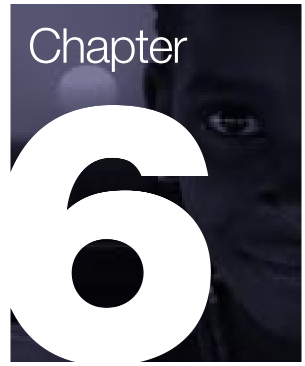


Nigeria—Untapped Potential

Thanks to a wealth of oil and human resources, Nigeria has the potential to become one of Africa's leading economies. But years of mismanagement and social division have paralysed the giant of Africa. Real GDP growth was projected to rise slightly in 2001 to 4.0%, up from 3.8% in 2000, largely as a result of improvements in the non-oil sector. The oil sector was hurt by a slump in oil prices and by oil production constraints imposed by the Organization for Petroleum Exporting Countries (OPEC).

The current growth projection of 4% falls far short of the 6–10% promised at the start of President Olusegun Obasanjo's administration—and of the 7–10% growth required to make a significant dent in poverty and to achieve the international development goals for 2015. As a result, Nigeria's position in global poverty rankings has improved little over the years, and the government faces mounting pressure to make good on its promise of "democracy dividends".

> ***"Nigeria's position in global poverty rankings has improved little over the years"***

Driven largely by an oil windfall, external accounts improved significantly in 2000. Exports maintained the strong growth started in 1999 (58% in 1999 and 64% in 2000), providing the foreign exchange needed to finance the massive (181%) growth in imports in 2000. The strong growth in export revenue—and thus in import demand—is unlikely to be sustained in the short to medium term, since oil prices are not expected to recover to their 2000 level. As a result of the downward trend in oil prices and further production restrictions by OPEC, export earnings are expected to fall significantly in 2002.

Tax revenue from the oil sector helped to support a sharp rise in public investment spending in 2000. In addition, inspection of imports rose to 100%, significantly increasing revenue from import duties and offsetting what could have been a significant budget deficit for 2000. The government budget for 2001 had envisaged even greater capital outlays (around 50% more than in 2000 and 250% more than in 1999). But the introduction of procurement rules and value-for-money audits of capital projects helped to slow capital spending and prevent waste.

The medium-term outlook for the economy is unfavourable. Real GDP growth is projected to slow to around 2% in 2002, as a result of a reduction in OPEC quotas at the beginning of the year and an expected slump in oil prices. Declining investor interest—especially in privatized companies—and increasing social and political tensions may exacerbate the slowdown. Still, increased investor activity in offshore oil and gas projects and expected improvements in agricultural output might help keep the economy from registering negative growth. The biggest threat to the economy is the country's structural vulnerability—governance problems, volatile oil prices, ethnic and religious tensions, and unpredictable relations with the donor community.

> *The challenges are not made easier by the immense pressure to deliver democracy dividends*

According to the 2002 budget statement, Nigeria's policy reforms are expected to continue to focus on four main themes: pursuing sound economic management, improving the condition of public infrastructure, diversifying the economy while emphasizing poverty reduction, and increasing integration with the regional and global economies. The successful rescheduling of external debt with the Paris Club of bilateral creditors and the extension of the Stand-By Arrangement with the International Monetary Fund (IMF) will also be key to ensuring better growth performance in 2002. And as oil prices fall, fiscal prudence will be required. But the constitutional right of local governments to a share of federally collected revenue and the inability of the federal government to constrain spending by lower levels of government make it difficult for the federal government to manage oil windfalls or to devise a fiscal rule to smooth national consumption after a windfall. Thus in the next few years Nigeria's economic performance will be tied to the efficiency and effectiveness with which the government tackles the country's public sector resource management issues.

The task of turning around the Nigerian economy is daunting. But the prospects are good, and Nigerians are upbeat about rebuilding their country—as is their head of state.

Recent trends and developments—promise and disappointment

The new administration of President Olusegun Obasanjo was mindful of the challenges and expectations of Nigerians as it took office in May 1999. In *Obasanjo's Economic Direction 1999–2003*, it therefore promised to establish

> one of the leading economies in Africa: an economy that experiences rapid and sustained growth at not less than 6–10% per annum at the end of the present Administration's tenure. The creation of a national economy that is highly competitive, responsive to incentives, private sector–led, broad-based, diversified, market-oriented and open, but based on internal momentum for its growth, is the aim. (Nigeria, Ministry of Finance 2000c, pp. 8–9)

Nigeria's economic performance since 1999 has been a mix of promise and disappointment, however, as President Obasanjo's new civilian government has grappled with the daunting task of turning around a country paralysed by decades of mismanagement and ethnic division. The challenges are not made easier by the immense pressure to deliver democracy dividends and the impending campaign for the 2003 general elections.

An uncomfortable comparison can be made with the last civilian administration, that of President Shehu Shagari (1979–83). Nigeria experienced a major oil price boom during the early years of the Shagari regime. But the oil boom was squandered, economic mismanagement reached unacceptable levels, and the Nigerian state and economy ended up in worse shape than before. The civilian-managed transition through elections in 1983 was rigged and highly divisive and, together with the comatose economy, provided the impetus for military intervention in December 1983. The Obasanjo regime faces the ghost of that era: history is waiting to be repeated or to be reversed. An oil boom heralded the Obasanjo administration. An election is due in 2003.

Analysts are divided on how to interpret the progress so far. Optimists give the Obasanjo government credit for keeping the economy on an even keel after many years of mismanagement under military rule and are hopeful that if the present trend towards good governance continues, economic growth will rise appreciably. Conversely, the pessimists expect slow growth and poverty, social tension and violence, and continued decay in public infrastructure for the foreseeable future.

> *"Another huge growth reserve is the stock of flight capital"*

Macroeconomic performance 1999–2001—growth nearing 4%

When the new civilian government took over in 1999, Nigeria had abundant growth reserves—idle productive resources that could, with the right strategy, be transformed into huge growth windfalls in the short to medium term. These reserves include arable land, 60% of which lies idle; educated youth, more than 40% of whom are unemployed or underemployed; industrial capacity, whose utilization remains less than 35%; and several natural resources that go unexploited, including solid minerals and natural gas. The rate of capacity utilization in the economy today is comparable to that in most countries just emerging from conflict. Experience in such countries suggests that with serious reforms, it is possible to initiate annual growth of more than 6% a year and to sustain that growth for a time.

Another huge growth reserve—though one that is abroad—is the stock of flight capital, estimated at more than twice the size of GDP. If the stock of flight capital is assumed to be only around $90 billion, a 10% annual return on that would yield some $9 billion. In essence, if the Nigerian government introduces policies and incentives encouraging the owners of the wealth to repatriate just the interest earnings, the Nigerian economy could gain $9 billion a year in additional investment—equivalent to 20% of GDP.

Neither the required (or expected) growth nor massive repatriation of flight capital took place in 1999–2001. On all counts Nigeria is a desperately poor country. In a ranking of the world's countries by income level, Nigeria fell near the bottom, with per capita income around half the average for Sub-Saharan Africa (in purchasing power parity, or PPP, terms; table 6.1). This comparative performance is all the more disappointing given the country's abundant human and natural resources.

The GDP growth rate in 2000 was 3.8%, up from 2.8% in 1999 and higher than the 3.1% targeted in the 2000 budget (table 6.2). With population growth of around 2.9% a year, however, this growth rate translated into GDP per capita growth of less than 1.0%. Growth in 2001 was estimated to have risen slightly, to around 4.0%, despite OPEC production restrictions and the sluggishness of reforms to remove structural constraints on the private sector. The growth performance in 2001 was driven largely by favourable conditions in the non-oil sector. The oil price remained on average above the $20 a barrel used in the 2001 budget estimates, but OPEC reduced the country's production quota by around 9% in the first quarter of 2001.

Table 6.1

Nigeria in a global context, 1999

Indicator	World	Nigeria	Nigeria's world rank[a]
Population (millions)	5,975	124	10
GNP (billions of dollars)	29,232	37	54
Per capita GNP (dollars)	4,890	319	179
PPP GNP (billions of dollars)[b]	38,804	92	49
PPP GNP per capita (dollars)[b]	6,490	744	193
Human development index	0.716	0.455	136[c]
Gender-related development index	0.706	0.433	123[c]

a. Out of around 200 countries, except where otherwise noted.

b. Adjusted for purchasing power parity (PPP).

c. Out of 162 countries.

***Source:** UNDP 2001.*

> *Gross fixed capital formation rose from 5.4% of GDP in 1999 to 7.9% in 2000*

Inflation remained moderate in 2000, with the composite consumer price index rising by 6.9%, slightly more than the 6.6% in 1999. According to the Central Bank of Nigeria, two main factors led to the increased pressure on prices towards the second half of 2000: the scarcity of petroleum products and the excess liquidity in the banking system arising from the monetization of the increased oil export receipts. A good agricultural harvest moderated the effects of these factors. But a loosening of monetary policy and an increase in government spending that boosted domestic demand and money supply at a time that the exchange rate was depreciating put the pressure back on the general price level in 2001. As a result, inflation averaged an estimated 15.6% in 2001, with the prices of staple food items increasing by around 40%. Independent estimates suggest aggregate inflation of between 28% and 35%, however, with food prices increasing by around 66% in 2001.

At around 11%, the official estimate of the oil sector's direct contribution to GDP seems small compared with its impact on the economy.[1] The wider effect of the oil price boom can be inferred from the expenditure components of GDP, which are driven largely by oil revenue and foreign exchange. Gross fixed capital formation rose from 5.4% of GDP in 1999 to 7.9% in 2000—reflecting massive public sector investments financed by oil revenue (see table 6.2). Government final consumption also increased sharply in 1999, by 71%, then declined by 1.2% in 2000. In contrast, private consumption experienced a puzzling collapse in 1999, then posted a 5% increase in 2000. The government budget for 2001 had envisaged even greater capital outlays than in 2000 (around 50% more than in 2000 and 250% more than in 1999). But new procurement rules and value-for-money audits of capital projects helped to slow capital spending and prevent waste.

The oil factor—an unexpected boom

In 2000, thanks to the oil windfall, the growth rate of oil GDP improved by 4.8 percentage points compared with the 1999 growth rate. Indeed, the unexpected boom in the international oil market essentially drove the growth performance of the entire economy in 2000. Oil prices rose from $18.00 a barrel in 1999 to $28.60 in 2000. Moreover, in 2000 the

Table 6.2

Selected economic indicators, Nigeria, 1996–2002

Indicator	1996	1997	1998	1999	2000	2001[a]	2002[b]
Real GDP growth (percent)	3.4	3.2	2.4	2.8	3.8	4.0	2.0
Oil sector growth (percent)	6.9	1.4	–4.9	–4.2	0.6	6.6	3.7
Oil production (millions of barrels a day)	2.0	2.2	2.1	2.0	2.2	2.3	2.3
Manufacturing capacity utilization (percent)	36.8	34.0	34.9	36.0	34.5	33.8	—
Gross fixed capital formation (percentage of GDP)	5.1	5.4	5.3	5.4	7.9	6.6	6.6
Inflation rate (percent)	29.3	8.5	10.0	6.6	6.9	15.6	13.3
Overall fiscal balance (percentage of GDP)	1.3	–0.2	–4.7	–8.4	–2.9	–4.3	–3.9
Broad money (M2) growth (percent)	16.8	16.9	23.3	31.6	48.1	—	—
Overall balance of payments (percentage of GDP)	–1.9	0.0	–7.8	–3.1	7.0	3.6	–2.5
Current account balance (percentage of GDP)	8.5	1.2	–11.6	0.4	5.8	3.4	–3.3
Capital account balance (percentage of GDP)	–10.2	–1.0	4.1	–3.5	–6.8	–3.8	–6.0
External reserves (billions of dollars)	4.07	7.58	7.10	5.45	9.91	9.60	9.80
Average crude oil price (dollars per barrel)	21.2	19.4	12.9	18.0	28.6	22.0	21.5
Average interbank foreign exchange market rate (naira per dollar)[c]	—	—	—	96.1	101.7	115.6	133.5
Average parallel market exchange rate (naira per dollar)	83.1	85.0	87.9	99.2	111.1	132.5	150.0

— Not available.

a. Estimated.

b. Projected.

c. The average annual official exchange rate for 1996–98 was 21.9 naira per dollar.

Source: *Central Bank of Nigeria,* Annual Report and Statement of Accounts, 2000, *and EIU 2001a, except for data for 2001 and 2002, which are Economic Commission for Africa estimates based on official sources, including Nigeria, Ministry of Finance 2000a.*

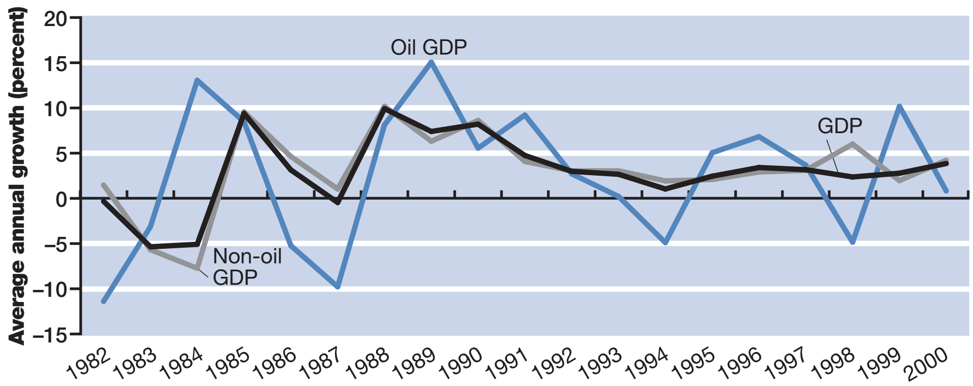
OPEC quota for Nigeria increased from 1.885 million barrels a day in March to 2.033 million in April, 2.091 million in July, 2.157 million in October, and 2.178 million in November. Of the total daily production, around 1.88 million barrels a day were exported, up from 1.66 million in 1999.

Although oil is in many ways an enclave sector in Nigeria, with few forward and backward links with the rest of the economy, it is still decisive for economic performance. The oil sector accounts for around 95% of foreign exchange earnings and more than 80% of government revenue. Its impact is transmitted mostly through the income effect, mediated through public spending and imports. Much of the modern productive sector depends on imported inputs, and the oil sector provides the foreign exchange needed.

Oil GDP is clearly more volatile than non-oil GDP (figure 6.1). Because of the volatility in oil prices, the sector can experience rapid growth in value added one year followed by an equally rapid decline in the next—and the wide swings in the sector's value added have historically been reflected in volatile growth rates for the economy as a whole. While non-oil GDP closely tracks total GDP, there is evidence that oil GDP leads the cyclical trend

Figure 6.1

Oil, non-oil, and total GDP growth, Nigeria, 1981–2000



Source: *Economic Commission for Africa.*

> Agriculture dominates the Nigerian economy, contributing 41.5% of GDP

in both non-oil and total GDP. Changes in oil prices could therefore have both contemporaneous and lagged effects on general economic performance.

Sectoral performance—unchanged

Agriculture dominates the Nigerian economy, contributing 41.5% of GDP in 2000 according to official data (table 6.3). Industry (including mining, manufacturing, and building and construction) contributed around 18.8% of GDP. The service sector accounted for the other 39.7%.[2]

Agriculture also provides employment for much of the population. Nonetheless, the sector has become progressively less profitable, and while Nigeria was a large exporter of agricultural products in the 1960s, it has now become a sizable importer. President Obasanjo, who introduced a national food production programme while ruling the country in the 1970s, has taken steps to refocus attention on agricultural development. But revitalizing the sector will require major investments in rural infrastructure and in productivity-enhancing production systems.

Manufacturing is concentrated in a few products, with textiles, cigarettes, beverages, soaps and detergents, and cement accounting for around 60% of total manufacturing output. These subsectors have benefited from substantial foreign investment in recent years. But they are highly dependent on imports and therefore vulnerable to foreign exchange difficulties. Rising production costs and falling consumer demand are the main factors constraining growth in manufacturing output.

Remarkably, sectoral growth rates did not change from 1999 to 2000 except for industry, which reversed its decline of the previous two years to post a growth of 2%. This trend was led by a reversal of the two-year decline in crude petroleum production, which had negative growth in 1998 (–5%) and 1999 (–7%) but posted positive growth of 1% in 2000.

Table 6.3

Growth rates and contributions to GDP growth by sector, Nigeria, 1997–2000 (percent)

Sector	Average annual growth 1997	1998	1999	2000	Share of GDP 2000	Contribution to GDP growth, 2000
Agriculture	3.0	5.0	5.0	5.0	41.5	2.08
Industry	1.0	–4.0	–4.0	2.0	16.7	0.33
Manufacturing	0.0	–4.0	4.0	4.0	—	—
Building and construction	6.0	6.0	4.0	4.0	2.1	0.08
Wholesale and retail trade	1.0	3.0	2.0	2.0	11.6	0.23
Other services	4.0	4.0	4.0	4.0	28.1	1.12
Total GDP growth						3.84

Source: *Calculated on the basis of data from Central Bank of Nigeria,* Annual Report and Statement of Accounts, 2000.

Mining and quarrying maintained 3% growth in both 1999 and 2000. Agriculture maintained the strongest growth, at 5% a year. The sectors' weighted contributions to GDP growth give an aggregate growth rate of 3.84% in 2000.

The surplus in the trade account is expected to decline further in 2002

External sector performance— big improvements, thanks to the oil windfall

External accounts improved significantly in 2000, following the positive shift in terms of trade thanks largely to the oil windfall (see table 6.2). The improvement in the external accounts is unlikely to be sustained in the short to medium term, however, as oil export earnings will probably fall in 2002. Imports did not fall proportionately because of a combination of factors—the expected increase in government capital spending, the projected growth in investment in offshore oil production, and the likely effects of further cuts in customs tariffs. Thus the surplus in the trade account declined from 5.8% of GDP in 2000 to 3.4% in 2001 and is expected to decline further in 2002. Moreover, although the inflow of official multilateral and bilateral credit and aid has increased modestly since the return of democracy, foreign assistance is expected to remain at a relatively low level as donors maintain a wait-and-see attitude towards Nigeria.

Nigeria's debt problem persists, but some progress was made in 2000–01 in managing its external debt. The total debt service obligation for 2000 was around $3.6 billion, but a rescheduling arrangement reached towards the end of that year reduced the burden in 2001. Debt service arrears at the beginning of 2000 were around $19.5 billion. Even after rescheduling, the debt service owed to just the Paris Club of bilateral creditors amounted to around $3 billion, but successful negotiations reduced this to $1 billion. At the beginning of 2001 Nigeria's stock of external debt stood at $28 billion—$4 billion less than estimated by the IMF (table 6.4). (The difference can be attributed mainly to the IMF's inclusion of public

Table 6.4

External debt, Nigeria, selected years, 1980–2002

Item	1980	1995	1996	1997	1998	1999	2000	2001[a]	2002[b]
Total debt (billions of dollars)	6.5	31.9	31.5	30.9	31.6	32.0	31.9	27.9	26.4
Debt service as a percentage of exports of goods	3.1	16.8	14.5	11.8	12.3	14.9	8.6	7.9	9.8
Interest payments as a percentage of exports of goods	2.4	7.3	4.9	3.5	4.5	7.7	4.4	—	—
Amortization as a percentage of exports of goods	0.7	9.5	9.6	8.3	7.8	7.1	4.2	5.3	5.0
Total debt as a percentage of GDP	10.0	113.6	89.1	86.3	95.9	92.2	78.1	72.6	73.1
Total debt as a percentage of exports	24.0	256.5	185.1	187.5	286.2	250.0	149.2	7.9	9.8
Change in debt stock (percent)	—	—	–23.8	–9.5	–7.1	–4.9	–6.6	–1.4	0.2

a. Estimated.

b. Projected.

Source: *IMF 2001b except for data for 2001 and 2002, which are from the reconciled data of Nigeria's Debt Management Office and EIU 2001b.*

There is an asymmetry between the size of productive sectors and their shares in the use of foreign exchange

enterprise debt and government-guaranteed commercial loans to non-government enterprises.) By September 2001 Nigeria's Debt Management Office had completed reconciliation meetings with 13 of the country's 14 bilateral creditors. It had also reviewed the draft bilateral agreements prepared by 12 of the 14 Paris Club creditors to which Nigeria is indebted.

The changing structure of foreign exchange utilization is another interesting development in the external sector. In 1996 imports of goods accounted for 92.5% of foreign exchange allocations, while invisibles (capital transfers and payments for services) accounted for 7.5%. In 1999 invisibles' share increased to 12.1%, and in 2000 it almost doubled to 22.5%, while imports of goods accounted for 77.5%, down from 87.9% in 1999. Some analysts worry that the growing share of invisibles in the use of foreign exchange indicates increasing capital flight. Nigeria was among the African countries suffering enormous capital flight in the 1980s, and the economy is said to be grossly undercapitalized today. The uncertainty about the business environment (due to military coups) and the prolonged military dictatorship were fingered as the main cause of this capital flight. The near doubling in the share of invisibles in the use of foreign exchange within the first year of civilian rule is therefore worrisome.

Also important are the changes in the sectoral use of foreign exchange. Three features are worth highlighting. First, the share of industry in the use of foreign exchange has been falling (dropping from 59.6% in 1996 to 39.3% in 2000). Second, there is an asymmetry between the size of productive sectors and their shares in the use of foreign exchange. In 2000 industry accounted for 18.8% of GDP but used 39.0% of foreign exchange, while agriculture, which accounted for 41.5% of GDP, used only 2.5% of foreign exchange for imported inputs. This may support the claim by some analysts that agriculture is being marginalized in the allocation of foreign exchange. Third, the share of finished goods in the use of foreign exchange—37% in 1998 and 36% in 1999—dropped to 31% in 2000. All these changes in shares might have been a result of the increasing share of invisibles relative to total imports, however.

In the import structure a disturbing development has been the rising share of food imports. In 2000 food accounted for 14.4% of imports, up from 8.0% in 1990. This trend suggests that Nigeria could face a food crisis in the future. Nigeria is now around the 10th most populous country in the world, and its population is projected to grow to 235–250 million by 2025. That growth will make it one of the five most populous countries, but it will be the only one in the group that is nowhere near self-sufficient in food. The rapid population growth has made it increasingly difficult for Nigeria to feed its people, and the volatility of oil exports means that the present level of food imports is not sustainable. Nigeria faces the major policy challenge of transforming its agricultural sector to feed its population.

Both revenue and spending have been on the increase since 1999

Policy reforms and economic performance

Four major clusters of policy reforms have underpinned the economic performance of Nigeria, and their further success—or failure—will largely determine economic outcomes in the medium to long term. These reforms include:

- Managing the large fluctuations in oil revenue to ensure efficient, non-inflationary, and sustainable growth.
- Rehabilitating decaying infrastructure and institutions.
- Diversifying the economy so as to help reduce poverty.
- Adopting strategies aimed at integrating the Nigerian economy into the global and regional economies so as promote economy-wide competitiveness.

The brief review here describes the broad policy thrusts.

Fiscal policy—tough to cap spending

The public sector plays a decisive part in the country's economic performance—especially through its spending—and the budget is therefore the key annual policy document. A fundamental challenge of fiscal policy since the new civilian administration assumed office in 1999 has been the pressure to deliver democracy dividends through massive increases in public spending. These increases, it is feared, would be difficult to reverse if oil prices collapse. Fiscal restraint is made all the more difficult by constitutional provisions requiring that all federally collected revenue (including oil revenue) be shared among the federal government, the 36 state governments, and the federal capital territory (Abuja) as well as 774 local government districts. This automatic right to revenues and the constitutional inability of the federal government to restrain spending by lower levels of government make it difficult for the federal government to manage oil windfalls or to devise a fiscal rule for smoothing national consumption by sterilizing windfalls.[3]

Both revenue and spending have been on the increase since 1999. Although a supplementary budget was passed in 1999 after the civilian government was sworn in, the first substantive budget of the current government was that of 2000, passed in the middle of that year. Government revenue increased sharply in 2000, reflecting the substantial rise in the price of crude oil over the budget benchmark of $20 a barrel. Oil receipts rose by 119.7%, accounting for 84% of total revenue.

Consolidated government spending (the sum of federal and state government spending) increased to 43% of GDP in 2000, up from 31% in 1999. Aggregate spending by the federal government increased by 25.3% over the level in 1999. The government financed the resulting deficit, at 2.9% of GDP, entirely from domestic resources by issuing Treasury bills (pushing total domestic debt up to around 25% of GDP in 2000). A breakdown of spending showed that current spending took the lion's share, 66%, primarily because of an increase in civil service pay, while capital spending accounted for 34%.

Oil receipts rose by 119.7%, accounting for 84% of total revenue.

In January–September 2001 federally collected revenue rose by 52% over the level in the corresponding period in 2000, surpassing the estimate for the period by 6.4%. The increased revenue fuelled higher spending at all levels of government. The federal government's spending increased by 77.6% over the level in the corresponding period in 2000 and exceeded the projected spending by 4.2%.

Pressures to address the endemic poverty led the government to once again experiment with the failed old strategy of public sector-driven employment and income creation programmes. In May 2000 the government more than doubled civil service wages, in part to compensate for the substantial erosion of real wages and probably also to reduce petty corruption. The government also attempted to end the petroleum subsidy and deregulate the downstream petroleum sectors, but these initiatives were stalled by strong protests by labour unions, because of a perceived adverse impact on workers' well-being.

The 2000 budget will have long-lasting consequences, especially since most of the increases in recurrent spending—such as the wage bill—will be difficult to reverse when oil prices fall. Given this ratchet effect of current spending, either the adjustment burden will fall on capital spending or the government will resort to increased borrowing or attempt to raise revenues by removing subsidies on petroleum products and increasing tariffs and income taxes. Some of these measures would be politically difficult. Curtailing capital spending would pose major challenges given the decayed infrastructure and impending elections. Resorting to borrowing (especially from the domestic market) would increase the already huge stock of domestic debt and lead to inflation, appreciation of the real exchange rate, and a rise in the already very high domestic interest rates. There are no easy choices. This situation provides the context for evaluating the 2001 and 2002 budget proposals.

The 2001 budget increased consolidated government spending to 53% of GDP and raised total spending (recurrent and capital) by more than 70% over the level in 1999. Capital spending was increased by 250% over the level in 1999. The goal of the 2001 budget was to consolidate the thrust of the 2000 policies in laying a solid foundation for a private sector–led, market-driven economy, for lower unemployment and poverty, and for single-digit inflation. Specifically, the budget aimed to:

- Provide a legal, fiscal, and monetary environment that would enable the private sector to become an effective engine of growth.
- Upgrade the performance of major infrastructure facilities.

- Improve the operational capabilities of law enforcement agencies in reducing crime.
- Continue the policy of probity, transparency, and accountability, to reduce the cost of doing business in Nigeria.
- Take bold steps to fight illiteracy through the Universal Basic Education Scheme.
- Intensify the efforts to reduce rural poverty and improve food security by providing fiscal incentives (for lenders and borrowers) to increase agricultural production.
- Improve the health of the population through rapid upgrading of the health care system.

The budget does not reflect priority for the social sectors and poverty reduction

The 2001 budget placed overwhelming emphasis on power and steel (reflecting the national concern to improve electricity supply), public works and housing (to rebuild decayed infrastructure, especially roads), and water resources (since less than 40% of the population has access to safe water). But the budget does not reflect priority for the social sectors and poverty reduction, at least as measured by capital spending on health and education.

Historically the Nigerian government has lagged behind other countries (including some Sub-Saharan countries) in spending on health and education. In 1994–98 the federal government spent on average around 2.5% of GDP a year on health, compared with an average of 3.9% for Ghana, 6.9% for South Africa, and 4.0% for Sub-Saharan Africa. Between 1985–87 and 1995–97 the Nigerian government's spending on education fell from 1.7% of GDP to 0.7%, while education spending rose in most other Sub-Saharan countries, including Côte d'Ivoire, Ghana, and South Africa. An important caveat, however, is that Nigeria has a federal structure, and all three tiers of government are responsible for providing health and education services. Data on the health and education spending of the other two levels of government are poor or non-existent. Thus it is possible that aggregate or consolidated government spending on health and education could exceed spending (as a share of GDP) in many of the comparator countries or even the average for Sub-Saharan Africa.

Evaluating the full impact of the 2001 budget must await the final, economy-wide data. But President Obasanjo was not optimistic about the final outcomes in his 2002 budget speech:

> An analysis of the economic outlook for the rest of the year indicated that the performance of the economy might weaken further, as inflation, exchange rate and macroeconomic instability could intensify as a result of the continued expansionary fiscal policy and the concomitant intractable problems of excess liquidity in the banking system. (Nigeria, Ministry of Finance 2001)

The 2002 budget was presented to the National Assembly on 7 November 2001 against a background of declining oil revenue and an unpredictable global economy. Under the assumption that the price of oil would average $18 a barrel in 2002, the government estimated federally collected revenue to be 1.15 trillion naira. Of this amount the federal government hopes to spend 925 billion naira (around 80% of the total), reserving 193 billion naira ($1.7 billion) for servicing external debt.

An important feature of the budget is the government's proposal to raise non-oil revenue to around 45% of total revenue, with company income taxes accounting for 8%. Since non-oil revenue fell in the previous year and the non-oil sector is not expected to improve significantly in the coming year, many analysts question the basis for the optimistic projections and worry about the potential drag of higher taxes on the economy. These concerns are heightened for the manufacturing sector, already burdened by a plethora of charges and an unfriendly investment climate. Like previous budgets, the 2002 budget addresses privatization, economic liberalization, unemployment, infrastructure, and social sector priorities (box 6.1).

"Enforcing the cap on government spending will be difficult in the run-up to the elections scheduled for early 2003"

The 2002 budget will present two main challenges. First, the budget is based on the optimistic expectation that non-oil revenue can be raised to 45% of total revenue in one year. Although the increase in the non-oil share will partly reflect the decline in oil revenue, it is still substantial, estimated at around 19% of non-oil GDP. Second, enforcing the cap on government spending will be difficult, especially in the run-up to the elections scheduled for early 2003.

Monetary policy—yawning gaps between targets and outcomes

Monetary policy in Nigeria mostly responds to the government's fiscal behaviour in an attempt to achieve the Central Bank of Nigeria's primary goal of price and exchange rate stability. The yawning gap between the Central Bank's monetary targets and the outcomes, however, raises questions about the role and effectiveness of monetary policy in the context of Nigeria's peculiar fiscal structure (table 6.5).

Throughout 2000 the Central Bank pursued a loose monetary policy to reflate the economy. It cut the minimum rediscount rate in three stages from 18% at the end of 1999 to 14% in December 2000 and reduced the cash reserve requirement in two steps from 12% to 10% over the same period. This loose monetary policy—combined with rapid growth in the money supply (due to the monetization of the increased oil receipts), a large increase in public sector wages, and rising food prices—led to a swift rise in inflation in the last quarter of 2000 and into 2001. In response to the sharp jump in inflation and the volatility of the naira, the Central Bank raised the minimum rediscount rate to 18.5% at the end of June 2001.

Interest rates have varied markedly with trends in the growth of monetary aggregates and in the Treasury bill rate and minimum rediscount rate. In 2000 interest rates declined, reflecting the liquidity overhang. The Treasury bill rate fell from 17% in January 2000 to 13% in December, and the deposit and lending rates of commercial and merchant banks declined accordingly.

The structure of interest rates reveals interesting distortions in the banking system. The gap between the real savings and lending rates has progressively widened. While the real savings rate continues to be negative, the real lending rate is around 20%—with enormous implications for the cost of doing business in Nigeria. The risky investment climate has led banks to take a cautious stance on long-term lending, while the huge returns on short-term activities, such as commerce, provide incentives for concentrating their portfolios on those activities.

Box 6.1

Highlights of Nigeria's 2002 budget

The federal government aims to use the 2002 budget to address a multiplicity of objectives:

- Continuing to privatize government investment and public utilities.
- Striving towards GDP growth of at least 5 percent.
- Minimizing the budget deficit and eliminating extrabudgetary spending.
- Continuing to liberalize the foreign exchange market by sustaining the interbank foreign exchange market.
- Targeting moderate inflation.
- Pursuing low interest rates.
- Reducing unemployment by increasing capacity utilization and encouraging self-employment initiatives.
- Increasing funding for the police, judiciary, and other law enforcement agencies so as to step up the fight against crime.
- Enhancing the performance of infrastructure facilities by properly rehabilitating and maintaining existing infrastructure and providing additional facilities, particularly in water and energy.
- Strengthening the war against corruption in both the private and the public sector.
- Enhancing funding for education at all levels, with a particular emphasis on the Universal Basic Education Scheme.
- Improving health care delivery, with an emphasis on preventive care.
- Increasing food production and the provision of post-harvest storage facilities, including by maintaining a system of buyer of last resort and guaranteed minimum prices.
- Diversifying the economy by providing appropriate fiscal incentives for investing in tourism, natural gas, solid minerals, petrochemical industries, and industries related to agriculture.
- Encouraging foreign direct investment through increased liberalization.
- Pursuing the reduction of debt service and the debt stock through dialogue with the World Bank, the International Monetary Fund, and the Paris Club of creditors.
- Pursuing new investment in information and communications technology and in biotechnology.

The main instruments for achieving these objectives, as announced by the president, will include:

- Striving to maintain a nearly balanced budget.
- Paying attention to the completion of ongoing projects.
- Consolidating the policy consistency and sense of direction gained in the past two budgets.
- Strengthening and deepening macroeconomic stability to ensure that the dividends of democracy flow to the grass roots.
- Institutionalizing the "due process principle", by linking spending to resources on the basis of identified priorities, economy, efficiency, and effectiveness.

***Source**: Nigeria, Ministry of Finance 2001.*

Table 6.5

Monetary, financial, and other targets and outcomes, Nigeria, 1999 and 2000 (percent, except where otherwise specified)

Indicator	1999 Target	1999 Actual	2000 Target	2000 Actual
Growth in M2	10.0	31.6	14.6	48.1
Growth in M1	4.1	18.0	9.8	62.2
Change in aggregate bank credit	18.3	30.0	27.8	–23.1
Change in net credit to the federal government	10.2	32.0	37.8	–162.3
Change in net credit to the private sector	19.9	29.2	21.9	30.9
Inflation rate	9.0	6.6	9.0	6.9
Growth in GDP	3.0	2.8	3.0	3.8
Accrued to external reserves (millions of dollars)	500	1,650	500	4,460
Exchange rate (naira per dollar, end of period)		98.20		110.05

Source: *Central Bank of Nigeria 2000, p.5.*

Nigeria's external sector policies have been torn between protectionism and liberalization

Nigeria's exchange rate regime is a managed float. In 2000 the exchange rate depreciated in all markets. In the official interbank foreign exchange market the naira depreciated on average by 6.5%, to 101.65 naira per dollar, mainly because of significant growth in import-driven demand for foreign exchange following the increase in government spending. The parallel market rate depreciated by 30% between December 1999 and May 2001.

In April 2001 a foreign exchange crisis emerged when the Central Bank made a small adjustment of the interbank foreign exchange market rate before it had effectively mopped up the excess liquidity triggered by the fiscal expansion. The parallel market rate depreciated to 140 naira per dollar in early April. The government sold large amounts of foreign exchange to deal with the crisis, depleting its foreign reserves. As a result of this measure and others to tighten monetary policy, the parallel market rate appreciated from 140 naira per dollar to an average of 133 throughout the rest of 2001, with the gap between the official and parallel market rates averaging 14% for the year.

External sector policies—average tariffs declining

Nigeria's external sector policies have been torn between protectionism and liberalization, although they have shown a systematic movement towards liberalization. The current customs and excise schedule (1995–2001) is expected to be replaced by a new tariff regime in 2002 with a simplified structure and lower tariffs. Customs duties have been regularly revised in the annual budgets. The 2000 budget reduced the average import tariff from 24% to 12%. And the 2001 budget introduced many cuts in import duties as well as some increases, especially for final goods. These changes are expected to further reduce the average tariff.

In addition, some non-tariff barriers have been removed. The customs and excise schedule originally included import prohibitions on 16 items and absolute prohibitions on

19 items (mostly on health, safety, and moral grounds). These import prohibitions have been progressively reduced by the annual budgets. After extensive consultations with stakeholders and the general public, the Ministry of Commerce has prepared a new trade policy document, which is awaiting approval by the federal executive council.

Institutional and structural reforms

The Obasanjo administration has initiated several efforts to remove institutional and structural impediments to growth and development. Two of these are particularly important: the privatization programme, critical for supporting fiscal reform and capital market expansion in the country, and the effort to promote good governance and effective public administration.

> *There are around 600 public enterprises at the federal level and 900 at the state and local levels, accounting for 50–60% of the formal labour force*

Privatization—weaknesses to address

In the 1970s and 1980s Nigeria developed a large public enterprise sector encompassing manufacturing, agriculture, public utilities, and other service industries. As in many developing countries, the aim was to accelerate industrialization and support economic self-sufficiency. The huge oil revenues arising from the global oil price hikes of the 1970s and 1980s enabled Nigeria to vigorously pursue the policy of public investment in productive activities, and an estimated 800 billion naira was invested in the sector during those two decades (World Bank 2001b). Today there are around 600 public enterprises at the federal level and 900 at the state and local levels, accounting for 50–60% of the formal labour force. Most of these enterprises have earned negligible, or even negative, returns.

Prompted by several issues—the poor performance of public enterprises, their weak capacity for reform, abuse of monopoly powers, and mismanagement, corruption, and nepotism—the government embarked on a privatization programme under the Privatization and Commercialization Act of 1999. The programme aims to revamp the economy through a private sector–led growth strategy. Its objectives include diffusing enterprise ownership, encouraging private sector control and operation of key enterprises, attracting investment to catalyse economic growth, providing a dynamic link between industry and the capital markets, and thereby closing supply and efficiency gaps in the Nigerian economy.

The programme is divided into three phases for the period 1999–2004:

- *Phase 1*—full divestiture of federal government shares in banks, cement companies, and oil marketing firms listed on the Nigerian Stock Exchange.
- *Phase 2*—full divestiture of federal government shares in hotels, vehicle assembly plants, and other industrial, agricultural, and service sector enterprises operating in competitive markets.
- *Phase 3*—partial divestiture of federal government shares in major enterprises operating in non-competitive but potentially competitive sectors, such as the telecommunications company (NITEL), the National Electric Power Authority (NEPA), Nigerian Airways, and the oil refineries.

The government has appointed competitively selected investment advisers to prepare and execute the divestiture transactions under the supervision of the Bureau of Public Enterprises. In each sector an interministerial divestiture committee, comprising top ministry officials and representatives of stakeholders such as labour unions and professional associations, is responsible for overseeing the preparation of related sectoral reforms under the auspices of the National Commission for Privatization. These structures have been set up to enhance the programme's transparency and to build consensus.

"The programme will transfer around 100 public enterprises in industry, agriculture, services, and infrastructure to private ownership"

The programme will transfer around 100 public enterprises in industry, agriculture, services, and infrastructure to private ownership. The privatization of public enterprises in phases 1 and 2, through the Nigerian Stock Exchange, is expected to generate around 20.2 billion naira in 2002 alone (Okafor 2002).

The reform programme for telecommunications provides for full liberalization of the market and limits the role of the government to policy formulation through the National Communications Commission. The programme's main goals are to expand connectivity to a total of 2 million fixed and mobile phones in 2001–03 and to create a flexible regulatory environment. In January 2001, as part of the market liberalization, the federal government successfully auctioned three digital mobile licences and appointed technical and auditing teams to carry out the necessary due diligence for divesting NITEL by the end of 2001. (NITEL's privatization was still pending in March 2002, however, following the winning bidder's failure to meet payment deadlines in January and the federal authorities' consequent suspension of the sale agreement.)

In the power sector the government will provide the overall direction for sector development while allowing competition in power production and distribution. The National Electricity Regulatory Commission, established under the new power policy, will be responsible for issuing licences to private operators and ensuring access to transmission networks at competitive prices.

The privatization process in Nigeria has benefited from lessons from similar exercises in other countries about ensuring transparency in transactions. Still, several weaknesses need to be addressed. These include the lack of coordination between the sector reform committees and key government agencies and the lack of oversight and control by the National Commission for Privatization over the management boards of key public enterprises in the period before divestiture. In addition, there is a need to design a consistent severance payment framework that is fair and acceptable to the workers affected.

As the World Bank has noted, some Nigerians are opposed to privatization:

> While the Obasanjo administration is strongly committed to an accelerated privatization programme, significant stakeholder groups are resisting the reforms. These include PE [public enterprise] managers and employees, senior government officials and civil servants, . . . who perceive that their current power and perquisites will be reduced as the privatization programme is implemented (2001b, p. 22).

The strongest opposition has emerged from labour unions, particularly in the utilities sector. The National Union of Electricity Employees has spoken out against the proposed privatization of NEPA because of the fear of mass layoffs. The union has argued that electricity is a basic need and that privatizing NEPA would negate the government's policy of increasing access to basic utilities and reducing poverty. Today NEPA has a workforce of 33,000 and an installed generation capacity of 6,000 megawatts. Much of this capacity is non-operational, however, which means that a large share of NEPA's workforce is underutilized. Consequently, its privatization is expected to lead to some retrenchment in the short term.

> *The privatization programme will further increase stakeholder participation to minimize the social risks to achieving its goals*

Privatization also involves a political economy issue—how to ensure an ethnic and regional balance in the acquisition of privatized firms given the uneven distribution of wealth among ethnic groups. The Indigenization Decree of 1971 and 1973 led to a skewed distribution of the ownership of some privatized firms that favoured westerners at a time that the east was recovering from a devastating civil war and the north was fairly poor. Today's liberalization policy is being influenced by the country's "north-south ethnic politics", and a slower pace has been suggested to avoid repeating the errors of the past.

Nigerian economists recently voiced support for the federal privatization programme, noting that public enterprises had become channels for political patronage and that they account for more than 55% of national debt and 5% of federal budget deficits. The economists argued that maintaining the momentum in privatization was critical to modernize technology, strengthen capital markets and attract investors, dismantle monopolies, promote better enterprise management, eliminate parasitic public enterprises, and reduce fiscal deficits.

The privatization programme will further increase stakeholder participation to minimize the social risks to achieving its goals. But in addition it needs to develop carefully designed measures to mitigate the adverse effects of privatization on retrenched workers and other groups. A comprehensive compensation framework is needed, built on the results of a full-scale assessment of the social impact of privatization. If properly communicated to the stakeholders, the resulting compensation framework could go a long way towards minimizing the social tensions surrounding privatization and liberalization.

Governance—bold initiatives

Nigeria faces an enormous task in transforming its economic potential into sustained growth and poverty reduction. The key to meeting this challenge may lie more in military, regional, and religious factors influencing national development than in economic policy instruments. In 1999 President Obasanjo promised democracy dividends, fully aware of the potential of the country but also of the socio-political constraints that have kept the giant economy in continual slumber.

At its inauguration in May 1999 the Obasanjo government also vowed to fight corruption, reduce poverty, eliminate inefficiencies in government, and reform economic management. After years of military rule had gravely weakened public service institutions, the expectations were high. To build a sound foundation for economic growth and political stability, the new government was expected to diffuse long-standing ethnic and religious tensions and, by ensuring transparency in government, reduce the mismanagement of public resources (box 6.2). The new government was also expected to renew the government machinery through a highly motivated civil service.

> *Public revenue continues to leak away, especially in the oil sector*

Nigerians fully expected democracy dividends because they saw the democratic, civilian government as the better route to economic development. But efforts on several key fronts in the past two years have yet to make their impact felt. Social conditions continue to deteriorate. The incidence of poverty remains high—at more than 60%—and appears to be increasing. Public revenue continues to leak away, especially in the oil sector. Violent social conflicts have become more frequent. Few states have seen improvements in water and electricity supplies. Federal budgetary allocations to health and education have fallen relative to total fiscal spending, casting doubt on the government's commitment to reducing poverty. Revenue allocations to the states have also fallen, and unrestricted imports of food continue to undermine the recovery of agriculture. In the midst of these shortfalls in realizing democracy dividends, serious social conflicts have occurred throughout the country, and the government's options for effectively addressing ethnic violence have been limited to the use of force.

Nevertheless, the Obasanjo government has taken a number of bold initiatives towards good governance and effective administration:

- Establishing the Corrupt Practices Commission to fight corruption.
- Establishing the Budget Monitoring and Price Intelligence Unit under the office of the president to ensure compliance with due process in evaluating, contracting, and monitoring public projects.
- Approving the recommendations of the World Bank's Country Financial Accountability Assessment in January 2001 as a basis for reforms in financial management.
- Opening up for review oil contracts signed in the last days of the outgoing government.
- Formulating a new civil service code.
- Establishing value-for-money audits to review the effectiveness of capital spending.
- Setting up the Economic Policy Coordinating Committee under the office of the vice president to ensure internal consistency and coordination among government policies.
- Setting up the Debt Management Office with a mandate to consolidate, reconcile, and manage Nigeria's external and domestic debt.
- Embarking on a pay parade verification exercise—matching pay cheques with attendance registers and duty rosters—in 2001 to address the problem of "ghost workers" and curtail the wage bill.
- Streamlining poverty alleviation institutions by closing nine and merging another six.
- Instituting 100% inspection of imports and modernizing the ports and the customs clearance procedures to increase revenue from import duties.
- Embarking on a review of the new tariff schedule with the aim of substantially reducing protection and eventually harmonizing tariff policy with other West African states, with a common external tariff for the Economic Community of West African States (ECOWAS).
- Producing *Obasanjo's Economic Direction 1999–2003* (Nigeria, Ministry of Finance 2000c), which involved aggressive revision of the trade policy, industrial policy, competition and antitrust policy, and power and telecommunications policies.

Box 6.2
The dilemma of national economic management

The failure of NEPA and of the energy sector as a whole illustrates the problems faced by the Nigerian government in managing the economy. Shortly after entering office, the Obasanjo government initiated a programme to reform and restructure NEPA, aimed at first improving its service and then preparing it for privatization. Two layers of management were replaced and a professional career structure was established to remove conflicts in the chain of command and improve morale.

But in mid-2001, two years after the exercise had started, NEPA's generation and distribution problems persisted. At a maximum of 2,500 megawatts, NEPA's production still fell well short of the installed capacity of 6,000 megawatts and of the 4,000 megawatts needed to meet national demand. As a result, NEPA was still generating only enough revenue to meet its wage bill.

To push through the privatization of NEPA, electricity tariffs will have to be raised from the present unrealistic rate of $0.03 a kilowatt-hour. But this increase is certain to raise public concern, especially since no consistent plan exists to offset the effects of the tariff increase on the poor or to compensate the workers likely to be retrenched.

Nor are examples of mismanagement difficult to find in the local fuel supply business. Nigeria is Africa's biggest oil producer and the world's sixth largest oil exporter, yet the state capitals experience constant fuel shortages throughout the year. Private commercial entities have managed to gain control of distribution, and sometimes even production, by tampering with pipelines and hoarding fuel to create artificial shortages. Thus a few powerful, well-connected businesspeople have been able to extract huge profits from the market for petroleum products and chase out legitimate operators.

The government saw deregulating and privatizing the oil sector as a way to open new possibilities for an efficient, profitable refining sector and to end shortages. But opening the way to successful privatization required removing subsidies on fuel. The government has announced the removal of fuel subsidies several times since 1999, each time sparking a confrontation with labour unions and the public and consequently maintaining the subsidies.

Source: Africa Confidential *2002.*

As founding director of Transparency International, President Obasanjo had strong antigraft credentials before his election. Yet the Corrupt Practices Commission has yet to prosecute a major corruption case involving any high-profile member of government. There appear to be two main reasons for this failure: the electioneering system and the ethnic factor.

The most conspicuous beneficiaries of the return to civilian rule have been senior politicians and their business allies (*Africa Confidential* 2002). The slow start-up of reforms in 1999 has also been attributed to political patronage, which is most extensive at the state and local levels.

Some, including the Obasanjo government, attribute the spate of violent communal clashes to the work of saboteurs and malevolent forces, since political skirmishes have increased as the 2003 elections approach and northern political coalitions come together. Others attribute the unrest to the government's failure to deliver on campaign promises and the population's increasing frustration with the deep-seated public mismanagement.

The ethnic factor in Nigeria is said to be at the core of political patronage and economic mismanagement

The ethnic factor in Nigeria is said to be at the core of political patronage and economic mismanagement. Indeed, Easterly and Levine (1997) have hypothesized that 35–45% of Africa's growth shortfall in the 1970s and 1980s can be explained by the high degree of ethno-linguistic fragmentation, and this phenomenon is particularly relevant to Nigeria's economic performance in recent years. Ethnic and religious identification remains strong in Nigeria, and poses a serious social risk to the Obasanjo reform programme. Moreover, the long military rule, dominated by the Hausa-Fulani ethnic group of the north, has "converted multi-ethnicity into constraints on growth" (Nwuke 2001). Recurrent social conflicts, particularly between religious groups, have diverted resources from productive uses to the containment of conflict and post-conflict reconstruction and have also led to inefficient choices in public and private investment management. Ethnicity continues to strongly influence budgetary allocations and plays a significant part in the mismanagement of public revenue.

Nigeria is divided along many lines—between north and south, between Muslims and Christians, between more than 250 ethno-linguistic groups, between civilian and military politicians, and between rich and poor. Successive governments have managed these divisions largely through political concessions and compromises, such as by offering greater local autonomy within the federal framework. But this autonomy has led to a perpetual struggle among groups for federal resources, regardless of the impact on the national economy or that of neighbouring states or communities, and weakened the federal government's ability to curtail spending and tackle fiscal reforms.

Particularly difficult has been finding a federal revenue sharing formula that is fair and that minimizes the economic disparities among states. This issue has been the main factor precipitating the "dissident conflict" in the oil states, a conflict that cost the economy an estimated $1 billion in revenue in 1999. Moreover, the effort to minimize the tensions stemming from revenue sharing has eroded the potency of fiscal spending instruments in engineering the growth and development of the national economy. And the continued focus on the regional allocation problem has impeded the development of a sound federal fiscal structure.

Meanwhile, state governments are trying to run their local economies autonomously. Many have borrowed funds on the capital markets, and the federal government appears to be losing its control over public debt management and fiscal policy in general. The states have resorted to borrowing largely because of a decline in their federal revenue allocation, which dropped by 11% in 2001 because of the fall in oil revenue.

Regional considerations continue to shape the motivations underlying not only fiscal policy but also other policy interventions, such as economic liberalization and privatization. The reason is that policy changes have different impacts on different factor and product markets, and the populations in the country's regions are distributed in different ways among these markets. Thus, for example, the north sees trade liberalization and privatization as reinforcing the dominance of the south, where most of the big businesses are located, while the north's agrarian economy continues to decline and its poverty rate to rise.

The success of Nigeria's economic re-engineering therefore depends on the government's ability not only to push through macroeconomic reforms but also to address deep-rooted socio-political issues. These issues have emerged as formidable barriers to the realization of President Obasanjo's vision of Nigeria as one of Africa's leading economies, with sustained growth of not less than 6–10% a year. As part of the effort to deal with the political economy issues, perhaps Nigeria should consider the following:

- Undertaking campaign finance reforms aimed at minimizing post-election political patronage and misuse of public resources.
- Building a national consensus on a federal revenue sharing formula and on a scheme for enhancing state and local capacity to generate revenue.
- Strengthening the Corrupt Practices Commission and facilitating its work to help it gain trust and minimize scepticism about government programmes among the general public.

"The success of Nigeria's economic re-engineering depends on the government's ability to address deep-rooted socio-political issues"

Human development

Nigeria is among the world's 27 poorest countries, according to the United Nations Development Programme (UNDP 2001). Poverty has been on the rise in the past decade, and today more than 60% of Nigerians live on less than $1 a day. But despite the enormous problems in the social sectors, they have not received the same priority in policy reforms as other sectors have. For example, education and health spending has declined sharply as a share of the federal budget since the mid-1990s. And the 2001 capital budget appears to leave underfunded key items that would benefit the poorest groups—such as universal basic education, the national immunization programme, and road maintenance and rehabilitation—while proposing considerable resources for such items as an Olympic-size stadium complex. But the federal government perceives all its spending as benefiting the poor—whether it is getting the National Electric Power Authority to work or improving the security of lives and property.

Education and employment—poor human resources, a handicap

Nigeria's poor human resource base is considered to be its biggest handicap in attracting foreign capital, improving productivity and reducing poverty. The country has 35,000 primary schools with an enrolment of 12.9 million pupils, and 6,400 secondary institutions with an enrolment of 5.1 million. At the tertiary level it has 62 colleges of education (with 86,000 students), 47 polytechnic institutes (120,000), and 42 universities and inter-university centres (325,000). But its combined primary, secondary, and tertiary gross enrolment ratio of 45% is only slightly higher than the average for Sub-Saharan Africa of 42% in 1999. The adult literacy rate remains low at 63%, compared with an average of 73% for developing countries; the average for Sub-Saharan Africa is around 60%.

The growing unemployment among recent graduates stems in part from the mismatch between educational output and requirements of the labour market

The country confronts two main problems in human resource development: unemployment among the educated youth and the dwindling federal budgetary allocations to educational institutions. The growing unemployment among recent graduates, particularly at the tertiary level, stems in part from the mismatch between educational output and requirements of the labour market. The quality and relevance of education have declined as academic resources, whether faculty or equipment and facilities, have become in increasingly short supply. In 1997/98, for example, the ratio of students to academic staff exceeded the national norm in the key faculties of administration, agriculture, engineering, law, medicine, health, and pharmacy at all federal universities (Hartnett 2000).

As the national population has grown, enrolments have outpaced budget allocations. Faculty recruitment doubled between 1991 and 1998, but enrolment more than quadrupled. The average enrolment per university in the federal sector rose from 8,300 in 1991/92 to 13,200 in 1998/99 (Dabalen and Oni 2000). But much of the growth has occurred in areas with little labour market demand, while enrolment in such critical areas as medicine and administration has grown relatively slowly. For example, between 1987 and 1997 the share of science students among university graduates dropped from 29.4% to 24.5%. Under the National Rolling Plan for 2001–03 the federal government intends to increase science enrolments to more than 54% of the total by 2003.[4]

Nigeria's education system turns out more than 3 million secondary and tertiary graduates every year, but it is estimated that the economy can absorb only around 10% of these graduates annually (Nigeria, Ministry of Finance 2000a). As a result, the economy is saddled with more than 15 million unemployed or underemployed youth, a situation that is undermining living standards throughout the country. Under the National Rolling Plan for 2001–03 the government envisages growth in employment of 1.8 million jobs—600,000 a year—but that number is still a mere 20% of what is needed just to hold unemployment and underemployment constant among the educated youth.

An increase in the number of university graduates from 15,000 in 1980/81 to 55,000 in 1998/99, in the face of slow economic growth and productivity improvement, has increased the unemployment rate among university graduates to an estimated 17–25% (Dabalen and Oni 2000). In October 2000 hundreds of unemployed graduates mounted a demonstration in front of the presidential offices in Abuja to demand that the government provide them with jobs. Urban registered unemployment increased from 4.9% in 1998 to 5.5% in 1999 as a result of the dwindling public and private sector expansion programmes and the economy's low absorptive capacity (Nigeria, Ministry of Finance 2000a). Attempts by the government to create more employment through public works programmes have had limited impact.

The declining funding for education poses a major obstacle to solving the problems of poor quality in education and thus of the unemployment among the educated youth. Public spending on education in Nigeria has lagged behind that in other Sub-Saharan countries for many years. As a share of the federal budget, education spending fell sharply from its peak of nearly 15% in 1994 to around 7% in 2001 (figure 6.2). As noted, however, states also contribute to social sector funding, and the consolidated spending would be larger than the federal spending.

Health—expenditures declining

Funding has also been declining in the health sector. As a share of the federal budget, health spending fell from 15% in 1994 to 6% in 2001 (here again, however, consolidated spending would be higher). Per capita spending on health stood at $23 a year in 1999, with around two-thirds of that being private. The country has only 19 physicians for every 100,000 people (UNDP 2001). Only 10% of the population has access to modern medical facilities. And according to the UNDP (2001), only 63% of Nigerians have access to sanitation facilities, 57% to improved water supply, and only 10% to essential drugs.

> *Malaria is rampant in Nigeria, especially in the urban south*

Malaria is rampant in Nigeria, especially in the urban south, which partly explains the country's higher infant mortality rate (112 per 1,000 live births) compared with that in other Sub-Saharan countries. Infant mortality declined by a mere 7% between 1970–75 and 1995–2000 (UNDP 2001). The malnutrition rate among children under five is 39%, largely because of the high level of food poverty in the country, especially in urban areas. And Nigeria has one of the highest maternal mortality ratios in the world—and the highest in West Africa (table 6.6).

The nation's HIV/AIDS infection rate among adults remains low at around 5%, compared with 8.7% for Sub-Saharan Africa. But almost 3 million Nigerian women are infected, representing nearly 12% of all infected women on the continent. And most of them have no access to medical relief.

Underfunding of the health sector explains much of the poor health status of Nigerians, especially among women and children. The emerging challenges of HIV/AIDS and Lassa fever and the renewed outbreaks of tuberculosis, cholera, guinea worm, and meningitis have increased the pressure on health facilities, which need massive public investments for rehabilitation. The government is vigorously studying the viability of a national health insurance scheme, for which an enabling act has been promulgated since 1999. To adequately serve children, the poor, the elderly, and other disadvantaged groups, especially in rural areas, the national health insurance scheme would need to be funded in part through the public budget.

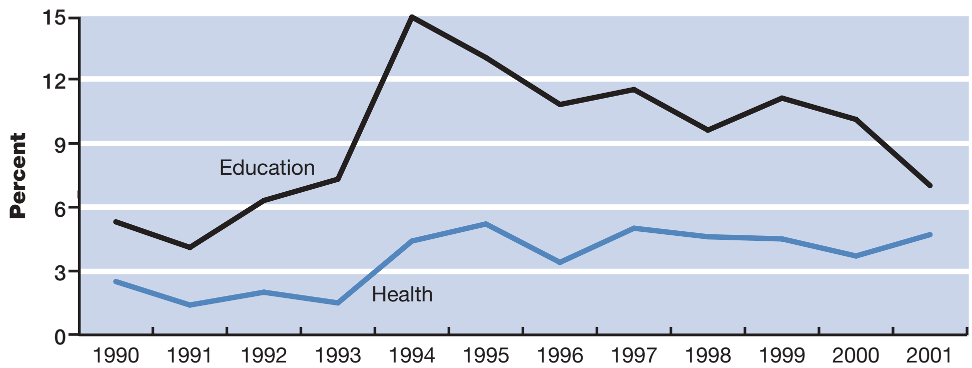
Poverty—widespread and growing

Despite Nigeria's massive human and natural resources—far more than enough to provide all the health, education, and infrastructure services the population needs—poverty is widespread and growing in the country. According to official statistics, the number of people living below the national poverty line rose from 18 million in 1980 to 67 million in 1996—from 28% of the population to 66% (Nigeria, Federal Office of Statistics 1999). During the same period the share of the population in core poverty (with per capita consumption spending less than a third of the national average) increased from 6% to 29%, with most in rural areas.

The poverty rate is higher in the northern states (70%) than in the southern states (60%). And as in other developing countries, in Nigeria poverty is a rural phenomenon. The average household income in rural areas is significantly lower than the national average (table

Figure 6.2

Education and health spending as a share of the federal budget, Nigeria, 1990–2001



Source: *Based on data from Nigeria, Ministry of Finance (2000a).*

Table 6.6

Maternal mortality ratio in selected Sub-Saharan African countries, 1980–99 (per 100,000 live births)

Country	Ratio
Nigeria	700
Côte d'Ivoire	600
Niger	590
Benin	500
Togo	480
Ghana	210

Note: *Data refer to the most recent year available during the period specified.*

Source: *UNDP 2001.*

"The emerging challenges of HIV/AIDS and Lassa fever have increased the pressure on health facilities"

6.7). The north-western states (Sokoto, Katsina, Kaduna, Kano, Kebi, Zamfra) and the south-eastern states (Bayelsa, Rivers, Akwa Ibom, Cross River, Delta) are the poorest zones in the country, with the highest share of income spent on food (more than 70%). More than 60% of Nigerians spend 70–80% of their income on food. Thus increases in food prices, averaging an estimated 35% in 2001, have severe effects on food poverty in the country.

Among Nigerians with no education, the poverty rate rose from 30% in 1980 to 73% in 1996, higher than the national average. Thus education is generally seen as providing an escape route from poverty, through access to formal sector jobs and public positions. Yet access to education is still poor, as reflected in the high illiteracy rate and low enrolment ratio.

The main source of the worsening poverty has been the slow economic growth (averaging around 3% a year in the 1990s) combined with the rapid population growth (2.9% a year in 1975–99). The high level of income inequality has compounded the problem of

Table 6.7
Average household income, Nigeria, 1992 and 1997 (current naira)

Category	1992	1997
Rural households	1,140	3,280
Urban households	1,345	4,260
National	1,243	3,770

Source: *Central Bank of Nigeria 1997.*

poverty, however, and heightened social conflict. The Gini coefficient for Nigeria is as high as 0.506, while the average for Sub-Saharan Africa is 0.440 (the Gini coefficient ranges from 0 to 1, with 0 representing perfect equality, and 1 perfect inequality). The poorest 10% of the population accounted for a mere 1.6% of national consumption in 1999, while the richest 10% accounted for 41% (World Bank 2001c).

> *Efforts to reduce poverty must involve a broad-based strategy*

In the short term efforts to reduce poverty must involve a broad-based strategy to minimize leakage from public revenues, improve transparency and accountability in government, and ensure effective monitoring of public spending and effective project implementation. In addition, market (and pricing) structures need to be reviewed within the framework of the country's competition policy. But the main challenge is to transform agriculture so that it is capable of feeding the Nigerian population all year round.

Medium-term outlook— 2% growth projected for 2002

Nigeria's medium-term prospects must be evaluated in the context of the country's enormous needs and its limited capacity to meet them. The needs are evident: Nigeria is one of the world's poorest countries, with more than 60% of its population in deep poverty. To make a significant dent in poverty and achieve the international development goals for 2015, Nigeria would need to achieve annual GDP growth of 7–10% as well as other social and structural transformations.

The Obasanjo administration was once optimistic about its ability to reach the growth and development goals, perhaps because of the country's rich growth reserves. In *Obasanjo's Economic Direction, 1999–2003*, the government targeted growth of at least 6–10% a year by the end of its administration. In the shorter version, Nigerian Economic Policy, 1999–2003, the government clearly spells out other ambitious targets for 2003 (table 6.8). But its 2002 budget, which targets GDP growth of 5%, may be one indication that the reality is sorely different. The performance of the economy so far suggests that outcomes will fall dramatically short of the targets. Indeed, during the next two years the economy is unlikely to achieve even half of each target. Based on present economic trends, all independent assessments conclude that achieving a growth rate of 5% by the end of 2003 would be difficult. Current projections are for GDP growth of a mere 2% in 2002.

Table 6.8

Major economic and social targets for 2003, Nigeria

Indicator	Target	Current[a]
GDP growth (percent)	10.0	4.0[b]
Inflation rate (percent)	Single digit	15.6[b]
Share of labour force gainfully employed (percent)	70	50
Share of population with access to safe water (percent)	60	40
Share of households with access to electricity (percent)	60	34
Functional telephone lines (per 1,000 people)	30	4[b]
Share of school-age children in school (percent)	90	50
Adult literacy rate (percent)	80	63
Average daily intake of calories	2,500	2,120
Level of satisfaction of other basic human needs	Medium/high	Low
Child malnutrition rate (percent)	20	39
Infant mortality rate (per 1,000 live births)	50	112
Maternal mortality ratio (per 100,000 births)	400	700[c]
Women's participation in informal sector and food processing and subsistence agriculture	Recognition and inclusion in the national accounting system of the economy	—

— Not available.

a. Data refer to 1999 unless otherwise specified.

b. Data refer to 2001.

c. Data refer to the most recent year available in the period 1980–99.

***Source:** Nigeria, Ministry of Finance 2000b, pp. 10–11.*

The low growth projection for 2002 is due mainly to a 6.5% reduction in Nigeria's OPEC quota effective on 1 January 2002. Moreover, because Nigeria's production exceeded its OPEC quota by some 4% during the last few months of 2001, the total downward adjustment required in 2002 will be around 10%. If projects for offshore oil and new gas production get off the ground in 2002, however, this may partly offset the adverse effect on GDP of a possible further cut in oil production quotas and the poor prospects for a recovery in oil prices.

"Growth prospects are also closely tied to political stability and improved governance"

Dominating the medium-term growth projections beyond 2002 are the uncertainties about the future price of oil, the likely response of the government to oil price shocks, and the response of the private sector to the economic environment. Growth prospects are also closely tied to political stability, improved governance, steadfast implementation of structural reforms, prudent fiscal policy and successful stabilization, the rebuilding of public institutions and infrastructure to create an attractive environment for private investment, and a renewed economic partnership with the rest of the world. Without serious structural reform, the non-oil sector may grow more slowly than the population until 2003 and achieve only modest per capita growth through 2005, according to the World Bank (2001a). A positive outcome also depends on successful debt rescheduling with the Paris Club of creditors, which in turn depends on an extension of the Stand-By Arrangement with the IMF.[5]

President Obasanjo, in his 2002 budget speech, was not optimistic about the medium-term outlook. He admitted that the global recession is likely to have severe consequences for Nigeria's monolithic economy and concluded that the economy's performance might further weaken in 2001. Even so, the budget sticks to the growth target of 5% in 2002, as set in the 2001–03 rolling plan. The impetus for maintaining this target is unclear, especially given the allusion to the worsening international environment and projected decline in oil prices. Nevertheless, the government expected that external reserves would stand at $10.5 billion at the end of 2001, though it estimated that only $100 million would accrue to reserves in 2002 as a result of the projected decline in the price of oil.

"The fiscal situation may pose a major challenge in the medium term"

The fiscal situation may pose a major challenge in the medium term, particularly if oil prices continue to fall. Efficient management of the volatile revenue base therefore remains crucial. In 2001 the government piled up huge external reserves—but these can pay for only a few months of imports. In 2002 fiscal prudence will require major cuts in spending at all levels of government, to match the projected fall in oil prices. Drastic cuts in spending would be politically difficult, however, especially in the run-up to general elections in early 2003. The government might be tempted to run down external reserves. But sooner or later a fundamental fiscal adjustment must be undertaken. And that raises the issue of macroeconomic stabilization, especially difficult in the context of Nigeria's fiscal federalism. A key challenge is to create a workable intergovernmental fiscal structure for smoothing or stabilizing revenue and expenditures at all levels of government—to ensure sound macroeconomic management. That will require creative manoeuvring around the constitutional provisions on the revenue sharing formula.

However Nigeria addresses its fiscal policy challenges, the external payments situation will remain difficult in the medium term. The current account deficit is expected to grow from 3.3% of GDP in 2002 to around 7.0% in 2003. The capital account is expected to register a small but increasing surplus over the next few years. Nevertheless, the IMF (2001a) predicts a financing gap averaging $1.5–2.0 billion a year until 2005, even after taking into account the Paris Club debt rescheduling agreement of 13 December 2000.

Thus the medium-term outlook is one of fragile promise and enduring challenges. Despite Nigeria's abundant resources, current trends suggest that it will be some time before the country can achieve the growth and economic transformation needed to significantly reduce poverty. Now growing at almost 3% a year, the population will double in around 24 years—making Nigeria one of the five largest countries in the world. The economy and social infrastructure continue to stagnate or decline even as urbanization accelerates. The country is increasingly unable to feed itself, staple food prices continue to escalate, joblessness is on the rise, and pervasive poverty and ethnic tensions strain the social fabric. Without urgent and fundamental socio-economic transformation, Nigeria might be a time bomb waiting to explode. The new civilian administration has made some important progress, but it could all unravel.

Perhaps the most fundamental threat to the medium-term outlook and the sustainability of reforms is the country's structural vulnerability—both in its political environment and in its economy. The key political challenges are to forge a stable nation out of the coun-

Box 6.3

Investors' perceptions of the cost of doing business in Nigeria

In 2000 the Center for International Development at Harvard University, in collaboration with the World Economic Forum, conducted a survey in 24 African countries on the competitiveness of their business environment. How did Nigeria do?

- *Infrastructure*: The business community rated Nigeria's roads, ports, railways, and airports the least satisfactory.
- *Customs*: Firms reported an average customs clearance time of 25 days, ranking Nigeria 22nd out of the 24 countries.
- *Telecommunications*: Nigeria ranked 20th in the quality of telecommunications—22nd in Internet access and 23rd in telephone prices.
- *Hidden import barriers*: Nigeria ranked 23rd in this area, with businesses citing the over-valued exchange rate, lack of export credit, and multiple licensing and regulation requirements.
- *Security*: Nigeria also ranked 23rd on security, with negative perceptions of security and organized crime strongly evident among businesses.
- *Education*: The business community ranked Nigeria among the bottom quarter of countries on the quality of its university education.
- *Policy*: Nigeria was seen as having the third most volatility in policy.

***Source**: Center for International Development and World Economic Forum 2000.*

"The medium-term outlook is one of fragile promise and enduring challenges"

try's disparate nationalities (ethnic groups)—dealing with the so-called nationality question—and to manage a civilian-administered election and change of government. There have been heightened ethnic and religious crises since the transition to democracy, and unceasing calls for a "sovereign" national conference—a conference of all nationalities to agree on whether and how Nigeria should operate as one country. Moreover, every attempt in Nigeria at a civilian-administered election and change of government has been characterized by violence and rigging, and the military has always found excuses to seize power. Thus 2003 is the year Nigeria has a date with history—to repeat it or to overcome it. A heightened political crisis would have severe consequences for the economy. Investors already have a negative perception of the cost of doing business in Nigeria (box 6.3). A political crisis would make an already bad situation worse.

The most crucial economic challenge is the deep, pervasive poverty combined with the dependence on a highly volatile external sector. Oil prices and donor behaviour are largely beyond the control of the government. But how it responds to shocks can make a fundamental difference. Moreover, the government does have control of such issues as governance, transparency, and accountability for public sector resource management—all of which are critical in addressing the country's socio-economic problems.

Beyond undertaking budgetary, institutional, and structural reforms, the government can improve the medium- and long-term outlook by successfully addressing poverty and

Box 6.4

The concerns of Nigerians

As part of the process of devising a Comprehensive Development Framework with the World Bank, the Nigerian government held consultations with the public throughout the country in March–April 2000 to invite input into a poverty reduction strategy. Held at eight different venues, the consultations involved a wide range of Nigerian leaders and attracted participants who were energetic, enthusiastic, and committed to fighting corruption and ethnic and religious intolerance for a better Nigeria. The discussions, focusing more on what was wrong than on how things could be fixed, revealed a broad spectrum of opinions.

Nigerians still look to the federal government for the solutions to all problems. But they also realize that the government does not work well. They distrust politicians (and the military) and think that most if not all politicians are driven purely by self-interest. They believe that the system provides no accountability for local government authorities. They see corruption as a complex issue—one that stems from poverty and greed—and many see it as a major moral issue. People in the Delta refer to the “legitimate” constitution of Nigeria, which allowed each region to retain 50% of its revenue. They complain that before the discovery of oil, when the sources of revenue were cocoa, oil palm, and groundnuts, there was no push to divide the pot equally.

In almost every discussion Nigerians complained about policy implementation and lack of continuity in policy formulation. They are cynical about the new programmes the government announces because they have seen so many failures. They believe in expanded private participation in key sectors but are wary of full privatization because they think assets will be sold for far less than their true value. They see education as critical, not only for development but also for the preservation of the nation.

Nigerians speak a lot about lack of patriotism and the tendency of their compatriots to identify themselves with ethnic or religious groups rather than with the nation. There is a deep sense of loss of values over the past 30 years. People feel that greed, lack of trust, a high regard for wealth, and an erosion of traditional cultures and values characterize Nigerian society. Consequently, there is a strong belief in the value of “enlightenment campaigns”.

***Source**: World Bank 2001a.*

human capital development, tackling infrastructure, and establishing a conducive environment for private enterprise. Also crucial will be opening the economy and linking it to the world economy by pursuing economy-wide competitiveness, and improving the country’s relations with the donor community. None of these challenges will be easy, especially given the economy’s dependence on the volatile oil sector.

So the task of reforming the economy is daunting—but the prospects are not hopeless. According to a survey of local businesspeople in Sub-Saharan Africa, those in Nigeria were most optimistic about their country’s economic prospects—in the wake of the restoration of democratic rule in May 1999 (Center for International Development and World Economic Forum 2000). Moreover, a national survey of Nigerians conducted as part of the Comprehensive Development Framework process with the World Bank found Nigerians upbeat and enthusiastic about rebuilding the country (box 6.4). Whether these sentiments will be translated into concrete improvements in the economy remains to be seen, however. Events in the next two years will be critical in propelling Nigeria onto a path of sustained progress—or onto one of continued decline.

Notes

1. The IMF (1998) estimates that the oil sector contributes around 35% of GDP.

2. The sectoral shares of GDP depend on the source of data. Even within the Central Bank of Nigeria's *Annual Report and Statement of Accounts, 2000*, sectoral shares vary widely depending on whether GDP is valued at 1984 factor cost or at current factor cost (compare appendix tables 5a and 5b in that report). For example, at current factor cost the share of industry (mining and manufacturing) is 31.7%, while at 1984 factor cost it is 16.7%. These differences cannot be explained solely by the differences in the deflators. The differences with IMF data are even more dramatic: the IMF (2001b) shows industry contributing the largest share, at 44.0%, compared with the 16.7% estimated by the Central Bank of Nigeria at 1984 factor prices. The data inconsistency is disturbing. The different data sources on the Nigerian economy show such marked variations that sometimes the qualitative direction of the data can change, so that the opposite inference is equally true.

"The task of reforming the economy is daunting—but the prospects are not hopeless"

3. In the annual federal budget the federal government assumes a benchmark oil price for revenue estimates. If the actual oil price exceeds the estimated price, the "excess" can be regarded as a windfall and saved against a future drop in prices. In 2000 the oil windfall amounted to $4 billion, or 10% of GDP. Around 50% of this accrued to states and local governments. A serious political debate is under way to develop a solution to the problem of managing such windfalls.

4. The National Rolling Plan for 2001–03 is the 12th in a series of medium-term, three-year plans since 1990 and the second under President Obasanjo. Used as a national development strategy, the plan covers mainly programmes and projects of the federal and state governments. The 2001–03 plan focuses primarily on poverty alleviation, managed deregulation, fiscal discipline, and privatization.

5. The IMF failed to extend the Stand-By Arrangement in 2001, on the grounds that its major benchmarks were not met. The Stand-By Arrangement was to be reviewed in the first quarter of 2002. On 6 March 2002, however, the IMF announced that it was discontinuing its informal monitoring of macroeconomic developments in Nigeria, following the Nigerian government's insistence on developing its own "home grown" programme.

References

Africa Confidential. 2002. "Nigeria: Torrents of Trouble." 8 February. [http://www.africa-confidential.com].

Center for International Development and World Economic Forum. 2000. *The Africa Competitiveness Report 2000/2001*. In collaboration with World Economic Forum, Geneva. New York: Oxford University Press.

Central Bank of Nigeria. 2000. *Statistical Bulletin*. Abuja.

———. Various years. *Annual Report and Statement of Accounts.* Abuja.

Dabalen, Andrew, and Bankale Oni. 2000. "Labour Market Prospects of University Graduates in Nigeria." Paper prepared for a World Bank–sponsored study on tertiary education in Nigeria. Nigerian Institute of Social and Economic Research (NISER), Ibadan.

Easterly, William, and Ross Levine. 1997. "Africa's Growth Tragedy." *Quarterly Journal of Economics* 112(November): 1203–50.

EIU (Economist Intelligence Unit). 2001a. *Country Report: Nigeria*. London. September.

———. 2001b. *Country Report: Nigeria*. London. December.

Hartnett, Teresa. 2000. "Financing Trends and Expenditure Patterns in Nigerian Federal Universities: An Update." Background study for the Nigeria University System Innovation Project. World Bank, Education and Training Unit, Washington, D.C.

IMF (International Monetary Fund). 1998. "Nigeria: Selected Issues and Statistical Appendix." Washington, D.C.

———. 2001a. "The State of the Nigerian Economy." Washington, D.C.

———. 2001b. *World Economic Outlook Database*. [http://www.imf.org/external/pubs/ft/weo/2001/03/data/index.htm].

Marchat, J. M., John Nasir, Vijaya Ramachandran, Manju Kedia Shah, Gerald Tyler, and Lan Zhao. 2001. "Results of the Nigerian Firm Survey." World Bank, Africa Region, Regional Programme on Enterprise Development, Washington, D.C.

Nigeria, Federal Office of Statistics. 1999. *Poverty Profile of Nigeria, 1980–1996*. Abuja.

Nigeria, Ministry of Finance. 2000a. *National Rolling Plan, 2001–2003.* Abuja.

———. 2000b. *Nigerian Economic Policy, 1999–2003*. Abuja.

———. 2000c. *Obasanjo's Economic Direction, 1999–2003.* Abuja.

———. 2001. *Budget Statement for 2002*. Presented to the National Assembly on 7 November. Abuja.

———. Various years. "Budget Estimates." Abuja.

Nwuke, Kasrim. 2001. "Federalism and Ethnic Conflicts: Lessons from Nigeria." Paper presented at meeting of the Allied Social Sciences Association, New Orleans, 2–5 January.

Okafor, Kene. 2002. "Matters Arising from the First Phase of the Privatization Programme." Paper presented at workshop for Capital Market Correspondents, Research and Information Technology Exchange, Nigerian Stock Exchange, Lagos, 31 January.

UNDP (United Nations Development Programme). 2001. *Human Development Report: Nigeria 2000/2001 Millennium Edition*. Lagos.

World Bank. 2001a. "Memorandum on a World Bank Group Joint Interim Strategy: Update for the Federal Republic of Nigeria." Africa Regional Office, Washington, D.C.

———. 2001b. "Nigeria Privatization Support Project." Project Appraisal Document. Africa Region, Private Sector Unit, Washington, D.C.

———. 2001c. *The World Factbook 2001*. Washington, D.C.