

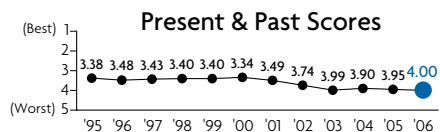


NIGERIA

Rank: 146

Score: 4.00

Category: Repressed



QUICK STUDY

SCORES

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Fiscal Burden	3
Government Intervention	4.5
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Population: 136,460,000

Total area: 923,768 sq. km

GDP: \$48.8 billion

GDP growth rate: 10.7%

GDP per capita: \$357

Major exports: petroleum, cocoa, rubber

Exports of goods and services: \$25.3 billion

Major export trading partners: US 38.3%, India 9.9%, Brazil 6.8%, Spain 6.2%, France 5.6%

Major imports: machinery and transport, chemicals, food and live animals

Imports of goods and services: \$21.6 billion

Major import trading partners: US 15.5%, UK 9.5%, Germany 7.3%, China 7.1%

Foreign direct investment (net): \$1.04 billion



TRADE POLICY

Score: **5–Stable** (very high level of protectionism)

The World Bank reports that Nigeria's weighted average tariff rate in 2002 (the most recent year for which World Bank data are available) was 16.9 percent. (The World Bank has revised the figure for 2002 upward from the 15.8 percent reported in the 2005 *Index*). According to the U.S. Trade Representative, "Importers face long clearance procedures, high berthing and unloading costs, erratic application of customs regulations, and corruption. . . . High tariffs and uneven application of import and labeling regulations make importing high-value perishable products into Nigeria difficult." Nigeria also bans imports of numerous items, including "sorghum, millet, wheat flour, cassava, frozen meat and poultry products, vegetable oil (in bulk), biscuits, pasta, bottled water, fruit juice in retail packs, cookies, confectionery and chocolate products, beer, kaolin, gypsum, mosquito repellent coils, printed fabrics, used clothing, cars more than eight years old, and bagged cement. . . . men's footwear, leather bags and plastic bags (excluding ladies purses), all textiles and yarn, furniture, toothpaste, household plastic ware, soap and detergents, fresh and plastic flowers, and fresh fruits." Based on the revised trade factor methodology, Nigeria's trade policy score is unchanged.



FISCAL BURDEN OF GOVERNMENT

Score—Income Taxation: **2.5–Stable** (moderate tax rates)

Score—Corporate Taxation: **4–Stable** (high tax rates)

Score—Change in Government Expenditures: **1.5–Stable** (high decrease)

Final Score: **3–Stable** (moderate cost of government)

The International Monetary Fund reports that Nigeria's top income tax rate is 25 percent. The corporate tax rate is 30 percent. In 2003, according to the African Development Bank, government expenditures as a share of GDP decreased 3.5 percentage points to 37.9 percent, compared to the 9.2 percentage point increase in 2002.



GOVERNMENT INTERVENTION IN THE ECONOMY

Score: **4.5–Worse** (very high level)

The World Bank reports that the government consumed 23.3 percent of GDP in 2003. In the same year, based on data from the International Monetary Fund, Nigeria received 51.51 percent of its total revenues from state-owned enterprises and government ownership of property in the oil sector, up from the 36.15 percent reported in the 2005 *Index*. As a result, Nigeria's government intervention score is 0.5 point worse this year.



MONETARY POLICY

Score: **4–Stable** (high level of inflation)

From 1995 to 2004, Nigeria's weighted average annual rate of inflation was 14.48 percent.



CAPITAL FLOWS AND FOREIGN INVESTMENT

Score: **4–Stable** (high barriers)

Nigeria's government updated its investment code in 1995 to allow 100 percent foreign ownership in every industry with the exception of petroleum and national security industries. According to the U.S. Trade Representative, "Despite efforts to improve the country's investment climate, disincentives to investing in Nigeria continue to plague foreign entrepreneurs. Potential investors must contend with poor infrastructure, complex tax administration procedures, confusing land ownership laws, arbitrary application of regulations, corruption, and extensive crime. The sanctity of contracts is often violated, and Nigeria's court system for settling commercial disputes is weak and sometimes biased." The International Monetary Fund reports that residents and non-residents may hold foreign exchange accounts. Some capital transactions are subject to documentation requirements and restrictions. Most payments and transfers must be conducted through banks.



BANKING AND FINANCE

Score: **4–Stable** (high level of restrictions)

"The banking sector, which includes 90 commercial and merchant banks as of 2004, is the largest part of Nigeria's financial system," reports First Initiative. "A large number of Nigeria's banks are subsidiaries of foreign banks, particularly European banks, and the ten largest banks account for over 50 percent of banking assets.... The insurance sector...is comprised of 118 insurance firms, including the state owned NICON Insurance Corporation and Nigerian Reinsurance Corporation." Nigeria also has over 700 community banks focusing on microfinance lending and six development banks. According to the U.S. Department of Commerce, "The Central Bank of Nigeria's end-March 2004 assessment of the banking industry revealed that of the 89 banks, 62 were classified sound and satisfactory, 14 as marginal, 11 as unsound and two could not be assessed because they did not render returns for the period." Foreign banks must acquire licenses from the central bank in order to operate. According to the Economist Intelligence Unit, "A

few intrepid foreign banks operate subsidiaries, and a number of others hold important minority stakes in domestic institutions." The government maintains ownership of the Bank of Industry and the Nigerian Agricultural and Rural Development Bank. It also affects the allocation of credit. Under the Small Medium Industries Equity Investment Scheme (SMIEIS), banks must deposit 10 percent of their profit after tax to fund SMIEIS loan programs. In 2000, Nigeria introduced universal banking, which allows banks to engage in money market activities, capital market activities, and insurance services.



WAGES AND PRICES

Score: **3–Stable** (moderate level of intervention)

According to the Economist Intelligence Unit, "There are no price-control laws for manufactured goods and products, but the government still regulates domestic fuel prices...[and] regulates the price of domestic air travel." The government also influences prices through several state-owned enterprises. Nigeria has a minimum wage.



PROPERTY RIGHTS

Score: **4–Stable** (low level of protection)

The Economist Intelligence Unit reports that Nigeria's "judicial system is still deeply undermined by corruption and hugely underfunded, resulting in poor administration and long delays in the hearing of cases. Contractual agreements are recognised, but trials can last more than two years, and the appeals process can drag on for more than four years." According to the U.S. Department of Commerce, "Several factors undermine effective enforcement [of judgements]: the severe lack of available court facilities; hand-written judgements and the lack of computerized systems to facilitate document processing; the arbitrary adjournment of court sessions due to power outages; and easily corrupted court officials and judges. In some instances, decrees have been promulgated and backdated to circumvent court rulings."



REGULATION

Score: **4–Stable** (high level)

The Economist Intelligence Unit describes Nigeria's civil service as "bloated, corrupt and inefficient." According to the U.S. Department of Commerce, "The primary problem regarding Nigeria's regulatory system is lax and uneven enforcement." In addition, "Multiple taxes are a problem for businesses at state and local levels.... [C]orruption is an endemic problem... and permeates all aspects of society, despite laws and penalties on the books. Foreign investors are convenient targets for extortion, bribery, and other corruptive acts since they are viewed as both relatively easy to coerce and profitable."



INFORMAL MARKET

Score: **4.5–Stable** (very high level of activity)

Transparency International's 2004 score for Nigeria is 1.6. Therefore, Nigeria's informal market score is 4.5 this year.