Nigeria: Poverty Reduction Strategy Paper—
National Economic Empowerment and Development Strategy

Poverty Reduction Strategy Papers (PRSPs) are prepared by member countries in broad consultation with stakeholders and development partners, including the staffs of the World Bank and the IMF. Updated every three years with annual progress reports, they describe the country’s macroeconomic, structural, and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing. This country document for Nigeria is being made available on the IMF website by agreement with the member country as a service to users of the IMF website.
NEEDS is not just a plan. It defines a process of development anchored by a clear vision, sound values, and enduring principles. The strategy hopes to lay a solid foundation for a national rediscovery and strong values based on the following principles:

- Enterprise, competition, and efficiency at all levels
- Equity and care for the weak and vulnerable
- Moral rectitude, respect for traditional values, and pride in Nigeria’s culture
- A value system for public service that results in efficient and effective service delivery to the citizens
- Discipline at all levels of leadership
Meeting Everyone’s Needs
National Economic Empowerment and Development Strategy

Nigerian National Planning Commission
Abuja 2004
Foreword

The National Economic Empowerment and Development Strategy (NEEDS) is the response to the development challenges of Nigeria. In 1999, most people grossly underestimated the extent of social, political, and economic decay of the country. Since 1999, we have succeeded in stabilizing the polity, consolidated the democratic governance structure, and made modest progress in the social and economic spheres. Over the next few years (2003–07), NEEDS will consolidate the achievements of the previous four years and lay a solid foundation for sustainable poverty reduction, employment generation, wealth creation, and value reorientation.

Nigeria has all it takes (human and material resources) to become the strongest economy in Africa—and one of the leading economies in the world in the longer term. The goal of NEEDS is to mobilize the resources of Nigeria to make a fundamental break with the failures of the past and bequeath a united and prosperous nation to generations to come.

I am particularly happy that if there is anything like a home-grown reform programme, NEEDS is it. For the first time, we embarked on an extensive consultative and participatory process, involving major stakeholders in the design of NEEDS. It is this national ownership, together with the results already visible, that will ensure the sustainability of the NEEDS beyond 2007. As we all know, it is only bad plans that do not allow for periodic amendments. NEEDS is a living document, and aspects of it may be modified in the light of implementation experiences. Nigerians have agreed, however, that the major thrusts of NEEDS are what Nigeria needs to move forward.

The reform programme is rightly ambitious. For one thing, we need focused goals and ambition to make progress. The programme reflects the impatience of Nigerians to see things change dramatically and also the fact that Nigeria has immense potential waiting to be unleashed, talents to be tapped. Having lost some decades, we are in haste to cover lost ground, catch up with our contemporaries, and become the largest and strongest economy in Africa. We are, however, mindful of the need to sequence the reforms to minimize the costs and preventable pitfalls while maximizing the benefits.

While we look forward to a better future under NEEDS, we are not unmindful of the long and difficult journey ahead. The economic and development agenda under NEEDS must of necessity be complemented by other reforms—especially in the electoral and political governance architecture that is consistent with deepening and sustaining democracy.
political class, legislature, and judiciary need to also think about and act on reforms so that we all can build a more sustainable future.

Some state governments have already designed and are implementing their own State Economic Empowerment and Development Strategy (SEEDS). Other states need to complete their own SEEDS as necessary complements to NEEDS. As the saying goes, if you fail to plan, you plan to fail. Medium-term planning also needs to be mainstreamed at the local government levels, and more effective accountability and transparency need to be instituted at the lower levels of government. For sustainable poverty reduction in Nigeria, the states and local governments also need serious reforms.

Finally, let me commend NEEDS to all Nigerians and to all stakeholders in the Nigerian economy. It is your plan: seize it with both hands. It should be our collective responsibility to ensure effective implementation and monitoring. Chapter 11 on implementation details the roles and responsibilities of everyone in ensuring effective implementation. Everyone has a role to play. If everyone plays it well, Nigeria will surely be great again—and soon. In my dreams I see a new Nigeria in the hands of God. As I traverse all parts of Nigeria, I feel a new Nigeria emerging. Let us therefore join hands and make Nigeria even better.

Olusegun Obasanjo, GCFR
President, Federal Republic of Nigeria
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Preface

This is the first volume of the National Economic Empowerment and Development Strategy (NEEDS) working document. After two months of nationwide consultations and debates on the earlier draft document, it was substantially revised, as comments and contributions received from stakeholders and government officials were incorporated. The volume specifies the broad strategic thrusts, targets, and instruments of NEEDS, charting the overall direction of change, the destination, and how to get there. Volume II, the Implementation Guide, includes matrices of objectives, specific targets, implementation timelines, responsible agencies, and similar detail for each reform element described in this volume.

Work is still ongoing on some technical aspects of the strategy, especially on costing the programme; developing nationally coordinated sectoral strategies for agriculture, the environment, health, education, water, and infrastructure; and streamlining and rationalizing implementation agencies and the coordination framework. The federal ministries responsible for these issues will collaborate with the National Planning Commission, with the respective state government ministries, and with relevant stakeholders to develop the national sectoral strategies and project plans. National sectoral councils will play a critical role in this process. The output of these sector-wide strategies will feed into the revisions of the NEEDS document.

NEEDS provides a framework for a nationally coordinated programme of action by the federal, state, and local governments. Most of what is articulated here refers to actions by the federal government. However, with state and local governments controlling half of consolidated public sector spending, effective coordination among the tiers of government in the federation is key for success. Without state and local governments, federal programmes alone would amount to attempting to clap with one hand.

The importance of coordination was recognized very early in the development of NEEDS. Through the statutory organs for intergovernmental coordination (the National Economic Council, the National Council for Development Planning, and the Joint Planning Board), state governments not only endorsed the thrusts of NEEDS but also committed to developing State Economic Empowerment and Development Strategies (SEEDS).

The states also agreed on a minimum set of priorities that each state government must reflect in its SEEDS, namely, agriculture, small and medium-size enterprises, rehabilitation and maintenance of infrastructure (especially roads), and public finance reforms and transparency. The National Planning Commission is collaborating with donor agencies to provide technical assistance to the states in developing their SEEDS as a necessary complement to NEEDS. Using the Guidance Manual it prepared, the National Planning Council is organizing training workshops for the states in the six geopolitical zones of the country on preparing, monitoring, and evaluating state plans.

In addition, work will soon begin on a full Medium-Term Expenditure Framework and a clearly articulated Project Plan for the medium term. A policy matrix (indicating the status of each policy measure) is also being prepared.

The 2004 budget proposals already reflect some of the major thrusts of NEEDS. The sectors that are key to poverty reduction—health, education, electricity, roads, and water—received the highest priority in resource allocation, receiving about 60 percent of the total capital budget.
Overview

What Is NEEDS?

NEEDS—the National Economic Empowerment and Development Strategy—is Nigeria’s plan for prosperity. It is the people’s way of letting the government know what kind of Nigeria they wish to live in, now and in the future. It is the government’s way of letting the people know how it plans to overcome the deep and pervasive obstacles to progress that the government and the people have identified. It is also a way of letting the international community know where Nigeria stands—in the region and in the world—and how it wishes to be supported.

What is the vision for Nigeria? What kind of Nigeria do we want for ourselves, for our children, and for the rest of the world? These questions were our starting point in creating a plan for prosperity. In the three years it took to develop NEEDS, a dedicated team travelled the country, holding meetings and workshops to identify what the Nigerian people want for the future, what problems they face, and what can be done to overcome them.

NEEDS is the people’s plan. It is up to regular Nigerians as well as the government to see that it is implemented.

A Vision of Tomorrow’s Nigeria

The NEEDS vision is based on the Constitution; the Kuru Declaration (box 1); previous initiatives, such as Vision 2010; and the widespread consultation and participation throughout Nigeria that was part of the NEEDS process. The programme’s core values draw on the Vision 2010 report, which recognized the importance of respect for elders, honesty and accountability, cooperation, industry, discipline, self-confidence, and moral courage.

Before the restoration of democracy, Nigeria suffered setbacks that tarnished its reputation. A primary aim of NEEDS is to create a new Nigerian citizen who values hard work and who realizes that one cannot have something for nothing. Achieving this aim may be the strongest action Nigeria can take to build a better future for its people.

Box 1 The Kuru Declaration

The 2001 Kuru Declaration embodies the vision we have for Nigeria: to build a truly great African democratic country, politically united, integrated and stable, economically prosperous, socially organized, with equal opportunity for all, and responsibility from all, to become the catalyst of (African) Renaissance, and making adequate all-embracing contributions, subregionally, regionally, and globally.
Although Nigeria is rich in natural and human resources, 7 of every 10 Nigerians live on less than $1 a day. NEEDS wishes to make poverty a thing of the past in Nigeria. It aims to create a Nigeria that Nigerians can be proud to belong to and grateful to inhabit, a Nigeria that rewards hard work, protects its people and their property, and offers its children better prospects than those they may be tempted to seek in Europe or the United States. All citizens, regardless of gender, race, religion, or politics, should feel that they have a stake in Nigeria’s future and that their loyalty and diligence will be rewarded. The NEEDS vision is also one in which Nigeria fulfils its potential to become Africa’s largest economy and a major player in the global economy.

How Can NEEDS Help Realize This Vision?
NEEDS focuses on four key strategies: reorienting values, reducing poverty, creating wealth, and generating employment. It is based on the notion that these goals can be achieved only by creating an environment in which business can thrive, government is redirected to providing basic services, and people are empowered to take advantage of the new livelihood opportunities the plan will stimulate (figure 1).

NEEDS sets out far-reaching public reforms that will make clear that corruption and graft will be punished. The National Orientation Agency and its state-level counterparts will be strengthened to lead a campaign to re-instil the virtues of honesty, hard work, selfless service, moral rectitude, and patriotism. The campaign will draw on resources from a variety of government agencies, nongovernmental organizations (NGOs), and community-based organizations, including schools colleges, universities, and private sector, religious, social, cultural, and traditional organizations.

NEEDS is about the Nigerian people. Their welfare, health, employment, education, political power, physical security, and empowerment are of paramount importance in realizing this vision of the future. To reduce poverty and inequality, the plan proposes acting on several fronts:

- Offering farmers improved irrigation, machinery, and crop varieties will help boost agricultural productivity and tackle poverty head on, since half of Nigeria’s poor people work in agriculture. Supporting small and medium-size enterprises will help create jobs. Together with the state economic empowerment and development strategies (SEEDS), NEEDS seeks to implement an integrated rural development programme to stem the flow of migration from rural to urban areas.
Figure 1

NEEDS at a Glance

**Vision, values, and principles**

**GOALS**
- Wealth creation
- Employment generation
- Poverty reduction
- Value reorientation

**MACROECONOMIC FRAMEWORK**

**Empowering People**
- Health, education, environment, integrated rural development, housing development, employment and youth development, safety nets, gender and geopolitical balance, and pension reforms

**Promoting Private Enterprise**
- Security and rule of law, infrastructure finance, sectoral strategies, privatization and liberalization, trade, regional integration, and globalization

**Changing the Way the Government Does Its Work**
- Public sector reforms, privatization and liberalization, governance, transparency and anticorruption, service delivery, budget, and expenditure reforms

**Financing and plan implementation strategies**
Half of Nigeria’s people are children, the bridge to a prosperous future. NEEDS recognizes the importance of children by making the improvement of the education system a top priority.

HIV/AIDS is a major social and health problem. It also threatens the country’s productivity and economy. The plan is to improve the system of health care delivery, with emphasis on HIV/AIDS and other preventable diseases, such as malaria, tuberculosis, and reproductive health-related illnesses.

NEEDS calls for replacing the pension scheme, which is in crisis, with a contributory scheme. It proposes special programmes targeting people who have the weakest political voice and who are most vulnerable to the ravages of poverty. Laws and programmes will be implemented to empower women, children, the disabled, and the elderly.

NEEDS emphasizes the critical importance of improving infrastructure. More—and more reliable—electricity and a new and better maintained network of roads will encourage businesses to expand.

NEEDS gives special support to agriculture, industry, small and medium-scale enterprises, and oil and gas. Under the plan, the government will seek long-term capital for investment. Trade policy, so critical to Nigeria’s stake in the regional economy, will be modified to unburden business of the red tape and complex procedures that hinder it from flourishing. NEEDS envisages forging stronger links between educational institutions and industry to stimulate rapid industrial growth and efficient exploitation of resources.

Empowering people. By allowing the private sector to thrive, NEEDS creates opportunities for employment and wealth creation. It empowers people to take advantage of these opportunities by creating a system of incentives that reward hard work and punish corruption, by investing in education, and by providing special programmes for the most vulnerable members of society.

Promoting private enterprise. The private sector will be the engine of economic growth under NEEDS. It will be the executor, investor, and manager of businesses. The government will play the role of enabler, facilitator, and regulator, helping the private sector grow, create jobs, and generate wealth. Deregulation and liberalization will diminish governmental control and attract private sector investment.

Changing the way the government does its work. NEEDS aims to restructure the government to make it smaller, stronger, better skilled, and more efficient at delivering essential services. It seeks to transform the government from a haven of corruption to an institution that spurs development and serves the people.

The number of government jobs will decline, and the cost of running the government will fall dramatically, as in-kind benefits for civil servants, such as subsidized housing, transport, and utilities, are monetized. Reforms and regulations will be implemented to ensure greater transparency and accountability, and corrupt practices will be outlawed. Government activities and budgeting will be informed by a framework that connects policy with government income and expenditure.

Our Future, Our Plan
NEEDS is a development plan like no other ever seen in Nigeria. It identifies the major problems we face today and suggests how we can begin
NEEDS differs from earlier development plans in three important ways

• It is the people’s plan for prosperity
• It coordinates action at the federal and state levels
• It is a feasible plan
to solve them over the next four years. It sets realistic targets for progress and outlines a way of funding activities to achieve them.

NEEDS is the first Nigerian development plan that integrates economic development efforts at the federal and state levels. It does not confine itself to specific sectors or limit itself to addressing only the major challenges identified. Instead, it looks at the big picture, examining how the challenges identified in each sector affect one another.

The plan enjoys widespread commitment, from the President to village chiefs. The government has set up a monitoring framework at the federal, state, and local government levels through commercial enterprises and community-based organizations. Using this framework, it can check the progress it is making against the targets set out in NEEDS.

**How Is This Plan Different?**

NEEDS differs from earlier development plans in three important ways. First, it really is the people’s plan for prosperity. Our government wrote the plan, using the information it collected from the Nigerian people.

Past development plans have been made without sound knowledge of the causes of poverty. Before drafting this plan, for the first time the government investigated how ordinary
Nigerians live. The process began in 2001, when people from all walks of life and all parts of Nigeria were given the chance to tell the government about their needs and ambitions. Information collected from farmers, labourers, factory owners, teachers and university professors, community-based organizations, charities, and other stakeholders was used to draft an Interim Poverty Reduction Strategy Paper.

NEEDS builds on the information gathered for that strategy paper. We continued to consult with stakeholders in preparing the first draft of NEEDS. The government circulated the draft plan in April 2004, asking the people who took part in earlier consultations for their comments. This process gives us confidence that the final version of NEEDS reflects the true feelings of the Nigerian people about where the country stands today and how it should develop and grow over the next three years.

Second, NEEDS coordinates action at the federal and state levels. It connects problems on the ground with programmes at the federal and state levels. Each state drafts its own SEEDS, which identifies priority programmes for key areas of development.

This coordination is critically important when it comes to financing development programmes. For the first time in Nigeria, government and key beneficiaries will work at the national level to develop sector-wide strategies for key sectors, including agriculture, solid minerals, and small and medium-scale enterprises. The federal government will be able to budget accurately for development programmes at the national and state levels.

Finally, NEEDS is a feasible plan. The fact that Nigerians have spent so much time and effort giving their views allowed the drafting committee to write a plan based on a thorough understanding of what life is like for people at all levels of society. The targets for progress are realistic, not “pie in the sky” objectives that will never be achieved. The targets are achievable, because they were set after taking into account the extent of the problems, the skills and funds needed to address them, and the amount of funding and expertise that can be mobilized over the next three years.

What Prevents Progress?

Despite great natural wealth, Nigeria is poor and social development is limited. If present trends continue, the country is not likely to meet the Millennium Development Goals.

Three main problems hamper progress:
- Not all our people enjoy the same chance of prosperity.
- Past governments in Nigeria, instead of focusing on delivering essential public services, assumed control of major sources of national income. In the process, corruption thrived in public service and gained a strong foothold in society.
- The environment in Nigeria is hostile to private enterprise, not one that helps businesses generate jobs and create wealth.

Poverty and Inequality

The plan for prosperity must address a startling paradox: more than two-thirds of the Nigerian people are poor, despite living in a country with vast potential wealth.

In 1980 an estimated 27 percent of Nigerians lived in poverty. By 1990, 70 percent of the population had income of less than $1 a day—
and the figure has risen since then. Poverty levels vary across the country, with the highest proportion of poor people in the northwest and the lowest in the southeast.

Why are so many of our people poor? Poverty is dynamic and has many dimensions. People may move in and out of poverty as a result of natural disasters or health problems, lack access to credit, or the lack of natural resources. Poor people are more likely to live in rural areas, be less educated, and have larger families than the rest of the population.

Poverty has many causes, all of which reinforce one another. One source of poverty is the lack of basic services, such as clean water, education, and health care. Another is lack of assets, such as land, tools, credit, and supportive networks of friends and family. A third is lack of income, including food, shelter, clothing, and empowerment (political power, confidence, dignity). Some of these factors directly affect poverty. Others contribute indirectly, by producing inequality—by stifling the political power of certain sectors of the population, for example, or denying them their dignity or human rights. All of these factors are affected by the environment in which people live. Discrimination on the grounds of gender, race, disability, age, or ill health increase vulnerability to poverty. So do natural or human-caused shocks—market collapses, conflicts, droughts, or floods.

The many strands of poverty intertwine and can pull people into a downward spiral. Because tackling one factor may not be enough to lift a family out of poverty, an effective poverty-reduction strategy must attack poverty on all fronts at the same time. Poverty is not the same as inequality, but solving the problems of inequality can help lift people out of poverty. One of the key ways in which NEEDS is different from previous development plans is that it relies on a holistic view of the social and economic challenges facing Nigeria and offers a multi-pronged approach to tackling them.

**Weak and Inappropriate Public Sector**

Nigeria’s legacy of mismanagement and corrupt governance has encouraged many people to seek ways of sharing the national cake instead of helping bake it. By 1999 corruption was practically institutionalized. Government was widely regarded as a provider of large contracts, distributed by officers in power to people wealthy enough to buy their influence. This was particularly so in the case of the oil industry. Over time, the judiciary became intimidated, as the rich and powerful manipulated laws and regulations to their advantage. Instead of engaging in productive activities that would help our economy grow, people chose instead to peddle their influence and position. The legitimacy and stability of the state suffered, as people began to devise ways to survive that lay outside the law.

**Poor Economic Management**

Perhaps the greatest hindrance to progress has been the boom-and-bust mode of economic management, encouraged by the dominance of oil in the economy. Past governments allowed oil income to influence spending: when income was high, spending was high, while dips in oil prices were treated as temporary. Together with poor coordination between federal and state governments in budgeting and expenditure, this practice led to spiralling debt. Today all tiers of government spend far more than they earn: the deficit for the past five years alone amounts to more than N1 trillion. With external and domestic debt of 70 percent of GDP, current revenue is largely eaten up just by debt service.
Nigeria has one of the weakest economies in the world, and it has lost decades of development as a result of slow economic growth. Despite oil export earnings of about $300 billion since the mid-1970s, average income in 2000 was 20 percent lower than in 1975. Despite the mounting debt burden, past governments did not control public expenditure. Policies were not coordinated within federal departments or between federal and state governments. As a result, the national plan and budget have little relevance today as a guide to funding and implementing development programmes.

**Hostile Environment for Private Sector Growth**

Overdependence on oil and traditional sectors, such as agriculture and services, is partly due to the hostile business environment. Businesses wishing to operate in Nigeria face many constraints, including poor infrastructure, particularly road networks and electricity supply; inadequate physical security; corruption; weak enforcement of contracts, and the high cost of finance. These factors have deterred foreign entrepreneurs from investing in Nigeria and induced many Nigerians to take their money and skills abroad.

**Empowering People**

Meeting the needs of our people and nation is the primary aim of the plan for prosperity. NEEDS insists that every Nigerian has the right to adequate water and sanitation, nutrition, clothing, shelter, basic education, and health care, as well as physical security and the means of making a living. NEEDS proposes a contract between the Nigerian people and their government in the form of a social charter, or bargain. This charter recognizes the people’s rights to government services that provide basic needs for life. In return, the people agree to work hard and honestly to make NEEDS a success. In formalizing the contract between the people and the government, NEEDS empowers the people to challenge the government if it does not keep its side of the bargain.

NEEDS recognizes that poverty has many strands and must therefore be tackled from several different directions at once. It recognizes that the government must work not only to improve incomes but to tackle the many other social and political factors that contribute to poverty. These are very difficult to separate and are therefore often thought of as a bundle of factors that result in social exclusion. A poorly educated farmer is less likely to know how to keep his family healthy and less able to find alternative employment. As a result, he is more vulnerable to external shocks, such as drought or falling market prices. NEEDS empowers the poor by tackling social exclusion head on, paying particular attention to generating jobs to improve incomes, housing, health care, education, political power, and physical security.

To improve the lives of the Nigerian people, NEEDS includes plans for creating jobs, creating affordable housing, improving health care services, strengthening the skill base, protecting the vulnerable, and promoting peace and security.
Creating jobs. At 5.3 percent, the rate of urbanization in Nigeria is among the highest in the world. Since manufacturing is stagnant, there are few jobs for the growing urban population, and urban unemployment is currently estimated at 10.8 percent. The major focus of NEEDS is therefore economic empowerment. NEEDS policies will create about 7 million new jobs by 2007 by making it easier for private enterprises to thrive, by training people in skills relevant for the world of work, and by promoting integrated rural development in collaboration with the states (through their SEEDS programmes).

Creating affordable housing. Nigeria needs more houses that average Nigerians can afford. To address the problem, NEEDS will take several steps:
- Make it easier for developers to buy land on which to build affordable housing.
- Cut the cost of building houses by encouraging the use of local building materials.
- Train a new generation of architects in designing low-cost housing.
- Enable construction companies and local and state governments to assume responsibility for providing low-cost housing.

Improving health care services. NEEDS will fully review health care services in order to design a strong national health system that can deliver effective, good-quality, and affordable services to all Nigerians. The new policies will target priority diseases, such as malaria, tuberculosis, HIV/AIDS, and reproductive health-related illnesses. A stronger emphasis on health education will help make Nigerians more aware of their rights and obligations regarding health services as well as promote disease prevention.

NEEDS will also prioritize the creation of a National Health Insurance Scheme and a Blood Transfusion Service. It will support the establishment of a strong manufacturing base for essential drugs and reagents. Antenatal, postnatal, and family planning services and outlets will receive targeted support in order to reduce maternal and infant mortality.

Strengthening the skill base. Nigeria’s future prosperity depends on producing children who are well prepared to take their place in tomorrow’s society. The NEEDS strategy therefore seeks to implement the Universal Basic Education law in order to increase school enrolment and provide better schools and colleges and better-trained teachers and trainers. Specifically, NEEDS will ensure that more funds are spent on:
- Providing courses that build vocational and entrepreneurial skills
- Building technical schools and buying equipment
- Improving training and exposure to information and communication technology at all levels
- Making French compulsory from primary through secondary schools
- Providing special distance learning programmes for specific segments of the population, including nomadic peoples.

NEEDS will promote strict adherence to the University Autonomy Act, which permits universities to attract private-sector funding and institute new mechanisms to cover their operating costs. The courses taught at universities will be changed to reflect the priority demands of the economy. Science and technology, particularly information and communications technology, will be mainstreamed. Innovative approaches will be developed to ensure that lecturers have access to
continuing professional development so that they remain at the cutting edge of their disciplines. Wages will be linked to performance, and students will be exposed to mobilization and reorientation campaigns that emphasize the critical importance of hard work, discipline, and selfless service.

**Protecting the vulnerable.** In addition to these comprehensive measures, special attention must be paid to particularly vulnerable groups. NEEDS provides a safety net that will prevent people from becoming poor or poorer. Special programmes will protect the rural and urban poor, people living with HIV/AIDS, women, widows and widowers, and victims of ethnic violence, crime, unemployment, or loss of income (table 1).

**Promoting peace and security.** To promote peace and security, a national action plan will:

- Reform the security sector.
- Reorient police officers to offer more people-friendly service.
- Establish an early warning and response system that will detect conflicts.
- Provide a fairer allocation of revenues and responsibilities between federal and state governments.
- Mainstream conflict prevention by establishing structures and processes that promote a peaceful culture.

### Promoting Private Enterprise

If the private sector is to become Nigeria’s engine of growth, its motor needs to be primed. The government has to make certain fundamental changes to create an environment in which business will thrive. In the language of economists, it has to create a macroeconomic framework—a kind of overarching, national housekeeping budget—that will ensure that Nigeria makes the most of what it earns as a

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<td><strong>Group</strong></td>
<td><strong>Instruments and interventions</strong></td>
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<tr>
<td>Rural poor</td>
<td>Access to credit and land; participation in decisionmaking; agricultural extension services; improved seeds, farm inputs, and implements; strengthening of traditional thrift, savings, and insurance schemes</td>
</tr>
<tr>
<td>Urban poor</td>
<td>Labour-intensive public works schemes; affordable housing, water, and sanitation; skill acquisition and entrepreneurial development; access to credit; scholarships and adult education</td>
</tr>
<tr>
<td>Women</td>
<td>Affirmative action (to increase women’s representation to at least 30 percent) in all programmes; education, including adult education; scholarships; access to credit and land; maternal and child health</td>
</tr>
<tr>
<td>Youth</td>
<td>Education, entrepreneurial development, skill acquisition, access to credit, prevention and control of HIV/AIDS and other sexually transmitted diseases</td>
</tr>
<tr>
<td>Children</td>
<td>Children’s Parliament, juvenile justice administration, universal basic education, education for girls, care of orphans and vulnerable children (children affected by HIV/AIDS), prevention and treatment of childhood diseases</td>
</tr>
<tr>
<td>Rural communities</td>
<td>Water, rural roads, electricity, schools, health facilities, communications</td>
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nation, that it spends only what it can afford, and that all levels of government use the same budget.

NEEDS proposes that the government not spend more than it takes in, not pay for unbudgeted programmes or projects, not purchase goods or services that do not contribute to Nigeria’s development. It also suggests increasing taxes to pay for basic services. Under NEEDS the government will try to stabilize the value of the naira and create a system to ensure that it has sufficient foreign exchange to buy the goods it needs from other countries.

Under NEEDS, the government will:

- Diversify the economy away from oil and solid minerals in order to increase economic stability and generate jobs.
- Privatize, deregulate, and liberalize publicly owned industries to promote competition, expand industries, generate employment, create wealth, and receive value for money.
- Develop infrastructure, particularly power generation, transport, and telecommunications infrastructure, to stimulate growth of the private sector.

NEEDS proposes the following strategies to stabilize and rationalize public spending, increase domestic savings and private investments, and address the issue of public debt:

- Adopt a medium-term expenditure framework to ensure predictable and sustainable public financing at all levels of government.
- Implement tax reforms to increase revenues.
- Enact a Fiscal Responsibility Pact to ensure the coordination of government expenditure across all tiers of government.
- Adopt an oil price–based fiscal rule and a fund for excess revenues from crude oil sales.
- Adopt a public expenditure rule that prohibits the deficit from exceeding 3 percent of GDP.

Many of Nigeria’s laws and regulations stifle private enterprise. NEEDS seeks to simplify import and export procedures to make importing and exporting a less daunting prospect and to increase the turnover of businesses in the sector. The reform programme will also:

- Increase access to credit.
- Implement a coherent and consistent trade policy.
- Implement the comprehensive tax reform bill to eliminate multiple taxation and remove barriers to the growth of a vibrant private sector.
- Hold regular dialogue with private sector operators and participate in economic planning based on market principles.
- Grant land use rights and facilitate private sector development in the area of social and environmental responsibility (box 3).
- Empower indigenous small and medium-size enterprises by imposing minimum quotas for local produce in tendering and procurement processes.

**Improving infrastructure.** Reforms in the transport sector aim to complete the 3,000-kilometre network of roads and strengthen the Roads Maintenance Agency, which oversees the repair and rehabilitation of some 500 roads. The government aims to develop the country’s sea ports to handle modern shipping activities, upgrade the railways, and achieve total radar coverage of Nigerian airspace.

Power alone accounts for 5 percent of new business start-up costs. Simply providing more and more reliable power could triple the amount Nigerian industries produce by 2007. Under
NEEDS the National Electric Power Authority, formerly a government enterprise, will be unbundled into distinct business units, which will eventually be privatized. The industry will be regulated by a new regulatory agency, and a fund will be set up to increase access to electric power in rural areas.

Many people in Nigeria spend one to three hours a day collecting water for domestic use. Providing them with access to safe water can offer them the chance to use those hours in more economically productive activities. NEEDS aims to increase access to safe drinking water for at least 60 percent of the population.

Promoting industry. NEEDS proposes developing the industrial sector by relying more on local resources and less on imports. It will be guided by a local research and development strategy that seeks to promote science and technology–based small and medium-size enterprises. These enterprises will be developed in science and technology parks and technology incubation centres. They will focus on food processing, industrial chemicals, information and communication technologies, biotechnology, electronics and space technology, and energy, oil, and gas.

A major policy thrust of NEEDS is the idea that Nigeria should stop squandering its natural resources by selling them as crude products. The more these products can be processed within Nigeria, the more jobs they will create and the more export earnings they will generate. NEEDS sets ambitious targets for the sector: 7 percent annual growth, 70 percent capacity utilization, and 70 percent of investment made by the private sector by 2007.

Improving agriculture. Agriculture is Nigeria’s second-largest source of national wealth, after oil. NEEDS will promote the cultivation of improved,
higher yielding crop varieties and provide extra support to agricultural research and training. NEEDS aims to encourage business interests to provide credit and supply and distribute agricultural inputs, such as seeds, fertilizers, and machinery. Silo complexes will be refurbished to increase the capacity of the food reserve programme and move closer to food security.

**Promoting other sectors.** NEEDS will promote programmes that develop information and communication technology, tourism, and entertainment and financial services. Proposed trade policy reforms will aggressively promote exports and harmonize tariffs with regional trade organizations while protecting local industries. The plan also envisages developing a deep sea port, free trade zones, and a shipbuilding facility in order to boost coastal shipping, international trade, and regional integration.

**Changing the Way the Government Does Its Work**
NEEDS seeks to restore trust in government as a facilitator of development, an institution that creates or maintains an environment that enables Nigerians to implement livelihood strategies and achieve personal goals. The government has to stop trying to run businesses and redirect its effort to providing essential services. It must sell off the businesses currently under its control in order to free up labour and funds that it can use to improve basic services.

Changing the way the government works is a colossal task, but NEEDS will build on processes that have already begun to make a difference. The administration has already put several essential building blocks in place.

In privatization and liberalization, the government has auctioned licences and begun the process of attracting private investment in areas such as power generation and infrastructure development. To prevent nepotism, favouritism, and corruption, the government has transformed the process by which private companies bid for government contracts. It established the new Budget Monitoring and Price Intelligence Unit, which reviews, oversees, and certifies government contracts to ensure value for money. Commonly known as “due process,” this mechanism has already saved the Treasury hundreds of millions of naira.

The government has also instituted massive anticorruption campaigns and established the Independent Corrupt Practices and Other Related Crimes Commission and the Economic and Financial Crimes Commission, which outlaw corrupt practices. The government is committed to the Extractive Industries Transparency Initiative, which encourages oil companies to fully disclose revenues and costs of operations. The government’s televised auction of digital mobile licences was hailed as one of the most transparent licence auctions in the world.

Under NEEDS, the government will build on these efforts by:

- Strengthening and modernizing the anti-corruption organizations it has established.
- Exposing unethical and illegal practices and punishing those who engage in them.
- Encouraging organizations to adopt and publish formal codes of ethics.
- Establishing formal training in ethics and fostering leadership by example.
- Enacting a Fiscal Responsibility Pact and a Right to Information Act. The Fiscal Responsibility Pact will require government agencies to publish annual audited accounts within six months of their financial year end and set up a revenue
stabilization fund into which windfall revenues will be transferred. The Right to Information Act will promote openness and feedback.

To reform the bureaucracy, the government has begun cutting civil service benefits. The government has monetized benefits such as utilities, domestic assistance, and drivers and reduced the incentive for corruption by offering civil servants higher wages, bonuses, and improved working conditions.

NEEDS policies will ensure that all levels of government adopt an annual budget framework and guidelines. The guidelines will promote balanced budgets, implementation of priority programmes, budget discipline, cost effectiveness, and the generation of internal revenues and savings. A peer review mechanism will enable heads of government agencies to compare their performance and nurture a common culture of excellence. The Joint Planning Board, the Joint Tax Board, and the National Economic Council will work together to achieve a more effective system of economic management. The NEEDS period should be characterized by the punctual release of annual budgets. As participants in the plan for prosperity, the Nigerian people will be kept informed of how well these measures are performing by the press and by special reports.

How Will NEEDS Be Implemented?

NEEDS is a holistic plan that touches all aspects of the economic and political life of our country. To ensure a high level of coordination, the NEEDS Secretariat is located within the National Planning Commission, the hub of all governmental planning processes (figure 2). Coordination will be the responsibility of the National Council on Development Planning, which will also provide a forum for dialogue between government and the business community. This dialogue will be intensified under NEEDS; the business community will participate more in statutory coordinating meetings, especially in the Independent Monitoring Committee at the National Council on Development Planning.

The framework for decisionmaking and implementing NEEDS will be regular meetings of the National Economic Council, the Economic Advisor and Planning Commissioners, the Joint Planning Board, the National Planning Commission Directors and Directors of Planning, the research and statistics departments of all line ministries, and representatives from the Ministry of Finance, the Nigeria Institute for Social and Economic Research, and the Federal Office of Statistics.

Putting NEEDS into operation will rely on the instruments of the plan and the budget, the medium-term expenditure framework, Presidential directives, legislation, and decisions of the Executive Council. The National Planning Commission will establish consultation meetings with the priority sectors of agriculture, industry, small and medium-size enterprises, solid minerals, culture, tourism and others that the President may specify.

How Will We Pay for NEEDS?

NEEDS will cost about $4.5 billion through 2007, much of which will have to come from outside Nigeria. Overseas development assistance—in the form of grants, loans, and technical assistance—is being sought. As the reforms begin to change the perceptions of Nigeria abroad, about $1.5 billion in foreign direct investment can be expected in manufacturing, steel, construction, solid minerals, and large-
Figure 2  How NEEDS Will Be Implemented

Presidency

National Assembly

Federal Executive Council

National Economic Council

Independent Monitoring Committee

Ministry of Finance and Central Bank

Line ministries and public enterprises

National Planning Commission/NEEDS Secretariat

Service delivery unit

Private sector, donor community, others

Public-private partnerships (Peer Review Mechanism), National Council on Development Planning/Joint Planning Board, SEEDS, labour, private sector, and civil society
scale farming. At the same time, the government will increase its income by eliminating waste, selling assets, and reforming the tax laws.

**How Will We Know If NEEDS Is Working?**

A new organization, the Independent Monitoring Committee, made up of members of the government, the private sector, the media, and civil society, will periodically monitor and evaluate programmes implemented under SEEDS and NEEDS. The committee will report directly to the National Assembly for information and to the President, through the National Economic Council, for appropriate action. The Federal Office of Statistics will be responsible for providing the data necessary to monitor the progress of the plan.

In collaboration with the National Planning Commission, the Presidency will select 15–20 large projects for intensive monitoring. In addition, national consultative councils will be set up for agriculture, industry, health, and education.

Representatives of the federal government, the national legislature, the states, local government, business, labour organizations, civil society organizations, and international organizations will take part in an annual joint monitoring tour of all states to view progress and challenges. Their report will be presented to the National Economic Council for peer review and to the National Assembly for information.

The following information will be collected and analyzed as part of the monitoring and evaluation programme:

- Income per capita
- Changes in the cost of goods
- Amount and type of investment
- Income patterns across the population
- Development indices (infant mortality, primary school enrolment)

**The Success of NEEDS Depends on All of Us**

NEEDS is an excellent plan, but it is only a plan. However well thought out, plans remain merely thoughts on paper unless they are implemented. The President and his key advisors and ministers, governors and their key staff—all are fully committed to the reform programmes and to the massive changes that NEEDS calls on all Nigerians to make. All Nigerians have a stake in making NEEDS a success. The people of Nigeria must ensure that the government implements the reforms, and they must keep their side of the bargain by working hard to make NEEDS a success.
### Table 2: Selected Targets under NEEDS, 2003–07

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<td>sector (percent)</td>
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<td>Environment</td>
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<td>Reduce all forms of</td>
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<td>degradation by 30% of</td>
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<td>2004 levels by 2007</td>
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<tr>
<td><strong>Fiscal</strong></td>
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<td>Maximum public deficits</td>
<td>—</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
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<tr>
<td>(percent of GDP)</td>
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<td>Maximum ways and means</td>
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<td>(percent of previous</td>
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<td>revenue)</td>
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<td>Total expenditure</td>
<td>25.1</td>
<td>23.5</td>
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<td>(percent of GDP)</td>
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<td>Recurrent expenditure</td>
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<tr>
<td>(percent of total</td>
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<tr>
<td>budget)</td>
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<tr>
<td>Capital expenditure</td>
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<td>(percent of total</td>
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<td>budget)</td>
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<td><strong>External sector</strong></td>
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<td>External reserves</td>
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<td>7,687</td>
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<td>($ millions)</td>
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<tr>
<td>Growth in imports</td>
<td>—</td>
<td>15.0</td>
<td>18.0</td>
<td>25.0</td>
<td>30.0</td>
</tr>
<tr>
<td>(percent)</td>
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<tr>
<td>Growth in exports</td>
<td>—</td>
<td>10.0</td>
<td>20.0</td>
<td>25.0</td>
<td>30.0</td>
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<tr>
<td>(percent)</td>
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<tr>
<td>Earning from nonoil</td>
<td>&lt;5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>&gt;10</td>
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<tr>
<td>exports (percent of total exports)</td>
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<td>Food (percent of total</td>
<td>14.5</td>
<td>—</td>
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<td>7.5</td>
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<tr>
<td>imports)</td>
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<tr>
<td>Unrequited transfers</td>
<td>—</td>
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<tr>
<td>At least $3 billion a</td>
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<td>year from remittances</td>
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<tr>
<td><strong>Financial</strong></td>
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<td>Growth in credit to</td>
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<td>30.0</td>
<td>30.0</td>
<td>30.0</td>
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<tr>
<td>private sector (percent)</td>
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<tr>
<td><strong>Education</strong></td>
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<tr>
<td>Adult literacy rate</td>
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<td>(percent)</td>
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Table 2: Selected Targets under NEEDS, 2003–07 (continued)

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<th>Health</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<td>HIV/AIDS prevalence rate (percent)</td>
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<td>Immunization coverage (percent)</td>
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<td>—</td>
<td>60.0</td>
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<td>Access to safe water (percent)</td>
<td>64.1</td>
<td>—</td>
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<td>Access to adequate sanitation (percent)</td>
<td>53.0</td>
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<th>Infrastructure</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tr>
<td>Power generation (megawatts)</td>
<td>—</td>
<td>4,000</td>
<td>5,000</td>
<td>7,000</td>
<td>10,000</td>
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<tr>
<td>Roads (rehabilitation, maintenance and new roads)</td>
<td>3,000</td>
<td>3,500</td>
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<th>2006</th>
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<td>Economic coordination and institutional reforms</td>
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<td>Public–private sector partnership</td>
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<tr>
<td>Security and administration of justice</td>
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<td>Judicial service reforms</td>
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<td>Prison reforms</td>
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<tr>
<td>Eliminating corruption; improving transparency and accountability</td>
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<tr>
<td>E-Governance</td>
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<tr>
<td>Strengthening of National Statistical System</td>
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<th>Millennium Development Goal Targets</th>
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<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Literacy rate of girls</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary school enrolment and completion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Maternal mortality</td>
<td></td>
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</tr>
<tr>
<td>Infant mortality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The GDP growth projections are very conservative. The growth potentials are huge—not only in terms of the abundant human and material resources, but also for the fact that Nigeria mimics a post-conflict economy with lots of idle resources. With the various targeted presidential initiatives on agriculture, the increased coordination with the states on key priority sectors—agriculture, small and medium-size enterprises, infrastructure and social sectors—the growth effects are expected to be substantial. However, the projections are kept low, with clear possibilities that they could be exceeded.
Part One
Vision and Macroeconomic Framework

Chapter 1
Statement of Vision, Values, and Principles

Chapter 2
The Development Challenges Facing Nigeria

Chapter 3
The Macroeconomic Framework
NEEDS is not just a plan. It defines a process of development anchored by a clear vision, sound values, and enduring principles. The vision for Nigeria’s development derives from the country’s history, endowments, experience, and aspirations. Development of this vision has drawn inspiration from the views of a cross-section of stakeholders and the aspirations of Nigerians as conveyed in provisions of the Constitution. The vision underscores the necessity and urgency of building a modern Nigeria that maximizes the potential of every citizen, of becoming the largest and strongest economy in Africa, and of becoming a force to be reckoned with in the world before the middle of the twenty-first century (box 1.1). Nigeria envisions a twenty-first century that is Africa’s century, with Nigeria among the leading nations.

This vision was articulated in the 2001 Kuru Declaration, which states:

To build a truly great African democratic country, politically united, integrated and stable, economically prosperous, socially organized, with equal opportunity for all, and responsibility from all, to become the catalyst of (African) Renaissance, and making adequate all-embracing contributions, subregionally, regionally, and globally.

President Olusegun Obasanjo’s government seeks to use NEEDS as a nationally coordinated framework of action, in close collaboration with state governments and other stakeholders, to consolidate the achievements of the past four years and build a solid foundation for the attainment of Nigeria’s long-term vision. Over the medium term, NEEDS will lay the foundation and achieve significant progress in wealth creation, employment generation, and poverty reduction.

Core Values

NEEDS is anchored in the imperative to restore the fundamental values of Nigeria, which have been weakened over the years. As described in Vision 2010, “Nigeria is a multiethnic society, with a value system that derives from the diversity of its people, religion and cultures. The elements of this value system include respect for elders, honesty and accountability, cooperation, industry, discipline, self-confidence and moral courage.” President Obasanjo captures the essence of the new value system as one that puts Nigeria, selfless service to country, and love of fellow citizen above all else. According to the President, “Always ask what is in it for Nigeria. I see a new Nigeria in the hands of the Lord. Our Mission is the creation of a New
Box 1.1 Nigeria at a Glance

Nigeria had an estimated population of 125 million in 2001—nearly one-quarter of Sub-Saharan Africa’s population. It is estimated that one in every six black people in the world is a Nigerian. The country has more than 200 ethnic groups, with three major tribes, the Igbo (East), the Hausa (North), and the Yoruba (West). More than 500 indigenous languages and dialects are spoken. Average life expectancy at birth is 54 years.

Nigeria spans an area of 924,000 square kilometres, bordered by the Gulf of Guinea, Cameroon, Benin, Niger, and Chad. The topography ranges from mangrove swampland along the coast to tropical rain forest and savannah to the north. The Sahara Desert encroaches upon the extreme northern part of the country, while gully erosion threatens the carrying capacity of lands in the south. Some 10 percent of the land is covered with forest, including large stands of mahogany, walnut, and obeche. Bountiful flora and fauna create a rich source of biodiversity that serves as a reservoir of the pharmaceutical industry and a sustainable source of genetic materials for improving the nation’s food production potential. But rapid deforestation has reduced Nigeria’s forest by 50 percent in the past 15 years. The country’s fishery resources are small, concentrated in the coastal area.

Agriculture is the dominant economic activity in terms of employment and linkages with the rest of the economy. Roughly 75 percent of Nigeria’s land is arable, of which about 40 percent is cultivated. The United Nations Food and Agriculture Organization rates the productivity of Nigeria’s farmland as low to medium—but with medium to good productivity if properly managed. Despite two major rivers, the Niger and the Benue, agriculture is predominantly rain fed. Yams, cassava, rice, maize, sorghum, and millet constitute the main food crops. The principal export crops are cocoa and rubber, which together account for nearly 60 percent of nonoil merchandise exports.

Nigeria has estimated proven oil reserves of 32 billion barrels, mainly in the southeastern and southern coastal area, and is the sixth-largest producer in OPEC. At the current rate of production, these reserves are sufficient to last about 37 years. Proven natural gas reserves are estimated at 174 trillion cubic feet, with energy content slightly greater than the country’s oil reserves. At current production levels, these reserves will last 110 years. Nearly 80 percent of the natural gas produced is currently being flared; most of the remaining 20 percent is used to generate electricity. It is expected that the export of gas will be substantial after 2004. Nigeria’s rivers also constitute a substantial energy resource, providing the country with nearly half of its electricity.

Nigeria is blessed with abundant solid mineral deposits, including coal, tin ore, kaolin, gypsum, columbite, gold, gemstones, barites, graphite, marble, tantalite, uranium, salt, soda, and sulphur.

Nigeria has more than 60 universities and boasts an educated labour force. Various independent estimates put the unemployment and underemployment rate at more than 15 percent of the labour force, with a very high rate of unemployment among university graduates. The adult illiteracy rate is 49 percent. About 76 percent of children of primary school age attend school; the participation rate falls to 20 percent for children of secondary school age.

Capacity utilization in industry is about 50 percent. Independent estimates suggest that capital flight has been significant. If appropriate policies and enabling environment were in place to induce Nigerians to repatriate just the interest earnings on their assets, Nigeria could reap an estimated $2–$3 billion a year in return foreign direct investment—multiples of the current inflow of barely $1 billion a year.

Nigeria has a large domestic market, which could serve as a springboard for entering export markets. These and many other national assets could pave the way for seizing the many development opportunities that come with cross-border cooperation and the globalization of industry, trade, and investment. With skillful management, such opportunities could be converted into higher per capita income, job creation, and reductions in poverty.
Nigeria where all the negative values in our society are reversed and in their place are established enabling values of a caring, well-governed society where justice and equity reign.”

These are the fundamental values upon which NEEDS rests. The strategy hopes to lay a solid foundation for a national rediscovery and strong values based on the following principles:

- Enterprise, competition, and efficiency at all levels
- Equity and care for the weak and vulnerable
- Moral rectitude, respect for traditional values, and pride in Nigeria’s culture
- A value system for public service that results in efficient and effective service delivery to the citizens
- Discipline at all levels of leadership

According to the 2001 Kuru Declaration (box 1.2), all public officials, elected and appointed, swear to abide by certain codes of values embodying Nigeria’s development objectives and human capital needs. NEEDS recognizes that these values cannot take root and be sustained unless conscious efforts are made to mobilize the Nigerian people around them. Without paradigm shifts, fundamental changes in mindset, and acknowledgment that business as usual is not acceptable, especially by the elite, the change that NEEDS seeks to bring about will be difficult to attain and sustain.

Furthermore, the National Assembly is poised to enact the relevant legislation for effective implementation of NEEDS. Some of these are listed in chapter 11.

**Fundamental Principles**

Under the Fundamental Objectives and Directive Principles of State Policy, the 1999 Constitution of the Federal Republic of Nigeria mandates the following:

- The security and welfare of the people shall be the primary purpose of government.
- The state shall, within the context of the ideals and objectives for which provisions are made in this Constitution, harness the resources of the nation, promote national prosperity and an efficient, dynamic, and self-reliant economy and control of national economy in such a manner as to secure the maximum welfare, freedom, and happiness of every citizen on the basis of social justice and equality of status and opportunity.
- The state shall direct its policy towards ensuring
  - The promotion of a planned and balanced economic development
  - That the material resources of the nation are harnessed and distributed as well as possible to serve the common good
  - That the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of a few individuals or a group.
  - That suitable and adequate shelter, suitable and adequate food, a reasonable national minimum living wage, old age care and pensions, and unemployment, sick benefits, and welfare of the disabled are provided for all citizens.
- The government shall direct its policy towards ensuring that there are equal and adequate educational opportunities at all levels.
- The national ethic shall be discipline, integrity, dignity of labour, social justice, religious tolerance, self-reliance, and patriotism.
The Constitution clearly stipulates that public policy must be directed to balance the objectives of efficiency, effectiveness, and equity in order to ensure a broad-based, poverty-reducing growth and development strategy, the dividends of which will be distributed fairly across all classes. NEEDS is based on these principles. It aims to achieve the directive principles of state policy. Its focus is the creation of wealth, the generation of employment, the reduction of poverty, the elimination of corruption, and the general reorientation of values.

### Box 1.2 The Kuru Declaration

1. We adopt the New Orientation as an agenda for dealing with immediate and future issues of governance in Nigeria; removing impediments to efficiency and effective implementation and execution of programmes initiated by the federal government; expeditious actualization of government objectives and vision of national renewal and re-construction.

2. We rededicate ourselves and those who serve under us to the values of patriotism, honesty, hard work and diligence, merit and excellence, trustworthiness, personal discipline, tolerance and mutual respect, justice and fairness, love, care and compassion.

3. We pledge to eschew corruption, slothfulness, nepotism, indiscipline, bitterness, prejudice and other manifestations of anti-social behaviours.

4. We shall undertake a critical review of practices and procedures in every ministry and department of government, with the aim of introducing and inculcating modern management techniques and procedures in every department of government, so as to rapidly increase their productivity and service delivery to the public.

5. We shall foster a culture of efficiency in the management of funds and other resources, maintaining high standards of resource management and reducing waste at all times.

6. We shall effectively supervise all government departments and agencies, ensuring timely reports and returns and undertaking regular spot-checks.

7. We shall abide by the terms of the code of conduct which we all have signed, as expression of our commitment to the crusade against corruption, and work closely with all relevant agencies, such as the Independent Corrupt Practices and Other Related Offences Commission, the Code of Conduct Bureau, and the Public Complaints Commission.

8. We undertake to strengthen the partnership in working with the private sector, since this partnership translates to a better appreciation of the wealth-creating and job-creating capacity of this sector, and the need for government, through its various ministries and legislative processes, to create an enabling environment for the sector to function efficiently as the major driver of the economy.

9. We shall strive to strengthen and inculcate the culture of working closely and in consultation with the leadership of labour and civil society organizations.

10. We shall mobilize, involve and promote the interest of all stakeholders, namely, the society in general, since, in the ultimate, all decisions and actions of government are primarily concerned with promoting the security and general well-being of the people. There is also the need for a new attitude that has that concern permanently in focus, as the only goal, and that the economic well-being of all citizens in a truly democratic environment is of cardinal importance.

11. We shall design strategies and techniques of implementation for the New Orientation so as to ensure that the values being inculcated permeate all levels of management and staff.
Three other principles underpin NEEDS. They commit the government to:

- Create an incentive structure that rewards and celebrates private enterprise, entrepreneurial spirit, and excellence.
- Establish new forms of partnership with all stakeholders in the economy—all branches of government, the public and private sectors, civil society, and the international community—to promote prosperity.
- Create a public sector that delivers prompt and good-quality service.
Chapter 2 The Development Challenges Facing Nigeria

Since the transition to democracy in 1999, Nigeria has laid a solid foundation for economic growth and development (box 2.1). NEEDS is a development strategy that consolidates the gains achieved over the past four years, unlocks Nigeria’s dormant potential, and provides the base for sustained development. The strategy signals a break with past efforts to pursue several unsustainable strategies.

Nigeria’s rich human and material resource endowments give it the potential to become Africa’s largest economy and a major player in the global economy. But much of its potential has remained untapped, putting attainment of the Millennium Development Goals by 2015 in jeopardy.

Development Challenges Remain Daunting

Significant improvements have been recorded in many areas since 1999, but the development challenges remain daunting. NEEDS aims to address many of these challenges, including the following:

- Per capita GDP in Nigeria was among the lowest in the world during the 1980s and 1990s, costing it decades of development. Annual per capita GDP remained stagnant in the 1990s, and it grew just 0.8 percent between 1999 and 2003—far lower than the 4.2 percent per capita growth needed to significantly reduce poverty. Compared with other African and Asian countries, especially Indonesia, which is comparable to Nigeria in most respects, economic development in Nigeria has been disappointing. With GDP of about $45 billion in 2001 and per capita income of about $300 a year, Nigeria has become one of the poorest countries in the world. As of 2000 it had earned about $300 billion from oil exports since the mid-1970s, but its per capita income was 20 percent lower than in 1975. Meanwhile, the country has become so heavily indebted—external and domestic debt amount to about 70 percent of GDP—that it has serious difficulty servicing debt. Regional and sectoral unevenness in growth performance is high. The real sector is still dominated by the primary production sectors. Agriculture, predominantly small farmers with low and declining productivity, accounts for 41 percent of the real sector, while crude oil accounts for 13 percent. The secondary sector, especially manufacturing, has been stagnating at about 5–7 percent of GDP, making Nigeria one of the least
Confidence in Nigeria is high, the environment for doing business is improving, and both Nigerian and foreign businesses are reacting positively to recent developments in the country. The government has consolidated democracy and improved governance, and the economy has begun to turn around.

During the 1990s the economy stagnated, growing at an average annual rate of just 2.8 percent, leaving the per capita income growth rate at zero. By 1998 Nigeria was faced with both a failed state and a failed economy, and Nigerians were leaving the country in droves.

Today many of these trends have been reversed. Corruption and other economic and financial crimes are being vigorously fought. More than 200 Nigerians are currently being detained or tried for fraud, and illegally obtained assets worth more than $500 million have been confiscated. The introduction of due process in government procurement has saved the government more than $600 million. Aggregate annual GDP growth averaged about 5 percent between 1999 and 2003, and preliminary estimates of growth in 2003 stood at 10.23 percent, the highest rate of growth in three decades.

The superlative growth of 2003 was driven mainly by improvements in agriculture, which grew 7 percent, and the oil sector, which grew 23 percent. The minimum rediscount rate fell steadily, from 20.7 percent in 1999 to 15 percent in 2003. Other rates followed the same trend, with the prime lending rate falling from 22.5 percent to 19.6 percent and the rate on time deposits held more than a year falling from 15.3 percent to 12.3 percent. The annual depreciation of the exchange rate averaged 9.7 percent over the period, down from 29.4 percent for 1994–98 and 114 percent for 1986–93. The country’s external reserves as of the end of March 2004 stood at about $10.2 billion, about 10 months’ import cover.

The liberalization of the service sector yielded significant results. In the first 40 years of Nigeria’s independence, aggregate installed telecommunication lines stood at about 450,000. With the licensing of GSM and other wireless landline operators, this number grew nearly 1,000 percent, to more than 4 million lines in 2003. Growth in the hotel and tourism industry was also extraordinary. The total number of hotel beds nearly tripled, from 12,900 in 1999 to 37,528 in 2003. Room occupancy rate also increased, from 71 percent in 1999 to 82.5 percent in 2003. The number of visiting foreign nationals nearly tripled, from 1,392 to 3,897, with annual growth rates in 2002 and 2003 averaging 30 percent.

Foreign direct investment in the nonoil sector also rose, from divestment in the 1990s to a few billion dollars in 1999–2003. Heineken built its largest plant in the world and upgraded its existing plants, investing about €500 million. The British American Tobacco is making large investments in Ibadan, and Solgas, a U.S. company, is investing in the Ajaokuta Steel Mill. A survey of 108 medium and large-scale firms operating in Nigeria showed that they invested more than $10 billion during the period. Private investment in power and other infrastructure is also growing steadily, with a number of acquisitions and new investments already approved by the administration.

These developments have increased employment, causing the unemployment rate to fall from about 20 percent in 1999 to 10.8 percent in 2003. Male unemployment fell from 18 percent in 1999 to 10.6 percent in 2003, while female unemployment fell from 18.2 percent in 1999 to 11.2 percent in 2003. There has also been a reversal of the decade-long decline in real take-home wages, with real wages rising about 30 percent between 1999 and 2003. The results of an ongoing household survey will provide more recent socioeconomic statistics. (The poor quality of socioeconomic data in Nigeria is being addressed by restructuring and strengthening the Federal Office of Statistics. Efforts are ongoing to refine the national accounts data using best-practice methodology. A household survey that will provide up-to-date statistics on basic socioeconomic conditions is also being conducted. The analysis in this report could be revised when new data become available.)
industrialized countries in Africa. Services has been the fastest-growing sector since independence.

• Between 1975 and 2000 Nigeria’s broad macroeconomic aggregates—growth, the terms of trade, the real exchange rate, government revenue and spending—were among the most volatile in the developing world. Over the past three decades, high macroeconomic volatility has become a key determinant—as well as a consequence—of poor economic management. The economy has been caught in a low growth trap, characterized by a low savings-investment equilibrium (at less than 20 percent). Industrialization and exports remain low. With an average annual investment rate of barely 16 percent of GDP, Nigeria is far below the minimum investment rate of about 30 percent of GDP required to unleash a poverty-reducing growth rate of at least 7–8 percent per year.

• In the more than 40 years since independence, Nigeria has never grown at 7 percent or more for more than three consecutive years. Because of perceptions of risks and the high costs of doing business, private agents keep the bulk of their assets abroad, and more than 2 million Nigerians (mostly highly educated) have emigrated to Europe and the United States. Most foreign direct investment into the country goes into the oil and extractive sectors. Only since 1999 has foreign direct investment in the nonoil sectors begun to rise significantly. Nigeria’s economic structure remains highly undiversified. Oil exports account for 95 percent of total exports, while manufacturing accounts for less than 1 percent. Since the 1970s

Nigeria has lost international market share even in its traditional (agricultural) exports.

• Macroeconomic policy has been highly circumscribed by inefficient, highly volatile, and unsustainable public sector spending and by unusually high volatility of major macroeconomic aggregates. Fiscal decentralization has proved a challenge to effective macroeconomic stabilization and efficient public finance management. There has been a lack of policy coherence between the states and the federal government and even among the various agencies of the federal government. The traditional instruments of economic management—the national plan and budgeting processes—have been rendered ineffective.

• Finances at all levels of government are in poor shape. Domestic debt increased more than 200 percent between 1999 and 2002 (to about $9 billion). The external debt burden, which the government is barely able to service, represents about 50 percent of contractual service obligations. Government finance is also characterized by a pension crisis, arrears of salaries of civil servants, huge debts to government contractors and suppliers of goods and services, a boom and bust cycle of revenue and expenditure, misallocation and mismanagement of resources, and other problems. At the state government level, a major crisis is looming but goes largely unnoticed. Many states are accumulating debt at unsustainable levels, institutions are weak, and economic governance is poor.

• The very low productivity of the private sector and the lack of diversification of the economy are due mainly to the inhospitable
Despite efforts to promote a private sector–led market economy, Nigeria still faces the challenge of transition from an economy dominated by the public sector. Business environment. The constraints to businesses include infrastructure deficiencies, poor security of lives and property, corruption and rent-seeking, low access to and the high cost of finance, weak institutions, poorly defined property rights and enforcement of contracts, and unstable macroeconomic policies, especially fiscal and trade policy. Although these conditions have begun to improve since 1999, significant obstacles need to be addressed.

- Nigeria’s urbanization rate—about 5.3 percent a year—is one of the fastest in the world. With a stagnant secondary sector, urban unemployment—and its attendant problems of slums, crime, and sociopolitical tensions—is high. In March 1999, 23.2 percent of the rural labour force and 12.4 percent of urban dwellers were without jobs. By March 2003 the rural unemployment rate had dropped to 12.3 percent and the urban rate to 7.4 percent, yielding a composite unemployment rate of 10.8 percent.

- Nigeria faces the challenge of meeting the Millennium Development Goals. Statistics from the 1996 survey indicate that poverty is deep and pervasive, with an estimated 70 percent of the population living in poverty. (Many analysts question the 1996 poverty statistics, especially the methodology used. The ongoing Living Standard Measurement Survey will give a more accurate picture of the actual level of poverty in Nigeria. See chapter 4 for a detailed analysis of the nature, dimensions, and causes of poverty in Nigeria, as well as a survey of the interventions the government has used to tackle it.) Poverty in Nigeria varies widely by region, sector, and gender. Other social indicators are also under stress: income inequality in Nigeria is very high; unemployment is threatening social cohesion, security, and democracy; and the imminent HIV/AIDS epidemic is a potent time bomb waiting to explode, with potential dire consequences for productivity in the economy. Social exclusion and discrimination against women hamper their ability to fully contribute to the development of the economy.

- The educational system is dysfunctional, as graduates of many institutions cannot meet the needs of the country. Institutions are in decay, strikes and cultism are common, and corruption has become rampant. Youth militarism has now gone beyond the walls of schools to the heart of society.

- Despite efforts to promote a private sector–led, competitive market economy framework, Nigeria still faces the fundamental challenge of transition from statism and rent-seeking in an economy dominated by the public sector. The deep vested interests that profit from the system have proved resilient. They are strengthened by evidence of weak institutions. As a result, implementation failures in Nigeria are persistent.

**What Went Wrong?**

The problems NEEDS addresses reflect decades of corruption and mismanagement, especially under military rule. The old development models of import substitution industrialization and statism, in which government assumed the dominant role as producer and controller in the economy, created perverse incentives, inefficiencies, and waste. In an oil-producing economy (where rents from oil are easy sources of government revenue), a culture of rent-seeking
quickly developed. The government became an instrument for instant acquisition of wealth, distorting the incentive to work and to create wealth in the private sector. With government as the major source of patronage and rent-seeking, the fight for public office became fierce.

These factors created an incentive framework that did not reward private enterprise, transparency, or accountability. Frequent regime changes and changes in policy were defining features in Nigeria in the past. Military dictatorships allowed weak institutions to endure. Inappropriate development frameworks, poor and frequently changing policies and programmes, lack of clear vision and commitment to development, and a citizenry that acquiesced to the culture of patronage are the major causes of Nigeria’s failed past.

**Prospects for the Future**

The Nigerian economy faces enormous challenges—and a bleak future if fundamental steps are not taken to redress the legacies of the past. Among the many requirements for rejuvenating the economy is rapid and broad-based growth. Creating the conditions for such growth will require that Nigeria adopt fundamental new policies in order to break out of the low-growth poverty trap it finds itself in.

What are the implications of alternative growth scenarios for per capita income and poverty in the medium to long run (table 2.1)? Three scenarios are examined:

- In Scenario A Nigeria maintains the average growth performance recorded between 1999 and 2002 (about 3.5 percent) through 2030. Assuming that per capita income was $300 in 2000, it would increase by just $23 by 2015 and by just $48 in 2030. If current trends in the rest of the world continue, this rate of growth would leave Nigeria one of the poorest countries in the world. Under this scenario, poverty worsens, engulfing as much as 80 percent of the population by 2030.

- In Scenario B growth rises to the average level of the late 1980s (5 percent). This level of growth is sufficient to prevent poverty from worsening, but it is not strong enough to reduce it. By 2030 the incidence of poverty remains at 70 percent, while per capita income increases to $416 in 2015 and $576 in 2030, still leaving the average Nigerian very poor.

### Table 2.1

**Implications of Alternative Growth Scenarios for Key Development Indicators, 2000, 2015, 2030**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Indicator</th>
<th>Assumed GDP growth</th>
<th>2000 (Actual)</th>
<th>2015</th>
<th>2030</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>Per capita income</td>
<td>3.6</td>
<td>$300</td>
<td>$328</td>
<td>$352</td>
</tr>
<tr>
<td></td>
<td>Incidence of poverty</td>
<td>3.6</td>
<td>70 percent</td>
<td>75 percent</td>
<td>80 percent</td>
</tr>
<tr>
<td>B</td>
<td>Per capita income</td>
<td>5.0</td>
<td>$300</td>
<td>$416</td>
<td>$576</td>
</tr>
<tr>
<td></td>
<td>Incidence of poverty</td>
<td>5.0</td>
<td>70 percent</td>
<td>70 percent</td>
<td>70 percent</td>
</tr>
<tr>
<td>C</td>
<td>Per capita income</td>
<td>7.0</td>
<td>$300</td>
<td>$556</td>
<td>$1,031</td>
</tr>
<tr>
<td></td>
<td>Incidence of poverty</td>
<td>7.0</td>
<td>70 percent</td>
<td>35 percent</td>
<td>17 percent</td>
</tr>
</tbody>
</table>
In Scenario C Nigeria fundamentally changes its strategy and achieves an average annual rate of growth of 7 percent. This rate of growth is adequate to meet the Millennium Development Goal of cutting the incidence of poverty by half by 2015. Under this scenario, the percentage of people living below the poverty line could fall to less than 20 percent.

Of course, the impact of growth on poverty depends on the sources of growth. Even with rapid growth of 7 percent a year, the incidence of poverty may not decline significantly if growth is not pro-poor. The effects on poverty of growth led by agriculture, small and medium-size enterprises, and manufacturing would be very different from those of growth led by the mining and quarrying sector. A policy that targets the very poor states would have a greater effect on poverty reduction than one that does not.

Scenarios A and B reflect high population growth and urbanization. If the population continues to grow at 2.8 percent a year, there will be 182 million Nigerians by 2015, 87 million of them (48 percent) living in urban areas, and 275 million Nigerians by 2030, 182 million of them urban (66 percent). If the secondary sector, especially manufacturing and services, does not grow sufficiently to absorb the inflow of labour to urban areas or rural areas are not transformed enough to stem the rate of rural-urban migration, the rate of urban unemployment could soar.

All of the scenarios reflect increasing desertification, land use intensification, and rain-fed agriculture with low productivity. If current trends continue, agriculture will not be able to support the economy in terms of employment or income. The average age of the labour force in agriculture is about 48–60 years. The growing food import bill (about 10 percent of total imports) attests to the potential food security crisis. Nigeria’s natural resource base is rapidly being depleted, and the process of diversification is proceeding very slowly. As a result of the declining educational system, an increasing proportion of graduates are unemployed. All these factors have grave implications for poverty and unemployment.

Nigeria’s size and strategic importance in Africa (especially in West Africa) mean the stakes are very high. Nigeria is the source of stability in West Africa. It led multilateral peacekeeping forces in Liberia and Sierra Leone, and it continues to play a peacekeeping role in the subregion. On the economic front, Nigeria accounts for about 60 percent of West Africa’s GDP. A vibrant and growing Nigerian economy will thus act as a strong growth pole for West and even Central Africa. Sub-Saharan Africa as a region cannot succeed in reducing poverty and it cannot reach the Millennium Development Goals by 2015 unless Nigeria, with one-fifth of the African population, develops successfully.

The Potential for a New and Strong Beginning under NEEDS

Nigeria has abundant human and material resources to initiate and sustain rapid and broad-based growth and development. It can also take advantage of opportunities offered by globalization (including prospects for leapfrogging) and by the preferential and differential trade arrangements and concessions under the Economic Community of West African States (ECOWAS) Treaty; the African Growth and Opportunity Act; and the Cotonou Agreement trade pact and impending economic partnership agreement between the European Union and the African, Caribbean, and Pacific countries. If appropriate incentives are in
place, the brain drain of Nigerians could be turned into a brain gain—through increased remittances, technology transfer, and even return of capital flight (which could repatriate up to $2–$5 billion a year). In other words, there are ample opportunities to jump-start faster growth—if the right strategy can be crafted and implemented.

Some momentum for change has been building since the transition to democracy in 1999. This momentum can be accelerated and sustained. Since 1999 foreign direct investment in the nonoil sector has risen from almost zero to billions of dollars, capacity utilization in industry has doubled, unemployment rates are leveling off, and GDP growth has risen moderately. Increasing numbers of Nigerians in the diaspora are willing to return and contribute to the economy, and many of the donor agencies that boycotted Nigeria during the military era have returned. More fundamentally, the new political leadership at the federal and state levels as well as consensus among key stakeholders in the economy seems to be committed to a significant change.

Several factors suggest that NEEDS is a strategy that is likely to succeed. First, the current administration’s policy thrust is consistent with the provisions of NEEDS. The 2004 budget signals a fundamental change in strategy. The liberalization of the downstream oil sector has begun, with the full elimination of subsidies, and the refineries will soon be privatized. The conversion of public servants’ perquisites into cash to reduce government expenditure and waste associated with maintaining these facilities is on course. Actions to fight corruption and increase transparency have been taken, and commitment to the Extractive Industries Transparency Initiative has been reinvigorated. The piloting of public service reforms has begun, the privatization programme is on course, infrastructure rehabilitation and maintenance are proceeding, and an emphasis on agriculture led to an unprecedented bumper harvest in 2003. Furthermore, there is a broad national consensus around the reform agenda.

Second, effective mechanisms are being instituted for coordinating state and federal government programmes and jointly monitoring performance. The statutory organs for such coordination and monitoring (such as the National Economic Council, the National Council on Development Planning, and the Joint Planning Board) are being strengthened. The impact of the federal programme will be increased as the 36 states develop their own reform programmes (known as State Economic Empowerment and Development Strategies, or SEEDS) consistent with the broad thrusts of the federal reforms.

Third, the right people are in place to adopt and implement NEEDS. A critical mass of reform-minded representatives are serving in the National Assembly, which is ready to enact the relevant legislations for effective implementation of NEEDS (see chapter 11). The President has constituted a very strong economic team to drive the process of reforms. There is a strong team spirit in government, which is critical for implementing and sustaining the reform effort.

Fourth, NEEDS will become the basis for government budgets and the eventual formulation of a medium-term expenditure framework. Implementation is a key element for success. The President is leading efforts at implementation, chairing a weekly, 90-minute meeting of the economic management team designed to monitor and coordinate implementation among key agencies and ministries. The agenda is focused and selective, and aspects of it will be implemented by the private sector, nongovernmental organizations (NGOs), and donor agencies.
Many factors inhibit growth in Nigeria, including:
- Inconsistent macroeconomic policy
- Instability and policy reversals
- Conflicts between different macroeconomic policy goals
- Public sector dominance in production and consumption
- Pervasive rent-seeking and corruption, facilitated by the fact that the government is the hub of economic activities
- Inadequate and decaying infrastructure
- High volatility of major macroeconomic aggregates
- Weak institutional capacity for economic policy management and coordination
- Unsustainability of public finance at all levels of government
- Lack of effective coordination across levels of government
- Large debt overhang

Many of these problems are institutional. Others reflect the fact that the means are inadequate to achieve the goals.

NEEDS aims to redress these imbalances, based on an overall macroeconomic framework. The analyses and projections presented in this chapter are based on the four basic macroeconomic accounts: the real sector, the fiscal account, the balance of payments accounts, and the monetary sector accounts (table 3.1). A workable programme requires that the four accounts be consistent, so that they ensure predictability and sustainability of the macroeconomy and spur rapid and broadly shared pro-poor growth.

### The Real Sector

Overall, growth in Nigeria has been disappointing. Annual growth averaged less than 3 percent for most of the three decades following the discovery and exploitation of oil. This era, through 1999, was bedeviled by waste, a bloated public sector, high public expenditures, a distorted budgeting system, and a weak private sector. Changes occurred, but they were minor. Coming at a time when some of the world’s fastest growing economies were growing by more than 10 percent a year, 3 percent real GDP growth was sad news, particularly given annual population growth of 2.8 percent. Efforts clearly needed to be stepped up to improve the performance of the economy.

With the return to democracy in May 1999, hopes were rekindled about prospects for jump-starting the economy. Everyone underestimated the magnitude of the decay and hence the
challenges that needed to be faced. Aggregate growth has been slow and the sectoral distribution of growth uneven. While some sectors, such as telecommunications, have enjoyed very rapid growth, others, such as mining, have contracted. Some of the sectors that recorded very high growth rates in 2001 slumped in 2002. Oil refining, for example, grew 191 percent in 2001 but declined about 8 percent in 2002. Indications are that average growth of about 21 percent in the electricity subsector in 2002 may be threatened.

This unstable growth—a hallmark of sectoral performance—presents an enormous challenge. Putting the economy back on the path of sustainable growth requires a systematic and consistent framework. NEEDS proposes bold steps to plug leakages in order to achieve macroeconomic stability and support a more efficient use of resources to grow the economy.

<table>
<thead>
<tr>
<th>Table 3.1</th>
<th>Selected Macroeconomic Projections, 2003–07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
<td>2003 a</td>
</tr>
<tr>
<td><strong>Real sector</strong></td>
<td></td>
</tr>
<tr>
<td>Growth in real GDP (percent)</td>
<td>10.2</td>
</tr>
<tr>
<td>Growth in oil sector (percent)</td>
<td>23.0</td>
</tr>
<tr>
<td>Growth in nonoil sector (percent)</td>
<td>3.3</td>
</tr>
<tr>
<td>Oil production, including condensates (millions of barrels a day)</td>
<td>2.2</td>
</tr>
<tr>
<td>Gross national savings (percent of GDP)</td>
<td>12.4</td>
</tr>
<tr>
<td>Inflation rate (percent)</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Federal government finance (percent of GDP)</strong></td>
<td></td>
</tr>
<tr>
<td>Overall fiscal balance</td>
<td>–3.3</td>
</tr>
<tr>
<td>Primary balance</td>
<td>–1.4</td>
</tr>
<tr>
<td>Retained revenue</td>
<td>9.7</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>External sector</strong></td>
<td></td>
</tr>
<tr>
<td>Overall balance (percent of GDP)</td>
<td>–7.7</td>
</tr>
<tr>
<td>Current account balance (percent of GDP)</td>
<td>2.7</td>
</tr>
<tr>
<td>External reserves ($ millions)</td>
<td>7,187</td>
</tr>
<tr>
<td><strong>Growth in money and credit (percent)</strong></td>
<td></td>
</tr>
<tr>
<td>Net domestic credit</td>
<td>28.3</td>
</tr>
<tr>
<td>Net credit to government</td>
<td>44.4</td>
</tr>
<tr>
<td>Credit to private sector</td>
<td>30.0</td>
</tr>
<tr>
<td>Narrow money (M1)</td>
<td>10.3</td>
</tr>
<tr>
<td>Broad money (M2)</td>
<td>15.0</td>
</tr>
</tbody>
</table>

a. Provisional.
Policy Thrusts
NEEDS supports the following policy thrusts:
- Sustain a rapid, broad-based GDP growth rate outside of the oil sector that is consistent with poverty reduction, employment generation, and a sustainable environment.
- Diversify the production structure away from oil and mineral resources.
- Make the productive sector internationally competitive.
- Systematically reduce the role of government in the direct production of goods, and strengthen its facilitating and regulatory functions.

Key Strategies
NEEDS proposes achieving its goals in the following ways:
- Privatize, deregulate, and liberalize key sectors of the economy.
- Coordinate national sectoral development strategies for agriculture, industry (especially small and medium-size enterprises), and services (especially tourism).
- Develop infrastructure, especially electricity, transport, and water.
- Address the problems of financing the real sector, and mobilize long-term savings and investment.
- Create effective regulatory regimes that include environmental standards.
- Target programmes to promote private sector growth and development.

A major target of the current reform effort is the reduction of poverty. But the effects of some structural changes will be felt only after a lag. Medium-term growth performance is projected based on the assumption that given the reform efforts, almost every sector will perform better in the coming years. Stronger growth performance is expected as the private sector takes advantage of the different reform strategies and policies and as the government reduces its role in the economy and redresses the perverse incentive structure facing investors. Growth projections attach weights to different informal sector activities in order to capture the overall share of the sector in projected economic growth. Changes in agriculture will generally drive increases in growth.

Critical to growth performance is improvement in power and other infrastructure; a reduction in the cost of doing business; creation of a more conducive investment environment, including security of life and property; and training and development of the human resources needed to increase capacity and productivity. Human resource development is needed to reduce the reliance on expatriates and increase the contribution of the local labour force in foreign investment.

Strong growth is expected in the primary and secondary sectors, particularly agriculture, manufacturing, and solid minerals. The manufacturing sector is expected to grow at least 7 percent a year between 2004 and 2007, while agriculture is expected to grow about 6 percent. Growth in other sectors may not be as strong as growth in the primary sector.

Aggregate output for the four years of NEEDS is projected to increase 5 percent in 2004, 6 percent in 2005, 6 percent in 2006, and 7 percent in 2007. Output in the oil and gas sector is expected to remain unchanged. The projected decline in oil production as Nigeria maintains its OPEC quota is expected to be offset by increases in gas production, leaving net output in the sector unchanged. Growth of the nonoil
sector, the major target of the diversification effort, is expected to rise from 6.8 percent in 2003 to more than 9 percent in 2007. Annual private consumption is expected to grow 4.8 percent in real terms. With projected population growth rate of 2.8 percent, this will mean a 2 percent growth in annual real per capita consumption. At the same time, public consumption expenditure is expected to steadily decline. Investible resources will be reallocated from the public sector to the private sector, and the investment pattern by both government and private investors will change. For example, with agriculture as a priority area in the medium term, the government will increase incentives for investment in the sector.

**Fiscal Operations and Policy: Budget, Tax Reforms, and Public Expenditure Management**

Fiscal policy is the most important instrument of macroeconomic management in Nigeria. Reforms at this level are therefore critical for overall macroeconomic consistency. Despite plans to diversify the government’s revenue base, Nigeria’s fiscal and budget landscape has been dominated by oil income, which accounts for at least 70 percent of total government revenues. Swings in the international oil price and production create enormous volatility in government revenue. In periods of boom, government expenditures increase, while drops in oil prices are treated as temporary. The same pattern is repeated by the states and local governments.

Other problems include inefficient use of resources, waste and misplaced priorities in government expenditure, high fiscal deficits at all tiers of government, weak institutional structure, a fiscal federalism structure that places little or no premium on intertemporal fiscal solvency, and a weak institutional mechanism for regulating the actions of the different tiers of government and their agencies. These problems have led to a heavy debt burden, huge recurrent expenditure burdens at all tiers of government, inefficient public delivery of services, and distortions in the incentive structure for both the private and public sectors. Currently, all tiers of government spend far more than they earn: cumulative deficits over the past five years alone stand at more than $1 trillion, excluding arrears of pensions and gratuities and debt to local contractors. With foreign debt of about $31 billion in fiscal 2001 (in a $45 billion economy), the government spends a huge proportion of current revenue in debt-servicing and interest payments.

The budgeting process reached the point of near collapse before the democratic government came to power. The main problems have to do with lack of political will and commitment to abide by stipulated rules and budget guidelines. This has led to a high incidence of extra-budgetary expenditures and the breakdown of medium- to long-term plans to guide the budgeting process, with projects implemented haphazardly without proper evaluation and coordination. As a result, hundreds of projects lie uncompleted or abandoned; completing the projects would cost more than $100 billion. Allocation to projects became ineffective and often arbitrary. Spread thinly over a large number of projects, the allocations had little impact for the most part. A high level of recurrent expenditures and the lack of cooperation between tiers of government and line ministries with the coordinating agencies (such as the National Planning Commission and the Ministry of
Finance) undermine the budget process. The lack of a formal mechanism for dealing with budget surpluses or shortfalls has led to the issuance of warrants without cash backing.

**Policy Thrusts**
The key policy thrusts of NEEDS include the following:

- Create a predictable macroeconomic environment in which resources are used efficiently, predicated on a Medium-Term Expenditure Framework that ensures predictable and sustainable public finance at all levels of government.
- Adopt policies that are consistent with raising domestic savings and increasing private investments.
- Maintain a sustainable level of public debt.

**Key Strategies**
The key strategies and instrument include the following:

- Adopt a budget strategy that strengthens the planning process and project and programme evaluation, with early involvement of stakeholders.
- Adopt tax reforms aimed at raising revenues and diversifying the revenue base.
- Strengthen the Budget Office.
- Adopt a medium-term expenditure framework and a fiscal strategy paper consistent with the thrusts of NEEDS.
- Establish intergovernmental fiscal coordination based on a Fiscal Responsibility Act or similar initiative.
- Reform and strengthen the procurement process.
- Establish a fiscal rule based on the price of oil, and establish a stabilization fund for excess revenue from crude oil sales, with specific conditions for the fund’s use.
- Establish a public expenditure rule that holds the deficit to no more than 3 percent of GDP.

Projections on the fiscal account are based on consolidated public sector revenue and expenditure profiles. The international price of oil is expected to decline over the period, but production and earnings in the gas subsector are expected to rise significantly, offsetting any negative oil price movements that may occur.

A basic assumption made in the fiscal account is that state and local governments balance their budgets. However, the federal government can borrow up to 12.5 percent of the previous year’s retained revenue from the central bank to finance its deficits. This provision, which is consistent with the Central Bank Act, is expected to lapse in fiscal 2004.

Beginning in fiscal 2005, the projections in the fiscal account reflect the provisions of the West African Monetary Zone, which stipulates that no more than 10 percent of the previous year’s retained revenue can be financed by the central bank. An oil price–based rule using projections of oil prices that are lower than the expected international price of oil over the timeframe is also adopted. Public sector (consolidated) deficits are constrained not to exceed 3 percent of GDP.

While the reform plan has a long-term component, the framework is designed principally with a medium-term focus.

Given the proposed public sector reforms, overall recurrent expenditure as a proportion of total expenditure is expected to continue to fall. Currently, recurrent expenditure consumes about 70 percent of total revenues at both the federal and other levels of government. Given the planned increase in government efficiency,
recurrent expenditure is expected to fall gradually over the reform period. State governments are assumed to maintain previous levels of recurrent expenditure (about 80 percent of total revenue) in 2004. The ratio of recurrent to capital expenditure is expected to improve to 70/30 in 2005 and to 60/40 in 2006 and 2007.

All tiers of government in Nigeria suffer from the volatility of revenue and expenditure. State and local governments account for about 50 percent of consolidated public sector spending. This figure could increase with the proposed new revenue allocation formula. Over time it has been difficult to control the intertemporal distribution of expenditure of state and local governments using monetary and fiscal policies as the Constitution grants each state full autonomy over its fiscal actions. The success (or failure) of the reform programme hinges largely on greater fiscal coordination.

The Fiscal Responsibility Pact, expected to come into effect no later than 2005, will help achieve such coordination. Under the provisions of the bill, executive office holders are expected to structure their expenditures in line with the provisions of the capital and recurrent expenditure provisions of the reform programme. In addition, the central bank is currently discouraging bank lending to all tiers of government. According to the new rule, any bank is free to lend to any government agency, provided it provisions 50 percent of the loan value to the Central Bank of Nigeria if the loan is considered performing or 100 percent if the loan is considered nonperforming. The Securities and Exchange Commission is also revising the conditions for borrowing, lending, and floating bonds by all tiers of government to maintain consistency in the pattern of capital market access and usage by all tiers of government. Coordination will be improved by the active use of the formal organs of government, including the National Council on Development Planning, the Joint Planning Board, and the National Economic Council.

While the key challenge is to rein in government spending and get all tiers of government to spend no more than they take in, spending must also be in line with predetermined priorities and reap value for money spent. Thus part of the strategy of the reform effort is to strengthen the due process mechanism and the institutions set up by the administration. Based on established sectoral priorities, the government will set expenditure ceilings through lump-sum allocations to public enterprises and government agencies, and it will monitor the performance of these agencies. The overall aim is to gradually but consistently reduce the government deficit from the current 5 percent to no more than 3 percent of GDP over the lifespan of NEEDS. Doing so will require a roll-back of recurrent expenditures by all three branches of government—executive, legislature, and judiciary—as well as by all tiers of government, primarily through efficiency gains.

The budgeting framework will adopt a mandatory calendar that ensures early involvement of the legislature and finalization of the budget at least three months before the beginning of a new budget year. In collaboration with the National Planning Commission, the Budget Office will produce and disseminate quarterly monitoring and evaluation reports to the general public. The budget process will also be reformed to reduce or eliminate arbitrariness. Essentially, the budget will be in line with the policies and priorities of NEEDS, subject to more detailing of programmes and projects by line ministries and state enterprises.
In the immediate term (2004 and 2005), the aim will be to introduce a more orderly and disciplined budget formulation process that tries to corral the numerous sources of extra-budgetary expenditures, a process that involves input upfront from both the executive and the legislative branches on priorities. The lack of ownership by the legislature of the priorities set forth by the government in previous budgets—as well as attempts to add priorities, regardless of the impact on the overall fiscal position—virtually derailed the budget process in 1999–2003. Part of the new strategy will be to introduce a more collaborative approach between the two branches of government in order to enhance the effectiveness of the budget process.

The bloated federal recurrent budget is unsustainable, as is the unwieldy capital account, a substantial part of which is made up of abandoned and underfunded projects. State governments also have bloated recurrent expenditures and little room for capital programmes. The challenge is to design appropriate strategies and action plans to redress the situation.

The public sector capital programme will be rationalized to give priority to health, education, agriculture, power supply, and the maintenance of infrastructure projects that have high linkage effects with other projects and those that will generate employment at minimal cost. A sunk cost approach will be introduced in determining whether to proceed with ongoing and abandoned projects. Rigorous project selection criteria will be imposed on new projects, including the need to ensure funding to completion. The cleaning up of the budget will produce a more concise capital programme in fiscal 2005.

**Pruning waste.** NEEDS will support new procurement procedures by strengthening the due process mechanism and developing a catalogue of commonly procured equipment, supplies, and services as a reference for ministries and agencies. Tender procedures will be enforced, and the scope of checks on value for money will be expanded.

Procedures for competitive bidding, contract review, and award of various levels of contracts have been introduced. The Budget Monitoring and Price Intelligence Unit was created in the Presidency to oversee the procurement reforms and push implementation of the due process review and contract certification process. The mechanism will be strengthened and upgraded into the Federal Procurement Commission. Accounting officers will ensure that excessive expenditures discovered by postauditing checks are recovered from those responsible. Every department will have internal and external auditors, who will be responsible for tracking expenditures and ensuring value for money.

**Increasing revenue generation and supporting tax reforms.** The reforms also aim at strengthening the machinery for tax collection, tracking all government revenues paid into different bank accounts as well as recovering debts, misappropriated and looted funds, and payments for work not executed. State and local governments are expected to gear up their efforts to generate revenue rather than depend on statutory allocation from the federation account or borrowing on the capital market.

In the short to medium term, the strategy will address six issues:

- The structure of the tax system
- Revenue generation
- Efficiency of collection
- Tracking and response to comparative and international standards
- Investment promotion
- Coordination of tax administration
The structure of the tax system overwhelmingly favours indirect taxes. Although these taxes are generally regressive, the high rate of evasion of direct taxes—attributed mainly to poor data on people and sources of income (the result of a large informal sector)—makes indirect taxes attractive. This structure will continue over the NEEDS period. The main sources of nonoil revenue include customs tariffs, value-added tax, and sales taxes. Governments at all levels will continue to explore the possibilities of collecting user charges on infrastructure and some social services.

The government is collecting far less in income tax (individual and corporate, including withholding taxes) than it should. The tax collection machinery will therefore be revamped, restructured, and strengthened for more effective collection.

A new phenomenon is the loss of revenues arising from the system of remittance of tax revenues paid through banks to the appropriate authority. Significant revenue is being lost through diversion and inadequate monitoring of the process. Such leakages will be plugged, and defaulting banks will be delisted and subject to substantial penalties.

In addressing the level and structure of taxes, attention will be paid to competitiveness. Taxation and fiscal policy will be pro-poor and used as an instrument for reducing high income disparities, as well as providing incentives for investment and productivity growth. Direct taxes on lower income groups will be reduced, while those of the highest groups will be increased. But the structure will pay attention to the competitiveness of Nigeria relative to countries at similar levels of development with which Nigeria has to compete for foreign direct investment. The tax structure will establish a level playing field, adjusting for the cost of doing business due to poor infrastructure, and stimulate private investment in the real sector.

A major nuisance to businesses operating in Nigeria is the multiplicity of taxes imposed at the federal, state, and local levels. While NEEDS will not encourage the pooling of all taxes in a federal system, it will seek agreement among all tiers of government on which level should collect which taxes and how, in order to avoid too great a multiplicity of taxes and conflicting methods of collection. The Joint Tax Board and the peer review mechanism to be established under this strategy will help achieve a more harmonized tax system and ensure coordination and compliance.

Efforts will also be intensified to increase the contributions to public sector financing of major public enterprises, such as the Nigeria Maritime Authority, the Nigeria Ports Authority, the Federal Airports Authority of Nigeria, the Shippers’ Council, the National Civil Aviation Authority, the Securities and Exchange Commission, and NICON Insurance. Over time, these public enterprises have made minimal contributions to development.

The Balance of Payments

Historically, the Nigerian external sector account could be referred to simply as an oil account. Because of the economy’s lack of diversity, swings in OPEC quotas and large changes in the international price of oil have continued to dictate the direction and pace of shifts in the external account. As a result of increases in the OPEC quota, especially since 2000, the country’s current account balance and reserves showed remarkable improvements, with reserves reaching a 10-year high of $10.4 billion in 2001. There are few assurances that the government’s efforts to secure
additional increases in the country’s OPEC quota will be successful in the short term, however. The volume of imports in Nigeria is high, and imports are diversified. Imports range from capital goods and machinery to unprocessed food and other primary items. This high propensity to import food items and the associated health hazards they pose has been a source of concern to the government, which has imposed temporary bans on some items.

Nigeria’s tariff and trade policy is characterized by uncertainty and highly varying rates of protection, and its customs and ports clearance system is inefficient. Policies are out of tune with trends in the Economic Community of West African States (ECOWAS) and in other developing countries. External reserves are volatile, capital flight persists (albeit at a lower rate than under the military regimes), and inflows of portfolio and foreign direct investment into the nonoil sectors remain weak relative to the size of the economy. The external debt overhang remains ominous, with total debt service payment about equal to the federal government’s capital budget (even when the government is not fully servicing all the service payments due).

The balance of payments situation is not sustainable. Oil prices cannot continue to rise indefinitely, and increases in the OPEC quota are not guaranteed. Aggressive export diversification and expansion as well as gradual import liberalization represent the winning strategies for moving forward.

**Policy Thrusts**

NEEDS is based on four main policy thrusts:

- Promote exports and diversify exports away from oil.
- Gradually liberalize imports, harmonize tariffs with ECOWAS’ common external tariffs, and use special levies and import prohibitions to protect local industries.
- Establish a market-determined nominal exchange rate regime, and avoid overvaluation of the real exchange rate.
- Seek debt reduction to make Nigeria’s debt service sustainable.

The trade balance has been in surplus in recent years, as a result of the rise in oil prices. Balance of payments projections assume no change in Nigeria’s OPEC quota and stable oil prices of $22–$23 a barrel between 2004 and 2007. This cautious posture is due mainly to the expected re-entry of Iraq into the oil market and the unpredictable behaviour of Russian oil supply. However, negative changes in the international oil market may not be fully reflected in the balance of trade because of expected positive changes in the gas subsector, where production and earnings are expected to rise.

Export earnings should be diversified. In the short run, the emphasis should be on the export of food and other primary products, with value added to exports over time. Incentives will be given to domestic producers in manufacturing and agriculture to exploit opportunities provided by the numerous bilateral and multilateral trade concessions of which Nigeria is a potential beneficiary.

Despite these incentives, only small changes are expected in the volume of imports in the short run. Although Nigeria has banned the importation of some products, the share of these products in total imports is small. Furthermore, the lowering of tariffs in tandem with the rates set by the West African Economic and Monetary Union is likely to increase the import bill, perhaps offsetting the effects of the import bans. Factor payments arising from industrialization programmes and the import of industrial raw materials will continue, at
least in the short run, to put some pressure on the current account. Thus annual current account deficits of about 0.52 percent of GDP are expected between 2004 and 2007.

With modest deficits, net reserves will grow slowly but steadily, from $7.7 billion (about five months’ imports cover) in 2004 to $10.7 billion (more than six months’ import cover) in 2007. This growth is expected to arise from a larger export base and slower growth of imports. The projection for reserves is within the minimum stipulations of the West African Monetary Zone, allowing Nigeria to keep pace with the regional integration process while pursuing its domestic reform programmes.

Assumptions on debt service payment are optimistic. Only 53 percent of the $12.3 billion of debt service due between 2004 and 2007 is expected to be paid in full. The states will account for 25 percent of payments, while the federal government will take up the other 75 percent. If the reforms stay on course, with policy consistency and increased prudence in the management of public resources, Nigeria is expected to be able to get debt relief, substantially reducing external debt service payments.

Debt relief would also reduce the debt stock, significantly affecting the overall balance. Additional resources from debt relief are expected to show up in increased spending on the social sectors (health, education, water, and infrastructure). This reallocation would increase the impact of the reform programme on human capital development, a major policy goal of reform. In addition, current efforts by the Debt Management Office to sensitize state governments to the implications of their fiscal actions will be increased. In this regard, civil society has a responsibility to demand accountability from public office holders.

Securitized domestic public debt nearly quadrupled between 1996 and 2003, rising from about ₦343 billion to about ₦1.3 trillion. The domestic debt stock is characterized by a number of deficiencies. One is that the stock is concentrated at the short end of the market. About 60 percent of the stock is made up of 91-day Treasury bills; longer term debt constitutes less than 25 percent. This implies a mismatch between assets and liabilities, as much government expenditure is long term.

Another defect is that nonbank public holdings of government securities represent just 6 percent of all debt; the central bank and deposit banks hold about 94 percent. The large holding of government securities by the banking system has adverse implications for the growth of the money supply and the effectiveness of monetary policy. Although reliable figures on nonsecuritized public debt are not available, indications are that the figures run into the trillions of naira for all tiers of government.

Key Strategies
During the medium term, policy will focus on:

- Restructuring existing securities into longer term bonds
- Reducing central bank holdings of the government debt so that the Central bank of Nigeria has wider room for efficient and unconstrained monetary policy
- Financing government deficits by floating bonds in the capital market
- Developing an efficient capital market

In August 2003 the government floated ₦150 billion of federal bonds, with tenors of 3, 5, 7, and 10 years—the first bond issue in 17 years. A major goal of domestic debt management during the programme period will be to sustain this effort by lengthening the term structure of debt and
increasing nonbank public holding of government debt in order to bring government borrowing under the discipline of the capital market.

In addition, domestic borrowing guidelines will be developed and applied to all tiers of government and their agencies. These guidelines will help ensure that the unsustainable and defective domestic debt portfolio of the federal, state, and local governments does not deteriorate.

**Monetary and Exchange Rate Policies**

Historically, monetary policy in Nigeria was mainly short term, but the Central Bank of Nigeria has recently moved to a medium-term framework. Given the fiscal posture for the reform period, monetary policy outcomes will depend largely on the government’s fiscal stance. The disparity between monetary targets and outcomes is wide largely because of the statutory financing of budget deficits and the inability of the apex bank to sterilize the liquidity effects of government expenditures. Thus monetary policy intervention has been basically reactionary and short term, leading to missed targets and ineffectiveness in performance. Despite the fact that the basic goal of monetary policy has been price stability, inflation has been relatively high and above the West African Monetary Zone targets.

**Policy Thrusts**

NEEDS supports several main policy thrusts:

- Strive to meet the second West African Monetary Zone’s convergence criteria.
- Maintain low real lending interest rates.
- Maintain a competitive but stable exchange rate regime.
- Restructure the composition of credit to the private sector to boost production.
- Provide more credit to the private sector, especially long-term credit for real sector development.
- Create effective regulatory and supervisory mechanisms to ensure orderly development of the financial system.
- Continue to use the retail Dutch auction system to determine the nominal exchange rate regime, and adopt a wholesale Dutch auction in the medium to long term.

The conduct of the monetary, credit, and exchange rate policies will continue to be guided by the central bank’s monetary, credit, foreign trade, and exchange policy guidelines, which are now issued for two-year periods. The current guideline, Monetary Policy Circular No. 37, covers the policy guidelines for fiscal 2004 and 2005. The overall goal of monetary policy remains price and exchange rate stability; the instruments are those consistent with a deregulated financial system.

Given that the government is committed to a tighter fiscal stance, the inflation rate is expected to drop progressively over the four-year time horizon, reaching 9 percent by 2007. The decline in inflation is expected to improve the macroeconomic environment for planning and to reduce pressure on domestic costs and real interest rates. Interest rates will remain deregulated and market determined, but policy will aim at rates that are above the inflation rate in order to mobilize savings. The reform programme will aim to reduce the spread between lending and deposit rates of interest.

Historically, the structure of credit allocation has been a problem. It is widely believed that public sector demand for credit crowded out the private sector. Credit to the private sector has
also been affected by the low absorptive capacity of the economy. Monetary projections for the reform period envisage lower public sector deficits, increasing the availability of funds for lending to the private sector. Banks need inducements to lend to the private sector rather than trade in government instruments, conduct foreign exchange transactions, or finance short-term (commercial) activities.

Providing credit to the private sector will be encouraged through a set of incentives. The central bank has already introduced a credit (risk) guarantee scheme for commercial bank lending to small and medium-size enterprises and the agricultural sector. Other incentives, such as the rediscounthing and refinancing schemes of commercial bank debts for small and medium-size enterprises, will be intensified. The aim is to create incentives that alter the structure of banking from deposit driven to credit giving. Given these incentives, credit to the private sector is projected to grow at least 30 percent a year. The framework also provides for steady but slow average annual changes in broad money over the reform period. With a substantial decline in government borrowing, less financing of government deficits by the central bank, and reduced dependence on oil income for foreign exchange earnings, changes in broad money are expected to be less volatile.
Part Two
Empowering People

Chapter 4
The Social Charter:
Investing in the Nigerian People
Chapter 4

The Social Charter: Investing in the Nigerian People

NEEDS is about the Nigerian people—their health, education, employment, happiness, sense of fulfillment, and general well-being (box 4.1). This chapter presents the social agenda that underpins the NEEDS programme.

Box 4.1 Measuring the Quality of Life: Comments by President Olusegun Obasanjo

Too often we attempt to measure progress by statistical aggregates and technical prowess. We thereby tend to overlook that the main goal of life is to ensure survival and to enable everyone to realize his full potential for well-being, fulfillment, and accomplishment in happiness, joy, love, and contentment. National income figures neither reveal the real beneficiaries nor the composition of that income. They do not value the things that human beings consider important for themselves but have little or no market value for others or those beholden to statistical aggregates—freedom of choice, better nutrition and health care, security against crime and physical violence, better working conditions, access to knowledge and information, closeness of family life and community life, satisfying leisure and recreational facilities and time, a sense of participation in the economic, cultural, religious, and political activities of their communities. People also want higher incomes, but income is never the sum total of human life. For most people, health, security, freedom, love, recognition, and fulfillment through active participation and accomplishment are some of the important things in life.

The challenge is not only to reform the system in order to boost economic growth but also to empower the people in a means of revitalizing the weakened social pillar. Doing so calls for a human rights approach to development planning that places people at the centre of development efforts. The added value provided by this approach is that the norms and values enshrined in it have the potential to empower the poor. This is important, because it is now widely recognized that effective poverty reduction is not possible without doing so.

Poverty Reduction

Poverty reduction is the most difficult challenge facing Nigeria and its people and the greatest obstacle to pursuit of sustainable socioeconomic growth. The poverty rate in Nigeria increased from 27 percent in 1980 to 66 percent in 1996 (table 4.1); by 1999 it was estimated that more than 70 percent of Nigerians lived in poverty. Life expectancy is a mere 54 years, and infant mortality (77 per 1,000) and maternal mortality (704 per 100,000 live births) are among the target poor children, creating a kind of dynasty of the poor. The current tensions and social conflicts have eroded the fabric that held society together. The challenge is not only to reform the economy in order to boost economic growth but also to empower the people as a means of revitalizing the weakened social pillar. Doing so calls for a human rights approach to development planning that places people at the centre of development efforts. The added value provided by this approach is that the norms and values enshrined in it have the potential to empower the poor. This is important, because it is now widely recognized that effective poverty reduction is not possible without doing so.

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Current Challenges

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Social conditions in Nigeria present a startling paradox: a rich endowment of natural and human resources, most of the country is poor. For decades the country has struggled to improve socioeconomic conditions, which have declined despite increasing revenue from crude oil.

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The growing incidence and the dynamics of mortality (77 per 1,000) and maternal mortality (704 per 100,000 live births) are among the
highest in the world. Other social indicators (from 1999) are also weak:

- Only about 10 percent of the population had access to essential drugs.
- There were fewer than 30 physicians per 100,000 people.
- More than 5 million adults were estimated to be living with HIV/AIDS.
- Among children under five, almost 30 percent were underweight.
- Only 17 percent of children were fully immunized—down from 30 percent in 1990—and almost 40 percent had never been vaccinated.
- Only about half the population had access to safe drinking water (40 percent in rural areas, 80 percent in urban areas).
- Some 29 percent of the total population lived at risk from annual floods.
- More than 90 percent of the rural population depended on forests for livelihood and domestic energy sources.
- Rural households spent an average of 1.5 hours a day collecting water and fuel wood, with household members walking an average of one kilometre a day to collect water and fuel wood.

Qualitatively, poverty in Nigeria has many manifestations and dimensions, including joblessness, over-indebtedness, economic dependence, lack of freedom, inability to provide the basic needs of life for self and family, lack of access to land and credit, and inability to save or own assets. Poor people tend to live in dirty localities that put significant pressure on the physical environment, contributing to environmental degradation. The poor, especially farmers, perceive their economic circumstances to be fraught with uncertainty, affected by events over which they have no control, such as primary commodity prices, the volume of rainfall, pest attacks, fire outbreaks, changes in soil conditions, and social conflicts. Lack of food is the most critical dimension of poverty, reflected in the popular saying that “when hunger is excised from poverty, the burden of poverty is light.”

Causes of Poverty

Inadequate growth is the main cause of poverty in Nigeria. The lack of growth is compounded by the volatility of the oil sector, which affects a range of activities in the economy. High and growing unemployment increases the number of poor people. Other factors that have contributed to the level and evolution of poverty in Nigeria include problems in the productive sector, widening income inequality, weak governance, social conflict, and gender, intersectoral, and environmental issues (table 4.1).

Problems in the productive sector. The limited growth of investment and technological innovation has constrained the labour absorption capacity of the nonagricultural sector, especially manufacturing. This lack of capacity has exacerbated poverty, especially in urban areas. Two other factors—problems associated with the transition away from high-cost industries that are heavily dependent on imports and the impact of globalization on domestic industries that are unable to compete with imported substitutes—also appear to have contributed to the limited growth of domestic production and employment. International evidence from countries in roughly comparable circumstances suggests that the savings propensity in Nigeria is low, providing weak underpinning for the sustained domestic investment growth needed in the fight against poverty.

Table 4.1 Incidence of Poverty in Nigeria, Selected Years

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>National</td>
<td>28.1</td>
<td>46.3</td>
<td>42.7</td>
<td>65.6</td>
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<tr>
<td>Geopolitical zones</td>
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<tr>
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<tr>
<td>North-Central</td>
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<td>50.8</td>
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<td>64.3</td>
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<tr>
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<td>38.6</td>
<td>43.1</td>
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<tr>
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<tr>
<td>Urban</td>
<td>17.2</td>
<td>37.8</td>
<td>37.5</td>
<td>58.2</td>
</tr>
<tr>
<td>Rural</td>
<td>28.3</td>
<td>51.4</td>
<td>46.0</td>
<td>69.3</td>
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<tr>
<td>Gender of head of household</td>
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<td></td>
</tr>
<tr>
<td>Male</td>
<td>23.2</td>
<td>47.3</td>
<td>45.1</td>
<td>66.4</td>
</tr>
<tr>
<td>Female</td>
<td>26.9</td>
<td>56.6</td>
<td>39.9</td>
<td>58.5</td>
</tr>
<tr>
<td>Size of household</td>
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</tr>
<tr>
<td>1 person</td>
<td>2.0</td>
<td>7.0</td>
<td>29.0</td>
<td>13.1</td>
</tr>
<tr>
<td>2–4 people</td>
<td>8.8</td>
<td>19.3</td>
<td>19.3</td>
<td>59.3</td>
</tr>
<tr>
<td>5–9 people</td>
<td>30.0</td>
<td>50.5</td>
<td>51.5</td>
<td>74.8</td>
</tr>
<tr>
<td>10–20 people</td>
<td>51.0</td>
<td>71.3</td>
<td>66.1</td>
<td>88.5</td>
</tr>
<tr>
<td>More than 20 people</td>
<td>80.9</td>
<td>74.9</td>
<td>93.3</td>
<td>93.6</td>
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<tr>
<td>Education of head of household</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>30.2</td>
<td>51.3</td>
<td>48.4</td>
<td>72.8</td>
</tr>
<tr>
<td>Primary</td>
<td>21.3</td>
<td>40.6</td>
<td>43.3</td>
<td>54.4</td>
</tr>
<tr>
<td>Secondary</td>
<td>7.6</td>
<td>27.2</td>
<td>30.3</td>
<td>52.0</td>
</tr>
<tr>
<td>Postsecondary</td>
<td>24.3</td>
<td>24.4</td>
<td>25.8</td>
<td>49.2</td>
</tr>
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</table>

Income distribution. Widening income inequality has continued, underpinning significantly to the increase in poverty in Nigeria. Economic growth has tended to benefit people who work in public sector management. Fiscal policies have not promoted income redistribution. A related problem is the decline in the living standards of a growing number of pensioners (including retired members of the Nigerian middle class), due to understanding and management problems of pension arrangement and management programmes of pension arrange- ments in public and private sector institutions.

Weak governance. Weak governance (including corruption) is believed to have contributed significantly to poverty in Nigeria. Governance problems are widely thought to have been among the major reasons why past poverty alleviation programmes have had little effect. The capacity of individuals and businesses to exploit the potential of the Nigerian economy has been hampered by the costs associated with corruption.

Social conflict. The economic and social dislocations caused by internal conflicts have negatively affected the economic well-being of individuals and businesses in various ways. Conflicts often lead to the deaths of principal income earners or the destruction and loss of major assets, such as houses or lands. Those not displaced from conflict areas often face inadequate infrastructure and other facilities needed to earn a decent living. The occurrence—and in several cases recollection—of social conflicts in various localities in Nigeria has increased poverty, not only in areas directly affected by the conflict but also in areas affected by inflows of internally displaced people. The uncertainties associated with actual or potential conflict situations also tend to discourage domestic and foreign investments.

Gender. As in many developing countries, women in Nigeria are more likely than men to be poor. They also have fewer options than men for escaping poverty. Partly due to traditional property rights and inheritance practices, widows are more vulnerable to poverty than widowers. Because they have less formal education than their male counterparts, women generally benefit less from using employment to fight poverty. Children’s and Women’s Rights in Nigeria: A Wake-Up Call, a 2001 study published by the National Planning Commission and UNICEF, provides detailed information on the problems, progress, and possibilities facing women and children in Nigeria. The study is a valuable source of information for developing gender policies as the implementation of NEEDS proceeds.

Intersectoral factors. Some evidence suggests that the rural sector, where about 70 percent of Nigeria’s people live, has been facing a more serious poverty situation than the urban sector. The difference is caused by a variety of factors, including the following:

- Sharp seasonality in the flow of production, income, and employment opportunities in the rural sectors.
- Shortage of social and economic infrastructure compared with urban areas.
- Migration of the educated workforce to urban areas and the consequent aging of the rural population.
- Low productivity of rural (and especially agricultural) production, due partly to limited access to credit, pesticides, extension services, and modern technology for agricultural production, processing, and preservation.

At the same time, increases in population are putting pressure on limited resources in urban areas, which face serious problems of unemploy- ment, inadequate housing, and other environment-related problems.

Environmental factors. Empirical evidence shows that poverty and environmental degradation are inextricably linked in Nigeria, because 75 percent of rural people depend on natural resources for their livelihood. Environmental issues are also closely linked to underemployment and poverty-related institutions, review past poverty alleviation programmes, and harmonize sectoral efforts. Several major factors hinder the success of government efforts to reduce the level of poverty were identified. They included:

- Poor coordination
- The absence of a comprehensive policy framework
- Excessive political interference
- Ineffective targeting of the poor, leading to leakage of benefits to unintended beneficiaries
- The unwieldy scope of programmes, which caused resources to be thinly spread across too many projects.
NEEDS seeks to significantly improve the quality of life of Nigerians, create social safety nets for the vulnerable, and meet the needs of people displaced by the reform process.

NEEDS recognizes education as the vital transformational tool and a formidable instrument for socioeconomic empowerment. The education sector has responsibility for producing and supplying the personnel required to propel and sustain the NEEDS initiative. The goals of wealth creation, employment generation, poverty reduction, and value reorientation can be effectively pursued, attained, and sustained only through an efficient, relevant and functional education system. Education is critical to meeting the goals set by NEEDS. It is also a sector that the initiative seeks to reform.

Policy thrust of NEEDS

NEEDS recognizes the education system as the vital transformational tool and a formidable instrument for socioeconomic empowerment. The education sector has responsibility for producing and supplying the personnel required to propel and sustain the NEEDS initiative. The goals of wealth creation, employment generation, poverty reduction, and value reorientation can be effectively pursued, attained, and sustained only through an efficient, relevant and functional education system. Education is critical to meeting the goals set by NEEDS. It is also a sector that the initiative seeks to reform.

The overall policy thrust of NEEDS in education is to:
- Provide unhindered access to compulsory basic education to all citizens as a bridge to the future socioeconomic transformation of Nigerian society.
- Establish and maintain enhanced quality and standards through relevant, competency-based curricula and effective quality control at all levels.
- Enhance the efficiency, resourcefulness, and competence of teachers and other educational personnel through training, capacity building, and motivation.
- Strengthen Nigeria’s technological and scientific base by ensuring relevant, technical, vocational, and entrepreneurial education and making optimal use of information and communication technologies to meet the nation’s human resource needs.
- Provide an enabling environment and stimulate the active participation of the private sector, civil society organizations, communities, and development partners in educational development.

Educational goals and key strategies

NEEDS sets six goals for education. The first is to ensure and sustain unfettered access to education for the total development of the individual. Targets for achieving the goal include the following:
- Increase the percentage of graduate of primary schools who acquire functional literacy and numeracy to 100 percent.
- Increase the percentage of secondary school graduates who go on to senior secondary school or senior technical school to 80 percent.
- Increase the percentage of senior secondary school and senior secondary technical school graduates who go on to tertiary institutions to 20 percent.
- Increase the adult literacy rate to 65 percent.
- Reduce the number of cases of examination malpractice in educational institutions by 40 percent.
- Reduce the number of cases of cultism in educational institutions by 90 percent.
- Increase to 90 percent the percentage of primary and secondary schools that establish sustainable programmes of physical development.
- Ensure that all tertiary institutions establish sustainable programmes of physical development.

The second goal is to improve the quality of education at all levels. Targets for achieving the goal include the following:
- Ensure that 80 percent of primary school teachers acquire the minimum teaching qualification (the National Certificate in Education).
- Ensure that 90 percent of secondary school teachers obtain professional qualifications (B.Ed., PGDE).
Education is critical to meeting the goals set by NEEDS.

- Ensure that 80 percent of teachers in tertiary institutions acquire pedagogical skills.
- Ensure that 80 percent of teachers at all levels are professionals.
- Ensure that 50 percent of primary schools have conducive teaching and learning environments.
- Ensure that 60 percent of secondary schools have conducive teaching and learning environments.
- Ensure that 60 percent of head teachers and assistants undergo training in school-level management.
- Establish an efficient institutional framework for monitoring teaching and learning at all levels.

The third goal is to use education as a tool for improving the quality of life through skill acquisition and job creation for poverty reduction. Targets for achieving the goal include the following:

- Ensure that Nigerians who have completed basic education acquire the literacy, numeracy, and basic life skills needed to live meaningful lives and contribute to national development.
- Ensure that 50 percent of secondary school students have access to good-quality vocational and entrepreneurial education.
- Ensure that 50 percent of tertiary education graduates acquire sufficient technical skills entrepreneurial skills, and knowledge to be self-employed and wealth creators.

The fourth goal is to ensure periodic review and effective implementation of the curriculum at the secondary level to meet the requirements of higher education and the world of work. Targets for achieving the goal include the following:

- Complete the curriculum revision exercise to reflect the dynamism of society and emerging global issues.
- Reorganize institutional basic technology and resource centres nationwide.
- Establish new basic technology and resource centers nationwid.
- Produce education materials that reflect the revised curricula.
- Establish libraries and information resource centers for teachers and students to complement formal and life-long education and create awareness of their importance.
- Involve local craftsmen in the delivery of vocational education in schools.

The fifth goal is to mobilize and develop partnerships with the private sector and local communities to support and fund education. Targets for achieving the goal include the following:

- Produce education materials that reflect the revised curricula.
- Involve local craftsmen in the delivery of vocational education in schools.
- Develop and produce curricula for teaching computer education in secondary schools.
- Provide secondary and tertiary institutions with information and communication technology equipment and facilities.

Strategies for achieving the goal include the following:

- Complete and harmonize all on-going educational planning programmes and initiatives in the Ministry of Education and its agencies.
- Make learning and teaching environments child and teacher friendly.
- Train and retrain teachers, through formal and distance learning programmes.
- Review curricula at all levels for relevance, and make them competency based to meet global challenges and the needs of the job market.
- Provide adult and youth vocational centers with materials and equipment for functional literacy and the acquisition of occupational skills.
- Develop effective partnership and collaboration with the organized private sector and the informal sector.
- Produce textbooks and other instructional materials.
- Retain the 2 percent education tax and enforce 100 percent compliance.

Tertiary education. Under NEEDS the government recognizes the critical importance of tertiary institutions for developing high-quality human resources, especially in an increasingly technology-driven world economy. The government also recognizes the challenges facing these institutions, challenges that include inadequate funding and facilities, curricula that are inadequate and not up-to-date, and a lack of appropriate teaching and administrative staff. The government is committed to reforming the higher education system so that it is equitable, responsive, and relevant to the needs of the country.

The strategy for reform includes the following:

- Strictly adhere to the provisions of the University Autonomy Act.
- Diversify funding by attracting private sector funding and considering more appropriate pricing of facilities and services (including hostel accommodation).

NEEDS recognizes the critical importance of tertiary institutions for developing high-quality human resources, especially in an increasingly technology-driven world economy.
NEEDS advocates greater involvement and participation by the private sector in educational development

- Update and restructure curricula to meet the demands of the national economy.
- Mainstream science and technology, especially information and communication technology.
- Establish effective monitoring of public and private universities to ensure strict adherence to standards.
- Develop innovative approaches to ensure continued retooling and capacity building of lecturers so that they operate at the cutting edge of their disciplines.
- Incidentally move towards a decentralized and competitive wage bargaining system, which promotes a performance-based reward system.

Private sector participation in the education sector: The NEEDS initiative advocates greater involvement and participation by the private sector in educational development. An enabling environment will be created to increase private sector participation. Establishment of good-quality, privately owned educational institutions at all levels will be encouraged to ensure that gaps in the provision of education are filled. Efforts will be made to achieve 100 percent compliance in paying the 2 percent corporate profit tax that funds education.

Policy thrusts. Under NEEDS the government will:
- Improve its stewardship over policy formulation, health legislation, regulation, resource mobilization, coordination, monitoring, and evaluation.
- Strengthen the national health system and improve its management.
- Improve the availability and management of health resources (financial, human, infrastructure, and so forth).
- Reduce the disease burden attributable to priority diseases and health problems, including malaria, tuberculosis, HIV/AIDS, and reproductive health–related illnesses.
- Improve physical and financial access to good-quality health services.
- Increase consumers’ awareness of their health rights and obligations.
- Foster effective collaboration and partnership with all health actors.

Major strategies and interventions. The government will adopt the following strategies to meet its goals:
- Redefine the roles and responsibilities of the Ministry of Health and other federal public health institutions and their strategies to provide and finance good-quality health services.
- Reorganize and restructure the Ministry of Health and other public health structures within the context of the redefined roles and responsibilities.
- Review existing health policies and strategies as well as health legislation.
- Publish a new national health policy and enact a National Health Act that defines the national health system and enhancing the delivery of essential, good quality, and affordable health services.

Policy thrusts. Under NEEDS the government will:
- Strengthen the capacity of the Ministry of Health in policy formulation and implementation.
- Improve existing or set up new mechanisms to generate and use evidence and information for developing and implementing health policy, programmes, and plans.
- Strengthen local governments’ capacity in primary health care management.
- Rehabilitate primary health care facilities and make them operational.
- Implement the Varmed Engineering Project for refurbishing teaching hospitals and standardizing their equipment.
- Establish a national hospital services commission to improve management of tertiary health services.
- Establish systems for efficient management of health resources, including finance, human resources, and physical infrastructure.
- Construct and institutionalize National Health Accounts.
- Develop and implement a comprehensive health care financing strategy, including the fast-tracking of the National Health Insurance Scheme.
- Rehabilitate and refurbish the National Drug Production Laboratory.
- Fully operationalize the National Institute for Production of Vaccines and Biologicals.
- Establish a national/biochemical transfusion system.
- Create an enabling environment for local manufacture of about 70 percent of Nigeria’s needs for essential drugs and supplies and antiretroviral drugs and reagents.

- Improve data on the burden and socio-economic impact of diseases in Nigeria.
- Develop and implement a well-costed strategic plan for combating malaria, tuberculosis, and other diseases.
- Develop and implement an appropriate response to the HIV/AIDS pandemic.
- Create or strengthen mechanisms for checking the transmission of polio by the end of 2004; detecting, diagnosing, and responding to epidemics in a timely manner; and rapidly and sustainably decreasing routine immunization coverage.
- Strengthen existing programmes and initiatives for eliminating or eradicating specific diseases, such as Guinea worm.
- Develop and implement a mechanism for measuring the performance of tertiary health institutions.
- Develop and implement a strategy to improve health workers’ attitude, morale, and commitment.
- Establish a reliable system for supplying good-quality drugs and medical materials to health facilities.
- Strengthen the ability of the National Agency for Food and Drug Administration and Control to perform its regulatory functions.
- Develop and implement a strategy to increase consumers’ knowledge and awareness of their personal obligations and rights to better health.
- Develop and implement a strategy to enhance community participation in providing and financing health services.
- Use the results of the study on the private health sector to formulate policy for promoting public-private partnerships in health care provision and financing.

The goal of the NEEDS health component is to improve the health status of Nigerians in order to reduce poverty.
Many of the diseases that affect Nigerians are due to unhealthy environmental conditions. Environmental health considerations therefore remain vital to achieving the objectives of NEEDS. Under the environmental health reform programme, the government will:

• Develop and implement a framework for enhancing effective coordination of development partners.
• Integrate all tiers of care, as well as traditional medical practitioners, into the referral chains of medical care, as they provide low-cost care and are the first point of contact for rural dwellers.
• Strengthen the ability of the Nigeria Natural Medicine Development Agency and traditional healthcare practitioners to develop standards and monitor practitioners to carry out clinical trials to confirm the efficacy and proper dosage of preparations, for example.

Improving Environmental Health

Good health is paramount unless the environments in which people live promote health. Many of the diseases that affect Nigerians—including malaria, tuberculosis, diarrhea, and dysentery—are due to unhealthy environmental conditions. Environmental health considerations therefore remain vital to achieving the objectives of NEEDS.

Assess the environmental health impact of communities in oil-producing and mining areas.

Promote community-based integrated sanitation services.

Promote the safe use of pesticides and other agro-chemicals.

Increase antenatal, postnatal, and family planning services and outlets in order to reduce maternal mortality from the current level of 704 per 100,000 live births and infant mortality from the current level of 77 per 1,000.

Tackle the HIV/AIDS Challenge

HIV/AIDS is a cross-cutting issue, with links to education, health, agriculture, defence, labour, and other sectors. The HIV/AIDS epidemic in Nigeria has extended beyond high-risk groups. More than 2.7 million Nigerians are now infected with the virus. An estimate based on a 2001 sentinel survey conservatively puts prevalence at 5.4 percent of the population. The figure suggests that targeting is in real danger of facing explosive growth in the epidemic, with dire consequences for economic growth, health, and social development. The response to HIV/AIDS being coordinated by NACA has focused on the challenges of containing the epidemic and preventing new infections through advocacy, information and education campaigns, behaviour change communication, condom distribution, targeting of groups particularly vulnerable to infection, and other key interventions. It also focuses on treatment and care of people living with HIV/AIDS. Both prevention and treatment are top priorities for NACA, not only because they save lives and reduce human suffering but also because they limit the future impact of the epidemic on human development and poverty reduction efforts.

Through an International Development Association credit, NACA provides funds for NGOs, community-based organizations, and other intervention partners, including the World Bank, the U.S. Agency for International Development, the Department for International Development, UNAIDS, the Canadian International Development Agency, the World Health Organization, UNICEF, the United Nations Development Programme, the United Nations Population Fund, and other organizations. Positive outcomes of these efforts are the increasing flow of resources for community and sectoral responses, as well as broad ownership of the national response beyond the health sector.

Projected impact of HIV/AIDS on Nigeria’s economy and development

HIV/AIDS is projected to affect many sectors of the Nigerian economy:

• Microeconomic effects. Studies in Africa suggest that the HIV/AIDS epidemic reduces annual GDP growth by about 1–2 percent.

• Health sector: The epidemic affects demand for and supply of medical care, staffing levels by function, training and replacement costs, employment terms, quality of care, and health care delivery.
The NEEDS HIV/AIDS policy aims to create an environment in which all Nigerians will be able to live socially and economically productive lives free of the disease and its effects.

The provision of HIV/AIDS-related services advanced by Stretch 1 affects the provision of other health care services.

- Education. The epidemic affects staffing, replacement and training needs, employment policies, contracts, employer liabilities, costs, delivery, and quality.
- Agriculture and food security. HIV/AIDS has serious adverse impacts on food security in Nigeria, potentially affecting subsistence and small-scale commercial agriculture, rural livelihood strategies, and household and community support systems. Both economic and noneconomic losses will result from the epidemic.
- Urban livelihoods. HIV/AIDS has grave implications for urban dwellers. The epidemic will affect employment, labour market operation, income inequality, and access to services of people living in urban areas.
- Loss of social reproduction capacity. The impact of HIV/AIDS is not solely, or even mainly, economic. Some of the most serious costs include loss of social capital and interpersonal and intracommunal trust and support. Such losses—at the individual, household, and community levels—will continue for more than a decade.

Policy thrust and targets. The overall goal of the NEEDS HIV/AIDS policy is to control the spread of HIV/AIDS in Nigeria, provide equitable care and support for those infected with HIV/AIDS, and mitigate its impact to the point where it is no longer a major disease in the country. Provided adequate resources for it to meet its goals and targets set for HIV/AIDS prevention and control.

The following targets have been set to guide programme planning and implementation:
- Achieve at least a 25 percent reduction in the adult prevalence of HIV every five years.
- Increase the use of safe-sex behaviour among the general population and high-risk groups by 20 percent by 2005 and by 50 percent by 2007.
- Reduce the prevalence and incidence of sexually transmitted infections by 50 percent by 2007.
- Ensure that at least 20 percent of all local government areas offer home-based care to people living with HIV/AIDS by 2007.
- Ensure that 30 percent of health institutions will be able to offer effective care for and management of HIV/AIDS by 2007.
- Ensure that 5 percent of communities affected by HIV/AIDS will have programmes designed to provide social safety nets for people living with HIV/AIDS by 2005, and increase the proportion of communities with such programmes to 15 percent by 2007.
- Reduce mother-to-child transmission of HIV by 50 percent by 2007.
- Increase ready access to voluntary confidential counseling and testing services to at least 50 percent by 2007.
- Ensure access to antiretroviral drugs in all areas.

Strategies. To achieve the goal of controlling the spread and mitigating the impact of HIV/AIDS, NAACA will adopt the following strategies:
- Promote a national multisectoral and multidisciplinary response to the epidemic, and establish an appropriate legal and institutional framework for its coordination.
- Identify sectoral roles and assign responsibilities for implementing programmes based on sectors’ comparative advantages and core competencies.
- Increase awareness of and sensitivity about HIV/AIDS among the general population.
- Foster behaviour change as the main means of controlling the epidemic.
- Improve national understanding and acceptance of the principle that all people must accept responsibility for the prevention of HIV transmission and the provision of care and support for those infected and affected.
- Provide access to cost-effective support and care, including antiretroviral drugs, to people with HIV/AIDS.
- Protect the rights of people infected and affected by HIV/AIDS, as guaranteed under the Constitution and the laws of Nigeria.
- Remove all barriers to HIV/AIDS prevention and control.
- Empower people infected and affected by HIV/AIDS to cope with their circumstances, through training, counseling, and education.
- Support research, monitoring, and evaluation of programmes; relevant documentation of activities related to the epidemic; and the dissemination of information to stakeholders and the general population.
- Ensure that prevention programmes are developed and targeted at vulnerable groups, such as women and children, adolescents and youth, sex workers, long-distance commercial vehicle drivers, prison inmates, migrant workers, and others.
- Transform NAACA into a statutory body, and provide adequate resources for it to meet the goals and targets set for HIV/AIDS prevention and control.

Housing

The overall goal of the NEEDS HIV/AIDS policy is to control the spread of HIV/AIDS in Nigeria, provide equitable care and support for those infected with HIV/AIDS, and mitigate its impact to the point where it is no longer a major disease in the country. Provided adequate resources for it to meet its goals and targets set for HIV/AIDS prevention and control.

The rate of urbanization in Nigeria—about 5.3 percent a year—is one of the fastest in the world. Urban unemployment is estimated at about 10.8 percent. If manufacturing and services sectors do not grow sufficiently to absorb the surge of labour to urban areas and if rural areas are not transformed to stem the growth in migration, urban unemployment could become unmanageable.

Employment Generation

The overall goal of the NEEDS HIV/AIDS policy is to control the spread of HIV/AIDS in Nigeria, provide equitable care and support for those infected with HIV/AIDS, and mitigate its impact to the point where it is no longer a major disease in the country. Provided adequate resources for it to meet its goals and targets set for HIV/AIDS prevention and control.

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The implications for poverty—and crime, conflict, and the maintenance of democracy—are grave.

If manufacturing and services sectors do not grow sufficiently to absorb the surge of labour to urban areas and if rural areas are not transformed to stem the growth in migration, urban unemployment could become unmanageable.
NEEDS recognizes the urgency of the unemployment situation, but it understands that there will be a lag in the expected job-creation effects of the reform programme. It also recognizes the need for specific steps to facilitate individual empowerment, particularly among young people and other vulnerable groups, through the creation of new jobs.

The private sector is expected to generate most of the new jobs in Nigeria (table 4.2). The role of the government will be to:

- Create an enabling environment by adopting specific sectoral programmes that permit the private sector to prosper.
- Empower people by providing for the acquisition of relevant skills to prepare them for the world of work.
- Promote integrated rural development, in collaboration with the states.
- Coordinated implementation of NEEDS at the federal level and State Economic Empowerment and Development Strategies (SEEDS) at the state level is expected to lead to about 7 million new jobs.

Empowering Women

NEEDS seeks to fully integrate women by enhancing their capacity to participate in the economic, social, political, and cultural life of the country. To do so, the government will adopt the following measures:

- Ensure equitable representation of women all over the country in all aspects of national life by using affirmative action to promote women for the world of work.
- Acquire the necessary skills that permit the private sector to prosper.
- Adopting specific sectoral programmes that permit the private sector to prosper.
- Promote integrated rural development, in collaboration with the states.
- Increase the access of women, youth, and children to information on key national issues.
- Provide social security for unemployed women, youth, and poor children.

Empowering Youth

Joblessness has resulted in a rising incidence of social ills among young people. Policies will target youth empowerment and development in order to reverse the negative consequences associated with the past pattern of development. Specific interventions include the following:

- Expand opportunities for vocational training and entrepreneurship.
- Provide facilities for sports and recreation (public sports facilities and parks).
- Promote the arts and culture.
- Wage a sustained campaign against drug use and abuse, cultism, prostitution, and trafficking of women.

Table 4.2 Projected Sources and Means of Employment Generation under NEEDS

<table>
<thead>
<tr>
<th>Source of growth</th>
<th>Means of employment generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and rural development</td>
<td>- Increased productivity of small farmers - New jobs in rural areas arising from improved rural infrastructure - Increased employment from commercial agriculture</td>
</tr>
<tr>
<td>Manufacturing and small and medium-size enterprises</td>
<td>- Increased production through coordinated programmes by the federal and state governments - Federal-state collaboration in the development of industrial clusters and parks</td>
</tr>
<tr>
<td>Solid minerals</td>
<td>- New investment - Improved infrastructure at mining sites - Implementation of national strategy for solid minerals (expected to create at least 500,000 new jobs)</td>
</tr>
<tr>
<td>Information and communications</td>
<td>- Expansion of telecommunications industry and the coming on board of second national carrier</td>
</tr>
<tr>
<td>Services (especially tourism)</td>
<td>- Increases in distribution trade as a consequence of growth in the productive sectors and services - New focus on tourism (which will lead to more direct and indirect employment, at the Obudu Cattle Ranch, for example) - Growth in entertainment industry, especially export of domestic videos</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>- Enforcement of local content policy - Growth in gas sector</td>
</tr>
<tr>
<td>Power</td>
<td>- Increased participation of independent power providers, which will expand productivity and lead to greater demand for both skilled and unskilled workers in all sectors of the economy</td>
</tr>
<tr>
<td>Education</td>
<td>- Universal basic education and the increasing growth of private provision of education and skill training</td>
</tr>
<tr>
<td>Public works and housing construction</td>
<td>- Use of public works in construction of roads and other public utilities, especially by state and local governments - New and continuing boom in housing construction all over the country</td>
</tr>
<tr>
<td>Intervention schemes</td>
<td>- Increased employment from commercial agriculture - Improved infrastructure at mining sites - Implementation of national strategy for solid minerals (expected to create at least 500,000 new jobs)</td>
</tr>
<tr>
<td>Environment</td>
<td>- Diversification of responsibility for waste management to private sector (leads to wealth initiative) - Forest cottage industries (such as manufacture of cane products)</td>
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</tbody>
</table>

Note: These sources of growth are not exhaustive. The sectors usually associated with modern job creation, such as the financial sector (particularly banks), information and telecommunication technology, and the hospitality industry, are not discussed. Also excluded is the informal sector, the largest employer of nonagricultural labor to low-skilled workers. Specific measures will be taken to provide specialized skill development to retain youth and to reduce youth unemployment to women and people with disabilities.
Part Two: Needs

Chapter 4: The Social Charter: Investing in the Nigerian People

Policies will target youth empowerment and development in order to reverse the rising incidence of social ills among young people:

- Increase awareness about the dangers of HIV/AIDS and other sexually transmitted diseases.
- Use public works, such as road maintenance and agriculture-based schemes, to reduce youth unemployment.
- Inculcate in Nigerian youth the virtues of patriotism, discipline, selfless service, honesty, and integrity through reutilization of organizations such as the Boy Scouts, the Girls Guide, and the Boys Brigade.
- Promote targeted youth employment to deal with the short-run consequences of the reform process.
- Increase access of women and youths to credit under existing arrangements.
- Increase opportunities for Nigerian youth, especially in the choice of profession, through youth exchange programmes and other avenues that expose them to international best practices.
- Eliminate factors that promote ethnic, religious, and social divides among Nigerian youths.

Ensuring the Welfare of Children

Children’s welfare will be protected by strict implementation of the Child Rights Act of 2003 by child rights implementation committees at the federal, state, and local government levels. These committees will strictly enforce the protection of children from:

- Communal and armed conflict
- All forms of abuse, neglect, and exploitation, including economic exploitation, sexual exploitation, and the use of children in criminal activities or the production and trafficking of narcotics and psychotropic substances
- Child trafficking
- All forms of violence
- All forms of hazardous work
- Preventable sicknesses and diseases associated with hunger and malnutrition, particularly early in life

It will also:

- Recognize children’s right to participate in recreation, leisure, association, and matters affecting their lives by promoting representation, association, and participation opportunities (through the Children’s Parliament, for example).
- Bridge the gender gap in school enrolment and retention.

Liberalizing Sports Administration

Worldwide, sporting activities represent a major source of earnings and employment. Huge profits are generated in many countries through ticket sales; sponsorship deals; the sale of advertising, radio, and television rights; product endorsements; and public and movie appearances by sports stars. Athletes’ earnings are reinvested in the economy, creating employment. Nigeria has not enjoyed the benefits of professional sport because of government’s domination of sports administration and management and the status given to sports as an extension of social services. The existence of cumbersome laws and regulations has prevented sports from becoming a job-creating industry. Under the NEEDS the enormous potential of the sports industry would be unleashed by liberalizing the sector. The private sector has demonstrated enormous capacity to invest in the sector and to run many sports profitably. Given the government’s lean resources, the private sector will be encouraged to take a dominant position. Independent estimates show that a liberalized sports sector could create hundreds of thousands, if not more than 1 million, direct and indirect jobs.

The reform process would liberalize participation and governance of sports associations and to remove all obstacles to entering and participating in sports development, including funding, by private sector organizations. Under the NEEDS reform programme, the government will adopt the following strategies:

- Review all existing laws (including Decree 101 of 1992) that inhibit effective private sector participation in sports, with a view to creating a new sports governance structure that is consistent with international best practices.
- Encourage private sector participation in sports administration by setting up independent sports associations and amending the governance structure of existing ones.
- Encourage private sector partnership in the provision and maintenance of sports infrastructure.

Strengthening Safety Nets

Social protection consists of interventions aimed at safeguarding the poor from becoming poorer and the non-poor from becoming poor. NEEDS seeks to protect against various risks (Table 4.3). NEEDS will also ensure that the most vulnerable groups in society are protected (Table 4.4).

Strengthening Peace and Internal Security

The Institute for Peace and Conflict Resolution, charged with the in-depth study of peace and security issues, was established within the Presidency. A conflict assessment carried out by the institute in 2002, in collaboration with civil society, the World Bank, and other development partners, arrived at several conclusions:

- Political corruption stemming from parochial and religious interests is at the root of pervasive social conflict in Nigeria. Policymakers and other well-meaning stakeholders, even as they nurture the growth of democratic institutions over time, may need to undertake deliberate interventions at times in the interests of peace, security, and poverty alleviation.
- Although democracy may make it easier for internal social conflicts to surface, it provides the best long-term mechanism for resolving such conflicts.
- Conflict prevention will be mainstreamed into development initiatives to put in place structures and processes that encourage a culture of peace, in which conflicts are addressed before they degenerate into violence.

The findings led to the development of a national action plan. Elements of the plan include the following:

- Security sector reforms will address the retraining of personnel in the security
Conflict prevention will be mainstreamed to put in place structures and processes that encourage a culture of peace, in which conflicts are addressed before they degenerate into violence, and in which public officers as well as civil society members have the opportunity to be trained in the prevention, management, and resolution of conflicts.

- Vigorous reorientation programmes will be instituted to create a people-friendly police force.
- Early warning and response mechanisms will aim at reinvigorating old structures and creating new ones, from the grassroots to the highest level, to analyze and disseminate data and intervene as necessary.
- Political reform to create a political process free of the excesses of the past, including a review of the conduct of government employees and of imbalances in the allocation of revenues and responsibilities between the federal and state governments.

<table>
<thead>
<tr>
<th>Group</th>
<th>Instruments and interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural poor</td>
<td>Access to credit and land; participation in decisionmaking; agricultural extension services; improved seed, farm inputs, and implements; strengthening of traditional thrift, savings, and insurance schemes</td>
</tr>
<tr>
<td>Urban poor</td>
<td>Labour-intensive public works schemes; affordable housing, water, and sanitation; skill acquisition and entrepreneurial development; access to credit; scholarships and adult education</td>
</tr>
<tr>
<td>Women</td>
<td>Affirmative action (to increase women’s representation to at least 30 percent) in all programmes; education, including adult education; scholarships; access to credit and land; maternal and child health</td>
</tr>
<tr>
<td>Youth</td>
<td>Education, entrepreneurial development, skill acquisition, access to credit, prevention and control of HIV/AIDS and other sexually transmitted diseases</td>
</tr>
<tr>
<td>Children</td>
<td>Children’s Parliament, juvenile justice administration; universal basic education; education for girls, care of orphans and vulnerable children (children affected by HIV/AIDS); prevention and treatment of childhood diseases</td>
</tr>
<tr>
<td>Rural communities</td>
<td>Water, rural roads, electricity, schools, health facilities, communications</td>
</tr>
</tbody>
</table>

### Table 4.3 Risks, At-Risk Groups, and Formal Responses

<table>
<thead>
<tr>
<th>Risks</th>
<th>At-risk groups</th>
<th>Formal Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Droughts, floods, erosion, rainfalls, and food losses due to pests</td>
<td>Poor, rural men and young men, rural women and young women</td>
<td>Irrigation, agricultural extension services, afforestation, agro-forestry, agricultural insurance</td>
</tr>
<tr>
<td>Environmental Deforestation, desertification, or displacement</td>
<td>Poor, rural men and young men, rural women and young women</td>
<td>Environmental measures to stem pollution, tree-planting campaigns, agro-forestry, incentives to convert to alternative energy uses, enforcement of standard of field practices</td>
</tr>
<tr>
<td>Labour Loss of jobs, drop in income</td>
<td>Poor, urban youth</td>
<td>Institutionalization of unemployment insurance</td>
</tr>
<tr>
<td>Social HIV/AIDS, infant and maternal mortality</td>
<td>Well-to-do, poor rural men and young men, rural women and young women</td>
<td>Comprehensive health centers, government immunization and inoculation programme, health insurance scheme, HIV/AIDS programs, universal basic education</td>
</tr>
<tr>
<td>Gender: Unwanted pregnancies and sexually transmitted diseases, job discrimination, harmful traditional practices</td>
<td>Poor, urban and rural women and young women</td>
<td>Sex education at appropriate stage in school, social welfare counseling, enforcement of rights, appropriate legislation, advocacy</td>
</tr>
<tr>
<td>Life events: Death of spouse, old age</td>
<td>Well-to-do, poor, urban men and young men, urban women and young women</td>
<td>Pensions and reform of inheritance laws</td>
</tr>
<tr>
<td>Conflict: Ethnic conflicts, armed robbery, child abuse</td>
<td>Poor, rural and urban women, young women, and girls; urban men and young men</td>
<td>Police, social welfare counseling, National Refugee Commission Criminal Justice System</td>
</tr>
<tr>
<td>Macroeconomic: Macroeconomic instability, unemployment</td>
<td>Poor, urban men, women, and youth</td>
<td>Stable macroeconomic policy, social safety nets</td>
</tr>
</tbody>
</table>

### Table 4.4 Targeted Instruments for Protecting Vulnerable Groups

<table>
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<tr>
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</tr>
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</table>
Chapter 5: Creating a Competitive Private Sector

For decades Nigeria’s economy was characterized by the growing dominance of the public sector, overreliance on a single commodity (oil), and the pursuit of a highly import-dependent, import-substituting industrial strategy. While these policy thrusts were justified at their inception, experience has shown that growth based on expansionary public expenditure, import substitution, and industrialization, and reliance on the export of a few primary commodities is neither efficient nor sustainable. That the strategy did not work in Nigeria is evident from several indices of suboptimal performance: low per capita GDP, a low growth rate, a weak industrial base with declining industrial output and capacity utilization, large budget deficits and deterioration in the social and infrastructure facilities, low productivity in the real sector, and a high level of unemployment.

The private sector has been dogged by weaknesses inherent in its skewed structure. It is dominated by a few large multinationals that are heavily dependent on imports and operate largely in the social and infrastructure facilities, low productivity in the real sector, and a high level of unemployment.

As a result of these factors, Nigeria has become a nation of traders, with a very weak and stagnant domestic private sector. Other frequently cited problems in efforts at growing the private sector include the poor state of physical infrastructure, the high cost and limited access to appropriate financing; insufficient domestic demand and the low level of patronage by public sector institutions; the high cost of imported raw materials, equipment, and spare parts; and the lack of skilled labour. Growing the private sector also hinges crucially on domestic policies, environmental factors, and investment flows.

Strategic Thrusts for Growing the Private Sector

The primary goal of the NEEDS strategy is to build a private sector that can take advantage of the opportunities that abound in the domestic, regional, and global markets. The strategy builds on the achievements of the past few years in transforming the private sector. The main strategic thrusts include the following:

- Redefine the role of government as a facilitator and promoter in the economy, recognizing that market failures in developing economies require targeted incentives and interventions in specific areas to promote specific sectors and industries. The government hopes to complement the usual enabling environment model of development with some targeted entrepreneurial interventions to bolster weak and vulnerable sectors.
- Consolidate and strengthen an enabling environment for a competitive private sector. Specific measures in this area include the following:
  - Continue to improve security, the rule of law, and the timely enforcement of contracts.
  - Continue to reduce policy-related costs and risks, such as corruption, red tape, and administrative barriers to business necessities; a weak legal system; inadequate protection of property rights; inadequate enforcement of tariffs; dumping of fake and substandard products; and policy and other uncertainties associated with exchange rate and other prices.
- Invest heavily in infrastructure, especially electricity, transport, and water. Studies indicate that about 25 percent of business start-up costs are spent on private power generators, and privately generated electricity costs about twice and a half times as much as electricity provided by the National Electric Power Authority. Reforming the power sector could significantly reduce the cost of doing business and improve competitiveness.
- Provide targeted interventions as incentives to grow the private sector. The government aims to play an active developmental role, while avoiding the mistakes of past direct interventions in the economy, by adopting the following strategies:
  - Nationally coordinated strategies for the key sectors that drive growth—agriculture, small and medium-size enterprises, manufacturing, oil and gas sector, solid minerals, and services (especially information and communication technology and tourism). Explicit strategies and interventions are designed for each of these sectors to harness and maximize their potential for growth and poverty reduction.
  - Cheap and easy access to finance. In the medium to long run, the government plans to drastically reduce the many costs businesses in Nigeria face. In the short to medium term, it will direct low-cost credit to the productive sectors as an incentive to jump-start the private sector.
  - Privatization and liberalization. Privatization of public enterprises is aimed at shrinking the domain of the government and enlarging the size of the private sector. It is also aimed at improving the efficiency and competitiveness of enterprises, leading to their long-term sustainability and contribution to poverty reduction. The liberalization of sectors heretofore monopolized by the government is expected to unleash competition by the private sector—and hence spur growth and employment generation.
  - Promotion and development of industrial and science and technology parks and industrial clusters. The federal government will work with state governments and the private sector to promote the development of industrial
NEEDS aims to alter the strategy for industrial development, to make it more local resource-based and more related to local research and development strategies.

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Box 5.1 Institutional and Administrative Reforms to Reduce the Cost of Doing Business

NEEDS proposes reducing the cost of doing business in Nigeria through the following set of reforms:

- Streamline Corporate Affairs Commission processes by reducing the number of forms and removal of stamp duty procedures and the requirement of name registration with other intellectual property rights protection procedures. Enhance staff capabilities through adequate training, and improve investor information and service delivery. Currently, new firms can be registered within 24 hours. The goal is to further simplify the processes and shorten the time.
- Transform the Nigerian Investment Promotion Commission into a promoter, facilitator, and advocate by improving the investor information it provides and eliminating the registration process for foreign direct investment.
- Streamline Federal Inland Revenue Service/Ministry of Commerce processes by simplifying forms, eliminating site visits, initiating an automatic declarative process, and reducing or rationalizing the number of incentive schemes.
- Streamline the process for land access and transfer as well as for site development and environmental clearance by reducing documentation requirements, fees, and steps, site visit protocols, and processing deadlines. Review the stamp duty, as well as committee-based, single-step decision-making processes by reducing the number of forms and processing deadlines. Establish a focal point for cargo clearance and that goods clear ports within 48 hours.
- Institute an information clearinghouse at the Nigerian Investment Promotion Council or the Nigerian Export Promotion Council, rationalize and simplify the incentives and acquisition schemes, fully open the incentives regime to exports of services.
- Improve the process for protecting rights and enforcing contracts by training judges and lawyers in specialized areas, broadening the dissemination of decisions, improving facilities and equipment in courtrooms, creating an alternative dispute resolution system, launching a public awareness campaign, and establishing commercial courts.
- Strengthen regulatory institutions and enforce competition policy. As the government withdraws from active business engagements, regulatory institutions will be strengthened to ensure a level playing field across all businesses, especially through more effective enforcement of competition and antitrust laws. The antitrust laws will be applied to protect consumer rights as well, prevent unfair trade practices that may hinder the growth of weaker firms in any industry.

of the ports and customs clearance procedures to reduce turnaround time and provide Nigerian producers access to international markets. This will be done through the following measures:

- Rationalize the number of agencies with responsibility for clearing goods at port facilities, institute uniform document verification, increase diligence in applying Automated System for Customs Data (ASYCUDA) programmes, and ensure that customs service remains the only point for cargo clearance and that goods clear ports within 48 hours.
- Institute an information clearinghouse at the Nigerian Investment Promotion Council or the Nigerian Export Promotion Council, rationalize and simplify the incentives and acquisition schemes, fully open the incentives regime to exports of services.
- Improve the process for protecting rights and enforcing contracts by training judges and lawyers in specialized areas, broadening the dissemination of decisions, improving facilities and equipment in courtrooms, creating an alternative dispute resolution system, launching a public awareness campaign, and establishing commercial courts.
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and public enterprises, liberalization, and deregulation of key sectors, accompanied(11,11),(987,989) by appropriate competition and consumer protection policies.

- Implement the comprehensive Tax Reform Bill in order to promote tax compliance and efficient exploitation of resources, government will encourage the development of strong linkages between industries in the science and technology parks and research and development institutions.

Government will encourage the development of strong linkages between industries in the science and technology parks and research and development institutions.
The government’s policy is to develop infrastructure that is conducive to private sector-driven economic growth.

The private sector will be expected to become more proactive in creating productive jobs and improving the quality of life.

**The Role of the Private Sector**

The private sector will be expected to become more proactive in creating productive jobs, enhancing productivity, and improving the quality of life. It is also expected to be socially responsible in its activities, aiming to maximize economic benefits while protecting the environment and promoting social development.

**Infrastructure Development**

Infrastructure needs cut across sectors and are central to economic development. Nigeria’s infrastructure does not meet the needs of the average investor, inhibiting investment and increasing the cost of doing business.

Infrastructure development is one of the key areas in which NEEDS intends to make a difference. The government intends to leave routine management of the network of roads and ports, and embark on new construction if fund-specific assistance or finance becomes available. Rehabilitation and maintenance of roads commissioned by the President under Operation 500 Roads.

- Increase the share of renewable energy in the total energy mix.
- Achieve total radar coverage of Nigerian airspace, and establish an effective and efficient emergency rescue unit under the Federal Airports Authority.
- Ensure the achievement and maintenance of world-class standards in all aspects of aviation operations, by developing local manpower and maintenance capacity and adopting other measures.
- Provide, through the draft Public-Private Partnership in Infrastructure Provision Bill, the enabling legal framework for private sector participation in coastal shipping activities.

**Transport Sector**

Infrastructure reforms in the transport sector will aim to:

- Provide targeted interventions in the provision of infrastructure, especially to rural areas and vulnerable groups.
- Encourage private sector initiative and participation in the provision of infrastructure, using such methods as build-operate-and-transfer (BOT), build-transfer-operate-transfer (BOOT), rehabilitate-operate-and-transfer (ROT), and concessioning.
- Provide counterfunding for major infrastructure projects for which either the infrastructure investment is too high or the incentives too low for private sector participation.
- Increase the share of renewable energy in the total energy mix.

- Complete ongoing construction of a 3,000-kilometre network of roads and ports, and embark on new construction if fund-specific assistance or finance becomes available. Rehabilitation and maintain the 500 roads commissioned by the President under Operation 500 Roads.
- Strengthen the newly created roads maintenance agency, and involve the private sector in the management of roads.
- Create a prominent role for Nigerian sea ports within ECOWAS by encouraging private sector participation in coastal shipping activities.
- Develop a seaport with capacity to handle modern shipping activities, and establish inland dry ports. Provide incentives to use other seaports.
- Make Nigeria’s ports more efficient and competitive, with capacity to handle modern shipping activities. Implement policies that target local human capital development.
- Rehabilitate and upgrade the railways with a view to restoring their relevance in transporting bulk, haulage, and passengers.
- Ensure the achievement and maintenance of world-class standards in all aspects of aviation operations, by developing local manpower and maintenance capacity and adopting other measures.
- Provide, through the draft Public-Private Partnership in Infrastructure Provision Bill, the enabling legal framework for private sector-driven economic growth.

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**Chapter 5: Creating a Competitive Private Sector**

- Actively work to expand the export base
- Take advantage of opportunities for rapid development
- Transform the structure of the economy, by supporting research and development in focal economic sectors and significantly enhancing the potential of Nigeria to meet the demands for domestic production and consumption;
- By adapting to changing patterns of supply, demand, and competition; and by developing strong linkages across the economy.
- Stimulate the rapid implementation of the local content policy, especially in the extractive and construction industries, by forming business partnerships and linkages that engender the processes of learning and technology transfer. According to the National Committee on Local Content, this is “the quantum of complementation value added to or created in the Nigerian economy through a deliberate utilization of Nigerian human and material resources in the exploration, development, exploitation, transformation and sale of Nigerian crude oil and gas resources without compromising quality, health, safety and environmental standards.”
- Take suitable measures to ensure the continuous development and maintenance of Nigeria’s road network.
- Under NEEDS the government will:
  - Rapidly privatize key infrastructure services to ensure effective service provision.
  - Enhance and enforce relevant laws to improve competition and protect consumer welfare in industries providing public services.
  - Provide targeted interventions in the provision of infrastructure, especially to rural areas and vulnerable groups.
  - Encourage private sector initiative and participation in the provision of infrastructure, using such methods as build-operate-and-transfer (BOT), build-transfer-operate-transfer (BOOT), rehabilitate-operate-and-transfer (ROT), and concessioning.
  - Provide counterfunding for major infrastructure projects for which either the resource involvement is too high or the incentive too low for private sector participation.
  - Increase the share of renewable energy in the total energy mix.

**Policy Thrust**

The government’s policy thrust is to develop and maintain adequate and appropriate infrastructure that is conducive to private sector-driven economic growth and development, ensuring private sector participation in the process and creation of a competitive business environment.
Power Sector

The power sector is another critical area for reform. Nigeria's power system is so inadequate that it has held back economic progress and social well-being. The system is unreliable and incapable of meeting the demands placed on it. The following facts underscore the neglect of the sector:

- No major overhaul of plants was carried out between 1990 and 1999.
- Only 19 out of 79 generating units were in operation in 1999.
- Actual daily generation fell to less than 4,000 MW (an increase of 136 percent).
- No transmission lines have been built since 1987.
- Federal government funding to the sector decreased continually between 1980 and 2000.

Some improvement took place between 1999 and 2003, with generation rising to about 4,000 MW a day. Problems of adequacy, transmission, and distribution remain, however. Improvement occurred largely as a result of the President’s mandate and the new funds and capacity injected into the National Electric Power Authority (NEPA). Some of the highlights of the mandate include the following:

- EXPeditiously implement the electric power sector reform programme.
- Generate 10,000 MW a day by 2007, from existing plants, new host generation, and reasonably priced independent power plants.
- Develop the capacity to transmit and distribute the highest level of generation.
- Explore alternative energy energy sources, such as coal, solar power, wind power, and hydropower.
- Review the assignment of the Transmission company to the question of electricity tariffs.
- Deregulate the power sector to allow increased private sector participation.
- These mandates imply increased system capacities (generation, transmission, distribution, marketing) and reform of the electricity industry through deregulation to encourage private sector participation and attract investment. Deregulation and liberalization of the electricity industry will encourage development and use of alternative energy sources. They will also affect electricity tariffs, which will require regulatory attention.

Policy thrust and targets. NEEDS proposes a set of targets for the power sector to meet before 2007:

- Increase generation capacity from 4,200 MW to 10,000 MW (an increase of 136 percent).
- Increase transmission capacity from 5,838 megavolt amperes (MVA) to 9,340 MVA, a 60 percent increase.
- Increase distribution capacity from 8,425 MVA to 15,165 MVA (an increase of 80 percent).
- Increase tariff collections from 70 percent to 95 percent.
- Reduce transmission and distribution losses from 45 percent to 15 percent.
- Reduce controllable costs by at least 30 percent.
- Rightsize to reduce staff strength by about 15 percent.
- Create 11 semiautonomous business units (profit centers). (This target was met in January 2004.)
- Merge the transmission company into a semiautonomous unit by April 2004.
- Unbundle the generation business by the fourth quarter of 2004.

The electricity supply industry is capital intensive and cannot be funded adequately by the federal government alone. The sector therefore needs to be reformed in order to attract private sector participation.

Key strategies. Necessary reform of the electricity industry cannot take place without enactment of the Electric Power Sector reform bill. Competition (facilitated by unbundling of NEPA and private sector investment) will not make place without an appropriate legal and regulatory framework, clearly defined market rules and adequate trading arrangements, tariffs that reflect costs, and improvement in tariff collection.

Reform of the industry is therefore predicated on the federal government’s national electric power policy and the enabling legislation. The proposed Electric Power Sector Act will entail:

- Unbundling NEPA into distinct business units
- Establishing a regulatory agency for the electricity industry
- Establishing a rural electrification agency and fund
- Increasing access to electricity
- Privatizing business units that will emerge from unbundling NEPA
end of 2004. Outsourced revenue collection contracts will be strengthened, and measures will be introduced to discourage late payment of bills.

• Distribution and customer service. Some short-term external managerial and technical support will be provided to the unbundled entities. Expansion and refinement of the distribution network will be carried out to improve the quantity and quality of supply and to reduce losses. The proposed expansion and refinement will be funded largely from internally generated revenue, since the unbundled distribution companies will be the first to be divested to the private sector.

• Transmission. The government will continue to own most of the major transmission company (TranscorpC), but the company could be corporatized under a management contract. TranscorpC will be responsible for electricity transmission and for market and system operations. Meanwhile, projects to close the grid loop and decongest bottlenecks in the network will continue. The ongoing World Bank-assisted transmission development plan project will be concluded. Multilaterals will provide up to $500 million to develop the additional transmission capacity that is required for the power sector.

• Generation. The private sector is already participating in electricity generation. The federal government is funding four new stations, with a total capacity of about 1,400 MW. Most of the anticipated new capacity will come from the private sector. Generation will be unbundled by the fourth quarter of 2004, ahead of its ultimate privatization. Coal-fired generation will be developed as a strategic alternative source to electricity, mainly through private-public partnerships, a proven option for this sort of activity. An initial integrated coal utilization project proposed for Enugu will incorporate a 500-1,000 MW power station. Before its implementation, comprehensive studies will be undertaken to ascertain actual levels of coal reserves. Other proposed programmes include development of the Mambilla and Zungeru hydro stations on a private-public partnership basis with project development studies for Mambilla to be concluded in 2004) and commencement of the second phase of major rehabilitation of some power stations (Jebba, Kainji, Egbin) to prevent a reduction in capacity.

• Gas pricing. The gas and electricity industries in Nigeria are very interdependent. Reform in both sectors is imperative. Gas producers will need to make gas-gathering investments, while the Nigeria Gas Company will need to expand or upgrade its transmission infrastructure. The Nigeria Gas Company and NEPA have agreed on gradual adjustments in gas prices compatible with economic empowerment and rural development priorities.

• Vandalism. Preventing vandalism of power installations, including benefits and losses, is a major challenge. The timely completion of the Abuja-Enugu line was threatened by vandalism. The high cost of emergency repairs of the power infrastructure as well as lost revenue during periods of repairs are of grave concern and pose threats to the reform process. The government will consider forming a special security unit for policing power installations.

Water Resources
Nigeria is blessed with abundant water resources. Annual runoff at the Lokoko gauging station on the Niger River has peaked at 165.8 billion cubic metres. There, 1,000 MW will be generated from ground water available in the large sedimentary basins (the Sokoto and the Chad basins) that lie along Nigeria’s borders. Surface water potential is estimated at 267.3 billion cubic metres, and ground water potential is estimated at 51.9 billion cubic metres. Irrigation potential for about 3.14 million hectares is only 0.02 percent utilized, and only 18 percent of the total impressed storage of 31 billion cubic metres of water in about 200 dams nationwide is effectively used. The Federal Office of Statistics’ 1999 Multi-Indicator Cluster Survey estimated that only 52 percent of urban dwellers (48 percent including semi-urban dwellers) and 39 percent of dwellers have access to safe water. Water shortages are increasing in the North, major pollution is growing in the Delta area, and gully erosion is occurring in the southeast.

Policy Thrust
The government’s policy direction commits to eradicating waterborne diseases and to improving water supply and management in the present and future water resources needs in all-demand sectors—including human consumption, animal husbandry, agriculture, hydropower, inland waterways, environmental protection, and industry. The key objectives of the water resources policy include:

• Ensuring the development and management of water resources in an integrated and sustainable manner and as a national strategic resource.

• Protecting water resources and the environment for balanced social and economic development.

• Involving all stakeholders—particularly the private sector—in the sustainable development of water resources through coordinated and holistic utilization.

• Optimizing the use of water resources at all times for present generation to survive without compromising water supplies for future generations.

Strategies
The government’s policy direction commits to:

• Develop and implement a system of quality assurance consistent with WHO standards—with hydrogeological monitoring and water quality laboratories.

• Reactivate the River Basin Development Authority and other existing urban water development schemes.

• Protect watersheds to enhance underground water supply for sustainable aquifer recharge.

• Establish a legal and regulatory framework to promote rational use and protect water resources.

• Create an institutional framework and participatory approach accompanying all stakeholders in a public-private partnership in the sustainable development of the nation’s water resources.
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Because water supply and sanitation are central to improvements in so many aspects of human development, they will remain a primary focus under NEEDS.

The National Water Supply and Sanitation Strategy

Because water supply and sanitation are central to improvements in so many aspects of human development, they will remain a primary focus under NEEDS. The National Water Supply and Sanitation Programme proposes an intervention strategy for the water supply and sanitation sector in four subsectors: urban areas, small towns, rural areas, and water resources management and sanitation.

The strategy includes sharing ownership and management by communities and local governments, with communities taking charge of operations and maintenance. In small towns and rural areas, the focus is on community ownership coupled with local private sector contracting for operations. For rural areas, government focus is on increasing the water supply to attain 60 percent rural coverage by 2007 with a three-pronged approach of water rehabilitation, expansion, and construction of low-cost rural water schemes.

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Environmental Management

The environment provides the foundation for all development efforts in Nigeria. Its close linkage to other major sectors of the economy is exemplified by the fact that agricultural productivity—and therefore food security—cannot be guaranteed in a deteriorated environment. Environmental degradation is caused by declining soil fertility, unsustainable land use practices, lack of land for farming, harsh climatic conditions for crop growth and animal rearing, and animal fertility.

The environment provides numerous opportunities for wealth creation and employment generation, which reduce poverty. The forestry sector provides a plethora of income opportunities for the rural poor, including cottage industries and the extraction of nontimber forest products, such as shea butter, palm kernels, and periwinkles, which serve as income sources and foreign exchange earners for farmers. The potential to develop ecotourism and to generate income by converting waste to wealth are also worth noting.

High levels of air, land, and water pollution and unsanitary environmental conditions predispose Nigerians, particularly the poor, to disease. The result is an unhealthy workforce and the reduction of the potential for productive activities. A degraded environment also forces people to use resources to treat diseases that could have been prevented by maintaining a healthful environment. It is a glaring paradox that despite the contribution of the environment to the national economy, environmental considerations are rarely mainstreamed into national development planning in Nigeria. The lapse probably reflects the fact that the contribution of the environment to the economy is not readily captured by traditional measures of growth, such as GDP.

Critical issues in this sector include the following:

- Rapidly increasing production of waste
- Uncontrolled development, without regard for waste management policies and the lack of proper management of waste
- Low level of sanitation, especially in city centers and peri-urban slums
- Absence of significant private sector involvement in waste management
- Environmental degradation, including deforestation, erosion, desertification, and pollution of the air, water, and land
- The impact of oil and gas development on the environment and unsustainable land use
- Weak enforcement of environmental laws
- Loss of biodiversity
- Extreme climatic events, such as droughts, floods, and climate change
- Inadequate environmental data
- Impact of agro-chemicals on the environment and public health
- Absence of a system of national accounting that captures the contribution of the environment to development indices

Policy thrust

NEEDS focuses on ensuring a safe and healthful environment that secures the economic and social well-being of Nigerians on a sustainable basis. The specifics of the agenda are enunciated in the Environmental Renewal and Development Initiative, the primary objectives of which are to “take full inventory of Nigeria’s natural resources, assess the level of environmental damage, as well as design and implement restoration and rejuvenation measures aimed at halting further degradation of our environment.”

Targets

The reform programme includes several targets:

- Control environmental degradation processes.

The environment provides numerous opportunities for wealth creation and employment generation.
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The government’s strategic intent is defined by the following:

- Strengthen the machinery for desertification.
- Establish a central self-sustaining environmental regulatory agency responsible for environmental enforcement, compliance monitoring, environmental auditing, impact assessment, and standards setting.
- Strengthen the machinery for desertification, erosion, and flood control.
- Promote synergy in implementing environmental conventions.
- Use space-based research and information technology for environmental management.
- Develop a private-public partnership scheme to address the increasing urgency of waste management.
- Promote a programme for private sector investment in waste-to-wealth management in cities and urban centers.

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Chapter 6 Sectoral Strategies

Federal government ministries, their state counterparts, and private sector stakeholders are developing strategies for each sector. These strategies will be nationally coordinated, with clearly delineated roles and responsibilities for each level of government, the private sector, and other stakeholders.

The overall strategy is to diversify the productive base of the economy away from oil and to foster market-oriented, private sector–driven economic development with strong local participation. The goal is to develop an indigenous entrepreneurial class capable of competing in a global market in which technological and skills play dominant roles.

As the government continues to redefine its role, resources will be freed up, allowing the government to focus on its primary role of providing basic infrastructure, security, defence, and the social services that are necessary to create a competitive environment that enables the development of sustainable private sector–driven wealth and employment.

For its part, the private sector will be encouraged to commit to genuine and responsible investment, good corporate governance and citizenship, and internationally acceptable standards of quality, business ethics, and practices. It must also commit to transparent partnership with the public sector, especially in promoting and developing small and medium-size enterprises.

It is in this context that the various sector strategies are couched. Given the interdependent nature of the different sectors of the economy, several cross-cutting issues will need to be addressed. These include:

- Inadequate infrastructure
- The finance and funding gap
- Inappropriate and inadequate technology
- Unfair competition
- Inadequate institutional and legal framework, including bureaucratic procedures and practices
- Policy inconsistency and lack of commitment and political will to implement accepted policies
- Inadequate human capital development
- Lack of security, law and order, and respect for contracts

The government will encourage organizations (public and private) to modernize by adopting information and communication technology. The Raw Materials Information System (RIMS) of the Raw Materials Research and Development Council will be updated to increase its usefulness to stakeholders. RIMS will routinely provide the following information to...
**Chapter 6: Sectoral Strategies**

**PART THREE**

NEEDS

Agriculture remains the mainstay of Nigeria’s economy.

**Agriculture and Food Security**

Despite the dominant role of the petroleum sector and the major foreign exchange earner, agriculture remains the mainstay of Nigeria’s economy. In addition to contributing the largest share of GDP, it is the largest nonoil export earner, the largest employer of labour, and a key contributor to wealth creation and poverty alleviation, as a large percentage of the population derives its income from agriculture and related activities.

Over the years the rate of growth in agricultural production has stagnated and failed to keep pace with the needs of a rapidly growing population, resulting in a progressive increase in import bills for food and industrial raw materials. The potential of the agri-business sector as a major employer of the growing labour force and an earner of foreign exchange has also been undermined. As a result, the large majority of Nigeria’s population, many of whom live in rural areas, remain poor. Under the NEEDS programme, agricultural development will be vigorously pursued, with the aim of achieving food security and reducing poverty.

Major constraints inhibiting private sector participation in the transformation of agricultural production include the following:

- The rapid shift of the population from rural to urban areas and the shift in consumption patterns from local to imported food items
- Lack of funds, inadequate processing and storage facilities, and inefficiencies in input supply and distribution
- The oil boom, policy inconsistency, and the decline in political commitment to agricultural and rural development
- An inadequate incentive framework and pervasive distortions in the macroeconomy
- Absence of policy support mechanisms and pervasive distortions in macro-economic and sectoral policies, including misaligned exchange rates and heavy taxation of agricultural exports
- Continued dependence on rain-fed agriculture and the absence of economies of scale
- A land tenure system that inhibits the acquisition of land for mechanized farming
- Inadequate agricultural extension services and the lack of indigenous capacity or technologies responsive to local conditions
- A degraded environment that has reduced agricultural yields

**Policy Thrust**

Given the dominant role of agriculture in the economy, prospects for food security, the supply of industrial raw materials, and overall economic growth are critically dependent on what happens in this sector. Accordingly, the government is committed to increasing investment in food and agricultural production. Its main policy thrusts include the following:

- Provide the right policy environment and target incentives for private investment in the sector. Implement a new agricultural and rural development policy aimed at addressing the constraints in the sector.
- Foster effective linkages with industry to achieve maximum value-added and access to export.
- Modernize production and create an agricultural sector that is responsive to the demands and realities of the Nigerian economy in order to create more agricultural and rural employment opportunities, which will increase the income of farmers and rural dwellers.
- Reverse the rising trend in the import of food (which stood at 14.5 percent of total imports at the end of 2001), through a progressive programme and agricultural expansion. The government is committed to reducing the growing food import bill to stem the rising trade imbalance as well as diversify the foreign exchange earning base.
- Strive towards food security and a food surplus that could be exported.
- Invest in improving the quality of the environment in order to increase crop yields.

**Targets**

To restore agriculture to its former status as a leading sector in the economy, NEEDS sets the following targets:

- Achieve minimum annual growth rate of 6 percent in agriculture.
- Raise agricultural exports to $3 billion by 2007. A major component of these exports will be cassava.
- Drastically reduce food imports, from 14.5 percent of total imports to 5 percent by 2007.
- Develop and implement a scheme of land preparation services to increase cultivable arable land by 10 percent a year and foster private sector participation through incentive schemes.
- Promote the adoption of environment-friendly farming practices.
- Protect all prime agricultural lands for continued agricultural production.

**Strategies**

To achieve these targets, the following strategies will be employed:

- Vigorously implement presidential initiatives on cassava, rice, vegetable oil, sugar, livestock, tree crops, and cereals. Under this initiative, Nigeria hopes to generate as much as N9 billion a year from agricultural exports.
- Take advantage of the various concessional arrangements provided by the World Trade Organization (WTO), the European Union’s African, Caribbean, and Pacific states agreement, the U.S. African Growth and Opportunity Act, and the National Partnership for African Development, as well as the huge West African market.
- Strengthen agricultural research, revitalize agricultural training, and streamline the

**The government is committed to increasing investment in food and agricultural production.**

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**Investors, industrialists, researchers, policymakers, and other stakeholders:**

- Raw materials available within the country
- Location and estimates of reserves
- National demand for raw materials
- Processing equipment fabricators in Nigeria
- Science and technology experts in Nigeria
- Quantities and prices of important commodities

To promote harmonized and integrated science and technology–driven socioeconomic development, the government will establish a National Research and Development Coordinating Council, chaired by the President, with all core science and technology–based ministries as members. Other members could include the Minister of Finance and representatives of the Office of the Economic Adviser to the President, umbrella science, engineering, and economics associations, research institutes, and associations of Nigerian academies, universities, and polytechnic schools; the Nigerian Investment Promotion Council; and small and medium-size enterprises, among others.

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NEEDS

PART THREE

Chapter 6: Sectoral Strategies

The manufacturing sector has stagnated since 1999 but that the sector still faces a number of constraints, including the following:

- Lack of demand for the products and services of small and medium-size enterprises
- Lack of critical mass and network interaction between industry and research institutes and universities
- Lack of political will to implement local content and technical know-how policies
- Lack of engineering capacity to translate scientific research results into finished goods and maintain existing machinery; low level of entrepreneurial capacity
- Complete lack of institutional mentoring and technological support, and paucity of training and articulation of market support systems
- Unfair competition from dumped, secondhand, counterfeit, smuggled, and substandard products
- Weak legal framework; weak business, financial, and information management systems and practices; an underdeveloped payment system
- Systemic and operational constraints that impede the competitive capacities of large manufacturing companies
- The informal economy, which employs the bulk of Nigerians, faces the following additional constraints:
  - Low market access
  - Poor access to credit
  - Poor information flow
  - Discriminatory legislation
  - Poor access to land
  - Weak linkage among different segments of the value chain
- Lack of infrastructure for microenterprises
- Weak safeguards against occupational and other health hazards

Policy Thrust

The overarching objective of industrial policy is to accelerate the pace of industrial development by radically increasing value-added at every stage of the value chain. Under NEEDS, for the most part Nigeria’s resources will no longer be traded in raw materials or finished goods for local consumption and export. To reverse the dwindling fortunes of the manufacturing sector, the government is committed to the following strategies:

- Increase annual growth of the sector by at least 7 percent a year.
- Increase capacity utilization to about 70 percent by 2007.
- Increase the private sector’s share of investment in the sector to 70 percent by 2007.

To provide the enabling environment for private sector leadership, facilitate renewal for sunset industries, and encourage innovators. Specific policy thrusts include the following:

- Establish a structured and efficient micro-, small, and medium-size enterprise sector to enhance sustainable economic development, generate employment, and create wealth.
- Facilitate the development of an industrial sector that is internationally competitive and can take advantage of existing preferential arrangements as well as give priority to the processing of Nigeria’s abundant resource endowments into intermediate raw materials or finished goods for local consumption and export.
- Develop science and engineering infrastructure—well-trained technical and managerial personnel, physical plants, tools, spare parts, materials, and other inputs needed to operate efficiently and profitably.

Targets and Strategies

Targets for the manufacturing sector include the following:

- Increase annual growth of the sector by at least 7 percent a year.
- Increase capacity utilization to about 70 percent by 2007.
- Increase the private sector’s share of investment in the sector to 70 percent by 2007.
for increasing the participation of the private sector will be targeted at growth poles.

- Provide appropriate institutional support, by undertaking studies aimed at attracting foreign investors and by scanning overseas markets and monitoring developments that could have implications for the sector. The Small and Medium Enterprise Development Agency of Nigeria will be provided with appropriate infrastructure and executive capacity. In collaboration with the relevant agencies at the state and local government levels, it will play the role of promoter, facilitator, and coordinator of all policies affecting small and medium-size enterprises.

- Strengthen the Bank of Industry and other special-purpose finance institutions (the Nigerian Export Import Bank, the Nigerian Agricultural, Rural, and Cooperative Bank) to perform their statutory roles (especially the provision of concessional loans and credit guarantee schemes) and enlarge their scope to include large manufacturing companies.

- Strengthen the legal and institutional framework for the operation of micro-financing institutions by streamlining the operational guidelines and tax incentives for small and medium-size enterprises and adopting other measures. Explicitly recognize the informal sector, remove constraints to implementation of the Small and Medium Enterprise Investment Equity Scheme (SMEIES), and design incentives targeted at investors who would specialize exclusively in exporting.

- Review and implement a codified tax and incentive structure reform (including providing for necessary trade-offs) that supports an export-oriented manufacturing sector and encourages large business to grow the size and number of small and medium-size enterprises in their value and supply chain.

- Provide targeted incentives (such as tax deductibility) for science, technology, and research and development spending.

- In collaboration with relevant agencies at the state and local government levels, coordinate and facilitate the implementation of an effective competitive industrialization strategy.

- Promote joint ventures and provide incentives to facilitate the flow of foreign direct investment in partnership with existing small and medium-size enterprises.

- Implement a government procurement policy that supports locally produced goods and services, especially of small and medium-size enterprises.

- Promote the production of good-quality goods and services in Nigeria to facilitate a competitive export-oriented manufacturing sector.

- Strengthen the Loan Guarantee Scheme, which will enable banks to make loans to small and medium-size enterprises.

**Services**

The service sector has witnessed a boom in recent years. Liberalization led to a substantial increase in the volume of activities in the banking and other financial services industries. The recent liberalization of the communications industry led to huge increases in telephone service per capita and created many new job opportunities. Improvements in the service sector are expected to strengthen performance of the real sector.

**Information and Communication Technology**

The following issues represent challenges to improving information and communication services:

- High cost of private provision of power
- Lack of local manufacture or maintenance of information and telecommunication equipment and the lack of local software development capacity
- Absence of effective and efficient postal communication
- Inadequate human capacity and indigenous technical know-how

**Policy thrust.** Under NEEDS the government is committed to the following policy thrusts:

- Develop and sustain a modern information and communication technology to support private sector-driven growth and economic development and to improve the quality of life and reduce the level of poverty significantly.
- Improve access to Internet connectivity, and raise the level of computer usage and literacy.
- Facilitate the development of a national multimedia supercorridor, including provision of appropriate incentives for private sector involvement.
- Aggressively promote information and communications technology as an instrument of mass education, growth, and development.

**Targets and strategies.** NEEDS sets the following targets:

- Increase telephone density to one telephone per 25 people.
- Make telecommunications accessible to a wider range of Nigerians, regardless of where they live.

- Develop a national communications and telecommunications backbone, including a national multimedia supercorridor.

**NEEDS adopts the following strategies:**

- Use a combination of fiscal and financial incentives to encourage private sector investment in service provision in the industry.
- Enforce intellectual property rights, and promote entrepreneurship, training, and partnerships.
- Pursue a local content policy in the manufacture of electrical and electronic equipment and communications and telecommunications equipment, including handsets, accessories, and components.
- Facilitate access to special financial support (through NEXIM, the Bank of Industry, SMEIES, and other institutions) for private sector-driven wireless telephony and Internet connectivity development in rural areas.
- Foster an enabling environment for developing software capacity.
- Provide incentives to develop industrial parks in information and communications technology.

**Tourism**

Nigeria’s tourism industry has great potential for attracting foreign investment, which would generate employment and foreign exchange. The industry is constrained by several factors, however:

- Inadequate facilities at established tourist centers
- Low level of global awareness of tourist attractions in Nigeria
- Undeveloped tourist infrastructure
- Lack of security

**Improvements in the service sector are expected to strengthen performance of the real sector.**
• Low level of investment
• Poor attitude and disposition towards recreation and vacation by Nigerians

Target. The primary focus of NEEDS in the tourism sector is to make Nigeria the preferred tourist destination in West Africa. The key target in the immediate term is to increase tourist arrivals into the country by 10 percent a year.

Strategies. To achieve this target, the government will:
• Concession existing tourist attractions and provide support infrastructure for tourism.
• Encourage private sector investment in the tourism sector, and participation in the management of national parks.
• Improve security to encourage foreign tourists to visit Nigeria.
• Launch an awareness campaign within and outside the country on the benefits and potentials in the sector.
• Reorient visa officials to a pro-tourism approach.
• Establish a tourism database.
• Establish a private sector-oriented institute for hospitality and tourism, regulated by the government.
• Pursue an aggressive environment policy that supports and encourages the tourism industry.

Film Industry
The Nigerian film industry has significant foreign exchange-earning capacity. Recent reports indicate that some 2,000 Nigerian videos were rented or sold in a single month in a single outlet in the United States. The potential market for Nigerian films is large, but the industry is held back by several constraints:

• Low level of technological input in the industry
• Uncertain intellectual and proprietary rights
• Underdeveloped distribution structure
• Lack of access to adequate financing
• Lack of professionalism and inadequate human capacity
• High rate of informality

Policy thrust. The government’s policy thrust is to facilitate the development of a technologically competitive, private sector-led film industry in Nigeria that will create employment, wealth, and net foreign exchange earnings.

Targets and strategies. NEEDS has established the following targets:
• Facilitate technological input into the production process.
• Foster development of a Nigerian version of Hollywood for film production.
• Encourage the local manufacture of film production inputs, and support services clusters.
• Generate $200 million in foreign exchange earnings by 2007 from the export of videos.
• Foster development of a Nigerian version of Hollywood for film production.
• Develop standards and provide incentives for private sector investment in the industry.
• To achieve these targets, the government will:
  • Strengthen the capacity of regulatory and supervisory authorities and monetary policy to facilitate healthy competition, control, and efficiently allocating resources, they also play a key role in pricing and trading risks and implementing monetary and fiscal policies.

Financial Services
Over the past decade and a half, the financial sector has experienced substantial fluctuations in fortunes. These developments have highlighted the strategic role in Nigeria’s development process. Apart from their importance in mobilizing and efficiently allocating resources, they also play a key role in pricing and trading risks and implementing monetary and fiscal policies. The shift in emphasis to a private sector-led economy deepens the significance of the financial sector in Nigeria’s overall development. There is a strong case for ensuring the efficiency of the financial system and for dealing with the contradiction inherent in the fact that despite high profit levels the sector does not appear to be playing a catalytic role in the real sector. Other concerns include the following:

• The capital market remains shallow.
• The banking system is dependent on public sector funds as a significant source of deposits and foreign exchange trading.
• Some of the information submitted to the regulatory authorities is inaccurate.
• Fiscal and monetary policies are not harmonized.
The oil and gas sector is seen as an external sector, because it has no links to the other sectors of the economy. The key issues requiring attention include the following:

- Inadequate financing arrangement for operations, including inadequate local refining and a deficient capacity-building programme
- Price and quota volatility
- Absence of indigenous technical know-how and a deficient capacity-building programme
- Multiplicity of legislation governing operations in the sector
- Absence of a national gas infrastructure (national gas grid system)
- Inadequate financing arrangement for operations, including inadequate local refining and distribution capacity
- Low local content level and community unrest in locations of proven reserves
- Absence of indigenous technical know-how and a deficient capacity-building programme
- Inefficient and widespread fraud
- Poor safety and regulatory systems
- Multiplicity of legislation governing operations in the sector
- Absence of an independent industry regulator for the various subsectors
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- Inadequate financing arrangement for operations, including inadequate local refining and distribution capacity
- Lack of value-adding activities and process/petroleum-related capacities

Policy Thrust

The government’s policy thrust is defined by the need to:

- Increase the level of crude oil reserves.
- Ensure regular supply and distribution of petroleum products through a liberalized and deregulated supply, distribution, and refining system.
- Increase the drive for investments to establish integrated petrochemicals based on gas stream, with a major private sector interest.
- Increase local content, improving linkages to the rest of the economy.
- Sustain the focus on the terminal date for ending gas flaring.
- Hedge the national economy against volatility in the crude oil market and OPEC quota.
- Harness and exploit the country’s huge gas reserves to increase the use of gas in power generation and boost foreign exchange earnings from gas.
- Foster healthy, orderly, and competitive development of oil and gas subsectors through effective and efficient regulation, standards, and quality control agencies.

Targets and Strategies

NEEDS has established the following targets in the sector:

- Achieve an OPEC quota increase of 7–10 percent in 2004 and a reserve level of 40 billion barrels by 2007.
- Design and facilitate the implementation of a national gas grid by 2007.
- Completely deregulate and liberalize the downstream petroleum sector, including the distribution network.
- Unbundle the Nigerian National Petroleum Corporation (NNPC) and privatize its downstream subsidiaries, and enable the Nigerian petroleum Development Company and a professionalized NNPC to compete as other oil companies around the world do.
- Increase the local content in the oil and gas service sector to at least 50 percent by 2007.
- Review and codify the incentives in the oil and gas industry

To achieve the targets, the government will adopt the following strategies:

- Collaborate with the private sector, ensure the effective implementation of a national oil and gas policy and a national gas grid system.
- Explore the use of alternative funding schemes in the sector. Set up long-term financing arrangements in support of local content.
- Develop a database in Nigeria on the country’s oil and gas deposits, facilities, and professionals.
- Review, streamline, and codify existing incentives in the sector.
- Facilitate projects that transfer technology and generate employment in the nonoil sector, especially the petrochemical industry.
- Complete deregulation of the downstream sector by privatizing the refineries, product handling facilities, and distribution network.
- Improve security (against vandalism at facilities), and strengthen the Department of Petroleum Resources and the Ministry of Environment to allow them to perform their regulatory functions properly.
- Encourage transparency in the management of oil revenue by implementing the principles of the Extractive Industries Transparency Initiative.
- Implement the National Oil Spill Contingency Plan.

Solid Minerals

Nigeria has abundant solid mineral deposits. Some independent estimates indicate that the country’s solid mineral deposits could provide more revenue, foreign exchange, and employment than the oil and gas sector do. Exploitation of these resources could provide a major impetus for growth and development.

But several factors constrain development of the sector. A comprehensive geological survey of all solid mineral deposits has yet to be undertaken. Other constraints include the lack of adequate proven deposits, the lack of adequate capacities in mining and processing, the lack of infrastructural facilities, an unfavourable fiscal regime, and an uncompetitive legal and regulatory framework. A short-term programme to address these constraints will be put in place, especially for minerals that are vital for local needs.

and more accessible credit to the real sector.
- Direct government policy towards financial deepening (establishing links between rural and urban, banking and nonbanking, and formal and informal financial systems) and financial product diversification (filing the missing middle for commercial financial services for small and medium-size enterprises with new services based on best-practice technologies for cash flow financing, leasing, and so forth).

Oil and Gas

The oil and gas sector is seen as an external sector, because there is no link between it and the other sectors of the economy. The key issues requiring attention include the following:

- Local content level and community unrest in locations of proven reserves
- Absence of indigenous technical know-how and a deficient capacity-building programme
- Inefficient and widespread fraud
- Poor safety and regulatory systems
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Chapter 6: Sectoral Strategies

NEEDS will support exploration for base metals and gemstones, encourage sustainable production, and create self-employment

Policy Thrust
The goal of government policy in the sector is to provide incentives and an enabling environment for private sector investment. The major policy thrust is to ensure the vigorous and orderly exploitation of solid mineral resources in order to generate employment, increase revenues and exports, and provide inputs for local industries. The NEEDS action plan will vigorously support exploration for base metals and precious and semiprecious stones. Informal sector mining activities will be formalized and supported to encourage sustainable production and create self-employment.

Strategies and Specific Measures
The government will adopt the following strategies:

- Implement the existing legal framework for small and artisan operators in the sector.
- Complete the upgrading of the sector, empower the Geological Survey Agency to become the industry regulator, and provide a comprehensive database of the locations and estimated reserves of all known solid minerals in Nigeria that could be mined.
- Promote the establishment of licenced buying centers as the procurement interface between the mining cooperative and licenced miners on one side and local users and export markets on the other. Buying centers can ease the problems associated with marketing solid minerals.
- Promote mining cooperatives and community banks as the new structure.
- Promote environmental awareness and environmental rehabilitation of sites after mining.
- Promote transparency and participation at all levels of government and management.
- Complete the upgrading and extension of the sector, develop and improve infrastructures, training, and extension services.
- Promote interaction and consultation between different agencies exploiting natural resources (land, forest, minerals).
- Establish and enforce environmental standards for mining activities.
- Review current legislation through a truthing surveys using the remote sensing (Landsat/Radarsat). That survey will be complemented by aeromagnetic, electromagnetic, and radiometric surveys. The government will conduct ground-truthing surveys using the remote sensing results in the hope of attracting private investment. It will also immediately begin digitalizing existing maps.
- Establish licenced buying centers as the procurement interface between the mining cooperative and licenced miners on one side and local users and export markets on the other. Buying centers can ease the problems associated with marketing products and enable miners to earn premiums on sales of products near operational sites. The centers will also help the government reduce smuggling and operational sites. The centers will also help the government reduce smuggling and cut costs.
- Create extension services. Technical assistance and support services in prospecting and exploration will be provided to artisanal and small-scale miners in order to enhance and sustain their operations.
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The government, reduce environmental degradation, and diminish social and health problems, such as child labour and the spread of the HIV/AIDS.

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Chapter 7
Regional Integration and Trade Policies

As a small, open economy, Nigeria depends on the global economy for inflows of human and financial capital, technology, imports of inputs into production and for consumption, and as a market for its output and investment. NEEDS seeks to deepen Nigeria’s integration with the rest of the world and to maximize the benefits of strategic integration. Regional integration and trade are two instruments for maximizing the benefits of globalization.

Regional Integration

With globalization has come the emergence of multinational firms with strong presences in economies around the world. Regional integration represents an effective means of improving the level of participation of countries in the global economy for inflows of human and financial capital, technology, imports of inputs into production and for consumption, and as a market for its output and investment.

Policy Thrust

The thrusts of the NEEDS trade policy include the following:

- Continue to work towards the macro-economic convergence criteria as well as the harmonization of financial and economic policies that are expected to lead to monetary integration within ECOWAS.
- Strengthen infrastructure, particularly in building regional markets (roads, electricity, telecommunications), and reinvigorate informal trade.
- Continue to cooperate with other West African countries in addressing common regional concerns, such as conflicts and wars, environmental threats, regional infrastructure, poverty and migration, and governance issues.
- Fully implement the New Partnership for African Development (NEPAD), especially as it pertains to the African peer review mechanism, the promotion of good governance, intra-African trade, investment, and infrastructure development.

Strategies

The government’s strategies include:

- Harmonize trade and investment codes as well as port and customs clearance procedures, and the use of origin clauses in intraregional trade.
- Promote regional trade associations, such as the Federation of West African Manufacturers Association.
- Encourage the private sector to build infrastructure, poverty and migration, and governance issues.

Trade Policy and Development

Nigeria is a coastal African country with the potential to become the gateway to much of West and Central Africa. Much of this potential has not been realized, because of a number of constraints, including:

- The high cost of doing business in Nigeria, which has constrained investment and production.
- Weak infrastructure.
- Massively implemented incentives, especially fiscal and tariff regimes.
- Unfavourable international trade rules.
- Lack of standardization, required for dumping of products.
- A second language (French) by all Nigerians.
- Monitoring Group) to provide security and facilitate business linkages.

Another constraint has been Nigeria’s trade policy stance. Although significant improvements have occurred in trade policy since the late 1980s (with large reductions in tariff rates and nontariff barriers), policy is still unpredictable, especially in the application of tariffs and exemptions, transactions costs at ports, customs clearance procedures, and the use of import bans. Nigeria’s tariff and nontariff barriers

Nigeria has the potential to become the gateway to much of West and Central Africa.
Policy Thrust
The thrust of policy is to drastically reduce the
uncertainty and unpredictability of the trade
policy regime, harmonize trade practices with
those of other ECOWAS countries (and thus facilitate
the Free Trade Area within the region), respect Nigeria's obligations under the multilateral
and regional trading systems, and create a conducive and competitive environment in which Nigerian businesses can flourish and compete in
the global and regional economy. The goal of
policy is to lay a solid foundation for fully
exploiting Nigeria's potential in international trade and help it become the gateway to West and
Central Africa.

Strategy and Instruments
Nigeria's strategy is to aggressively promote
exports and gradually sequence import
liberalization. NEEDS aims to promote an export-led growth strategy that will take advantage of
globalization and the external trade opportunities
that regional and international trade and
economic integration arrangements offer. The
strategy will encourage the growth of industries
that have been harnessed by narrow domestic market opportunities, promote technological
innovation and growth, and diversify foreign exchange
earnings. The elimination of exemptions and
adoption of a tariff structure that is harmonized with that of other ECOWAS countries will give
investors and producers access to capital goods
and raw materials at very low duty rates.

Selective import restrictions are used as safeguards against unfair trade practices and the
dumping of counterfeit and substandard goods, as
well as for health and cultural reasons. Some
restrictions are warranted to provide temporary
protection to firms and industries that need to
restructure and upgrade their technologies and
operations in the light of global trends or to allow
the government to address the high cost of doing
business (especially high infrastructure
costs). This strategy is expected to create jobs,
stimulate domestic investment and industrializa-
tion, and earn significant foreign exchange.

Through trade policy—a key component of the
strategy for economic diversification—nonoil
exports are expected to increase significantly over
time, and dependence on imported finished
customer goods (especially food products) is
expected to decline significantly.

The key instruments and strategies employed
to achieve the objectives of policy include the
following:
• Distractively reduce the domestic cost
structure—especially infrastructure costs—to
provide a competitive investment climate as a necessary foundation for
production and exporting.
• Aggressively promote exports and
economic diplomacy. It is the responsibility
of all Nigerians, the private sector, and
government agencies and missions abroad to
protect Nigeria's commercial interests abroad.
• Harmonize tariffs with the Economic and
Monetary Union of West Africa (UEMOA)
and other countries to create a common
ECOWAS external tariff. The common tariff
is expected to come into effect no later than 2015. Already the government, in consultation with stakeholders, has
decided to harmonize Nigeria's tariffs with
 tariffs imposed in UEMOA countries. When
the new tariff book comes into effect (after legislation is passed by the National
Assembly), Nigeria will have reduced the number of tariff bands from 19 to 4 (0, 5,
10, and 20 percent). About 65 percent of
Nigeria's total imports (capital goods, raw
materials, and essential goods, such as
medicine and books) subject to duties of
0–5 percent; before the reform, 83 percent of
Nigeria's tariff lines were higher than
the UEMOA rates. By harmonizing
with the UEMOA rates, Nigeria's average
tariff rate is expected to decline more than
50 percent.
• Continue to use special levies and import
restrictions in particular circumstances to
protect domestic industries and critical
sectors against unfair trade practices; to
protect the health, culture, and environ-
ment of Nigerians; and to ensure food
security. Import restrictions also give the
government time to address the domestic
cost structure. But for the high cost
structure in Nigeria, domestic firms could
be competitive in some industries in which
Nigeria has a comparative advantage. The
temporary protection will be reduced in
step-wise manner as costs are reduced, in
order to expose the firms to international
competition, thereby encouraging
innovation and growth.
• Rationalize and strengthen institutions
responsible for promoting and facilitating
trade. Task forces will ensure that Nigeria
fully harnesses the potential benefits of
concessionary trade arrangements, such as
the U.S. Africa Growth and Opportunity
Act and the EU Cotonou Agreement.

• Cooperate and collaborate with other
African and developing countries to ensure
that the WTO trade negotiations address
the concerns and interests of Nigeria and
Africa. Provide leadership in the negotiation
of the Economic Partnership Agreement
with Europe, as required under the
Cotonou Agreement, to ensure that it
promotes rapid economic development in
Nigeria and West Africa.
• Continue to actively strengthen links
with Nigerians and other Africans in the
diaspora to deepen technical and business
ties with the rest of the world, and improve
export market penetration, especially in
textiles, food, and cultural artifacts.
• Reform customs and ports to drastically
reduce turnaround time in the ports.
Reduce transactions costs at the ports,
encourage prompt and effective collection of
government revenues, and ensure
customs clearance within 48 hours.
• Develop a deep-sea port, inland container
depots, free trade zones, and a shipping
facilities to enhance coastal shipping,
development, and regional integration.
Nigeria is well positioned geographically
to serve as a major hub for regional trade and
distribution network in a rapidly expanding
global market. To take advantage of these
opportunities, the private sector will be
couraged to develop new and creative
production arrangements with foreign
partners, develop entrepreneurial skills, and
significantly increase local capacity in
shipbuilding and maritime services.
Part Four
Changing the Way the Government Does Its Work

Chapter 8
Creating a More Efficient and Responsive Public Sector

Chapter 9
Improving Security and the Administration of Justice

Chapter 10
Tackling Corruption and Promoting Transparency and Accountability

Chapter 11
Implementation and Financing
Chapter 8: Creating a More Efficient and Responsive Public Sector

Nigeria’s public sector has grown tremendously over the years. Among the contributing factors have been inappropriate responses to increased oil revenues; domination of the economy by government in the 1970s and 1980s; rapid expansion of development programmes in response to bureaucratic, political, and international pressures; movement towards a unitary type of government attempting to cover all areas, often resulting in duplication of effort; the large apparatus associated with democratic governance at the federal, state, and local government levels; and the 1988 civil service reforms, which expanded the number of departments in many ministries and created several new ministries.

The share of government in Nigeria’s economy is large and has grown significantly over the years. Among the contributing factors have been inappropriate responses to increased oil revenues; domination of the economy by government in the 1970s and 1980s; rapid expansion of development programmes in response to bureaucratic, political, and international pressures; movement towards a unitary type of government attempting to cover all areas, often resulting in duplication of effort; the large apparatus associated with democratic governance at the federal, state, and local government levels; and the 1988 civil service reforms, which expanded the number of departments in many ministries and created several new ministries.

The government is perceived as a provider of contracts and a major employer, even though the civil service has been largely depersonalized.

The result of developments in the past decade has been a weakened public service; persistent deficits financed by domestic and external borrowing, creating a high debt service burden; the breakdown of the traditional instruments of control, leading to misappropriation of funds; the high incidence of ghost workers; poor costing of programmes and projects; a large portfolio of abandoned and ongoing projects; and the mushrooming of public enterprises. The system has accumulated pension arrears, and some states and federal government agencies are beginning to accumulate late salary arrears and arrears to contractors and suppliers. A country that used to have an adequate civil service, a well-functioning judiciary, and rule of law has seen these institutions severely undermined. An important aspect of the reform programme therefore focuses on restoring the professionalism of the civil service.

The rolling plan hardly informed the preparation of the approved budget. Free enterprise and private sector-led growth also pose challenges for planning. NEEDS seeks to refocus the traditional planning process and strengthen the budget process as instruments of development management and control.

Before 1999 corruption was practically institutionalized as the foundation of governance in Nigeria. Societal institutions decayed to an unprecedented extent, as opportunities were colonized by the powerful. As could be expected, this process was accompanied by the intimidation of the judiciary, the subversion of due process, the manipulation of existing laws and regulations, the suffocation of civil society, and the containment of democratic values and institutions. Power became nothing but a means of accumulation and subversion, as productive initiatives were abandoned for purely administrative and transactional activities. The legitimacy and stability of the state became compromised as citizens began to devise extralegal and informal ways to survive.

The corruption quagmire in Nigeria was rooted in the failure and virtual collapse of governance, the contamination of democratic values, the erosion of procedures for accountability, and the prevalence of bad leadership. Waning public confidence in the country’s political and economic institutions promoted a culture of contempt for the rule of law and ultimately a societal tolerance for behaviour previously considered abominable.

Neither today nor in the future can Nigeria afford to sacrifice the social, political, or economic costs that systemic corruption has imposed.

Policy Thrust: The Reform Agenda

The NEEDS reform agenda for the civil service consists of seven main goals:

- Right-size the sector and eliminate ghost workers.
- Restore the professionalism of the civil service.
- Rationalize, restructure, and strengthen institutions.
- Privatize and liberalize the sector.
- Tackle corruption and improve transparency in government accounts, accounts of government agencies, and joint venture oil companies.
- Reduce waste and improve efficiency of government expenditures.
- Enhance economic coordination.

Since coming into office, the administration has established a number of institutional and structural measures aimed at redressing the situation. These measures include:

- Open and competitive tender arrangements for government contracts.
- Establishment of a due process mechanism to vet and eliminate fat from government contracts.
- Massive anticorruption campaigns involving all public officials, including the President.
- Public sector reforms to reduce, if not completely eliminate, opportunities for corruption, especially through the comprehensive monetization of benefits to public officers.
- A committed focus on privatization and auctions for government-labeled assets (for example, to the liberalization of the telecommunications sector).
- Establishment of an independent anticorruption agency and an economic and financial crimes commission.
Progress has been made in introducing competition into the process of bidding for government contracts. The administration recognized that a piecemeal approach to amending the process of competition for government contracts would be too incremental and not sufficiently far-reaching. It therefore set up the Budget Monitoring, Domestic Price Intelligence Unit, which began a process of contract award review, oversight, and certification, commonly referred to as “due process.” This simple mechanism for certifying for public funding only those projects that have passed the test of proper project implementation packaging. Through certification, value for money is returning as the fundamental premise for public expenditure.

In the two years since implementation of the due process mechanism, progress has been made in introducing competition into the process of bidding for federal government contracts. By reviewing contracts, the Budget Monitoring and Domestic Price Intelligence Unit has reduced the government huge sums, estimated at hundreds of millions of dollars. Several contracts awarded by spending units that failed to comply with open, competitive bid parameters have also been cancelled. While the government has expressed concerns about the timeframe for contract review, oversight, and certification, the success of the due process mechanism has strengthened the government’s resolve to create a Public Procurement Commission with a broader mandate of oversight over all federal procurements. The executive recently withdrew a bill for the establishment of the commission with the technical assistance of the World Bank, in order to free up resources, which will be directed towards reducing the size of the bureaucracy.

Reforming the Bureaucracy

The government has begun implementing a range of administrative reforms that reduce the incentive for corrupt behaviour through strategies such as monetising benefits (cars, housing, utilities, domestic assistance, drivers); redefining and redesigning processes to reduce delays; rotating officers; and increasing supervision. Reducing the size of the public bureaucracy will free up resources, which will be directed towards reducing incentives for corruption by giving civil servants higher wages, bonuses, and more favourable working conditions.

Increasing Information and Transparency

To enforce existing anticorruption laws, the government has established the Independent Corrupt Practices and Other Related Crimes Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). The leadership of the commissions has demonstrated strong commitment to tackling financial crime, money laundering, and other economic misconduct that has created difficulties for Nigeria with the OECD Financial Action Task Force. In view of the pervasiveness of corruption in Nigeria, early in the NEEDS period the government will set up task forces to help formal institutions address selected aspects of the problem, including corrupt practices in schools and sales outlets, money laundering, and corruption at the local level.

The work of the ICPC and EFCC is fully complemented by ongoing reforms of justice administration and the police. These efforts include an anticorruption campaign, recruitment and training of personnel, provision of equipment, increased wages and allowances, and general improvement in conditions of service.

Reforming and Strengthening Public Finance

Historically, the award of contracts in Nigeria has been perceived as lacking transparency. Inflated contract costs and processes that were closed, discretionary, and well-designed conduits for abuse of public power were systemic. The televised auction of digital mobile licences, carried out with the technical assistance and support of British consultants in 2001, was a significant step towards reducing the size of the bureaucracy.

The administration will encourage private sector and civil society checks on the exercise of government power by providing information about government actions. It will publish budgets, records of revenue collection, statutes, and rules and encourage the Nigerian National Petroleum Corporation (NNPC) and the oil companies to fully disclose their revenues and costs of operation. Both the Office of the Accountant General of the Federation and Auditor General of the Federation will be strengthened to perform their statutory functions as effectively as possible to improve transparency and reduce corruption.

Increasing Transparency in Privatization and Market Liberalization Processes

Privatization and liberalization of key economic sectors have been deliberate and timely, seeking to entrench transparency and accountability in the transformation of institutions. The local government reform initiated by the government is designed to check waste, disorganization, inefficiency, and corruption. Successfully removing some sections of the private sector from the old guarantees of profit through distortions in public sector operations and policies is a Herculean task. In the short to medium term, it will result in social dislocations, but these dislocations are the price that may have to be paid to create a more durable, productive, and sustainable system.

Other reforms involve properly redefining and streamlining the role or form of planning, bringing the capital and recurrent budgets together in a manner consistent with the OECD. The strengthened Budget Office will collaborate effectively with the National Planning Commission and the Ministry of Finance to ensure proper synergy between capital programmes and recurrent expenditures. The administration will encourage private sector and civil society checks on the exercise of government power by providing information about government actions. It will publish budgets, records of revenue collection, statutes, and rules and encourage the Nigerian National Petroleum Corporation (NNPC) and the oil companies to fully disclose their revenues and costs of operation. Both the Office of the Accountant General of the Federation and Auditor General of the Federation will be strengthened to perform their statutory functions as effectively as possible to improve transparency and reduce corruption.
hailed as one of the most transparent licence auctions in the world. Since 2001 the second and third phases of the privatization and market liberalization programme have been implemented with the same degree of transparency. All advisory services being procured and assets and shares being sold have been advertised, and the auctions for all divestiture transactions have been broadcast live on national television.

**Improving Economic Coordination and Implementing Institutional Reforms**

NEEDS will provide a strong economic coordination platform for federal, state, and local government programmes. The budget process at all levels and tiers of government will be strengthened and made more transparent and cohesive. Efforts will be made to establish an annual budget framework and guidelines that will be followed by all tiers of government.

A Fiscal Responsibility Bill will be enacted into law early on as an essential component of the reform programme. The Peer Review Mechanism to be established under the strategy will enable heads of government agencies to exchange views on how well counterparts are performing and who is violating the agreed principles and guidelines. The government will re define the role of government into the capital market system. For the government to play this role effectively, a significant paradigm shift is needed in the public service, from the old patronage, and so forth to the new orientation of privatizing, liberalizing, and deregulating. That process will be accelerated under NEEDS. The government will withdraw from direct production of goods, except in the oil and gas sectors. Service provision will be in the key areas of education, health, water supply, science and technology, and capacity building. The public and private sectors, the donor community, and users will share responsibility for infrastructure services. The adoption of build-operate-transfer, build-own-operate-transfer, rehabilitate-operate-transfer, and other innovative schemes to attract private capital will be intensified in power generation and distribution, roads, railways, water supply, ports, prison infrastructure, the courts, and other areas. The administration has already started the process in the power sector (in Sapele and Alam) and the Niger Bridge. More concerted efforts will be made in this direction.

The role of government will become that of a facilitator providing the enabling environment for the private sector to invest and operate in a free market system. For the government to play this role effectively, a significant paradigm shift is needed in the public service, from the old orientation of control and checking, risk avoidance, personalizing of governance, paternalism from its dominant role in the economy by privatizing, liberalizing, and deregulating. That process will be accelerated under NEEDS. The government will withdraw from direct production of goods, except in the oil and gas sectors. Service provision will be in the key areas of education, health, water supply, science and technology, and capacity building. The public and private sectors, the donor community, and users will share responsibility for infrastructure services. The adoption of build-operate-transfer, build-own-operate-transfer, rehabilitate-operate-transfer, and other innovative schemes to attract private capital will be intensified in power generation and distribution, roads, railways, water supply, ports, prison infrastructure, the courts, and other areas. The administration has already started the process in the power sector (in Sapele and Alam) and the Niger Bridge. More concerted efforts will be made in this direction.

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They will also seek to improve debt management and develop proposals for debt relief and debt reduction. These reforms will be accompanied by a modest rudimentary programme of measurement and monitoring of inputs, outputs, processes, and outcomes. The idea is to make policymakers, ministers, and programme managers more aware of the need for accountability for resources used and results obtained. The government will also need to create a consensus building and communications programme that reaches out to the legislature and to the grassroots to explain the rationale for the reforms, get inputs, and keep stakeholders abreast of progress.

As part of a policy to improve service quality, every government agency will be encouraged to implement a service delivery charter that includes checklists, processing deadlines, and other benchmarks for delivery of public services. The charter will mainstream service delivery at the national, state, and local government levels.

**Monetizing Fringe Benefits in the Federal Public Service**

Over the years the cost of governance has continued to rise, partly because of the in-kind benefits the government provides public servants. These benefits, largely a carryover from the colonial era, include highly subsidized accommodation, transport facilities, chauffeur-driven vehicles (for the senior echelon of the service), free medical foundation, transport facilities, chauffeur-driven vehicles (for the senior echelon of the service), free medical care, and telephone services. The cost of providing these amenities has become so large that little is left for funding capital projects. The problem is compounded by the fact that these benefits are not provided in the most cost-effective manner.

The monetization policy was given legal teeth with the passage and coming into effect of the Certain Political, Public and Judicial Office Holders Act, 2002, which was extended by the holders act of 2003 to cover all federal civil servants. The law required to fund the terminal benefits and entitlements of the staff who will be phased out of the civil service as a result of the monetization policy.

**Challenges and Implementation**

Implementation of the policy faces several challenges, including the following:

- Mobilization of the sizable resources required to fund the terminal benefits and entitlements of the staff who will be phased out of the civil service as a result of the monetization policy.
- Development of equitable criteria that balance the requirement to obtain market value for the government assets sold with the need to allow public servants whose emoluments were not always market-driven the opportunity to successfully bid for those assets.
- Challenge of convincing public officers that it is no longer business as usual as far as the enjoyment of the in-kind benefits they were used to.

**Monetization of benefits should encourage public servants to make responsible decisions about the use of their resources**

Table 8.1: Monetized Fringe Benefits for Federal Civil Servants

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Pay grade level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation subsidy</td>
<td>01–05</td>
<td>50 percent</td>
</tr>
<tr>
<td>07–14</td>
<td>60 percent</td>
<td></td>
</tr>
<tr>
<td>15 and above</td>
<td>75 percent</td>
<td></td>
</tr>
<tr>
<td>Transport subsidy</td>
<td>01–17</td>
<td>25 percent</td>
</tr>
<tr>
<td>Meal subsidy</td>
<td>01–06</td>
<td>NRI 500</td>
</tr>
<tr>
<td>07–10</td>
<td>NRI 700</td>
<td></td>
</tr>
<tr>
<td>12–14</td>
<td>NRI 900</td>
<td></td>
</tr>
<tr>
<td>15–17</td>
<td>NRI 1,200</td>
<td></td>
</tr>
<tr>
<td>Permanent Secretary and above</td>
<td>NRI 1,500</td>
<td></td>
</tr>
<tr>
<td>Utility subsidy</td>
<td>01–16</td>
<td>15 percent</td>
</tr>
<tr>
<td>17 and above</td>
<td>20 percent</td>
<td></td>
</tr>
<tr>
<td>Domestic servant</td>
<td>16 and above</td>
<td>1 GL 3 Step 8</td>
</tr>
<tr>
<td>Permanent Secretary and above</td>
<td>2 GL 3 Step 8</td>
<td></td>
</tr>
<tr>
<td>Leave grant</td>
<td>01 and above</td>
<td>10 percent</td>
</tr>
<tr>
<td>Medical care</td>
<td>01 and above</td>
<td>10 percent (to be paid to National Health Insurance Scheme)</td>
</tr>
<tr>
<td>Furniture allowance</td>
<td>01–08</td>
<td>0</td>
</tr>
<tr>
<td>07 and above</td>
<td>40 percent for 5 years</td>
<td></td>
</tr>
<tr>
<td>Vehicle loan*</td>
<td>01–05</td>
<td>100 percent</td>
</tr>
<tr>
<td>06–07</td>
<td>150 percent</td>
<td></td>
</tr>
<tr>
<td>08 and above</td>
<td>200 percent</td>
<td></td>
</tr>
<tr>
<td>Driver</td>
<td>17 and above</td>
<td>1 GL 3 Step 8</td>
</tr>
</tbody>
</table>

* Vehicle loans are provided by banks at a single-digit interest rate, subject to repayment capability in accordance with financial regulations.
Security of life and property is a fundamental human right guaranteed under Nigeria’s constitution. Successive governments have tried to ensure security, especially since 1999. Despite their efforts, however, the level of security in parts of the country has fallen, driven by growing poverty, wide income disparities, high unemployment, social dislocation caused by massive rural-urban migration, and the breakdown of societal values, leading to fraud and community unrest. The institutions established to guarantee security are incapacitated by limited personnel and skills, inadequate funding, poor equipment, and lack of proper orientation and commitment by some. A weak economy can only exacerbate the situation.

The government has taken several measures to deal with the problem. It established the Independent Corrupt Practices Commission and the Economic and Financial Crimes Commission, implemented the recommendations of the Justice Kayode Esho Commission of Inquiry, strengthened institutions for enforcing standards, such as the National Agency for Food and Drug Administration and Control, and substantially improved the personnel strength, equipment, and mobility of the police. Much remains to be done, however, to attain the level of security and the administration of justice that Nigerians deserve. Overall Policy Thrust

NEEDS seeks to increase the level of security of life and property, reduce uncertainty, and improve the confidence in Nigeria by both Nigerians and investors. The strategy recognizes the role society must play in enhancing security by imbuing the right values and attitudes towards safeguarding life and property. It focuses on growing the economy to reduce unemployment; providing safety nets for vulnerable groups, including children; and fighting corruption and drug abuse. It pays attention to training and equipping security institutions and agencies (judiciary, police, prisons, immigration, customs, and other organs) charged with guaranteeing internal security. An important dimension of the NEEDS policy is achieving a paradigm shift and change of attitude of some of those involved in security matters to see themselves as public servants who should deliver high-quality services to their customers. Corrupt practices among security operatives will be vigorously fought; corrupt officials will not only be weeded out but severely punished. The quality of services delivered will be closely monitored as part of the ongoing reforms.

Society, schools, religious institutions, and families all have key roles to play in creating a disciplined and law-abiding citizenry with the right

Chapter 9 Improving Security and the Administration of Justice

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Society, schools, religious institutions, and families all have key roles to play in creating a disciplined and law-abiding citizenry with the right
values. Teachers, parents, and people in positions of authority must recognize that children and youths see them as role models. They must provide young people with the right orientation and advice, especially with respect to using violence to pursue their rights or seek redress.

**Increasing National Security**

NEEDS plans to increase national security by increasing the effectiveness of the police, reforming Nigeria’s prisons, improving the judicial system, promoting and protecting human rights, increasing women’s rights, and ensuring the rights of people living with HIV/AIDS.

**Increasing the Effectiveness of the Police**

The number of police in Nigeria tripled between 1999 and 2003, rising from 110,000 to about 310,000. The challenge now is to make the police effective. To enable the police to meet the challenges of modern policing and crowd control and to eliminate corruption, NEEDS will build capacity by training police personnel, pursue a paradigm shift in the orientation of the police to improve the quality of service. The police will be properly trained and equipped to enhance their effectiveness in combating crime. In hiring new police officers, consideration will be paid to applicants’ educational qualifications and capacity for training and retraining. Particular attention will be paid to attracting more personnel with higher national diplomas and university degrees. GSM telephony, sophisticated equipment, and improved vehicles should improve police performance. The overall goal is to effect a paradigm shift towards friendly, fairer, and firmer interactions between police and the public and to create a police force of dedicated people who shun corruption.

**Reforming the Nation’s Prisons**

The prison system faces great challenges, including the following:
- **Congestion and a high proportion of inmates awaiting trial**
- **Decaying infrastructure**
- **The burden of imprisonment on prisoners and their families (disease exposure, social ostracism, loss of means of livelihood)**
- **The cost of security of keeping a large number of people in jail**
- **The poor quality of prison personnel**

The prison system will be reformed to emphasize rehabilitation rather than punishment. The number of inmates per square metre will be reduced. A parole system and system of house arrest will be introduced for offenders who show remorse and display good conduct.

In collaboration with relevant agencies and other stakeholders, the federal government will work to reduce overcrowding in prisons. As an immediate step, the government is committed to taking the following steps:
- **Encourage and deal with the root causes of the problem, such as missing case files, lack of sureties, abuse of escort due process, lack of functional escort vehicles, and so forth.**
- **Strengthen the capacity of the Legal Aid Council to provide legal services to the poor.**
- **Encourage and recognize private practitioners involved in pro bono work.**
- **Attract more personnel with higher national diplomas and university degrees.**
- **GSM telephony, telephony,**
- **Solve the root causes of the problem, such as missing case files, lack of sureties, abuse of escort due process, lack of functional escort vehicles, and so forth.**
- **Strengthen the capacity of the Legal Aid Council to provide legal services to the poor.**
- **Encourage NGOs and other groups working on prison reforms.**
- **Conduct an up-to-date audit and develop a database on inmates awaiting trial in all prisons.**

The welfare of inmates will be improved by providing better medical care, meals, and access to athletic activities. Prisoners will be given greater access to training and skill acquisition opportunities and encouraged to engage in productive activities, such as agriculture, arts and crafts, and small-scale industries to enable them to run small businesses on discharge. Such activities should also assist in providing food and clothing to inmates. Prisoners with appropriate skills acquired under the skill acquisition scheme will be considered for access to cheap credit (microcredit schemes) for starting their own businesses upon release from prison.

**Justice is the ligament that holds civilized society together.** Any threat to the administration of justice is a threat to the corporate soul of the society. The essence of democracy is justice. Every democracy ought therefore to strive to provide access to justice for all and protect the rights of the citizenry. The destiny of the country lies in making the system of justice work smoothly and efficiently.

NEEDS proposes to introduce microcredit schemes for starting small businesses upon release from prison. The private sector will be encouraged to build prison infrastructure for lease to the government. Voluntary organizations and religious institutions will also be given the opportunity to provide assistance to prisoners and improve their living environment.

**Improving the Judicial System**

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NEEDS PART FOUR

Chapter 9: Improving Security and the Administration of Justice

NEEDS plans to increase national security by increasing police effectiveness, reforming prisons, improving the judicial system, and protecting human rights.
Increasing access to justice. As a democratic country, Nigeria has a duty to ensure that all people, rich or poor, can easily use the institutions and processes of law to resolve their disputes. This requires that people be able to use the law and the courts with or without the intervention of lawyers for simple matters. Efforts will be made to simplify proceedings and the law itself and to encourage the use of alternative dispute resolution mechanisms that are closer to the African method of resolving disputes. To widen access to justice, NEEDS will encourage the provision of greater state and privately funded legal assistance to the poor.

The rules and procedures of Nigeria’s civil courts will be reviewed to:

- Lower the cost of litigation and broaden access to justice.
- Reduce delays so that cases can be decided speedily.
- Ensure that litigants have an equal opportunity, regardless of their resources, to defend their legal rights.
- Make the legal system understandable to those who use it.

Creating a more effective criminal justice system. During the NEEDS period, vigorous efforts will be made to improve the efficiency of criminal justice administration. Part of this process will be the elimination of excessive delays in disposing of criminal cases. The government will explore the possibility of stipulating a reasonable duration as well as procedures and processes for hearing and determining criminal cases. The review will also consider options for empowering judicial officers to curtail irrelevant or unduly protracted cross-examination and testimony and amending the rights to interlocutory appeal in criminal matters.

The judiciary is already getting rid of corrupt or ineffective officers. Also important is the commitment to train and upgrade judicial support staff, equip judicial libraries, and introduce computers for storing and retrieving data and writing judgments. Attention will be given to upgrading the infrastructure of the court system.

Promoting and Protecting Human Rights

One of the dividends of democracy in the past four years has been the prevailing atmosphere of freedom. Human rights, especially civil and political rights guaranteed by the Nigerian Constitution, have been accorded due respect.

The broad pursuit of human rights has become one of the hallmarks of modern democracies. The National Action Plan on Human Rights is the government’s response to the violations of human rights that characterized the military regimes of the past. The Ministry of Justice will soon formally present to the President the National Action Plan on Human Rights, so that agencies can begin implementing it. The ministry is also seeking amendments to the constitutive instrument of the National Human Rights Commission. Those amendments will enhance the work of the commission while strengthening its capacity to play its envisaged role in implementing the National Action Plan on Human Rights.

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During the NEEDS period, vigorous efforts will be made to improve the efficiency of criminal justice administration. Part of this process will be the elimination of excessive delays in disposing of criminal cases. The government will explore the possibility of stipulating a reasonable duration as well as procedures and processes for hearing and determining criminal cases. The review will also consider options for empowering judicial officers to curtail irrelevant or unduly protracted cross-examination and testimony and amending the rights to interlocutory appeal in criminal matters.

The judiciary is already getting rid of corrupt or ineffective officers. Also important is the commitment to train and upgrade judicial support staff, equip judicial libraries, and introduce computers for storing and retrieving data and writing judgments. Attention will be given to upgrading the infrastructure of the court system.
Chapter 10: Tackling Corruption and Promoting Transparency and Accountability

Our goal is to fight corruption to a standstill.

—Olusegun Obasanjo

Corruption and the abuse of positions and privileges have long been features of Nigeria’s economic and political landscape. Systemic corruption and low levels of transparency and accountability have been major sources of development failure. Illegal activities such as the advance-fee fraud (known as 419) and money laundering have torn the fabric of Nigerian society. Forms of corruption include, but are not limited to, unconventional and fraudulent trade practices, misappropriation or diversion of funds, kickbacks, under- and over-invoicing, bribery, and corruption. These practices impair the abuse of office, and collection of illegal tolls. Indeed, Nigeria is rated as one of the most corrupt countries in the world. Given the adverse implications of the negative values of a small number of people on the nation’s image, growth, and development, the government cannot ignore them, particularly as experience has shown that the successful pursuit of a national vision has often been nurtured and advanced by the inculcation of good moral and ethical values in the citizenry.

Policy Thrust

A strong and effective anti-corruption policy is a priority of the government, which hopes to create a transparent and accountable Nigeria in which the incidence of corruption is low. NEEDS envisions a prosperous country that is not only developed economically but infused with strong moral and ethical values. Without these values it would be difficult, if not impossible, to achieve the desired level of growth and development. Moreover, even if Nigeria were able to break out of the vicious cycle of poverty and underdevelopment, it would be developed without moral character. Some of the values on which attention must be focused include the following:

- Integrity and good citizenship at the individual and corporate level
- Discipline and a strong work ethic
- Excellence, competitiveness, creativity, and innovation in service delivery
- Perseverance and longer term thinking as opposed to short-term expediency
- Enterprise, thrift and savings, and curbing of waste
- Thirst for knowledge, information, and know-how

Commitment to the welfare of vulnerable groups

- Pride in the spirit of Nigeria

Strategies and Interventions

The President of Nigeria is personally committed to tackling corruption and increasing transparency. But it will be the responsibility of all stakeholders—the family, the media, the educational system, the government and its agencies, and private institutions alike—to ensure that these values are consciously and constantly inculcated throughout society.

The government has signaled its commitment to tackling corruption and increasing transparency and accountability through a number of initiatives. Some of its achievements include the following:

- It established the Budget Monitoring and Price Intelligence Unit, a new institution with mandates to promote transparency in government financial transactions and to establish open and competitive tender arrangements for government contracts through the due process mechanism. Through a process of contract award review, oversight, and certification, the government has reaped huge savings, estimated at hundreds of millions of dollars. Several contracts that were awarded by spending units that failed to comply with open, competitive bid parameters have been canceled.
- It established the Extractive Industries Transparency Initiative, aimed at encouraging the Nigerian National Petroleum Corporation and other oil companies to fully disclose revenue and cost of operations. To curb corruption, reduce waste and inefficiency, establish the right set of values, and discourage rent-seeking and other unproductive activities, NEEDS supports the following measures:
  - Reform, strengthen, and modernize institutions whose duty it is to foster and enforce compliance. These include the rulers of office, and collection of illegal tolls. Indeed, Nigeria is rated as one of the most corrupt countries in the world. Given the adverse implications of the negative values of a small number of people on the nation’s image, growth, and development, the government cannot ignore them, particularly as experience has shown that the successful pursuit of a national vision has often been nurtured and advanced by the inculcation of good moral and ethical values in the citizenry.
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- Commitment to the welfare of vulnerable groups
- Pride in the spirit of Nigeria

- It sold government licences at transport auctions and established due process.
- It pushed forward a Public Procurement Commission Bill, which will soon be submitted to the National Assembly.
- It established the Economic and Financial Crimes Commission, which has begun a vigorous campaign to arrest people suspected of fraud. The leadership of the commission has shown strong commitment to tackling financial crimes, money laundering, and other economic crimes that had created difficulties for Nigeria with the Financial Action Task Force of the Organisation for Economic Co-operation and Development.
- It established the Independent Corrupt Practices and Other Related Crimes Commission, which has had some success deterring corruption and prosecuting corrupt senior public officers.
Effective implementation of policies and programmes is key to the success of NEEDS. Implementation defines the process, institutional framework, and instruments for translating aspirations, goals, and programmes into action and concrete results.

Nigeria’s experience has been one of formulating good plans, policies, programmes, and projects and then failing to achieve objectives because of ineffective implementation—or no implementation. Because Nigerians have now reached consensus on the problems facing the country and the urgent need to turn things around, prospects are much more positive for NEEDS than they were for earlier initiatives.

Implementing NEEDS calls for commitment, discipline, and a strong will to stay the course of reforms—at all levels, from the President and federal executive branch down to the grassroots. Implementation will be holistic, consistent, and persistent, as half measures yield not half results but often failure.

To improve transparency and accountability in government fiscal operations and check unproductive public expenditures by all tiers of government, fiscal responsibility and right to information bills will be enacted in 2004. The Fiscal Responsibility Act will require publication of annual audited accounts by all government agencies and public enterprises within six months of the end of their financial year. It will also establish a Revenue Stabilization Fund, into which windfall revenues will be transferred. The Right to Information Act will foster openness and feedback by streamlining and rationalizing the system for information collection, collation, storage, and dissemination on a timely basis.

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governments and state governments are much closer to the people and are better positioned to deliver many social services.

Institutional Framework

The institutional framework for implementing NEEDS recognizes the importance of coordination among the federal government, state governments (through the National Economic Council and the National Council on Development Planning), and local governments for achieving the national development goals (figure 11.1). For this reason, state governments constitute an integral part of the implementation, monitoring, and evaluation framework. The system is cohesive and provides for interaction with all stakeholders. At the apex are the President, the Vice-President, and the National Assembly. The federal Executive Council and National Economic Council consider all matters pertaining to implementing NEEDS and SEEDS, presenting periodic reports to the President and the National Assembly.

A key institution is the Independent Monitoring Committee. The committee—chaired by the Secretary to the Government of the Federation and composed of government officials, representatives of the private sector, the press, and civil society—periodically monitors and evaluates implementation of NEEDS and SEEDS programmes and projects. It informs the National Assembly of its findings and reports to the President and the National Assembly. The National Economic Council considers all matters pertaining to implementing NEEDS and SEEDS, presenting periodic reports to the President and the National Assembly.

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The Secretariat of NEEDS is located at the National Planning Commission, which will coordinate the implementation framework. Other agencies critical to the effective coordination and implementation of NEEDS and SEEDS are the Joint Planning Board, the National Council on Development Planning, and the National Economic Council. As the Secretariat for these statutory bodies, the National Planning Commission is being restructured and strengthened to perform its statutory mandate of coordinating plan development and implementation across the tiers of government. Membership of the National Council on Development Planning will be enlarged to include other stakeholders, and the Service Delivery Unit will play an important role in setting performance targets on service delivery.

Each state government is expected to set up an independent committee to monitor its SEEDS. The ministry responsible for the planning function serving will serve as the Secretariat, and the Secretary to Government will serve as chair. States are also encouraged to undertake quarterly reviews of progress based on clearly articulated benchmarks and targets, timelines, activities, and officials responsible for implementation. The results of such exercises could be posted on the state Web site and disseminated to state residents.

The National Council on Development Planning and Joint Planning Board (composed of all Commissioners of Planning and Permanent
NEEDS specifies areas of responsibility across the three tiers of government

Secretaries of Planning in the states, together with their federal counterparts and other officials agreed to set up a National Joint Monitoring Committee for the SEEDS. The national joint committee will also include representatives of the private sector, civil society, international organizations, and labour. The results of these monitoring exercises will increasingly be used by international donor organizations to align their development assistance to states with demonstrated commitment to reforms and performance. The matching grants scheme and location of certain projects by the federal government will also be directed increasingly to support states that are frontrunners in reform and performance. A set of performance indicators will be developed before August 2004 to guide the joint monitoring exercises.

Instruments

The Independent Monitoring Committee (together with the NEEDS Secretariat, the Economic Management Team, and relevant ministries and implementing agencies) will complete development of the detailed Implementation Guide for NEEDS before the end of the third quarter of 2004. These guides, containing specific benchmarks, targets, actions, timelines, and responsible officials and agencies, will form annexes to the NEEDS document. They will be posted on the Nigerian Economy Web site (www.Nigerianeconomy.com). Guidelines have already been developed for most aspects of the NEEDS agenda. They will be periodically revised in the light of changing circumstances and new legislation, budgetary changes, or changes in operating rules and directives.

With the guides in place, each ministry and implementing agency is expected to prepare a quarterly report on its implementation to the NEEDS Secretariat within seven days of the end of the quarter. The NEEDS Secretariat will collate and evaluate reports for evaluation by the Independent Monitoring Committee. The Monitoring Committee could ask individual ministers and agencies to provide further explanations, or it could independently visit monitor projects or programmes. Conclusions of the coordination meetings of the Economic Management Team will also form part of the quarterly evaluation reports. The strengthened national statistical system will be actively involved in performance monitoring, especially monitoring of the impact assessments of specific projects and programmes. The Federal Office of Statistics will provide timely and reliable surveys of the basic social and economic conditions of Nigerians to provide policymakers with an accurate impact assessment of interventions. Quarterly reports of the Monitoring Committee will be presented to the federal Executive Council, the President and Vice President, and the National Assembly.

The reforms hinge on changes occurring at the administrative and legislative levels. Legislative action will be needed to reform some laws and enact new ones to support the strategy. Some of these actions are reflected in the relevant sections of the strategy document and listed later in this section. Others will be identified as implementation progresses.

Under NEEDS, areas of responsibility are specified, with appropriate devolution of responsibility across the three tiers of government, consistent with the Constitution, the revenue allocation formula, and the principles of fiscal federalism. Areas of concurrent jurisdiction is duplicative, inefficient, and wasteful. Programmes on potable water supply, primary health care, intrastate roads, and housing.

New Forms of Coordination and Partnership to Eliminate Waste and Duplication

NEEDS envisions several new forms of coordination and partnership, from matching grants to a peer review mechanism and public-private partnerships.

Matching Grants Scheme

An ad hoc committee will be set up to take a census of federal government projects in the states and determine which can be passed on to communities, local governments, or states or sold outright. This committee will also identify the areas for direct intervention by the federal government and areas for facilitation or coordination and application of matching grants. Coordination among the tiers of government is important to avoid duplication and waste in the delivery of services. Given that most social services are included in the concurrent list of the Constitution, it is important for the federal government to coordinate with state and local governments to determine the scope and limits of each tier and responsible officials. The system of execution of programmes at the federal, state, and local governments in areas of concurrent jurisdiction is duplicative, inefficient, and wasteful. Programmes on potable water supply, primary health care, primary education, and agriculture are replete with duplication. NEEDS seeks to drastically reduce duplication and waste. One possible way to do so is through a matching grants scheme. Under such a scheme, the federal government would provide matching grants to states and local governments for national priorities such as Nigeria requires more active coordination than industrial economies do. The goal is to design strategies, policy guidelines, and programmes that avoid duplication of effort and waste of scarce resources.

The Fiscal Responsibility Pact will be enacted into law early in the life of NEEDS as an essential component of the reform. The pact will provide the legal basis for coordinated fiscal behavior of all three tiers of government, promote greater transparency and accountability, ensure predictability and sustainability of public finance, and ensure that national fiscal behavior is consistent with Nigeria’s macroeconomic objectives.

Peer Review Mechanism and Public-Private Partnerships

A peer review mechanism is a key element of the implementation process. The mechanism will be used at all levels of government—in federal, state, and local governments; among ministries and agencies; among ministries and agencies at the federal and state levels; at the federal, state, and local government levels; between the public sector on the one hand and the private sector and civil society organizations;
Ministers and implementing agencies will report on progress, innovations, and challenges at regular internal reviews. These reviews will provide opportunities for sharing experiences on implementation, learning, and group brainstorming on solutions to implementation problems. Public reviews will involve ministries and implementing agencies appearing in front of the private sector and civil society, the press, and other stakeholders to account for their sources and uses of funds, innovations introduced, results achieved, and challenges ahead. The ministerial officers will inspire implementing officers and agencies accountable thereby promoting effective service delivery.

It is proposed that a peer review meeting/public-private partnership summit be held at least once a year, to bring together federal, state, and local governments to account to the Nigerian people. The meeting would be organized in partnership with the private sector, academia, nongovernmental organizations (NGOs) and civil society organizations, the international community, heads of local government councils, and other stakeholders in the Nigerian economy. In addition to the federal government, state governors would be offered the opportunity to address all Nigerians on prime time television and radio about the most innovative approaches they are adopting to reduce poverty, create wealth, and generate employment. The private sector and civil society groups would also be offered the opportunity to discuss their contributions to the economy and the challenges they face. The international community, heads of donor agencies, therefore, have the opportunity to address the public on their activities in Nigeria. The goal is to provide at least one national forum for evaluating performance, sharing experiences, and learning, and providing feedback from stakeholders.

States are also encouraged to undertake periodic peer reviews of their SEEDS, in collaboration with relevant stakeholders. The National Council on Development Planning and the Joint Planning Board agreed to set up a joint monitoring committee to evaluate implementation of SEEDS. In addition to representatives of government agencies, the joint monitoring team would include representatives of the private sector, NGOs and civil society, and the international community. Guides and benchmarks for the joint monitoring exercise will be developed. Part of the donor coordination effort in Nigeria would entail the alignment of donor assistance with SEEDS. Selection of a state for donor assistance would depend on the coherence of its SEEDS, its implementation record, and the basic needs of the state. States that are in need and have demonstrated capacity to provide value-for-money would be given priority.

At the local government level, planning and public accountability mechanisms should be institutionalized. State governments are expected to work with local government councils to develop medium-term plans. Such plans should be prepared with the participation of all relevant stakeholders. Periodically (say, every quarter) the local government councils should convene town hall meetings of all relevant stakeholders—traditional rulers, community heads, ward councilors, and representatives of the private sector, labour, NGOs, and civil society—to discuss the sources and uses of funds, results achieved, challenges, and a road map for the future. Town meetings should be conducted by government agencies, with a focus on good governance, transparency, and accountability at the local government level and greatly improve service delivery and poverty reduction.

NEEDS intends to mainstream public-private partnership at all levels of government. Sectoral ministries are encouraged to continuously interact with private sector, NGOs and civil society organizations. Partnership between the public and private sectors is critical for effective implementation of NEEDS. Key to this is to maintain an open door policy with regard to ideas and suggestions from the private sector. The formal organs for coordinating plan implementation, especially the National Council on Development Planning and the Joint Planning Board, will have private sector representation.

Donor coordination is an important element of implementing NEEDS. Without effective donor coordination, resources are wasted through duplication of effort. An ongoing effort at the National Planning Commission to articulate a strategic framework for borrowing policy and donor coordination will be completed in 2004, in collaboration with the Ministry of Finance. The goal is to move away from the current system of uncoordinated (largely project based) assistance towards a coordinated system aligned to national priorities, sector-wide approaches, and budget support.

Restucturing the National Statistical System

NEEDS recognizes that Nigeria’s national statistical system is weak. The current system, managed by the Federal Office of Statistics, is governed by the 1957 Statistics Act, which is obsolete. Of about 4,700 staff of the Federal Office of Statistics, only 5 percent belong to the professional cadre. In the 57 years of its existence, the office has never had a building of its own, and it has been grossly understaffed. The consequence has been a largely ineffective institution. Timely and reliable statistics are critical for effective planning, monitoring, and evaluation of performance. Consequently, the government considers the restructuring and strengthening of the national statistical system a very important priority.

With the help of international and national consultants, a new master plan (with a new draft statistics bill) was produced. Stakeholders were consulted and the final master plan was approved for implementation. The government has already sent a strong signal regarding its seriousness about reform by purchasing a new building for the Federal Office of Statistics. Development partners are providing assistance to ensure state-of-the-art furnishing and equipment of the building, as well as institutional capacity building. The government has also significantly increased the budgetary allocation to the Federal Office of Statistics to enable it to collect timely statistics. Effective implementation of the master plan will ensure timely, robust, and reliable statistics.

Monitoring Service Delivery

The quality of services delivered by ministries and government agencies will be monitored. Heads of ministries, enterprises, communities, and other stakeholders will monitor that all correspondence is dealt with within 72 hours. All ministries and state enterprises will subscribe to ISO standards. The Service Delivery Unit will monitor and report on progress in this area.

A complaints point will be established in each ministry and state enterprise as well as the Planning Commission, where citizens who receive poor service or are rude treated in government
NEEDS targets minimum annual GDP growth rates of 5 percent in 2004, 6 percent in 2005 and 2006, and 7 percent in 2007. Relative to recent history, the investment called for is ambitious, yet it is the minimum needed to increase adequate per capita income and improve welfare (table 11.2 and box 11.1). To finance the programme, the government will increase the efficiency of resource use by curtailing wasteful expenditures (by plugging all leakages in public expenditure and sources of revenue and reforming institutions), selling assets, reforming the tax system, increasing the efficiency of resource use, mobilizing domestic savings, and trying to attract foreign direct investment and overseas development assistance. It will also seek debt relief from creditors.

Reducing or Eliminating Wasteful Spending
Several reforms will be implemented to reduce or eliminate wasteful spending.

Expenditure-reduction imperatives. The federal government’s share of the federation account has decreased from about 60 percent to 46 percent, but the change does not yet reflect the devolution of responsibilities to state and local governments. The rationalization envisaged in this strategy will involve clearer delineation of roles among the federal, state, and local governments in line with the changes in the revenue allocation formula. The federal government will withdraw from programmes and projects best left to state and local governments, not only to avoid duplication but also to enhance efficiency in implementing and monitoring programmes and projects. A federal matching grant scheme will be established to promote national programmes and projects.

Fiscal regime. Payroll and overhead expenditures currently consume about two-thirds of government revenues, excluding the cost of running offices will be able to register their complaints. Services covered include investment-promotion activities, data and information dissemination (other than personal or security information), and services delivered by health, telecommunications, police, prisons, ports, customs, immigration, and other institutions that deal with the public. The monitoring by the Service Delivery Unit will be done in collaboration with the relevant supervisory authorities and the Public Complaints Commission. Over time governance will be depersonalized as much as possible, so that the bulk of communication will be through the Internet rather than by mail or by queuing up at government offices. E-governance is the ultimate goal.

The Role of the National Assembly
The National Assembly is expected to be critical to implementing NEEDS. In addition to contributing to the content of NEEDS, members of the National Assembly will play three key roles:

• Enacting the relevant laws needed to implement NEEDS and ensuring that budgetary appropriations are consistent with the thrusts of NEEDS
• Overseeing the relevant agencies to ensure that NEEDS is implemented
• Educating the people about NEEDS and mobilizing their support

Laws that inhibit free enterprise need to be reviewed and changed, and new legislation needs to be enacted. Table 11.1 gives examples of some of the bills that are urgently needed to jump-start implementation of NEEDS.

Financing the Plan
NEEDS targets minimum annual GDP growth rates of 5 percent in 2004, 6 percent in 2005 and 2006, and 7 percent in 2007.

### Table 11.1 New Legislation Needed to Implement NEEDS

<table>
<thead>
<tr>
<th>Target institution or sector</th>
<th>Reform component</th>
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<tbody>
<tr>
<td>Fiscal Responsibility Bill</td>
<td>All government agencies</td>
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<tr>
<td>Competition and Antitrust Bill</td>
<td>Ministry of Commerce</td>
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<tr>
<td>Energy/Electricity Reform Bill</td>
<td>National Electricity Power Authority</td>
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<td>Finance Bill</td>
<td>Ministry of Finance</td>
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<td>Pension Reforms Bill</td>
<td>Head of Service</td>
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<td>Tax reform bills</td>
<td>Individual and corporate taxpayers</td>
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<tr>
<td>• Revision of corporate tax</td>
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<td>• Personal Income and Value-Added Tax Bill</td>
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<tr>
<td>Local government reform</td>
<td>All local governments</td>
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<tr>
<td>Public Procurement Bill</td>
<td>All government agencies</td>
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Bills being reviewed by the House

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<thead>
<tr>
<th>Bill</th>
<th>Institution reviewing</th>
<th>Description</th>
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<tbody>
<tr>
<td>HB 4 Comptt. Practises and Other Related Offences Bill</td>
<td>All government agencies</td>
<td>Presidential initiative on fighting corruption</td>
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<tr>
<td>(amendment), 2003</td>
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<tr>
<td>HB 7 National Institute of Tourism and Hospitality Bill</td>
<td>Tourism subsector</td>
<td>Presidential initiative on tourism development</td>
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<td>2003</td>
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<td>HB 6 Right to Information Bill, 2003</td>
<td>Information subsector</td>
<td>Transparency in government business</td>
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<td>HB 16 Niger Delta Commission Bill (amendment), 2003</td>
<td>Infrastructure development</td>
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<td>HB 10 Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, Supplementing the UN Convention against Transnational Organized Crime Bill (ratification and enforcement), 2003</td>
<td>Women and youth</td>
<td>Women and youth development</td>
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<td>HB 11 Convention against Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment Bill (ratification and enforcement), 2003</td>
<td>Judicial system</td>
<td>Social charter</td>
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<td>HB 15 Convention of the African Telecommunications Union Bill (ratification and enforcement), 2003</td>
<td>Ministry of Communications</td>
<td>Infrastructure development</td>
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<td>HB 21 Agriculture Input Bill (provision of subsidy)</td>
<td>Ministry of Agriculture</td>
<td>Agricultural development and food security</td>
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<tr>
<td>2003</td>
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<td>HB 22 Shelter Bill Project Bill, 2003</td>
<td>Housing and Urban Development</td>
<td>Housing development</td>
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<td>HB 24 Guaranteed Minimum Price for Farmers Authority Bill, 2003</td>
<td>Ministry of Agriculture</td>
<td>Agricultural development and food security</td>
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<td>HB 30 Palm Oil Development Fund Bill, 2003</td>
<td>Ministry of Agriculture</td>
<td>Agricultural development and food security</td>
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<tr>
<td>HB 37 Allocation of Revenue Bill (federation account), 2003</td>
<td>Budgetary and fiscal reform</td>
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<td></td>
</tr>
<tr>
<td>HB 25 Agriculture Bill (provision of budget allocation), 2003</td>
<td>Ministry of Agriculture</td>
<td>Agricultural development and food security</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HB 40 Pension Reform Bill, 2003</td>
<td>Pension Board</td>
<td>Presidential initiative on pension reforms</td>
</tr>
</tbody>
</table>

(Continued on next page.)
government hidden in the capital budget. This high level of spending makes it difficult for the government to service its debts and pay for the capital programme required for growth. The reform strategy addresses the problem by drastically reducing payroll and overhead expenditures and proscribing extrabudgetary expenditures. To eliminate ghost workers, the policy also ensures that only personnel who are working and on the payroll are paid. The target is to ultimately ensure that the cost of running the government does not exceed 40 percent of total government revenues. The capital budget will also be rationalized to eliminate projects that cannot be funded to completion. Uncompleted projects will be privatized through “sale as is” or

### Table 11.1 New Legislation Needed to Implement NEEDS (continued)

<table>
<thead>
<tr>
<th>Bill</th>
<th>Target institution or sector</th>
<th>Reform component</th>
</tr>
</thead>
<tbody>
<tr>
<td>HB 49 Economic and Financial Crimes Commission Bill, 2003</td>
<td>Ministry of Finance</td>
<td>Anticorruption</td>
</tr>
<tr>
<td>HB 50 Money Laundering (Prohibition) Bill, 2003</td>
<td>Ministry of Finance</td>
<td>Anticorruption</td>
</tr>
<tr>
<td>National Forestry Bill</td>
<td>Ministry of the Environment</td>
<td>Sustainable management of forest resources</td>
</tr>
<tr>
<td>National Drought Bill</td>
<td>Ministry of the Environment</td>
<td>Proactive management of droughts</td>
</tr>
</tbody>
</table>

### Table 11.2 Aggregate Investment Projections, 2003–07

<table>
<thead>
<tr>
<th>Billion of naaira</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross investment</td>
<td>1,155.0</td>
<td>2,071.2</td>
<td>2,672.0</td>
<td>3,456.4</td>
<td>4,663.7</td>
</tr>
<tr>
<td>Private fixed investment</td>
<td>716.7</td>
<td>1,497.3</td>
<td>1,814.4</td>
<td>2,454.9</td>
<td>3,272.3</td>
</tr>
<tr>
<td>Government fixed investment</td>
<td>378.3</td>
<td>554.9</td>
<td>857.6</td>
<td>1,001.5</td>
<td>1,391.4</td>
</tr>
<tr>
<td>Federal</td>
<td>188.0</td>
<td>349.0</td>
<td>433.0</td>
<td>511.0</td>
<td>634.0</td>
</tr>
<tr>
<td>State</td>
<td>189.3</td>
<td>224.9</td>
<td>424.6</td>
<td>490.5</td>
<td>757.4</td>
</tr>
</tbody>
</table>

NEEDS will require a heavy investment programme to jump-start the economy in a way that is pro-poor and poverty reducing. All sectors and ministries are important in their strategic roles in delivering long-term development, and a sector’s importance is not necessarily equivalent to the size of its sectoral budget. Development of some sectors will be driven largely by the private sector, or by other stakeholders such as the states and local governments, with the federal role mostly one of coordination and facilitation. In the move towards a private sector-led economy, the importance of some sectors would be expressed through the provision of a sound regulatory framework rather than through direct intervention. The sectors listed in the table below (aside from security) are ones in which the direct and heavy government investment will be required over the reform period. The budget on education, total government spending on a education, total government spending on a

### Table 11.1 Allocation of the Federal Government Capital Budget to Priority Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>3 4 4 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roads (maintenance, rehabilitation, and construction)</td>
<td>12 15 15 14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>8 8 9 10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water resources</td>
<td>9 10 10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>15 15 13 12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>5 5 5 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of allocation for priority sectors in total allocation</td>
<td>38 35 35 35</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of allocation for nonpriority sectors in total allocation</td>
<td>28 25 25 25</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

hand over to states, local governments, or communities in order to reduce the federal government’s capital budget. 

### Civil Service reforms.

When completed, the civil service reforms envisaged under NEEDS will lead to more openness, transparency, and accountability in the operation of government. The changes will release or generate resources and lead to more efficient use of funds collected. 

### Monetization of fringe benefits.

In the short run monetization of benefits is not likely to substantially reduce the cost of running government. In the long run, however, it will reduce costs.

### Management of Treasury accounts.

The government maintains a single account, with the Central Bank of Nigeria, in order to avoid cash management problems, especially situations in which the government maintains balances in multiple accounts but borrows from the central bank.

### Procurement.

A bill proposing the establishment of a Public Procurement Commission has been sent to the National Assembly. This bill and the

Box 11.1 Allocation of the Federal Government Capital Budget to Priority Sectors
Implementing Institutional Reforms
A variety of institutional reforms will increase government revenues.

Fiscal Responsibility Pact. A Fiscal Responsibility Pact or similar initiative is expected to be passed into law in 2004. The reform will lead to increased transparency and accountability and better management and efficiency in the use of public resources.

Banking and financial sector reforms. The machinery for tracking and monitoring the collection of government revenues will be strengthened. The Presidential Committee on Reformed Banking and Reconciliation will monitor payment of taxes and duties collected through the banks. The financial services regulatory framework will be reformed to improve the efficiency of existing ones increased slightly to raise revenue.

Solid minerals. With growing investment in solid minerals, the government expects increased revenues are already being earned from gem stones and bitumen.

Implementing Tax Reforms
There is scope to increase revenue yield by aggressively pursuing tax collection in all sectors of the economy. Target areas include the oil and gas sector, personal and property taxes, and indirect taxes. The practice whereby most revenue-generating state enterprises spend revenues collected on behalf of the central government, in breach of financial regulation, will be checked.

NEEDS will generally move in the direction of a low, stable, simplified tax and tariff regime. With better management of the economy and the restoration of investor confidence, a higher level of investment inflow is expected.
current account deficit would be $2,173.7 million, or 0.99 percent of GDP, by the end of the programme. The average financing requirement during the period is estimated at $4.5 billion.

Foreign direct investment. With better management of the economy and the restoration of investor confidence, a higher level of investment inflows is expected, especially in view of the high returns that investment in Nigeria offers. About $1.5 billion a year is expected to be attracted into manufacturing, steel, construction, solid minerals, and large-scale farming over the period. Efforts will be made to attract investment from wealthy Nigerians at home and abroad, and strategies will be developed for inducing other Africans in the diaspora to invest in Nigeria.

Official development assistance. NEEDS is Nigeria’s poverty reduction measure. The international community has expressed support for Nigeria’s home-grown programme. Consequently, it is expected that donor agencies will significantly increase their aid budget to Nigeria. Better coordination of aid and an emphasis on value for money should amplify the impact of assistance to Nigeria. Nigeria may also be able to access international credit on concessional terms (IDA terms or better) provided that the projects for which loans are sought are bankable projects that will generate sufficient returns to pay back the credit.

Obtaining Debt Relief
Nigeria’s debt service is high and unsustainable. Annual debt service due averages more than $2.5 billion a year, including arrears of about $3.47 billion incurred as of the end of 2003, annual debt service is about $3 billion a year. Beyond the direct cash flow impact, debt relief would facilitate the restoration of insurance cover on exports to Nigeria (including foreign direct investment) by helping clear arrears and making current the country’s debt status. Debt relief would thus create substantial resource inflows, which would form part of the financing required over the programme period. Debt service payments have come at great opportunity cost in terms of social services. External debt service payments made between 2001 and 2003 were five times as high as the recurrent federal government budgetary allocation to education and about six times as high as the recurrent budgetary allocation to health. Only substantial debt relief will allow Nigeria to pursue a meaningful development programme. This conclusion is corroborated by a 2002 study by the International Monetary Fund that revealed, even with a good policy environment, resolving Nigeria’s debt problem would require a 67 percent net present value flow rescheduling followed by a concessional stock-of-debt reduction of up to 67 percent of the net present value of the debt.

With the recent change in posture by the G-6, which has expressed a willingness to be more flexible and pragmatic about granting debt relief to countries other than those eligible for the Highly Indebted Poor Countries Debt Initiative, it is hoped that donors will grant Nigeria debt relief once they see convincing progress in implementing the reform programme. Resources generated from such relief would be used to fund poverty alleviation and employment generation programmes, especially in education, health care (HIV/AIDS), and other social infrastructure.

Generating Revenue from Other Sources
Other sources of revenues include:
- Payment of interest on delayed payments.
- Private sector investment in infrastructure. In the spirit of partnership, the private sector will be granted incentives to invest in infrastructure, especially in power generation and supply, telecommunications, and roads, railways, and ports. Accordingly, new strategies for increasing private sector participation, such as build-operate-and-transfer (BOT), build-operate-transfer-and-transfer (BOTT), and rehabilitate-operate-and-transfer (ROTT) schemes, will be pursued.
- Small and Medium-Sized Enterprise Investment Equity Scheme. The funds accured under the Small and Medium Enterprise Investment Equity Scheme will be expeditiously but efficiently disbursed during the NEEDS period. Disbursement of the funds, which are expected to increase by June 2004, will be tied to the identification of bankable projects. The Central Bank of Nigeria will facilitate the process by creating a Web site providing information on potentially profitable investments.

Worker remittances. Remittances have increased in recent years, and they are expected to continue to do so during the period of NEEDS. They have become an increasingly important source of capital.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td>EFCC</td>
<td>Economic and Financial Crimes Commission</td>
</tr>
<tr>
<td>G-8</td>
<td>Group of Eight Countries</td>
</tr>
<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>GSM</td>
<td>Global System for Mobile Communication</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Countries</td>
</tr>
<tr>
<td>ICPC</td>
<td>Independent Core Pracitices and Other Related Crimes Commission</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>ISO</td>
<td>International Standards Organization</td>
</tr>
<tr>
<td>LEEDS</td>
<td>Local Economic Empowerment and Development Strategies</td>
</tr>
<tr>
<td>NACA</td>
<td>National Action Committee on AIDS</td>
</tr>
<tr>
<td>NACRDB</td>
<td>Nigerian Agricultural, Cooperative and Rural Development Bank</td>
</tr>
<tr>
<td>NEEDS</td>
<td>National Economic Empowerment and Development Strategy</td>
</tr>
<tr>
<td>NEPA</td>
<td>National Electric Power Authority</td>
</tr>
<tr>
<td>NEPAD</td>
<td>New Partnership for African Development</td>
</tr>
<tr>
<td>NERC</td>
<td>Nigerian Electricity Regulatory Commission</td>
</tr>
<tr>
<td>NEIM</td>
<td>Nigerian Export Import Bank</td>
</tr>
<tr>
<td>NGO</td>
<td>nongovernmental organization</td>
</tr>
<tr>
<td>NNPC</td>
<td>Nigerian National Petroleum Corporation</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of Petroleum Exporting Countries</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>RMS</td>
<td>Raw Materials Information System</td>
</tr>
<tr>
<td>SEEDS</td>
<td>State Economic Empowerment and Development Strategy</td>
</tr>
<tr>
<td>SMEDAN</td>
<td>Small and Medium Enterprise Development Agency of Nigeria</td>
</tr>
<tr>
<td>SMEIES</td>
<td>Small and Medium Enterprise Investment Equity Scheme</td>
</tr>
<tr>
<td>UEMOA</td>
<td>Union Économique et Monétaire de l'Ouest Afrique</td>
</tr>
<tr>
<td>UNAIDS</td>
<td>Joint United Nations Programme on HIV/AIDS</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
</tr>
</tbody>
</table>