

BTI 2014 | Nigeria Country Report

	scale	score	rank	trend
Status Index	1-10	4.99	# 85 of 129	
Political Transformation	1-10	5.40	# 71 of 129	↗
Economic Transformation	1-10	4.57	# 94 of 129	→
Management Index	1-10	4.98	# 64 of 129	

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	168.8	HDI	0.471	GDP p.c.	\$	2661.1
Pop. growth ¹	% p.a.	2.8	HDI rank of 187	153	Gini Index		48.8
Life expectancy	years	51.7	UN Education Index	0.457	Poverty ³	%	84.5
Urban population	%	50.2	Gender inequality ²	-	Aid per capita	\$	5.5

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The review period began with major developments in Nigeria: the elections at federal and state levels in 2011 and an unprecedented wave of political and sectarian violence, which has jeopardized the nation's still-evolving democratic system. The electorate confirmed the incumbent Goodluck Jonathan as president, giving him a very strong political mandate. An improved election commission conducted the most credible elections yet in Nigeria's history, though the electoral process was far from flawless. The ruling People's Democratic Party (PDP) maintained its grip on power and won a two-thirds majority in the Senate and an absolute majority in the House of Representatives. The vast majority of the powerful gubernatorial mandates were also won by the PDP, which, despite minor losses, continued to dominate politics at the state level. However, the Action Congress of Nigeria (ACN), consolidated its power in the southwest region, which is home to the commercial hubs of Lagos and Ibadan.

In 2011 and 2012, Nigeria experienced a wave of ethnic and sectarian violence, which evoked the political turmoil and ethnic violence on the eve of the civil war. The majority of the violence was carried out by the Islamist group Boko Haram (meaning "Western education is forbidden") in the north of the country, though organized crime was responsible for some violence as well. The military resorted to heavy-handed tactics, and even ruthless and extralegal behavior, to destroy Boko Haram. This approach fuelled the use of brutal force on both sides of the divide, and violence rose to unprecedented heights. Thus, the government has managed to return to the brinkmanship of the past.

The political system is still riddled with problems regarding state coherence, administrative efficiency, internal security, patterns of democratic representation and attitudes, enforcement of the rule of law, and economic reform. Economically, Nigeria's system still suffers from major shortcomings that weaken performance, but the economy is booming in three areas: the crude oil

and natural gas industry, the fast-growing telecommunications sector and the flourishing religious industry.

Macroeconomic conditions remained reasonably stable from early 2011 to January 2013 thanks to soaring oil prices and the availability of sufficient foreign reserves, which reached around \$45 billion. Due to these positive conditions, the government, in conjunction with the central bank, was able to ward off a looming financial crisis caused by the failure of four non-performing banks in 2009. Microeconomic conditions remained weak due to government negligence.

Without a doubt, it is in the interest of many external powers, including the U.S., Britain, the European Union, and to some extent China, India and Brazil, to work on stabilizing the most populous and most important oil and gas producer in Africa. However, political transformation would require significant changes in Nigeria's internal political dynamics – which will shift after the next elections, and are, therefore, not yet in the offing. Economic reforms were largely put on hold towards the end of the review period.

History and Characteristics of Transformation

Since gaining independence in 1960, the economic and political transformation process in Nigeria has been marked by small steps of progress – and also many setbacks. Apart from two brief phases of civilian government (1960 to 1966 and 1979 to 1983), the current dispensation is the third serious attempt since 1999 to establish a democratic political system. In between, various military regimes ruled after gaining power through coups d'état or palace coups. The first two coups d'état, in January and July 1966, triggered the civil war (1967 to 1970). In 1979, the military, under the leadership of Olusegun Obasanjo, was forced to retreat to the barracks. By 1983, the second attempt at democratization had failed, and the military, under Maj. Gen. Muhammadu Buhari, took over again. Almost two years later, a palace coup brought General Ibrahim Babangida to power. He initiated an economic reform and democratization program, which, while well intentioned, was destined to fail from the outset. After the annulled elections in mid-1993, General Sani Abacha took over power in November 1993. Until his sudden death in 1998, Nigeria experienced the worst military dictatorship ever, which contributed to the complete loss of legitimacy of military rule. General Abdulsalami Abubakar cleared the way for elections and the transfer of power to an elected president. He also released all political prisoners.

After a clear election victory in 1999, former junta head Olusegun Obasanjo (1976 to 1979) took office as president. He was re-elected in 2003, and the ruling party PDP party confirmed its dominant position in the parliamentary elections. However, the elections were marred by widespread fraud, violence and open vote-rigging. The same was true for the so-called election marathon in April 2007, when presidential, gubernatorial, National Assembly and state assembly elections took place. Umaru Yar'Adua, the two-term governor of Katsina state in the far North, won a landslide victory and, in a positive step, Nigeria experienced its first peaceful transfer of

power from one elected president to another. His ill health prevented him from fully executing his powers, however, and shortly before his death in May 2010, the National Assembly passed a resolution to enable Vice President Goodluck Jonathan to act as president. In addition, the parliamentarians used a “doctrine of necessity” to underline their move which had no precedent and was not explicitly backed by the constitution. Hardly had Yar’Adua passed away that Jonathan was sworn in as executive president. Against resistance from within the ruling party, he finally became the presidential candidate and won a landslide victory in Nigeria’s first reasonably conducted and credible elections. What’s more, he was given a very strong political mandate by the electorate that no other Nigerian leader ever had.

Though Nigeria experienced an increase in political, sectarian and ethnic violence in 2007 and 2008, oil and gas prices rose to unprecedented heights, and newly-elected President Yar’Adua inherited the healthiest balance sheet of any new head of state since independence with some \$41 billion of foreign reserves. By the end of 2012, foreign reserves stood around \$45 billion. In 2005, Nigeria had reached a hitherto unprecedented deal with the Paris Club, and two years afterwards the government had been able to settle its debts with the London Club. Despite real progress in a few deregulated fields such as telecommunications, banking, education and religion, the poor state-run power and refinery sectors still suffer from neglect, utter incompetence and high-level fraud. The real challenge currently, however, is to contain the sectarian violence in the far north, where Boko Haram has been on a revenge mission against state and security forces, caused by the extra-judicial killing of their leader Mohammed Yusuf and some of his close aides. Some 3,000 people, including many innocent civilians, have lost their lives during the insurgency. And the attacks and counter attacks continue unabated.

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

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

The state's monopoly on the use of force is limited. In parts of the country, the state can only exercise its monopoly to a very limited degree. In several parts of the states in the far north and the Middle Belt, the Islamic sect Boko Haram has challenged state authority, killing some 2,000 people of both Christian and Muslim faiths and quite a number of security personnel in two years. In these areas the state has, at least temporarily, almost completely lost its monopoly on the use of force. In addition, well-organized criminal gangs were operating in almost all parts of the country. In contrast, the level of violence in the oil and gas producing Niger Delta, which at times in the past turned into local warfare, has significantly declined by paying off leading militias.

Monopoly on the
use of force
4

All Nigerians are considered Nigerian citizens, and the nation state is widely accepted as legitimate. However, sub-national identities are strong and prevalent. All citizens possess equal civic rights. However, the federal quota system enshrined in the constitution, and taken care of by the Federal Character Commission, to a large extent determines access to offices and institutions on both the federal and state level. By and large, the system has had a strong discriminatory effect. Furthermore, the very concept of indigenes was discriminatory against "non-indigenes" of a federal state, i.e. immigrants from other federal states.

State identity
8

Under the constitution, the separation of church and state exists in the Federal Republic of 36 states and the Federal Capital Territory Abuja. But secularization suffered a substantial set back through the introduction of Shari'ah, or Islamic law, in 12 northern states where the vast majority of the population is Muslim. In addition, an approximately equal number of Christians and Muslims lives in the Middle Belt, which is largely dominated by ethnic minority groups, and in the Yoruba dominated southwest. However, fundamentalism in both faiths is increasing - not only in Islam,

No interference of
religious dogmas
4

as the rise of Boko Haram may suggest - and both religions are increasingly permeating politics on all tiers of government.

Under the constitution, the three tiers of the federal system – federal, state and local government – offer a sophisticated administrative structure with a federal government, the two chambers of the National Assembly, 36 governors and state assemblies, 768 local governments and six councils. In addition, the statutory revenue allocation is legally sustaining the system of distributing wealth among the political elites at national and state levels. While the federal government, the National Assembly and the state governors execute real power, most of the other administrative institutions fail to fulfill their functions adequately.

Basic
administration
5

2 | Political Participation

Universal suffrage and the right to campaign for elected office are guaranteed. The elections in 2011 with presidential, National Assembly, gubernatorial and state assembly elections were the most credible elections in Nigerian history, despite a chaotic run-up with legal wrangling and violence, and shortcomings and lapses during the voting process.

Free and fair
elections
7

The new chairman of the electoral commission demonstrated that credible elections can be executed. With the unprecedented use of the National Youth Service Corps at the polling stations, the commission's leadership significantly reduced malpractices at the polling stations and minimized the ability of local politicians and staff of the local commission to manipulate the results. Unfortunately, in some northern areas, a wave of violence erupted in the aftermath of the elections, which was unparalleled since the civil war (and ten of the corps members were killed in the aftermath of the elections).

The ruling PDP maintained its grip on power with an absolute majority in both houses of the national assembly and in most state assemblies. In addition, most PDP frontrunners in the gubernatorial elections triumphed. The electorate had given the incumbent President Goodluck Jonathan, who had never stood for election before, a mandate stronger than any previously elected head of state or government. He had fulfilled both constitutional requirements: securing the majority of votes and winning at least a quarter of the votes in 24 states and Abuja.

The elected President Goodluck Jonathan and his government have the power to govern. At times during the review period, the power of the state on the federal level was undermined and even subverted by members of the Federal Executive Council and civil servants. The state's power to govern was most visible concerning urgent needed improvements of basic infrastructure (roads, refineries, power). In addition, the National Assembly, the states, the state governors, patronage-based networks of

Effective power to
govern
6

active and retired high-ranking military officers and Christian and Muslim clergymen were also fairly influential veto powers.

Civic organizations can form and meet freely. However, they are still severely fragmented and mostly active on the local level. Thus, their abilities to bridge numerous social cleavages are limited. Interestingly, more and more former high-ranking military officers, administrators, politicians and personalities from organized Christian and Muslim groups are founding their own NGOs. In addition, former military officers have founded their own official networks in order to influence politics on all three tiers of government or to lobby for political appointments or political mandates. New labor laws and the introduction of industrial courts have limited the trade unions' capability to call for industrial actions and have even banned calls for political actions. For example, the increase of fuel prices must not be used by the trade unions to call for demonstrations. Nevertheless, the fuel price hike in early 2012 caused widespread unrest despite the legal implications. Eventually, the government backed down and reduced the price increase by about 50%.

Association /
assembly rights
8

In general, citizens, organizations and the mass media express opinions rather freely. The Freedom of Information Bill has been passed into law, which is a small step forward in promoting transparency. Individuals and organizations expressing critical views are hardly harassed by state security services anymore. Like many civilians, they have instead become victims of terrorism (targeted by Boko Haram) or criminal gangs. State-owned media - which is basically made up of electronic media - is strongly influenced by the central government and the state governments. But as far as public opinion is concerned, they have lost out to the private media. The private media, electronic as well as print, possesses a rather high degree of autonomy and often voices sharp criticism. Yet private media are also becoming more and more biased. Additionally, the media are acting as public relations agencies for different interest groups, and they increasingly publish or broadcast sensationalistic, tabloid-like content. Moreover, it is now common that owner and publisher intervene to determine what is to be published or broadcast. The power of issuing licenses for radio and television is still with the president, and he uses that power in the government's favor. Furthermore, live broadcasting of foreign programs has been banned. However, the Freedom of Information Bill, signed by the president in 2011, slightly expanded the media's ability to do research. The Press Freedom Survey by Freedom House still considers Nigeria "partly free."

Freedom of
expression
7

3 | Rule of Law

A serious constitutional and leadership crisis was resolved in 2010, followed by fairly credible presidential, National Assembly, gubernatorial and state assembly elections in 2011. The constitution was also amended to improve electoral law and leadership on the federal and state level. Previously, under the constitution, the position of the

Separation of
powers
7

vice president and deputy governor was rather weak. The 2010 constitutional amendment eventually strengthened these positions, in particular in times of crisis. The constitutionally enshrined checks and balances worked, thereby proving the fact that the important democratic institutions were more stable than expected, despite the precarious security situation in large parts of the country. In the review period since early 2011, the separation of powers have performed less impressively. In particular, the judiciary lacks independence.

Transformation deficiencies exist in controlling and designating jurisdictional boundaries between three different legal systems – secular state law, Islamic law and customary law. Numerous conflicts emerged between secular state and customary law, especially with regard to family law and lease of land. However, concerning civil and minor issues of criminal law, Islamic law has been applied in northern Nigeria for decades. Due to inconsistencies and contradictions in the 1999 constitution, a number of cases concerning the relationship between the three tiers of government and other fundamental principles have been brought to the higher courts and the Supreme Court. The latter also serves as the constitutional court, and any verdict concerning constitutional issues automatically becomes constitutional law. For the first time in Nigerian history, despite the legal, constitutional and political complexity, an elected government was able to amend the constitution. These landmark decisions had been achieved by the National Assembly and the state assemblies. The Court of Appeal is the first court of jurisdiction for presidential and gubernatorial election petitions. Its verdicts can be petitioned at the Supreme Court. Petitions concerning parliamentary elections are dealt with at election tribunals and can be petitioned at the Court of Appeal. In the course of the period under review, the courts passed remarkable verdicts, annulling some election results and convincingly dismissing several petitions. The Supreme Court and the Court of Appeal's rulings were generally abided by. This even applied to an increasing number of verdicts passed by federal high courts. As far as Islamic law is concerned, no case has so far reached federal courts to challenge the constitutionality of applying completely different legal systems. In the past, all stoning sentences passed by lower Shari'ah courts for marital infidelity and extramarital sex were declared null and void by upper Shari'ah courts. Over the course of the period under review, however, no death sentences were passed by Shari'ah courts. Also, the Shari'ah courts now shun verdicts on amputation for theft because it had become a costly affair for the respective state governments. It became obvious that more and more very poor men deliberately acted as petty criminals to be charged, amputated and paid. And it was common practice that in such cases the culprit was given thousands of naira by the state government, declared as "social welfare," to get the culprit reintegrated into the socioeconomic system.

Independent
judiciary

7

Corruption and white-collar crime are widespread at every level. Government efforts to curb the problem through the anti-corruption agency, the Economic and Financial Crimes Committee (EFCC), and to a lesser extent the Independent Corrupt Practices and Other Related Offences Commission (ICPC), which are basically financed by western donors, have public support. Yet the fight against corruption has lost momentum and the elite has learned how to use the complicated legal system, the drawn-out legal processes and overburdened courts to develop successful defenses against accusations of corruption or crime. Most cases are dismissed for lack of evidence or for poor investigation. Meanwhile, however, the situation is slightly changing because a reform of the EFCC has been initiated and a new and more professional leadership has been appointed. In addition, the courts have applied new and harsh bail conditions to make it more difficult to escape criminal proceedings. During the democratic dispensation, the judiciary partly won back its former independence and continues to strengthen it. Some far-reaching verdicts of the Supreme Court, the Court of Appeal and the Federal High Court confirmed this trend. Interestingly, more and more court cases involving Nigerians take place in Britain, thereby shaping Nigeria's relations with Britain over legal issues. These cases typically involve members of the large Nigerian diaspora and Nigerians with businesses in the United Kingdom. A prominent public figure, the former Delta state Governor James Ibori, wanted in Nigeria and in Britain, was eventually extradited to the United Kingdom, where he was sentenced to several years imprisonment. Prior to that, his wife, his mistress and his former business partner had already been sentenced to long prison terms.

Prosecution of
office abuse

5

During the review period, the vast majority of the citizens did not enjoy civil liberties. This is because the government lacked a monopoly on the use of force as well as political will and judicial control. Security forces, militias, vigilantes, religious fundamentalists and criminal gangs regularly violated civil liberties. In addition, torture, ill treatment in police custody and extra-judicial killings were, and remain, part and parcel of law enforcement operations. Although a Human Rights Commission does exist, the institution is weak, hardly known and rarely appears at public events. And it is up till now almost impossible for victims of human rights abuses to take the perpetrators to court, let alone to get any form of redress. Beyond organized gang violence and crime across the country, northern Nigeria, including the Middle Belt, experienced increasing waves of sectarian and ethnic violence and serious clashes between factions of the Islamic sect Boko Haram and state security forces. Thousands of citizens' lives have been threatened and tens of thousands have been displaced by the violence in this region. Concerning women and girls, in particular those of lower status, the state still lacks the capacity and will to protect them against violence including rape, spousal abuse, female circumcision and abuse through customary law. However, the rights of women have slightly improved, indicated by the fact that women can take their husbands to court for criminal assault.

Civil rights

4

Women with a marriage certificate from the registrar's office are also no longer required to obtain their husband's approval in order to be issued a passport.

4 | Stability of Democratic Institutions

Democratic institutions at the federal and state levels were comparatively stable during the review period. This was not true for local government, which suffered from incompetence, corruption, lack of funds, illegitimacy and poor administrative structures. In contrast, the legitimacy of federal and state institutions was strengthened through the execution of the most credible elections in the history of the country in 2011 and the amendment to the 1999 constitution, which was a historic breakthrough. The judiciary also performed well, issuing groundbreaking and comprehensive rulings concerning election disputes and interpretations of a constitution still full of inconsistencies and contradictions. The electoral commission (INEC) was improved and a new chairman appointed, which partly restored trust in the commission and the electoral process at large. Additionally, transparency of the legislative process improved and more than 20 acts were passed by the National Assembly. However, so far only a dozen became law after the president, for unknown reasons, did not assent to some of them.

Performance of
democratic
institutions

5

Most influential political, social and economic actors within and outside the state system are committed to democratic institutions and regard them as legitimate. The amendments of the constitution by elected parliamentarians – the first time that democratically elected institutions were able to get that far – underlined that commitment. However, the rebellion by Boko Haram is probably the most important example for a group that is able to challenge Nigeria's democratic institutions (including the police and the security forces), albeit so far mostly in northern and central Nigeria. In those regions, though, they are holding temporary and effective veto powers.

Commitment to
democratic
institutions

5

5 | Political and Social Integration

Institutional inefficiency has been closely related to the lack of stable patterns of organization for political representation. During the review period, which coincided with the presidential and general elections in April 2011, and five highly contentious gubernatorial elections towards the end of 2011 and in 2012, no organizationally stable, socially-embedded party system was established. The ruling party, PDP, continued to dominate elections at federal and state level despite some minor losses. The Action Congress of Nigeria (can), which was an incarnation of the former Alliance for Democracy (AD) and afterwards known as the Action Congress (AC), gained momentum during the period under review. The party reached out of its stronghold, Lagos, took over all other Yoruba dominated states, and made inroads

Party system

4

into some neighboring states. Despite deepening divisions and ongoing serious internal wrangling, the Peoples Democratic Party (PDP) maintained its grip on power. A new northern-based platform under the name Congress for Progressive Change (CPC) failed to challenge the prevailing power structure, despite its leadership under former military ruler and two time presidential candidate Muhammadu Buhari. The other northern -based party, the All Nigeria People's Party (ANPP) maintained its rather weak position in the north. All the registered parties, however, scarcely have ideological objectives and are mostly dominated by moneybag politicians and local "godfathers" who are supposed to mobilize the local electorate.

Traditions of civil society are still weak. Despite the fact that the number of active NGOs is increasing, the landscape of voluntary organizations is still meager and plagued by scarce organizational resources. This also applies to most labor unions. While there is a positive general trend in the development of civic interest groups, they do not yet arouse broad citizen participation. This also holds true for the development of a civic culture supporting democracy. The "godfather system", characterized by local strongmen all over the country, and deeply enshrined in the Nigerian system, is still influencing regional and national policy. In the course of the period under review, however, a couple of the old guard "godfathers" have passed away. Notwithstanding that, their impact in the crisis-ridden areas, such as the Niger Delta, the Middle Belt and the far north is still apparent. In addition, small groups of both Muslims and Christians play a troubling role by politicizing religion, which has coincided with an increasing number of deadly sectarian clashes in the north.

The latest survey data on attitudes towards democracy and other institutions dates back to 2008. Afrobarometer has conducted a new round in 2012, but its results were not published at the time of this writing. Preliminary results indicate that 71% of respondents consider the 2011 elections to have been entirely free and fair or perceived only minor problems. As this report was going to print, no direct data on attitudes towards democracy were available.

Nigeria's civil society is still weak and highly fragmented. The majority of civil society groups are so-called one-man shows that have little impact on the political system. Weakened by federal legislation, the trade unions even lost political ground and widened the space for the state apparatus, state-run companies and parastatals to redistribute income from the bottom upwards. The private sector, particularly the multinational corporations, also benefited from the weak unions. For the foreseeable future, then, Nigeria's labor movement will only temporarily and marginally serve as a channel through which societal interests will be articulated. To a certain extent, however, an increasing number of technocrats in the presidency, the National Assembly, and in particular from the Nigerian diaspora, listened to the small but well-organized private sector. Sophisticated positions within the private sector such as Information and Communications Technology (ICT), banking, insurance and oil and

Interest groups
4

Approval of
democracy
n/a

Social capital
4

gas, are increasingly occupied by Nigerian technocrats and professionals from the vast diaspora. They play a major role in spearheading reforms, even if their mission is temporarily restricted, given the precarious security situation in several parts of the country. Nigerians were to large extent forced to organize themselves on the local level. Notwithstanding that, almost all citizens are members of a religious denomination, which has become the most important communication platform, and social security institution, for the common people. In addition, religion has been turned into an industry, which has become an important sector of the economy, attracting and employing an increasing number of people.

II. Economic Transformation

6 | Level of Socioeconomic Development

Key indicators still show a low level of development, which has hindered adequate freedom of choice. The rather poor HDI-score of 0.459 puts Nigeria on position 156 out of 169 in the country ranking. There is widespread and deep-seated social exclusion, caused by poverty. The HPI is 0.368, which translates into a ranking of 114 out of 135 countries. More than half of the population of 170 million lives on less than \$2 per day. Nigeria's Gini Index is 42.9, the gender equality index gives a value of 0.39 and the inequality index 0.246, while the education index is 0.422 and the literacy rate is put at 60%. Inadequate education is reflected by very poor scores of just 0.648 and by a school enrollment of 53%, although government expenditure on education is 10% of the current annual budget. The threatening north-south dichotomy in all social and economic sectors is significantly illustrated by the current state of this sector. Interestingly, school enrollment in the south gets to some 70%, while in the poverty-stricken north only some 30% go to school. Nigeria did not succeed in lessening extreme inequalities and income disparities during the review period. Extreme regional imbalances of development remain unchanged, particularly between north and south. However, private education is growing rapidly and it even attracts foreign students from neighboring countries and overseas. Currently there are 50 private universities in the country, competing with 74 federal and state tertiary institutions.

Question
Score

Socioeconomic
barriers

2

Economic indicators		2009	2010	2011	2012
GDP	\$ M	168587.3	228637.9	243985.8	262605.9
GDP growth	%	7.0	8.0	7.4	6.6
Inflation (CPI)	%	11.5	13.7	10.8	12.2
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	5.1	2.6	3.6	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	13867.6	14459.2	12554.1	20352.8
Public debt	% of GDP	15.2	15.5	17.2	17.8
External debt	\$ M	10361.8	10389.1	13107.6	-
Total debt service	\$ M	501.3	358.7	418.3	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.1	1.7	2.0	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.9	0.9	1.0	0.9

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Although the formal sector is substantial, the foundations of a market-based economy exist in Nigeria. Although the state still has a monopoly in key segments of the economy such as electricity production, petroleum refining and import, and production of highly subsidized fuel, much has been deregulated. The privatization of the heavy loss-making telecom NITEL failed several times, and the state company will be liquidated. However, this company had already lost all relevance in the highly competitive and booming telecommunications market, which is one of the fastest growing in the world. Unfortunately, there was hardly any progress in establishing relevant private power generation industries, and the vast majority of Nigerians are

Market-based
competition

5

still suffering from regular power cuts or are not connected to the electricity grid at all. There are some indications that a minor breakthrough in power supply is imminent. But several projects in the recent past were abandoned due to incompetence and corruption. Even the intended construction of three refineries, basically financed by Chinese capital and manpower, did not materialize. There are no indicators that construction will be resumed. On a different note, there were hardly any restrictions on currency convertibility.

There is no anti-cartel legislation as such. To a certain extent, however, the slow but steady privatization trend and competition have driven out state monopolies and state cartels. This was particularly true for the banking sector, the brewery sector and the highly competitive telecommunications. Towards the end of 2012, active mobile phone subscriptions exceeded the projected 105 million, thereby indicating an impressive penetration rate. Still, administrative incompetence in conjunction with bureaucratic corruption, an increasing north-south dichotomy, and the precarious security situation still take their toll on a competitive and enabling environment for business.

Anti-monopoly
policy
3

Foreign trade has been further deregulated, and there is no fundamental state intervention in free trade. This particularly applies to the treatment of the fast-growing foreign investment in the oil, gas, brewery and ICT sectors. There are no longer real restrictions on transactions, transfers or repatriation of profits. Foreign direct investment (FDI) even reached some \$8.9 billion at the end of 2011, almost four times more than in 2010. And there are indications that the rate of FDI will increase in the foreseeable future. However, the worsening security situation, with kidnappings of foreign workers, has the potential to hamper future investments in sectors that require expatriate staff.

Liberalization of
foreign trade
7

In mid-2010, the government established the Asset Management Company (AMCON) to soak up bad bank loans. It has a projected lifespan of 10 years. It was set up to clean up the banking system in the country following a \$4 billion rescue of nine lenders that came close to collapse the previous year. Remarkably, earnings in the banking sectors recovered in the course of the period under review after suffering from write-down on bad debts. Initially AMCON recovered 15% of the 9,000 non-performing loans (worth almost \$20 billion) it took off the books of banks after the bailout, and maintained that it would be able to recover up to 70%. According to the World Development Indicators, the share of “foul” loans amounted to 17.2% in 2010 and 11.6% in 201. The strong leadership of the central bank, supported by government, forced ailing banks to merge and went ahead and sold the Union Bank. In the meantime, almost a dozen Nigerian banks have been ranked among the top 50 banks in Africa. In addition, the anti-corruption agency EFCC charged the former management of the rescued banks with fraud. The cases were still pending at the end of the review period.

Banking system
7

8 | Currency and Price Stability

Inflation and exchange rate policy were rather consistent during the review period. The government was able to keep the inflation rate at a low double-digit rate of some 11% to 14% for most of the time under review. The exchange rate to the dollar was kept reasonably stable. At the end of 2012, the exchange rate stood at NGN 157 to one dollar, slightly lower than the previous year. The Nigerian economy continued to benefit from high oil and gas prices, and the price for its high quality crude rose to more than \$100 a barrel. And despite the elections and their campaign hand-outs, government and parliamentarians demonstrated a certain fiscal restraint and discipline by basing the federal budgets on benchmarks of some \$70 to \$75 per barrel. In addition, Nigeria is able to finance itself domestically thanks to its relatively well-developed domestic capital market.

Anti-inflation /
forex policy

5

Thanks to high crude oil and gas prices, Nigeria was able to increase its foreign currency reserves to some \$41 billion towards the end of the period under review. The external debt portfolio was kept fairly stable at some \$6 billion, however, while domestic debts rose to the enormous amount of some \$38 billion. The outcome of this is a debt/GDP ratio of 17.8%, slightly higher than in previous years. With a growth rate of some 6% to 6.5% per annum, the deficit spending was kept at about 2.9%. The projected deficit spending in the 2013 financial year will be reduced to close to 2% of GDP.

Macrostability

8

9 | Private Property

Property rights and acquisition of property are adequately defined. However, in many cases, they are poorly safeguarded. All land belongs to the federal states with the exception of the coastal strips and certain riverbanks, which belong to the federal government. Thus, land is granted only as a hereditary lease. Property ownership reaches its limits when mineral resources are found under the ground. In principle, these belong to the federal government. In such cases, the land is usually expropriated and the owner compensated. However, very often the change of ownership of a hereditary lease is difficult and complicated. In many cases, the evidence of title is challenged and it can take a long time to be settled in court. At times, local chiefs or communities sell land that afterwards has an unsecured title status, which might hamper private investment. Moreover, the state governors, acting as custodians of the land and handling the leases, very often abuse their office by rewarding their clientele. From time to time, a constitutional amendment of the Land Use Act has been discussed in public. But as long as the governors and the elite are the sole beneficiaries of this act nothing will change.

Property rights

5

According to the Heritage Foundation, Nigeria owns one of the world's least efficient property registration systems, which makes acquiring and maintaining rights to property difficult. Enforcement of copyrights, patents, and trademarks is also deficient.

Private companies are definitely viewed institutionally as important engines of development and growth. However, the reality on the ground is that these companies encounter a good deal of economic, political and social barriers to development. Still, banking, electronic media and IT sectors, which were deregulated and partly privatized because of external pressure from the World Bank, the IMF and other western donors, were flourishing. The IT sector is made up of a very small number of providers and is dominated by foreign capital and know-how, mainly from South Africa. The religious industry and private education in the south also had a boom time during the review period and were growing by the day. As in previous years, however, state companies and international conglomerates in the oil and gas sector quasi-monopolized the economic system.

Private enterprise
5

10 | Welfare Regime

In general, the burdens of aging, illness, underemployment and unemployment are carried mostly by extended family networks and the informal sector. This means that only civil servants, employees of the higher education system and employees of state-owned, partially state-owned, or big international companies enjoyed a certain level of social security. However, the Pension Reform Act, introduced by the federal government in 2004 and adopted by the state governments in 2006, empowered the private sector to introduce a new scheme. According to the act, the federal government makes a monthly payment into the fund of an amount equal to 5% of the total monthly wage bill payable to all employees of the federal government and the Federal Capital Territory Abuja. The National Pension Commission (PenCom) will supervise pension departments, which have been created to carry out the functions of the relevant pension boards or offices in the public service of the federation and Abuja with a view to making regular and prompt payments of pensions to existing pensioners. By September 2012, more than 5.2 million Nigerians were registered under the Contributory Pension Scheme (CPS) and they have paid in some NGN 3 trillion to the scheme at the last count at the end of 2011. It is a modest approach in dealing with this issue. At the end of the period under review, only some 55,000 pensioners were benefitting from the scheme.

Social safety nets
4

The distribution of income in Nigeria is highly unequal. More than two-thirds of the 170 million people live in absolute poverty. In addition, Nigeria still did not meet the Millennium Development Goals during this review period although enough resources exist to meet them. President Goodluck Jonathan and his government at least acknowledged a precarious level of unemployment among the youth – the first time

Equal opportunity
4

that an administration has raised this frightening issue. At least 20 million young people are unemployed. Federal and state governments have reluctantly started financing various programs of training and empowerment for this population, but preliminary results are still sketchy. There are no mechanisms to create opportunities for persons with disabilities or the socially disadvantaged. Although the National Assembly has passed a bill in favor of equal opportunity for disabled persons, the president has yet to sign the bill into law and it has been reported that he is not willing to do so. Women with secondary and tertiary education have access to jobs in state and public institutions and more and more women are finding job opportunities in the expanding private sector (e.g. banking, insurance, media). Some women occupy prestigious positions in government and the judiciary. Gender-based discrimination against women in the legal system has also been reduced. Women from within the elite can get to the top of ministries and state agencies, even to positions traditionally occupied by men. For example, the Chief Justice of the Supreme Court and the Ministers of Finance and Petroleum Resources are all women. However, still women hardly play any political role at the state and local government level, let alone at the grass-roots level. The literacy rate 60% at best and the school enrollment was just 53%. It should be noted, however, that in keeping with the north-south dichotomy, the school enrollment in the south was around 70% during the review period, while it was only about 30% in the north.

11 | Economic Performance

With the price of oil soaring past the \$100 a barrel mark during the review period, Nigeria saw some positive macroeconomic figures. Due to the high oil and gas prices, and subsequent macroeconomic stabilization, the government was able to keep the banking sector afloat and avert a crisis caused by non-performing bank loans. Growth rates averaged between 5.5% and 7.0% despite the country's precarious security situation. Along with a reasonable growth rate, the inflation rate was kept at a low double-digit rate. Foreign reserves increased significantly to more than \$40 billion in 2012, quite higher than the previous year. External debts amounted to some \$6 billion and internal debts amounted to a worrisome \$38 billion. The debt/GDP ratio was less than 20%. Budget and current account balance deficits became manageable, and the budget deficit was less than 3%. The government and international finance organizations predicted a similar deficit in the forthcoming year.

Output strength

6

12 | Sustainability

Environmental awareness has not grown in government circles, among lawmakers or in society. No progressive measures have been implemented yet, despite the government's stated commitment to address pollution caused by the oil and gas industry and the threatening impact of climate change, though the National Oil Spill

Environmental policy

3

Detection and Response Agency was created in 2006 to address oil pollution, particularly in the Niger Delta. Nigeria faces many environmental problems including deforestation, overgrazing, desertification, lack of garbage collection, air and water pollution, industrial pollution, and the pollution caused by several million privately used generators. Despite the existence of a Ministry of Environment, environmental concerns tend to take a back seat to economic growth considerations. Ecologically sustainable growth only got scant attention over the past years and was not reflected in the institutional framework. In fact, worsening ecological problems, exacerbated by demographic growth, seriously affected the whole country. Nigeria ranked 119th out of 139 countries in the 2012 Environmental Performance Index.

Education and training facilities were available to large segments of the population. However, a deep political, socioeconomic and cultural north-south divide and the north-south dichotomy are also mirrored as far as education in general and school enrollment in particular are concerned. While general enrollment amounts to some 53% of all school-aged children, the enrollment in the north is just 30% and in south 70%. Definite shortcomings exist in research and development. Still, quantitatively and qualitatively, public investment in education, training, research and development has increased. In 2012, the state's expenditures for education accounted for almost 10% (\$2.7 billion) of the federal budget. In other words, the budget was half the total expenditures for security, including the military. Interestingly, the private education sector is also growing. At the end of the period under review, Nigeria has 74 federal and state tertiary institutions. In addition, some 50 private universities have been granted accreditation, a strong indication that education is becoming increasingly privatized. The growing number of private schools and universities, a trend that benefits investors, suggests that the state is only partially living up to its responsibility in maintaining, promoting and financing education.

Education policy /
R&D
3

Transformation Management

I. Level of Difficulty

Many barriers remain to transforming the political and socioeconomic system in Nigeria. To start, the country's rather weak civil society and its limited experience with democracy and the rule of law have hindered and slowed down the stabilization and expansion of democratic transformation. The low level of economic and social development, widespread grinding poverty, a precariously high unemployment rate among the youths, youth violence, endemic corruption, inefficient state administration, significant ethnic and social heterogeneity, organized crime and a threatening security situation in several parts of the country all increase the level of difficulty of transformation. In addition, very poor infrastructure, unabated population growth, widespread HIV/AIDS infections – which affect more than four million people – and the government's return to the brinkmanship politics of the past compounded the level of difficulty during the evaluation period.

Structural
constraints

8

Traditions of civil society are still weak. Aside from an increase in NGO activity, the landscape of voluntary organizations is still small and plagued by scarce organizational resources. And while a positive general trend in the development of civic interest groups has continued, these groups do still not arouse broad citizen participation. This also holds true for the development of a civic culture supporting democracy.

Civil society
traditions

5

The Christian-Islamic dichotomy and the deep north-south divide are still points of conflict in Nigeria. Over the course of the years 2011 – 2012, the precarious security situation in the far north, particularly around the urban centers Kano, Kaduna, Maiduguri and Potiskum, went from bad to worse, seriously jeopardizing the political and socioeconomic system. The conflict with Boko Haram claimed more than 800 victims. The sectarian crisis, which had started in the northeastern part of the country, dominated by the ethnic Kanuri, spread further west and to neighboring Middle Belt, causing mayhem, fear and a new wave of internally displaced persons (IDPs). The unresolved crisis in the oil and gas producing Niger Delta added fuel to the fire. Additionally, a nationwide deep divide between the political elite and society exacerbated the already volatile political and socioeconomic landscape.

Conflict intensity

8

II. Management Performance

14 | Steering Capability

Much of the reform agenda of President Goodluck Jonathan, formulated immediately after his inauguration in May 2011, turned out to be nothing but talk. The structural, political and economic problems in the country prevented the government from pursuing all but a few medium-term goals, such as almost completely liberalizing the Information and Communications Technology (ICT) sector. In addition, the government focused on keeping the oil and gas industry alive in the Niger Delta and stabilizing the financial sector, in particular the banking sector. As mentioned earlier, major banks came close to bankruptcy after issuing non-performing loans. All other goals, such as fundamentally transforming the ailing power sector, constructing and privatizing refineries, improving the transport and road system and tackling the precarious security issue, just to mention a few, were put on hold. On the other hand, almost halfway into the legislative period, the president and the ruling PDP party were already looking ahead to the next elections in 2015, and strategizing on how to retain power.

Ideologically, the government is committed to democracy and market economy. However, President Goodluck Jonathan's government and the public administration did not have the organizational capability and capacity to form and implement much-needed economic and political reforms, particularly concerning internal security and the long overdue overhaul of the ailing infrastructure, such as power generation facilities, oil refineries, water systems and roads. At times, even the government's ability to implement the annual federal budget was in doubt.

Nigeria's political leadership has definitely learned how to successfully deal with the international community, the donor countries and the relevant international financial institutions. As far as domestic politics is concerned, the learning process was at best mixed during the review period. The federal government under Goodluck Jonathan's leadership was not able to counter, let alone resolve, the multiple social, ethnic and sectarian crises with either political or military tactics. Taking a wait-and-see attitude, the federal government dealt with the many crises more or less in the same way as before and almost deliberately ignored the well-known roots of the crises. The government's failure to successfully put a stop to the unabated deadly attacks by Boko Haram on state institutions and civilians undermined the president's authority. As far as the government apparatus was concerned, the president used his executive power to establish a new chain of guards within the presidency, the military and other security agencies without making progress in resolving the aforementioned crises.

Question
Score

Prioritization
4

Implementation
4

Policy learning
4

However, the appointment of well-known technocrats from the Nigerian diaspora into the key positions of Minister of Finance and Minister of Investment and Trade was a strategic move to continue to keep key portfolios in the hands of highly experienced technocrats and to reassure international financial institutions and financial markets. In addition, the political class, in the run-up to the elections in April 2011, tackled an imminent danger in the electoral law.

15 | Resource Efficiency

The government does not make effective use of available human and organizational resources for its transformation policy. Within government, there is still consensus that all 36 federal states and the federal territory need to be represented in government, at least via the six geopolitical zones. However, this model has been quietly eroded by the president and the National Assembly. For the time being, the southwest and northeast regions have been excluded from key positions in government and parliament. Concerning the size of government, all the various cabinets were inflated and a huge number of agencies and commissions exist. Also, cronyism is rampant. Several ministers were appointed whose qualifications are rather questionable, which contributed to inefficiency. In addition, it has been very common for the president to reshuffle the federal executive council and to replace appointed members of the numerous boards of parastatals whenever he sees fit. In most cases, these members work very inefficiently and the positions offer lucrative opportunities of rapidly raking in money. This kind of cronyism is part and parcel of any government policy in Nigeria. This frequent reshuffle also applies to high-ranking military and police officers and forced retirements of a great number of leading security staff. Regarding the accomplishments of government, there was no real progress in rebuilding the run-down basic national infrastructure such as roads, power and refineries despite abundant federal reserves and several declarations of intent. Likewise, there was no progress in rebuilding the almost destroyed national police force. Although the budget planning has become more transparent, the government regularly failed to implement its own budget within a given timeframe, let alone utilize funds that had been allocated to targeted projects on the federal, state and local government levels.

In addition, the government does not make full use of the abundant human resources of the country by not investing efficiently in the education sector. As mentioned before, the services offered by the state remain very poor.

The government has not been able to overcome conflicting objectives within government and parliament, particularly concerning the violence and its repercussions in the far north and the Middle Belt. This incapacity to overcome conflicting objectives also applies to the fundamental question of how to use public revenue in favor of development and to enforce anti-corruption mechanisms.

Efficient use of
assets

4

Policy
coordination

5

Interestingly, the elite in general, and the political class and lawmakers in particular, usually find common ground in distributing the country's wealth among themselves. In some rather rare cases, however, they have passed progressive bills such as an amended electoral law, a quite rigorous money laundering law and a pension reform act, which, in the medium term, might lead to significant changes.

Despite new leadership and a far-reaching restructuring of the anti-corruption commission, the EFCC, it has not produced positive results yet. In fact, the commission itself has suffered from many of the problems it is setting out to fix. In March 2012, Chairman Ibrahim Lamorde acknowledged that some of those sent out to fulfill the commission's mandate were themselves enmeshed in widespread corruption. Investigations are often weak. In lawsuits such as one against former bank manager Erastus Akingbola for serious fraud, the commission and the Attorney General were berated by a Federal High Court for incompetence on the part of the prosecution team, lack of diligent prosecution and scant evidence. He was discharged accordingly. Moreover, the federal government pardoned more than 80 stockbrokers, including business tycoons Femi Otedola and Aliko Dangote, who were largely responsible for the capital market failure in 2009. On top of that, they were granted a forbearance of some NGN 22 billion on their margin loans. At least half a dozen Nigerians were intercepted at the international airports in Abuja, Kano and Lagos with huge amounts of undeclared dollars, ranging from \$130,000 to \$7 million. They were arrested and charged, since it is only permitted to take \$10,000 out of the country undeclared.

Anti-corruption
policy

4

16 | Consensus-Building

Most Nigerians from all walks of life are in favor of establishing and consolidating democracy and market economy as strategic goals of transforming the system, but there is still a deep divide on how to get there. But the intention to scrap the fuel subsidy and to double the pump price from NGN 65 to NGN 150 as part of sweeping economic reforms failed. The decision was aimed at improving fiscal discipline and probably more importantly fighting serious corrupt practices in the petroleum sector. Furthermore, the government maintained that the savings were to be used in tackling the widespread unemployment, in particular of young people. However, the government had to back down and was forced to continue subsidizing fuel because the hugely unpopular act triggered nationwide protests in almost all the urban areas, supported by trade unions, leaders of religious circles of both faiths and civil society groups. Despite the fact that a broad alliance made up of the government, the anti-graft commissions, NGOs and international actors, namely IMF, World Bank, Transparency International, and International Finance Task Force, has made a modest inroad at least into the endemically corrupt society, the government in conjunction with the central bank was able to rescue and eventually stabilize the financial market

Consensus on goals

6

after the endemic crisis in 2009. According to the chief executive officer of the so-called “bad bank,” AMCON, by mid-2012 the crisis was over.

Currently, there are no outwardly anti-democratic power brokers on the political scene. However, there were serious violent and sectarian clashes in different parts of the country, in particular in the Muslim-dominated far north and in the Middle Belt, which have not yet been contained. Although the Islamist group Boko Haram might eventually be driven out by the military, remnants of the group will keep their status as anti-democratic forces. There are several other actors who represent anti-democratic sentiments, who have not, however, been transformed into influential anti-democratic forces. While there has been speculation and of a military comeback of the military are thriving at times, these rumors lack credibility. In fact, the democratically elected president and his government have the power to depose of any high-ranking personnel in state institutions, including the military. As a result, the military regularly emphasizes its commitment to democratic and constitutional rule.

Anti-democratic
actors
6

Regarding the management of social cleavages, the record of the political leadership is at best mixed. The costly amnesty program in the Niger Delta has to a large extent reduced the violence in the conflict-ridden oil-rich area without really resolving the structural problems on the ground. Another problem is the political leadership has so far been unable and mostly unwilling to address the major cleavage in the Nigerian society which separates the few who benefit from the country’s oil wealth from the vast majority of the population. Moreover, the leadership was unable to politically handle the increased violent and sectarian clashes in the far north and the Middle Belt. However, to some extent the government and other political actors were able to particularly contain the sectarian clashes from engulfing the whole of the country. In addition, the fragmented administrative structure of 36 federal states, 768 local governments and six councils did not really contribute to overcoming social cleavages. In almost all the northern parts of the country, the local government system has collapsed and huge areas have come under the control of militias and local strongmen, who have taken over the political and socioeconomic space. This shift has exacerbated deep-rooted local and regional grievances, thus compounding the existing cleavages. A way out of the dilemma could be to further develop the concept of the six geopolitical zones, which might be able to ease the destructive effects of a seemingly unending ethnic fragmentation and invention of new ethnic identities. And in fact, the concept of geopolitical zones is slowly being applied and has begun influencing political decisions, in particular when it comes to selecting and appointing high-ranking personnel.

Cleavage /
conflict
management
3

The political leadership still tends to ignore civil society. However, if it suits the leadership, particularly in times of crisis, actors are successfully co-opted. In addition, organizations such as the officers’ club of retired high-ranking military staff or associations of former presidents, politicians, administrators or top military men serve the government whenever possible. Despite the general low level of

Civil society
participation
4

organization within civil society itself, this strategy was rather successful. Otherwise, religious groups are increasingly establishing organized groups to advance their views and agendas, which has at times caused more harm than good.

The amnesty program in the conflict-ridden Niger Delta was well-conceived as an approach to pacify the region and begin a reconciliation process. The results of the program have been mixed, however, because neither government nor local politicians and stakeholders were addressing the real issues. The federal and state governments were successful in appointing commissions to investigate almost all serious cases of violent ethnic and sectarian clashes, and most of the reports were well-researched and accurate. However, the findings were not adequately utilized to compensate the victims, let alone to take the alleged culprits to court and get them convicted. A prime example is the court case against the five policemen who were charged with killing Boko Haram leader Mohammed Yusuf and several of his close staff in cold blood. The case is still pending and all but one were released on bail. It is also worth noting that official reports on serious social cleavages with ethnic and sectarian undercurrents are often not made public.

Reconciliation
5

17 | International Cooperation

Progress in the transformation process towards a market economy and market-based democracy has been strongly driven by outside actors (IMF, World Bank, African Development Bank, foreign high-profile consultants from privately run finance organizations and Nigerian experts from the diaspora in Britain and the United States). Collaboration with these actors underlined the government's increasing willingness to fulfill agreed commitments and effectively use resources provided by others. However, the role of outside actors in the democratic transformation process must be rated at a medium level at most. Nigeria kept and strengthened the political, economic (crude oil and gas export) and military cooperation with the U.S., particularly in the oil and gas producing Niger Delta and extended its cooperation to U.S. police forces (FBI) to combat the Boko Haram insurgency. In addition, it has been rebuilding and strengthening its ties with Britain, which were particularly shaped by legal issues concerning the Nigerian diaspora. The deepening economic cooperation with China and, to a lesser extent, with India, is embedded in an ongoing political learning process.

Effective use of
support
8

Nigeria collaborated reasonably well with international organizations, demonstrated by its willingness to play a decisive role in the Malian crisis. The government's economic reform program, which stabilized the financial sector, was lauded by international donors and finance organizations. Concerning security, to some extent Nigeria consulted with international security experts, particularly the U.S, which added to its credibility. But at times the military applied brutal force to put more pressure on Boko Haram. Towards the end of the period under review, with the

Credibility
8

arrests of hundreds of alleged members, it produced its first resounding results in dealing with the Boko Haram issue, a small step in resolving the crisis. This was recognized by the international community.

Nigeria tried to act as a credible leader and partner in the African Union and as a stabilizing force in the ECOWAS region and on the continental level at large. Despite strong internal opposition, the Nigerian leadership overcame many challenges, formulated by some veto powers in the greater Bakassi and southeastern region, and re-established reasonable normal relationships with its neighbor Cameroon. Even the delayed demarcation of the land border and the disputed border on the Bakassi peninsula did not turn out to become an obstacle. On the contrary, it proved Nigeria's capacity to resolve political problems with political and diplomatic means.

Regional
cooperation
8

Strategic Outlook

Nigeria has made progress in recent years in liberalizing its economy and building the credibility of its democratic institutions. With the help of new leadership, the electoral commission, which once lacked credibility, has carried out free and fair elections. This feat has helped stabilize the democratization process and should produce more legitimate political institutions as time goes on. Economically, market reforms have been enacted that encourage competition. In addition, there has been progress in the performance of government officials and parliamentarians at the federal level. Furthermore, the judiciary, represented by the Federal High Court, the Court of Appeal and the Supreme Court, displayed remarkable competence and independence in resolving legal cases in relation to the elections in 2011.

Yet Nigeria's transformation process is still far from complete. The institutional efficiency of the political and administrative systems, the pattern of democratic representation and the rule of law are still weak. In order to move further along in the processes of democratization and economic liberalization, Nigeria will first need to resolve the sectarian crisis incited by Boko Haram in the north, effectively tackle widespread organized crime, and reign in endemic corruption.

Even though the leverage of external actors is generally limited in Nigeria, the United States and the European Union can play a vital role in supporting Africa's most populous country to keep the democratization process going and to further strengthen market-economy oriented structures. The European Union, in collaboration with the United Nations, the IMF and the World Bank, must encourage the Nigerian leadership to use substantial political and financial resources to tackle the deep-rooted sectarian crisis in the Muslim-dominated north. Meanwhile, it is *sine qua non* that these external actors pressure the government to significantly deregulate key sectors that are highly inefficient, such as oil refineries and power generation. The successes of the telecommunications sector and of private tertiary education have indicated that private initiative and capital can deliver key services – at least for those who can afford them. And the current trend is gaining momentum by the day. Still, the federal government is dedicating huge amounts of revenues to public schools and federal and state universities. Unfortunately, the financial input does not really produce corresponding outputs, indicating that in the foreseeable future this important sector could be more or less completely privatized, thereby threatening to further polarize Nigerian society along socioeconomic lines. Concerning much-needed infrastructure improvements, such as roads, transport, water, security and basic social amenities, federal and state government is likely to continue to stall initiating such projects until after the general elections in 2015. On another note, one of the most important tasks, at least on the short- and medium-term, is to strengthen the police force in order to protect citizens against crime and thereby improve its bad reputation. This challenge must have equal priority with tackling Boko Haram.

It is also necessary to strongly support democratically oriented moderate and enlightened groups within civil society, particularly within both Christian and Muslim faiths and the business

community. The Nigerian civil society is lively and creative but nevertheless still institutionally weak and small in number. The party system is still underdeveloped, inflated and weak and it will take years before parties besides the ruling People's Democratic Party (PDP) become relevant and establish solid political platforms. Finally, it is of utmost importance to use funds and manpower in the field of conflict management and conflict prevention, particularly at the local government level, to further stabilize the still fragile federal system.