allegations of corruption, project abandonment, operating independently ignoring inputs from state governments by way of ideas, etc.

### 10.3 CURRENT CHALLENGES

Four major challenges facing the Niger Delta can be identified:

- **Economic**
- **Environmental**
- **Infrastructural, and**
- **Socio-political challenges**



## Economic Challenges

**High Unemployment:** A major challenge is that of the very high unemployment in the region. About 73 per cent of the households in the Niger Delta have five or more dependants without a job and a majority of them are youths who present security concerns, as well as difficult economic and empowerment challenges. For instance, the failure to fundamentally address this issue has undermined efforts to promote inward investments and economic development.

**High population:** An estimated 3.1 per cent of the population growth rate which continues to add pressure on development plans and projections. It is estimated that over 70 per cent live below poverty line (which is described as an absence of basic amenities).

**A mono-cultural Economy:** Apart from the oil and gas industry, the region has not been able to develop a complementary economic base, despite rich potentials in areas such as agriculture, solid minerals, tourism, etc. Dependence on the oil and gas industry weakens the other sectors and narrows the region's economic base. Also, the oil and gas industry cannot provide all the jobs and opportunities needed for sustainable development and other neglected economic activities can fill enormous gaps in the region.

**Non-integrative oil sector:** The local content in oil and gas sector is extremely low and heightens tension and animosity. At an average production cost of US\$4 per barrel, the Local Content Participation Policy could translate to over US\$3 billion per annum, with vast multiplier effects and substantial job creation.

**Untapped non-oil resources:** The Region is endowed with various non-Oil resources of high economic value. These include agriculture, solid minerals, tourism etc. Some of the vast reserves of renewable mineral resources such as barites, granite, marble, limestone, feldspar etc., abound in the region. The Niger Delta also has a potentially vibrant tourism industry, in places like Obudu, and the stretching beaches of Agge and Okpoama/Brass in Bayelsa State.

**Agriculture** also presents a potential billion dollar industry waiting to be harnessed. It is, indeed, an irony that the Ogoni area used to be called the food basket of the Niger Delta. Through neglect, dwindling soil fertility and poor farming methods, the region can barely produce food to feed itself. Rice and cassava cultivation, as well as food processing present important options, due to of the terrain. Indeed, the World Bank estimates that the region can produce enough rice for the entire country and for export. Billions of dollars are, therefore, lost annually because they remain largely unexploited.

**Exploitable Indigenous technology:** The Niger Delta is blessed with indigenous technologies that can be explored and utilized by industries in the Region. With standardization and quality control, exports are also possible. This includes carpentry, pottery, burnt brick making, weaving, etc.



## Infrastructural Challenges

**Epileptic/non-existent power supply:** Power supply is very poor and remains a serious challenge within the region, despite existing generating power stations. For instance, Bayelsa State, a major oil producer, is not fully integrated to the National Grid while most of the coastal parts have no power supply at all. Even in major townships where power supply exists, it is so epileptic that most businesses depend on alternative and expensive sources of power generation. This severely constrains business activities and makes development expensive indeed.

**A Detached Coastal Belt:** The region's coastal belt is detached from the rest of the country. There are no connecting roads, no electrification, no water supply, no communications and very rustic economic activities that are basically self-preserving and subsistent. Developing the coastal belt is very costly due to its challenging and rather difficult terrain and needs good planning and a clear, long-term vision. Ironically, it offers great possibilities for economic gain.

## Socio-Political Challenges

**Lingo-Cultural Diversity and division:** With over 40 ethnic groups and over 250 dialects, poverty has made division acute and communities have tended to degenerate into conflict in their separate pursuit of oil benefits.

**Lack of Good Governance:** This has affected service delivery by successive Governments in the Region at State and Local levels and is perhaps one of the major challenges in the region. It has, therefore, translated into:

- Lack of transparency and accountability.
- Mistrust of Government's intentions.
- Impatience with agencies of development.
- Government business appearing to be secretive.
- Exclusion of Civil Society, communities and ordinary citizens in the governance process (decision making and implementation).

**Lack of Cooperation and Partnership:** Due to long years of neglect, the challenge of development is quite enormous. There are so many things that require urgent attention, yet funding is limited. As a result, many major projects cannot be undertaken by any one state or LGA without collaboration among stakeholders. Over the years, there has been unnecessary wastage through duplications and lack of needed cooperation. This has depleted available funds and made efforts at development inadequate over the years.

**Poor Educational system:** One of the sad realities of education in the region is that even today, in 2007, there are many children who study under trees and on floors. Infrastructure which is vital for qualitative education is grossly lacking. In public schools, it is even more dire. There are few functional school buildings, poor inadequate furniture, very limited and poorly equipped science labs, no computer training and other aids. **The net result:** high drop-out rates, low skills or capacity and unemployment. The schools, therefore, become factories and breeding grounds for restive youths.



**Agitation and unrest:** Agitation is a major challenge in the region. It is a well-known fact that development can best occur in an environment of peace, harmony and security. Unfortunately, in some areas of the Niger Delta even development programmes have been disrupted and project sites abandoned. This creates diverse economic, investment, security, political and cultural problems for the region, slowing the pace of service delivery and other values that it engenders.

Sadly, also the game has changed! Today, the militants are...

- Well Educated
- Armed with sophisticated weapons!
- Self Funding from huge proceeds of oil bunkering
- Have sophisticated intelligence on oil companies and even security agencies
- Recruiting across the region and running multiple camps
- Enjoy substantial community sympathy, despite condemnations.
- Containing them has become more challenging.

Other problems include health issues such as HIV/AIDS, malaria and poor sanitary habits that come from overcrowding and urban drift.

### **Environmental Challenges**

**Erosion:** As stated earlier, the Niger Delta suffers from coastal erosion and rising sea level, due mainly to a reduction in sediment loads caused by upstream dams. Rising sea level due to global warming also causes flooding in the coastal areas of the region.

**Oil and Gas Pollution:** There is also pervasive pollution, due to the large-scale oil and gas activities in the region. This manifests in the:

- Air, through gas flaring;
- Water and farmlands, including ground water, through spillage and disposal of toxic materials used during oil & gas extraction.

Acid rain, resulting from gas flaring is also a major concern. Yet, in the face of all these, there are still very poor impact assessment procedures, widespread deforestation and biodiversity loss, as well as poor control of refuse, sewage and municipal solid wastes.

## **10.4 POLICY OPTIONS**

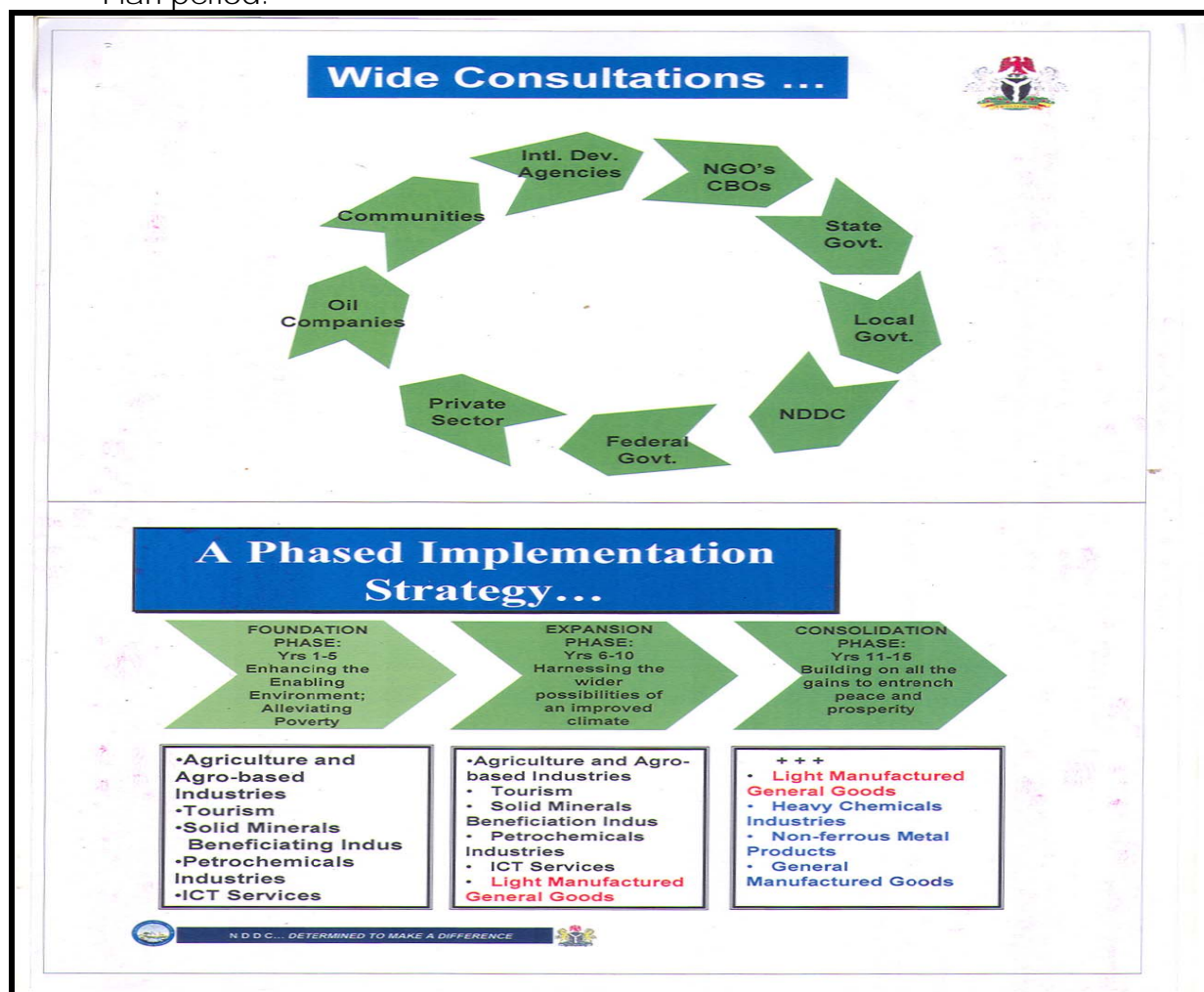
On 27th March 2007, the Niger Delta Regional Development Master Plan (NDRDMP) was formally launched. It is a development initiative primarily designed to offer an integrated roadmap for sustainable development in the Niger Delta Region and provides a pathway for building a rapidly growing economy which will eliminate prevailing extreme poverty and foster prosperity in an environmentally and socially sustainable manner throughout the region.





In summary,

- The Master Plan offers policies and guidelines for the plans and actions of the Federal Government, States, LGAs, communities, the private sector, NGOs and CBOs, etc.
- It provides a time-sequenced framework for development interventions over the next 15 years and allows participation of multifarious stakeholders working in a structured manner to achieve synergy.
- Aims to address poverty and community needs, by developing human capacity along with developing physical and social infrastructures, consistent with environmental care and the tenets of sustainability and sustainable livelihoods.
- It has a 15-year horizon, to be reviewed and rolled forward every 5 years
- The full implementation of the Master Plan would cost over \$50 Billion for the 15 year Plan period.







The future of the Niger Delta region depends on the faithful implementation of the Niger Delta Regional Development Master Plan (NDRDMP). The reasons are simple:

- It was developed with the active participation of all stakeholders of the region. Sector consultants interviewed the people in every political ward in the Niger Delta and their hopes, aspirations, expectations and goals have been distilled and mobilized into the document.



## The Making of the Regional Master Plan ...



### Planning Approach

**Framework:**

- Millennium Development Goals
- Vision of AU & NEPAD
- National, State & Local Policies
- Extensive regional stakeholder Surveys

**Standards, Aspirations,  
Regional Vision**



**Wide Gap /  
Deficit**

**Scope:**

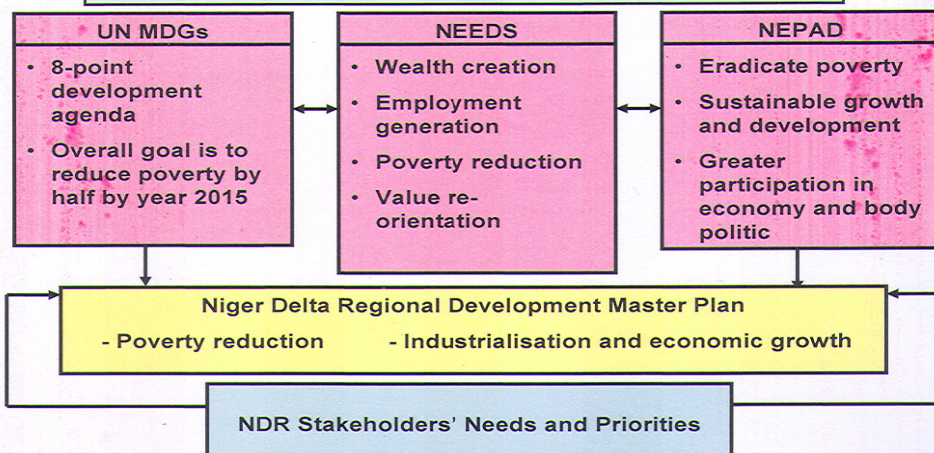
- Current development status based on universal indicators

**Baseline**

## The Making of the Regional Master Plan ...



### The MP in National and Global Contexts



- It followed scientific processes, employing internationally recognized processes and technologies to capture baseline data across every area in the region.
- An Implementation Guideline has also been developed with the active participation of stakeholders, at very high levels, under the Partners for Sustainable Development Forum. This Forum recognizes that no single stakeholder can undertake the development of the region and improve quality of life and has established the platform for collaboration.



- Areas of immediate work have also been outlined in the Guideline and the Niger Delta Development Commission has already begun working with the Master Plan. Certain Quick Impact Projects were designed amongst others to address some very urgent development gaps in the following areas:
  - Education
  - HIV/AIDS and malaria
  - Small business development initiative development
  - Social and physical infrastructure
  - Governance and sustainable development
  - Sports development
  - Agriculture and aquaculture
  - Regional power supply (energy).

The Master Plan appears to provide the most honest, practical and comprehensive platform for sustainable development. Consequently, it is imperative and realistic to conclude that if the vital and needed political will is applied to the Master Plan, with adequate funding, what the region has at the moment can be called a Marshall Plan (after the very successful initiative that transformed a devastated Europe after World War II).

In graphic terms: **the Master Plan + Political Will + Adequate Funding = Niger Delta Marshall Plan.**

## 10.5 EXPECTED OUTCOMES

- Diversification of the region's economy, by robustly engaging and activating sectors critical for sustainable development. These sectors include: agriculture, information communications technology, tourism and industry/industrialisation.
- Improvement in the living standards of the people.
- Improved governance at the critical grassroots level, and at all tiers.
- Improved infrastructure for economic growth and better business environment which will usher in accelerated overall growth.
- Better collaboration among stakeholders.
- Optimum utilisation of available resources for greater impact.
- Better environment and reduced/contained environmental degradation

Summarized below, are some of the Niger Delta related issues as well as suggested solutions. Most of these options have been incorporated into the Niger Delta Marshall plan.



Issue	Suggested/Proposed Solutions / Options
Resource Control (increasing the derivation to Niger Delta States)	A Federal Government and National Issue.
Development of the Niger Delta	NDRDMP, Presidential Initiative for the Coastal States, Developmental initiatives by the State and Local Governments, Oil Companies Community Development Projects and Developmental ideas from (something is missing)
Law & Order	<p>There is absence of Law &amp; Order and hence prevailing insecurity across the Niger Delta. The heightened insecurity across the Niger Delta in recent time, has led to a significant increase in the number of Military personnel (Army, Naval &amp; Military Police) deployed to the Oil &amp; Gas locations and assets by the Federal Government of Nigeria. This approach is not sustainable and simply has not resolved the issue.</p> <p>Proposal is:</p> <ul style="list-style-type: none"> <li>• Set-up a specially trained and dedicated <b>Coast Guard unit</b> similar to the coast guards that are used in the USA. They will have both a coastal patrol responsibility as well as Petroleum Industry protection force (with the ability to prevent oil theft and disruption of operations). These units will be based strategically across the coast and inner creeks, specially trained with the appropriate resources (Logistics &amp; Communication equipment and Logistic Bases in specific locations across the Delta) to stem and eliminate the criminality in the various locations.</li> <li>• Develop a professional and dedicated <b>Niger Delta Community Police Division</b> (focused on the swamp and land locations, sort of a new Marine Police division). This police division located in the respective communities across the Niger Delta will be highly trained, as well as provided appropriate resources to efficiently provide the law enforcement. A UN assisted model could be adopted, as done in other areas where breakdown in the security has been experienced.</li> <li>• Sufficiently equip <b>Law Courts</b> across the Niger Delta to support the other arms of law enforcement</li> </ul>
Good Governance	<p><b>Building capacity</b> at the State and Local Government levels to translate the significant resources available for development into real tangible benefits.</p> <ul style="list-style-type: none"> <li>• Train and develop the personnel at the State and LGA levels</li> <li>• Introduce participation of NGOs &amp; Development Agencies</li> </ul>
Employment	<p><b>Un-Employment &amp; Capability Building:</b></p> <p>The large un-employment of the Niger Delta youths (and inhabitants) is the single most important factor behind the criminality, violence and instability. Some of the ideas that have been included in the NDRDMP</p>



	<p>include:</p> <ul style="list-style-type: none"> <li>• Developing Capability Building Centers for youths and women to learn new skills and capabilities.</li> <li>• Developing major Agro-related Industries/Co-operatives (Agriculture &amp; Fisheries) that will engage the men and women in businesses where they could earn a decent living wage.</li> <li>• Developing Business Competencies that would strengthen the individual community businessmen who may be working with Oil Companies. This involves setting up co-operative banking support systems to enable these business persons survive and thrive.</li> </ul>
<p><b>Stemming the Niger Delta Militancy</b></p>	<p>Niger Delta Militancy must be addressed urgently. There is urgent need to separate genuine militancy that is advocating for the cause of the Niger Delta from the criminal elements who have hijacked or using the cause to benefit themselves. Suggested solution rests in the following steps;</p> <ul style="list-style-type: none"> <li>• Offer a defined period of clemency, where militants are encouraged to give up their arms for FGN pardon and offer of assistance to rehabilitate them.</li> <li>• Rehabilitation proposed in the NDRDMP envisages: <ul style="list-style-type: none"> <li>• Development of re-orientation centers where the youths can learn new skills and start the period of orientation back into society</li> <li>• Creation of specific Job Opportunities that the youths would benefit from such as: (i) Micro-Credit facility to go in to trade or small scale business, (ii) Setting up of a Marine Logistics company in partnership with an internationally reputable company that would employ Niger Delta youths</li> </ul> </li> <li>• A more concerted effort to deal with criminality and criminal elements in the region.</li> </ul>
<p><b>Low Literacy and Poor Educational facilities</b></p>	<p><b>Currently the</b> educational system in the Niger Delta is poor. NNPC in collaboration with the Oil Companies should be encouraged to fund the setting up of model Primary and Secondary schools. They should also provide more infrastructural and technical support to tertiary institutions existing the region; and in the long run should also consider establishing world class institutions if the existing ones are not suitable to build upon.</p>
<p><b>Creating an Enabling Environment</b></p>	<p>Nigeria cannot boast of a world class oil city with first class infrastructure. The NDRDMP envisages the transformation of Port-Harcourt, Warri, Yenagoa and Eket into world class oil cities comparable to major oil centers of the world such as: Houston, Aberdeen, Stavangar, Muscat, Miri etc</p> <p>These City Master Plans should be; a collaborative effort involving: Federal &amp; State Governments, Oil Companies, the Host Communities, development Agencies and academia/universities</p>

