

THE JOURNAL  
OF GOOD  
GOVERNANCE  
AFRICA

# Nigeria Governance Insight

A focus on citizens' well-being  
would recalibrate investment  
priorities

Creating a broad-based  
mortgage system

For the people and of the people





# *Nigeria Governance Insight*

Journal of Good Governance Africa-Nigeria

Issue 1 2020



Published by Good Governance Africa-Nigeria  
3rd Floor Africa Re Building,  
Plot 1679, Karimu Kotun Street,  
Victoria Island, Lagos,  
Nigeria



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### **About Good Governance Africa-Nigeria**

Good Governance Africa (GGA) is a research and advocacy non-profit organisation with centres across Africa focused solely on improving government performance across the continent. GGA is registered as the Centre for Positive Analysis on Development and Leadership Perspectives in Nigeria with the Corporate Affairs Commission and operates as Good Governance Africa-Nigeria (GGA-Nigeria).

GGA-Nigeria engages in applied research and stimulates critical debate. All our work is based on exploring and advancing the key governance principles of democracy, accountability and transparency, and combining these with upholding the rule of law and respecting human, civil and property rights. In brief, we engage in critical discourse, promote fact-based knowledge and introduce focused interventions. Working for better governance through research and advocacy, promoting democracy, accountability and transparency, and the rule of law are also central concerns.

*Cover Image: The Exodus by Adeyinka Akingbade*

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# Turning crisis into a governance reform opportunity

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The Coronavirus pandemic (Covid-19) is compounding Nigeria's governance weaknesses. It has led to an exacerbation of systemic challenges, including depleted state capacity, endemic corruption and inefficiencies. Successive governments like the incumbent Buhari administration have recorded little or negligible progress in addressing several risks to Nigeria's longer term sustainability.

Whilst everyday social service delivery and state functions have been long deficient, the onset of the Covid-19 crisis further exposed many of the country's vulnerabilities. Unsurprisingly, the immediate efforts to address public health and economic difficulty brought by this crisis have been flailing and adjudged insufficient by the majority of Nigeria's citizens.

### *Use crisis as opportunity to shift balance*

Nigeria must tap innovative ideas and demonstrate renewed determination if it is to overcome the legion constraints to social progress and development. Not least, the perennial economic underperformance amidst an uncontrolled population explosion, searing instability and conflicts in pockets of the country, as well as the intractably low social and human development achievements.

Whilst all of these challenges are longstanding and well known, trends set in motion by the Covid-19 pandemic are of particular interest in the way that they have revealed the divergence in the capabilities and capacities of governmental actors at different levels in Nigeria. These span the federal level through state administrations and the local authorities. Also, going beyond official governance structures, there appears to be a growing, and for the most part underappreciated, capacity for citizen-led forms of governance as corrective to under-achieving formal structures. These self-organising governance improvisations have found vitalism and relevance as society mobilises dynamically to cope with the pandemic and its fallouts.



Non-governmental actors including CSOs, NGOs, the private sector, professional guilds, religious organisation and similar non-governmental formations throughout Nigeria have been important drivers of Covid-19 mitigation actions since the country's introduction of lock down of social and economic activities in March 2020 to buy time and slow down the progression of the virus pandemic.

As these social actors have been dramatically pushed to the fore in the efforts to mitigate the health, economic, social, security and other long-term implications of the Covid-19 crisis, this shift perhaps points to a promising opportunity to reshape the state-society balance in Nigeria? Perhaps this highlights one possible way to foster more pragmatic approaches to governance, particularly those forms of governance that prioritise the interests and needs of citizens? Perhaps an avenue to unleash more inclusive governance, unconstrained by the formal framings that have long skewed power and centralised resources in Nigeria's imperfect federal structures to the detriment of truly devolved local governance?

These reflections will be worthwhile and could provide a useful focus for future editions of the NGI in terms of reimagining Nigeria's governance reform in the context of a significantly reshaped post-Covid-19 landscape.

The immediate risk factors for Nigeria's stability have doubtless multiplied, whilst the medium to longer term implications of the coronavirus pandemic continue to unfold and likely to take some time to become fully crystallised.

Nevertheless, this edition of the Nigeria Governance Insight (NGI) speaks lucidly and cogently to the many pressing reform challenges for Nigeria which have now become more acute after the pandemic outbreak.

The initial reform steps forced by the crisis may be suggesting serious hope for Nigeria in terms of finally embarking on significant, comprehensive reform across the wide governance spectrum. Evidence of these include recent moves towards greater transparency in the reporting of the activities of the Nigeria's state-owned oil company, part of broader changes aimed at boosting revenue collection. Other steps have included unification of the various foreign exchange rates of Nigeria's naira currency, much like the recent move to market modulated price for petroleum at the pumps after decades of opaque subsidy schemes, etc.

These steps leave the unmistakable impression of crisis management actions forced by economic, fiscal and other mounting pressures. What Nigeria really needs is more carefully considered phase-in of corrective actions, based on clear change ideas that are systematically conceived and correctly sequenced. Such an approach will enhance the prospect for success and sustainable outcomes in the long term.

The analyses and policy prescriptions in this volume are vital for Nigeria to address the existing and emerging challenges in this well ordered manner. The various contributors outline specific blockages to reform in different socio-economic and political sectors over the past five years. Based on rigorous retrospective analysis, they also project forward on major reform opportunities that the country should seek realistically to leverage.

Indeed, with the precipitous fall in the price and quantities of Nigeria's lifeline oil export in 2020 also coinciding with the Covid-19 pandemic, it appears that it has never been truer that a major crisis could be the harbinger of unparalleled reform opportunities which will allow Nigeria a fundamental reset to finally begin to reach its great potential.

Will the country after all rise to this challenge? How exactly should this sudden onset, multidimensional crisis be leveraged to remake governance and reshape the polity? Which are the low hanging reforms that politicians and policymakers ought realistically to prioritise in order to kickstart and optimise the long overdue reform changes?



Each of the chapters in this NGI issue provide innovative ideas which are relevant to both the design of policies and interventions, and the steps to actualise them with the involvement of relevant stakeholder and constituencies. These are expert contributions informed by hands-on policy experience.

### ***Follow the money***

In Ayo Teriba's contribution, "Unlocking liquidity crucial to fueling development", diverse layers of Nigeria's funding challenge are explored. He classifies Nigeria's liquidity challenge along three dimensions: fiscal, financial and foreign exchange. With total revenue available to the three tiers of government well below 10 percent of Gross Domestic Product since 2015, recurrent, capital and debt repayment obligations have come under severe stress.

The massive drop in oil price in the first quarter of 2020, against the backdrop of the economic shutdown to slow the spread of the coronavirus, has further darkened the economic cloud. As a result, the government has been forced to conclude an agreement for a \$3.4 billion Rapid Financing Instrument (RFI) with the International Monetary Fund in April 2020.

On Nigeria's low financial liquidity threshold, he observes that local banks whilst efficiently meeting local transactional payment needs have struggled to extend loans with deposits at their disposal amounting to only about 20% of total GDP. This is far below the funding threshold of banks in some of Nigeria's peer countries with deposits totalling 40-200% of GDP. This has doubtless limited Nigerian banks in their financial intermediary function to the detriment of the economy.

Similarly, bouts of oil price weakness and the resultant collapse in foreign exchange earnings have reduced Nigeria's external liquidity. This has pressured the naira currency into the successive rounds of devaluations, creating shallow banks, bonds and equity markets, which contribute to the frequent growth reversals.

Yet, opportunities abound to enhance liquidity. Teriba's proposals include a focus on creatively opening up new streams of non-export and non-tax revenue. He outlines innovative ideas for optimising national assets, including commercialising idle or underutilized government-owned land and built structures through leasing, and repurposing prime locations for rental

income. Also, he canvasses broad liberalisation and privatisation to attract greenfield Foreign Direct Investment. Similarly, Teriba proposes securitisation of government equity holdings in projects like the Nigerian Liquefied Natural Gas project (allowing Nigerians at home and in the diaspora to invest in them). He also advocates the conversion of government assets in other wholly state owned ventures into securitisable joint ventures allowing foreign investors to own a minimum of 51 percent.

Joe Abah 's contribution looks at the systemic inefficiencies, as well as the policy, institutional, political and operational hindrances that undermine Nigeria's Public Procurement Act (2007). Titled "Public procurement in Nigeria is stuck in a quagmire", this analysis outlines several critical challenges in the way of a smoothly functioning public procurement system in Nigeria, from waste to corruption through governance blockages and administrative idiosyncrasies.

Abah discusses Nigeria's procurement challenges with the keen eye of a governance reform technocrat with experience of the inside workings of Nigeria's public sector. His analyses reflect how certain provisions within the Public Procurement Act, which itself was enacted to improve efficiency, minimize fraud and ensure fair consideration of all bidders, oftentimes contribute to delays and unnecessary expenses.

In addition, he inveighes against certain impractical suggestions that have been put forward for improving procurement reform. One of these is the idea that government departments should initiate procurement activities early (before the actual issuing of contract award letter), and well ahead of the actual passing of the budget so that the execution of capital projects can be expedited. This approach, he argues, will prove problematic because the final approved budget can often markedly differ from the spending plan proposed by a government department.

The contribution then catalogues some of the steps that have so far been taken to remedy identified deficiencies in the current system. These include among others the development of a standard price list, putting in place of a "price checker", use of e-procurement system and working with the Open Governance Initiative (OGI), which won the Bureau of Public Procurement (BPP) a Global Government Innovation Award in June 2017.

Abah shows that much improvement is still needed, including the National Council on Procurement provided for in law but which has not been established in reality. In his recommendations, he argues persuasively for legislative changes to ensure that the procurement regime does not become a barrier to national development and additional legislation to mandate budget proposals to be passed into law by a set deadline. Also, fine-tuning the procurement act to focus more on delivery, not just fraud prevention, has become necessary.

Eyo Ekpo's chapter focuses on "Reform and infrastructure in Nigeria", arguing that a focus on citizens' well-being is needed to properly recalibrate investment priorities. Ekpo canvasses for more focus on enhancing business processes, developing the informal sector to make it more profitable, and a broader liberalization across the board. This will help to loosen the federal government's unhealthy stranglehold on the "commanding heights" of the economy which historically has stifled the private sector and constrained Nigeria's budding entrepreneurs from fulfilling their role as the linchpin for growing a more dynamic and better diversified economy.

He attributes Nigeria's falling growth and fast expanding public debt to the fact that almost the entirety of Nigeria's infrastructure stock is tightly held by the federal government. To rapidly redress this, he advocates enabling the private sector to invest in target sectors by the fastest means possible. He also contends that there is little evidence of policy interventions that have produced broadly optimal results in the infrastructure space in recent years.

To buttress this, Ekpo cites the example of roads building where there has been a total dependence on the national budget. For rail, the massive effort to mobilise Chinese bilateral funding has yielded mixed results. On ports infrastructure, more viable options like the Lomé and Cotonou ports in neighboring countries have emerged as viable alternatives to the Lagos Port Complex. He contrasts the underperformance of this state-run port in Lagos to the nearby, private sector-led Lekki Port/Lagos Free Trade Zone which has succeeded and is further mobilising more private sector funding for a new deepwater project considered to be viable on technical and commercial criteria.

On electricity and deployment of Nigeria's vast natural gas potential, reform efforts have seen unbundling, corporatisation and creation of a fully autonomous sector regulator. Yet, the chronic electricity supply shortage has not been ameliorated because backward looking policymaking has held back the promised improvements. With regards to improving the ease of doing business, impressive though little appreciated advances have been recorded. Even then, there's need for this to be broadly complemented by an actual improvement in the prospect of entrepreneurs running and growing their businesses successfully. This remains chronically difficult in Nigeria.

To remedy the lingering challenges to effective infrastructure build in Nigeria, Ekpo outlines proposals for making it easy and profitable for businesses to formalise in Nigeria. Also, he suggests some ideas for reducing procurement time to foster infrastructure partnerships and joint ventures: deregulation of infrastructure ownership and control; and fostering devolution through shared "administrative contracts" with state governments to expedite the process of project design and development, capital raising and contracting.

Ekpo canvasses for this as part of a broader governance reform vision which will go beyond regime security or the well-being of the president of the day. This will really take on board the well-being of citizens with the strategic element of national security including military, diplomatic, intelligence and economic assets optimally channelled to promote this inclusive end.

### ***Rewriting ground rules***

Cheta Nwanze's contribution looks at "Why so many important constitutional amendments fail". This lays bare serious contentions at the heart of efforts to define inclusive ground rules of the Nigerian project. He explored the reasons for Nigeria's still elusive quest for an inclusive national dialogue in a broad historical perspective. The author also highlights the lack of inclusive engagement and buy-in which has often condemned past constitutional amendment proposals to failure. These include attempts during different parliamentary terms to change the Land Use Act (which remains unhelpfully embedded in Nigeria's difficult-to-amend Constitution), and the Distributable Pool Account Amendment proposal (which would have boosted grassroots governance by strengthening the fiscal autonomy of local governments).

Others include the Gender Quota Amendment (which aimed to mandate the reservation of 35% of ministerial appointments for women), and the Devolution Amendment (which proposed moving certain matters from the

exclusively Federal List to the Concurrent List for federal and state legislation including on policing).

Innovative proposals for the devolution of policing powers are outlined in the chapter contributed by Bello and Balogun to this volume. Suffice it to say that the core of Nwanze's own proposals is the simple idea of bringing back the people into governance and creating a confluence of their competing and shared interests to define a way forward for a shared Nigerian project.

Ola Bello and Femi Balogun make the case for ambitious experimentation in Nigeria's policing reform. They argue that tackling insecurity urgently requires the formation of ethnically diverse police forces collectively recruited by the leaders of each state within reach of Nigeria's six geopolitical zones. Recruitment into the forces should both take account of Nigeria's ethnic diversity and seek to foster a culture of consensus politics and joint problem-solving among governors in each geopolitical region.

This can be achieved with a constitutional requirement of a maximum of seventy percent of the forces to be drawn from the concerned geopolitical zone, joint control and pooled funding by the states and their private sectors. Each governor should also possess a veto vote over both the selection of the commander of the forces and deployments for sensitive operations such as during the conduct of elections.

In his contribution, Abimbola Agboluaje explores Nigeria's options for creating a more broad based mortgage system to close the wide housing deficit. He argues that a conceptual separation of two distinct elements are needed to arrive at more efficient housing policy solutions. These are respectively interventions by the government to assist private sector led housing delivery on the one hand, and interventions to ease the housing conditions that low-income Nigerians face.

Agboluaje's analysis demonstrates the need for distinct strategies and interventions to assist low-income earners separate from those to support market delivery of homes for middle and higher income earners.

To increase incentives for Nigerians to contribute to the National Housing Fund (NHF), Agboluaje proposes that the government should raise its interest rate from 6% to 12% whilst also turning the fund into a leveraging vehicle for repurchase of mortgage loans from banks. The repurposed fund should also



provide funding for the development of rent-subsidized public housing with renters, crucially, also needing to contribute to the NHF in order to qualify for accommodation in low-income social housing.

Reforming Nigeria's textile and garment industry forms the focus of the chapter contributed by Nonso Obikili. In particular, the government's protectionist and domestic focus in the sector have proved to be grossly inefficient, stifling Nigeria's chances of thriving in this industry that is increasingly competitive internationally.

The author's analysis spans the highly segmented clusters of activities across this sector, starting from the raw materials production through the middle of the value chain (involving activities such as ginning and dyeing), all the way to the end segments (such as production of final fabrics and use in clothing, home furnishings and other industrial uses).

Obikili iterates the steps involved in crafting more competitive policies for the textile and garment industry. To this end, his recommendations include more disciplined focus on segments with the highest job creation and growth potential.

More objective analyses and disciplined policy interventions will also help Nigeria to really determine where job creation is a realistic objective and where integration into global value chains might be possible. Ultimately, the long subsisting policies that force sub-sectors in the industry to rely on one another for supplies should be discarded for more efficient competitive sourcing of inputs.

### ***Making numbers count***

The chapter by Julia Bello-Schünemann examines the critical role of data and foresight in governance and development. She argues that without data which is key to planning, neither good governance nor sustainable development could be achieved. About 140 million of Nigeria's citizens are likely to live in poverty out of a projected population of 360 million people by 2040. The chapter argues that reversing this trajectory will require good policies rooted in evidence and sound planning, with data at the centre of decision making and allocation of limited resources.

Indeed, the success or otherwise of the many wide ranging policy prescriptions and interventions proposed in this entire volume will depend on the sort of planning and data driven approach to governance proposed by Dr Bello-Schünemann.

Her chapter further details several of Nigeria's interconnected challenges including poverty, poor health and education outcomes, severe infrastructure deficit, slow economic growth and high levels of inequality. These poor development outcomes are directly traced to the bad governance and defective choices made by successive Nigerian administrations which have failed to effect changes to benefit society. What is more, politics in Nigeria stands in the way of conducting a credible national census.

Crucially, a declared central policy objective of the Buhari administration is to lift 100 million Nigerians out of poverty over the next decade. However, the International Futures system (IFs), a global integrated modeling platform, forecasts that the number of extremely poor Nigerians is set to increase by around 26 million over the same time horizon. Furthermore, more than 30 million more Nigerians are likely to live in extreme poverty by 2040. Butressing this, Nigeria is not on track to achieve the Goal 1 of the Sustainable Development Goals (SDGs) which is to 'eradicate extreme poverty for all people everywhere' by 2030.

Notably, the first Buhari administration from 2015-2019 did not engage in comprehensive or integrated long term planning exercises to tackle several mounting developmental challenges. Despite presidential proclamations such as the one in 2019 recognising the need to "improve the quality of data available for decision-making", the 2019 Africa Governance report actually notes that "Nigeria's statistical capacity has been deteriorating over the period from 2014 to 2017".

In proffering remedies, Bello-Schünemann recommends greater allocation of resources to support the National Bureau of Statistics and working pragmatically with the currently available evidence using credible data curation mechanisms. Also, there is need to involve Nigeria's legion sector experts in a coordinated fashion to validate data and also the engagement of broader stakeholders in conversations that help infuse smart data into planning such as the grassroots-level data at the disposal of civil society organisations like BudGIT or Connected Development.

For Olu Fasan, Nigeria's current democracy falls far short of being either accountable or representative. He develops a theoretical framework to make this assessment, evaluating themes such as consent and social contract, the delivery of basic needs such as human and physical security, the credibility of electoral conduct, and overall governance effectiveness and social progress. He points to the pervasive and mounting evidence of insecurity and poverty borne of economic mismanagement, unemployment and poverty as recurrent decimals in Nigeria's misgovernance experience.

Fasan therefore canvasses a complete overhaul of the governance system based on a new political and constitutional settlement with society also embracing a normative agenda that promotes positive values and anti-corruption ethics. He identifies in particular the need for a laser focus on steps to build a robust market economy for inclusive prosperity; revamp of the electoral system and practices to underpin legitimacy of the government; opening up channels for meaningful citizen participation in governance with in-built checks to deter abuse of power; and rebuilding of institutions to boost state capacity and government effectiveness.

### ***Quo vadis?***

In summing up, much needs to be done. But most important, simplification of the choices facing the country in a way that allows citizens to engage with informed discussions on policy options and challenges is essential.

One iterative framework that fulfills this simplification need is to think of governance in Nigeria in terms of the key allocative issues that now need urgent resolution. What ends does the collective aim to achieve, what available or possible resources can be mobilised to these ends, how should responsibilities be allocated and what burden-sharing may be necessary?

Effectively resetting the political economy, revamping institutions and streamlining governance processes are sine qua non for enhancing prospects for a more stable, prosperous and inclusive Nigeria. Reaching that end will be impossible without disciplined analysis, implementation and focused engagement. This volume iterates and offers a simplified tool kit on the road to reaching this governance transformation ambition. Not just by Nigerian decision-makers but with the full engagement and contribution of informed citizens and reform champions alike.

Dr Oladiran (Ola) Bello  
Executive Director, GGA

# The Constitution

Constitutional and Political Reforms

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## Why so many important constitutional amendments fail

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*Cheta Nwanze*

**FAIL**

Federal Republic of  
1999



## Key Recommendations

- The various groups agitating for a review of Nigeria's dysfunctional constitution must identify allies to create a confluence of interests.
- Finding ways to appeal to the self-interest of the people in power is essential to make Nigerian constitutional reform a reality.
- The potential for generating public pressure through social media needs to be better leveraged by Nigerians seeking progressive reforms.
- An inclusive national dialogue which gives voice to all of Nigeria's regions and influential constellations will stand a better chance of delivering workable constitutional change and progress.

The 1999 elections ended 16 years of military dictatorship and ushered in what has thus far been Nigeria's longest period of sustained civilian rule. The 1999 Constitution was a document crafted by the military, and was in turn based on the 1979 Constitution, which had ended Nigeria's first period of military dictatorship.



In 1994, Gen. Sani Abacha convened the Constitutional Conference Commission under the chairmanship of Justice AG Karibi-Whyte. A draft Constitution was submitted to Abacha in 1995, but he did not attend to it. A public hearing was started after Abacha's death and a seemingly wide-ranging group was allowed to debate it in Benin, Enugu, Ibadan, Jos, Kaduna, Kano, Lagos, Maiduguri, Port Harcourt and Sokoto. This group comprised representatives of the judiciary, labour unions, the security services and the press, as well as doctors, engineers, university lecturers, farmers, bankers, market women and students. The committee submitted its report to Gen. Abdulsalami Abubakar on 30 December 1998, after which the Armed Forces Ruling Council (AFRC) debated it. The AFRC accepted some of the recommendations and rejected others, and the Ministry of Justice published an amended draft Constitution. After further amendments, the AFRC on 5 May 1999 promulgated the draft Constitution by Decree No. 24 of 1999 as the Constitution of the Federal Republic of Nigeria 1999.

From the start, the 1999 Constitution was plagued by concerns over its legitimacy. It opens with the words “We the people” – a phrase that has been characterised as an untruth, especially by socio-cultural

groups that were left out of the debates in 1998. It has also been pointed out that it was adopted by decree rather than referendum. This led to demands for the convening of a Sovereign National Conference where the very basis of the relationship between the constituent ethnicities in Nigeria could be debated and agreed upon, before a constitution was debated.

Successive governments have failed to heed these calls. Rather, the preferred method has been to amend the Constitution through the National Assembly. This has had mixed results. During the second term of President Olusegun Obasanjo, among the proposed amendments to the Constitution was one to grant the president a third term in office. As all amendments were packaged in a single Bill, the defeat of the third term proposal meant the defeat of all the other proposed amendments.

## **2014 constitutional amendments**

Prior to the 2015 general elections, the National Assembly again engaged in the process of amending the Constitution, and again decided to bundle all proposed amendments into one Bill, which was forwarded to Jonathan for his assent. One of the proposals would eliminate presidential vetoes of constitutional amendments, and so Jonathan did not give his assent. As the Bill's passage took place close to federal elections, there was no time to override the president's veto before the end of the National Assembly's tenure, meaning that all proposed amendments were defeated.

## **Constitutional amendments since 2015**

Before the 2019 general elections, the National Assembly decided to split all proposed constitutional amendments into individual bills to avoid a repeat of the 2014 veto. Fifteen individual bills were passed by the National Assembly and transmitted to the states for ratification. Three bills fell at this hurdle.

Of the 12 bills duly passed, only five have been accepted by President Muhammadu Buhari, including the so-called “Not Too Young to Run” amendment, lowering the minimum age for contesting certain elective positions. Other constitutional amendments have been subject to presidential vetoes, including (not surprisingly) the amendment to restrict the president's ability to veto constitutional

amendments, an amendment requiring the president and state governors to submit their appropriations bills 90 days prior to the end of the fiscal year, and one granting legislators immunity from legal action for statements made on the floor of the legislature.

While some amendments can rightly be considered frivolous, such as that requiring the inclusion of former senate presidents and speakers in the Council of State, there were several missed opportunities.

### **1 The Land Use Act Amendment**

This amendment sought to remove the Land Use Act from the Constitution and thereby subject it to the normal process of legislative amendment. This Act, which vests title to all land in the government, is a colonial relic. One of its key impacts is that no Nigerian actually owns land, but instead rents from the government for a fixed term of 99 years. The title granted to land, through a “Certificate of Occupancy”, can be revoked at any time by the government. This is one reason why many foreign investors are wary of making Nigeria a long-term investment decision, a practical example being international oil companies that mainly lease property. The inclusion of the Land Use Act in the Constitution means it cannot be amended easily. The amendment was defeated by a clique of northern senators who complained that it would be an avenue for resource control (a hot-button issue). The defeat of this amendment was a blow to those hoping the country was ready to signal its openness to international business.

### **2 The Distributable Pool Account Amendment (Fourth Alteration No. 5)**

In Nigeria, revenue is allocated at the federal level to all three tiers of government, but while the federal and state governments maintain separate accounts, local government revenues are paid into a joint account operated by state governments. Thus, state governments are in total control of all activities of local governments and often refuse to call local elections, with state governors preferring to appoint caretaker chairmen who effectively are rubber stamps. Because of this, greater emphasis is placed on state- and national-level offices, to the detriment of grassroots governance. The amendment sought to change this by



making it mandatory for local governments to receive their allocations directly. State governors, unwilling to see their absolute domination of local councils ended, buried it.

**3 Local Government Amendment (Fourth Alteration No. 6)**

This amendment was a follow-up to Alteration No. 5 and sought to make local government elections mandatory by including them in the Constitution and providing for the tenure of Local Government Councils. As noted above, state governors are averse to the notion of democratically elected local government councils, preferring to appoint caretaker chairmen whose loyalties are not in doubt.

**4 The Timeframe for Cabinet Appointments and Gender Quota Amendment**

Upon his election in 2015, Buhari spent six months governing without a cabinet. This amendment sought to prevent a recurrence by providing a time limit within which the president, and state governors, would be required to submit the names of their cabinet nominees to the legislature. This amendment also sought to increase the participation of women in governance by mandating the reservation of 35% of ministerial appointments for women. Nigeria is at variance





with the rest of West Africa, as women hold fewer than 10% of elective and political positions. A woman has never been elected as a state governor in Nigeria, and the highest positions to which women have been elected are deputy governor and a smattering of federal legislative positions. The only woman who has ever been a governor in Nigerian history is Anambra's Virginia Etiaba, who acted from November 2006 to June 2007 while the courts ruled on, and eventually overturned, the impeachment of Peter Obi by the state legislature. In a country whose population is split nearly 50-50 along gender lines, this great imbalance must urgently be addressed. Buhari failed to submit the list of his ministerial nominees to the Senate two months after being sworn in for a second term.

## **5 The Devolution Amendment**

Nigeria is nominally a federation of states. However, the Constitution retains several matters exclusively for the federal legislature, while others can be jointly legislated upon by the states and national assemblies. The amendment sought to move some issues from the exclusive legislative list to the concurrent list, including policing. This amendment never made it out of the National Assembly for numerous reasons, not least the retention of federal might. This overbearing federal might is clear in key economic decisions. For example, Abia (with a gross domestic product [GDP] of \$9 billion) cannot build a railway linking its commercial hub, Aba, to Port Harcourt in Rivers (GDP \$21 billion), a mere 61 km away. This is because railways are the exclusive preserve of the federal government, which decided to build a railway between Kaduna (GDP \$10 billion) and Abuja, more than three times the distance between Aba and Port Harcourt, and with far less potential passenger traffic.

## **6 The Independent Candidacy Amendment**

The decision by the National Assembly to amend the Constitution to allow independent candidacy was greeted with much fanfare. However, a curious thing has since happened. Although the amendment was approved by the National Assembly, it seems to have disappeared, and is not even mentioned as one of the amendments defeated by state governments.



## **Why amendments fail**

Clearly, in the matter of consequential amendments to the Constitution, at federal and state level the executive wields outsized influence. The fact that the president can decide to veto amendments that have been approved by the states is a matter of concern. Even after meeting the thresholds of joint approval by both chambers of the National Assembly and ratification by two-thirds of the states, a constitutional amendment is still subject to one person's approval. This is a holdover from the military era, when the head of state wielded ultimate power without any checks other than a fear of junior officers. Constitutional amendments are lengthy and costly affairs, involving several hours of debate and parsing of memoranda. To fail based on a presidential whim is comically undemocratic.

A constitutional amendment is also subject to the impulses of governors unwilling to relinquish some of their power, such as the long-held control over local government councils and their finances. Any amendment seeking to remove this control is likely to be frustrated, as the governors are unwilling to give up this electioneering war chest.

Previous years have seen the defeat of numerous gender-focused bills, and as such the defeat of the Affirmative Action for Women Amendment was not a surprise. Nigeria is a deeply patriarchal society where large sections of the population believe the place of a woman is in the kitchen and the bedroom. This attitude, reinforced by religious beliefs, makes amendments focusing on the rights of women and girls difficult to push through.

The failure of the Land Use Act Amendment and the related failure of the Devolution amendments can be attributed to multiple factors. The North-South dichotomy and the top-down, command-and-control nature of the Nigerian state are perhaps the major ones, as revealed by fears that amending the Land Use Act would lead to “resource control” by states.

## **Why amendments succeed**

From the above it thus seems clear that in order for a constitutional amendment to succeed, it is necessary to appeal to the enlightened self-

interest of all those involved, from the legislature to the executive. During the campaign for the Not Too Young to Run Amendment, social media proved to be a useful tool, with effective appeals to the older generation to pass the torch to the youth. Yet despite the eventual passage of the amendment into law, youth participation in the political space is likely to remain low for economic reasons. Political party elections are prohibitively expensive in a country that is the poverty capital of the world. As a result, in order to give proper effect to this amendment and remove barriers to the youth's participation, consequential amendments must be made to the electoral laws.

One amendment that has succeeded in the current process is that permitting the Independent National Electoral Commission to de-register political parties. While the amendment has been criticised as undemocratic, it is justifiable on the grounds that there are far too many “suitcase” political parties incapable of winning an election. Indeed, the most recent general election witnessed the strange phenomenon of political parties' conducting primaries for elective offices, and then endorsing the candidates of other parties for the same positions to which they themselves had nominated candidates. However, it can also be argued that the proper thing to do here is not to deregister these parties, but to tighten the electoral rules to prevent their being abused. Additionally, the consistent failure of state governments to conduct local government elections means that there is no real ability to measure the grassroots effectiveness of any political party.

This paper has shown that the key requirement for the success of an amendment is a confluence of executive and legislative interests at federal and state levels. The impetus for the amendment can come from civil society, but at the end of the day interests must align or the amendment will fail.

## **Next steps**

The current amendment process has seen a number of important and much-needed changes abandoned, despite their value to the country. The issues of gender representation, devolution of power and updating of the property ownership structure are vital if Nigeria is to become an attractive destination for more than companies seeking a quick turnaround on their investment. Some strategies to achieve the necessary

reforms are:

- I. **Use social media:** Growing Internet access in the country has made social media more accessible than ever before. This has also facilitated the rise of social media-created campaigns that have an impact in the real world, as demonstrated by recent campaigns against sexual assault and harassment of women by members of the security agencies.
- II. **Create a confluence of interests:** It is important that amendments and the arguments around them are framed in a way that limits emphasis on the potential for upsetting the status quo, and instead shift to legacy building for those who control the levers of power. Only when this is done can difficult amendments be passed.
- III. **Appeal to the self-interest of those involved:** Amendments are more likely to pass when those at the centre of the process consider their passage to be in their own self-interest rather than simply being public-spirited. Advocates should therefore actively seek out means to appeal to the self-interest of legislators and governors who drive and control the process if they wish to succeed.
- IV. **Generate public pressure:** Legislators, no matter how skewed their election, remain public servants and are therefore subject to pressure from their constituencies. During the debates over the constitutional amendment to grant a third term in office to then-president Obasanjo, several senators stated that they had no choice but to oppose the amendment owing to public opinion in their constituencies, and their desire not to offend their electorates. Educating the voting public on the importance of some of these amendments will translate into effective pressure on legislators to secure their passage at both federal and state levels.

It is important that Nigeria not give up on the process of amending and improving the Constitution. However, the process can only be truly effective if all stakeholders see the value of looking beyond narrow interests and truly coming together to serve the bigger picture.





Financing Nigeria

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# Unlocking liquidity crucial to fuelling development

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*Ayo Teriba*

## Key Recommendations

- The Nigerian government should securitise (not sell) equity holdings in the Nigeria Liquefied Natural Gas (NLNG) and other oil and gas joint ventures. This would give Nigerians the opportunity to acquire a stake in such assets and also earn dividends.
- Where relevant, Nigerian wholly-owned assets should be converted into securitisable joint ventures in which government owns up to 49%. Privatising (selling) the rest to allow foreign investors to own a minimum of 51% will bring success similar to the NLNG joint venture.
- Liberalising and privatising will help to attract greenfield FDI. This will loosen the Nigerian government's monopoly on infrastructure, also encouraging the entry of foreign investors to operate in parallel to joint ventures.
- Government should focus on commercialising idle or under-utilised government-owned land and built structures through leasing (not selling) them. Relocating uneconomic activities from prime locations and repurposing such locations for leasing will also open new lease/rental income streams to boost revenue.

There are growing concerns about Nigeria's fiscal situation. Key sources of concern are the country's dwindling revenues, soaring deficits, growing debts levels and escalating debt burden. These led the International Monetary Fund (IMF) to urge the government “to lower the ratio of interest payments to revenue and make room for priority expenditure” during its March 2019 Article IV Consultation with Nigeria. Some local and foreign media organisations and commentators have also raised questions about Nigeria's solvency.

Nigeria urgently needs to address three main types of illiquidity, if the country is to fully come to grip with its persistently low financing thresholds. The three types of illiquidity challenge - fiscal, financial and foreign exchange – are each analysed in turn in the following sections.



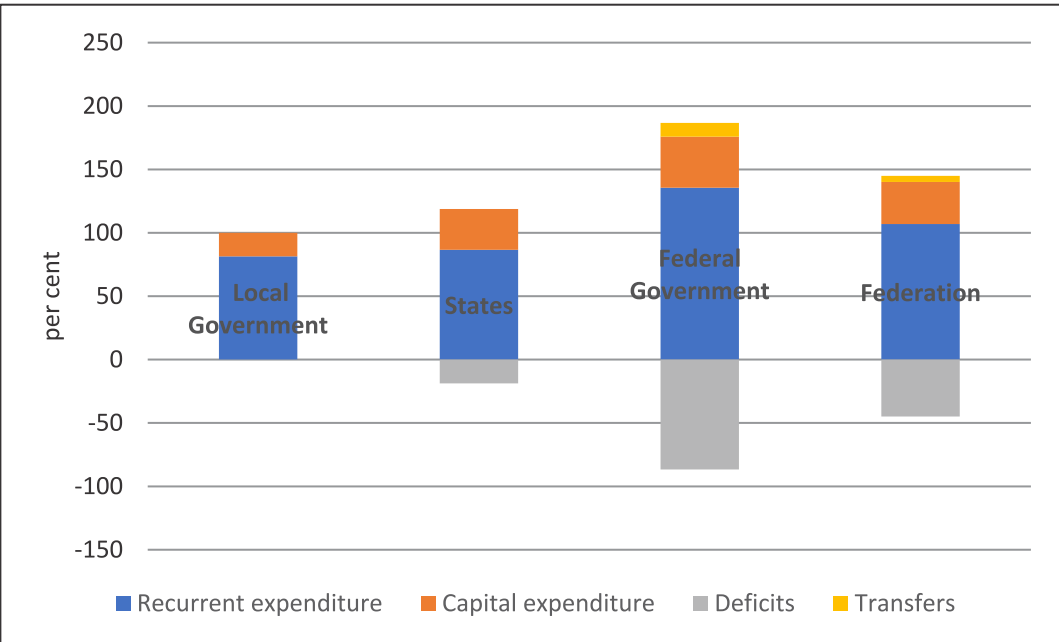
1. Fiscal liquidity threshold

There are three thresholds of fiscal liquidity that government revenue should meet, namely:

- Recurrent spending (salaries, overheads and debt service/interest payments)
- Capital spending

Debt repayment and/or rainy-day funds - fiscal buffers

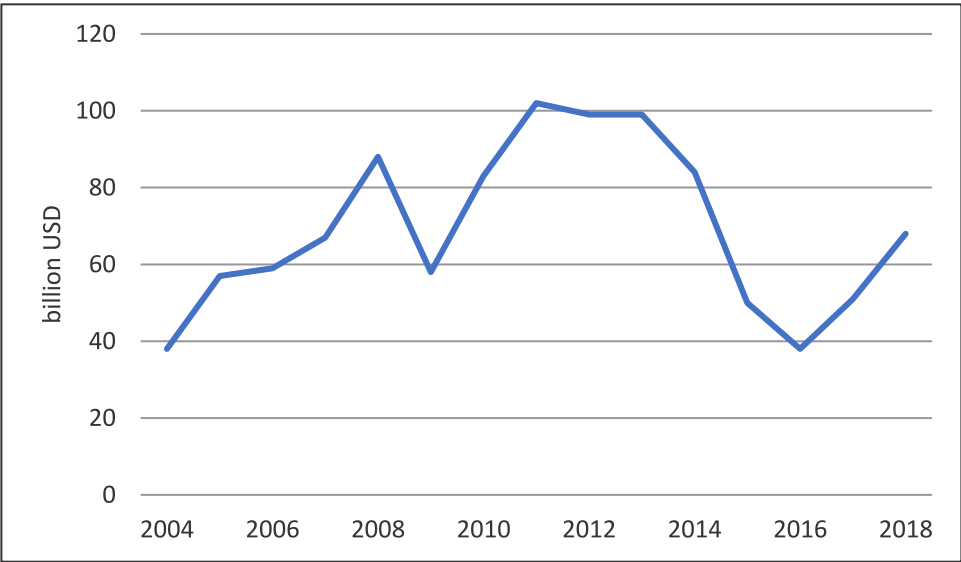
Figure 1: Revenue adequacy 2018



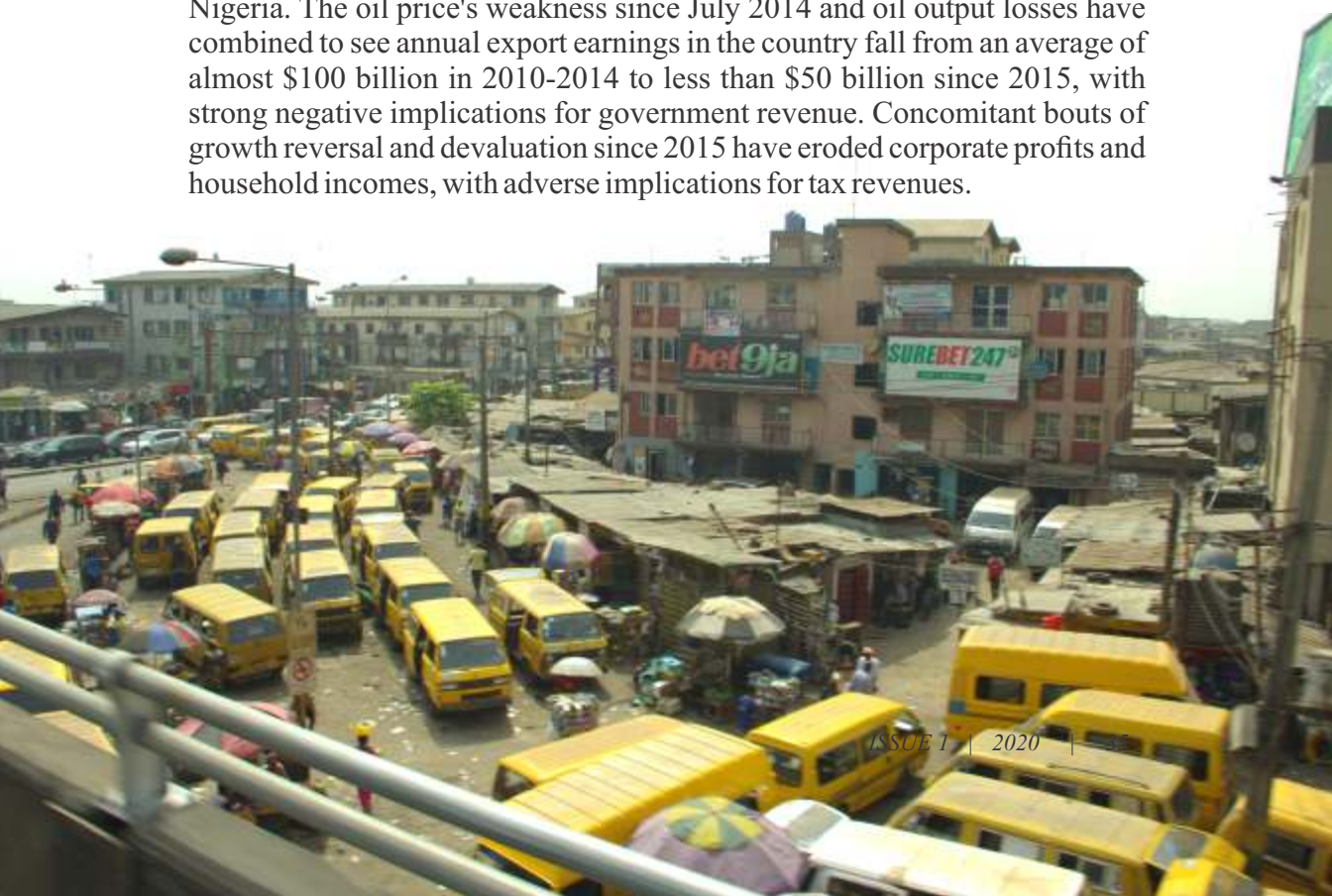
At well below 10% of gross domestic product (GDP) since 2015, the total revenue available to the three tiers of government has fallen so low that it does not even cover the recurrent spending threshold of fiscal liquidity, as salaries and debt service each amounted to 70% of federal government revenue in 2017. Deficits had to be incurred to meet both in full, with additional borrowings to meet shrinking overheads and a small and contracting capital spending. With less access to debt markets, many states were unable to meet their salary obligations in full, creating unpaid arrears of more than 12 months in some.



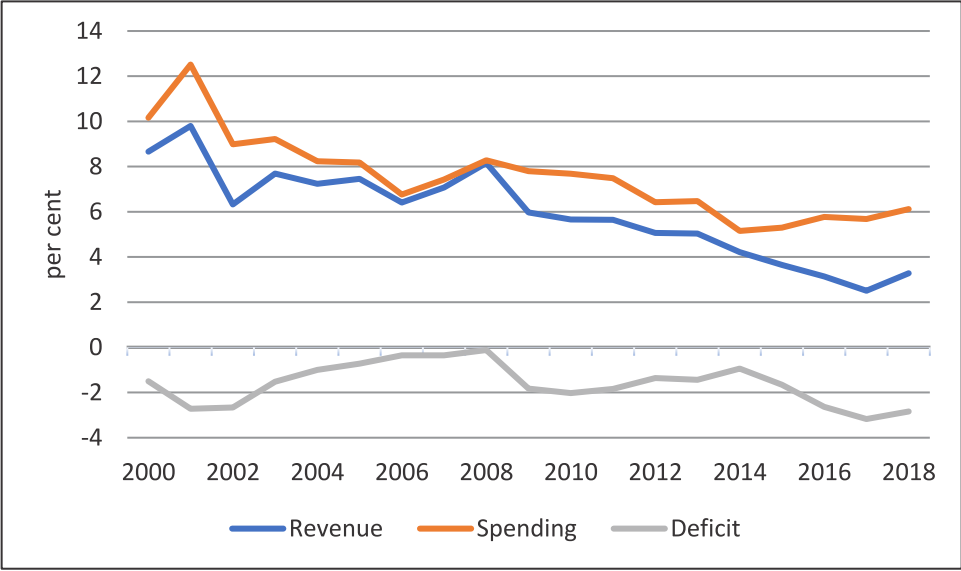
**Figure 2: Nigerian exports of goods and services (in billion USD), 2004 - 2018**



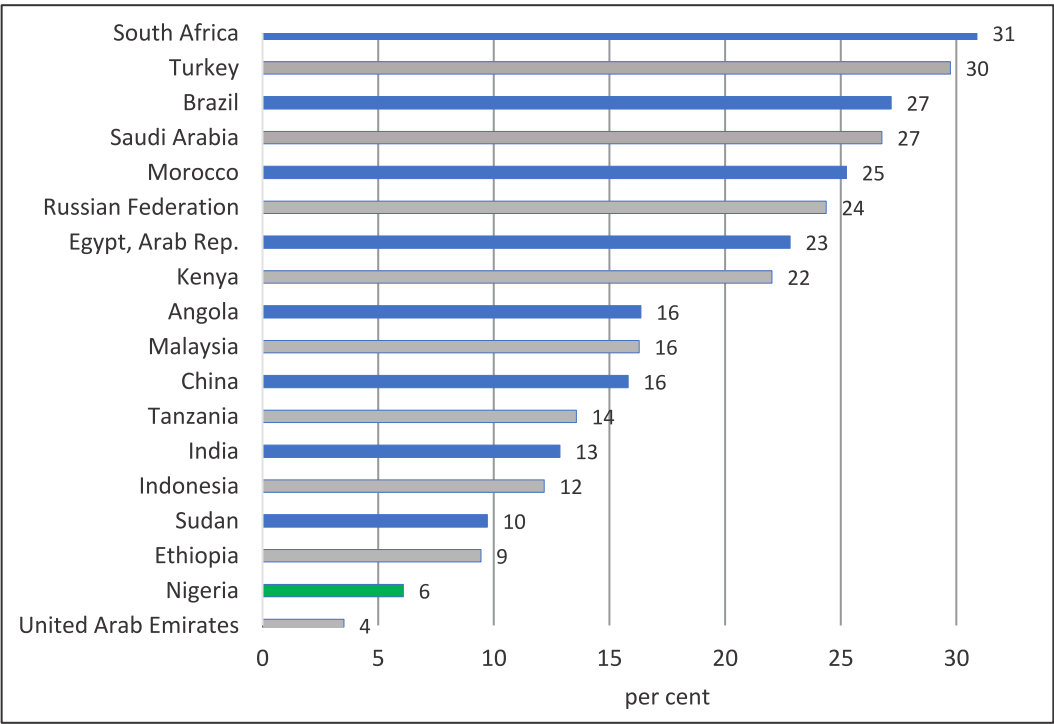
Oil exports and taxes are the main sources of government revenue in Nigeria. The oil price's weakness since July 2014 and oil output losses have combined to see annual export earnings in the country fall from an average of almost \$100 billion in 2010-2014 to less than \$50 billion since 2015, with strong negative implications for government revenue. Concomitant bouts of growth reversal and devaluation since 2015 have eroded corporate profits and household incomes, with adverse implications for tax revenues.



**Figure 3: Federal Government revenue versus spending (as % of GDP)**



**Figure 4: Government revenue in 2017 (as % of GDP), Nigeria in comparison**



The Nigerian government must find ways of opening new streams of non-export and non-tax revenue to cover the higher thresholds of fiscal liquidity. Most of Nigeria's peers currently have total revenues that range between 15% and 30% of their GDP, compared to about 6% or 7% of GDP in Nigeria, and therefore are able to meet much higher thresholds of fiscal liquidity. As mentioned earlier, many of them have achieved this by opening new non-tax revenue streams that flow from optimising national assets. Nigeria's peers include BRICS (Brazil, Russia, India, China and South Africa), MINT (Malaysia, Indonesia and Turkey), African countries with a GDP of \$50 billion or more, and Saudi Arabia and the United Arab Emirates in the Middle East.

## 2. Financial liquidity threshold

There are three thresholds for domestic liquidity that banks, bonds and equity markets should meet to ensure adequate access to low-cost finance for households and businesses:

- Transactions or payments threshold
- Precautionary or savings threshold
- Speculative or investment threshold (domestic money, bonds or equity buffers)

Nigeria meets only the lowest threshold of domestic financing, as the funds at the disposal of domestic banks can only meet transactions or payments needs, meaning that they do little more than honour demands for cash and e-payments at points of sale and domestic fund transfers (which they do remarkably well). Nigerian banks disappoint when it comes to extending loans, as the total deposits at their disposal are so low - around 20% of GDP - that they do not have the necessary funds. This effectively makes them financial intermediaries in name only. In peer countries bank deposits are 40-200% of GDP.

**Table 1: Money, bonds and equity (as % of GDP) in 2018, Nigeria in comparison**

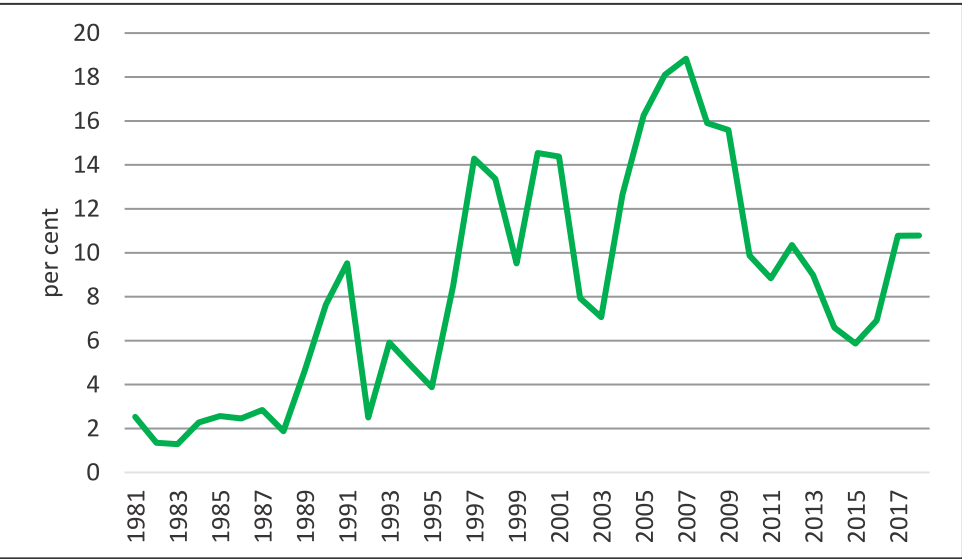
	Money	Bonds	Equity
<b>Nigeria</b>	23%	28%	8%
<b>South Africa</b>	73%	57%	236%
<b>India</b>	73%	70%	76%
<b>Indonesia</b>	39%	29%	47%

**Figure 2: Nigeria's 2018 liquidity in comparison**

	Fiscal liquidity (total government revenue as % of GDP)	Domestic liquidity (money, bonds and equity as % of GDP)	External liquidity (foreign reserves as % of GDP)
Nigeria	6%	60%	11%
South Africa	31%	366%	14%
India	13%	219%	15%
Indonesia	12%	115%	12%

Nigerian bond and equity markets are just as shallow as the banks, with the result that access to these markets is restricted to the biggest issuers. The government dominates the bond market (raising alarm about the cost of accessing bonds) and increasingly issues foreign bonds that offer much lower rates; and the biggest companies dominate the equity market. Nigeria's peers have deeper banks, bonds and equity markets that offer access to low-cost financing for government, companies and households.

**Figure 5: Nigeria's external liquidity (foreign reserves as % of GDP), 1981 - 2018**



The weakness of the naira relative to the US dollar and other currencies is the main reason why Nigerian banks and bonds, as well as the equity market, are shallow. Assets denominated in a weak currency will be poor stores of wealth, and asset holders will be better off holding hard currency or real estate than keeping wealth they do not require for transactions in naira-denominated bank deposits, bonds or equity.

### **3. Foreign exchange liquidity threshold**

There are three thresholds of external liquidity that foreign exchange markets or the national foreign reserves holdings should meet for the market and the exchange rate to remain stable:

- Transactions or external payment threshold
- Precautionary or insurance threshold
- Speculative or investment threshold - foreign reserve buffers

With foreign reserves at 10.8% of GDP, compared with 20% of GDP or more in many of its peers, Nigeria struggles to meet the transactions or external payment thresholds defined to include trade obligations, such as payments for imports, and financial obligations, such as short-term external financial claims on households, businesses and financial institutions.

The foreign exchange at Nigeria's disposal cannot meet transaction demands, and the central bank has adopted various methods to exclude a growing number of lawful buyers from the market since 2014, resulting in a multiplicity of exchange rates. Despite this, the naira has lost nearly two-thirds of its value against the US dollar over the past four years to reflect the forex market's illiquidity.

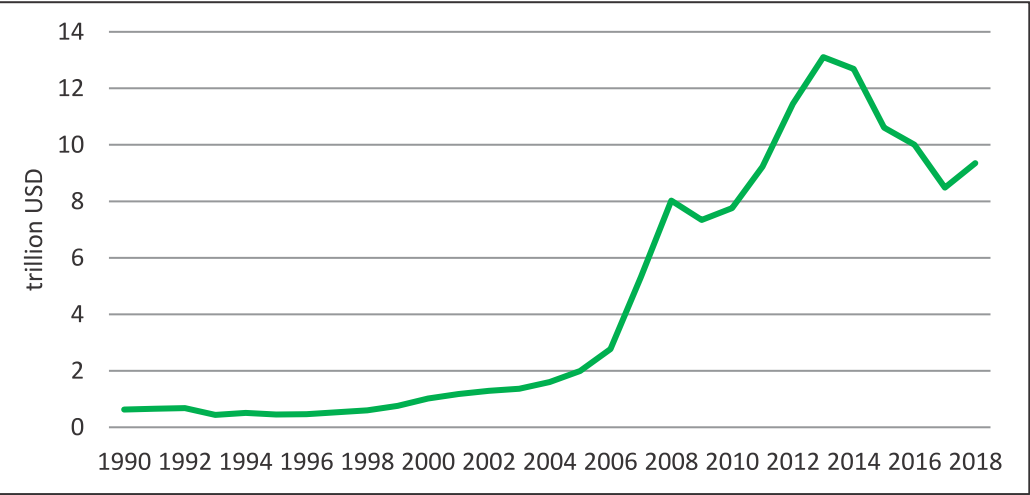
As Nigeria struggles to meet the lowest threshold, any unforeseen shock that requires precautionary reserve holdings, such as a shock to its export volume or export price or a shock to capital outflows, will push the country and the naira into another tailspin for as long as the shock lasts, just as any opportunity that requires the deployment of speculative reserve holdings cannot be seized.

Thus, the country's perennial external illiquidity crisis is the bane of the weak naira, and the weak naira is in turn the bane of the shallow banks, bonds and equity market, and shallow domestic financial markets is the reason for growth reversals.

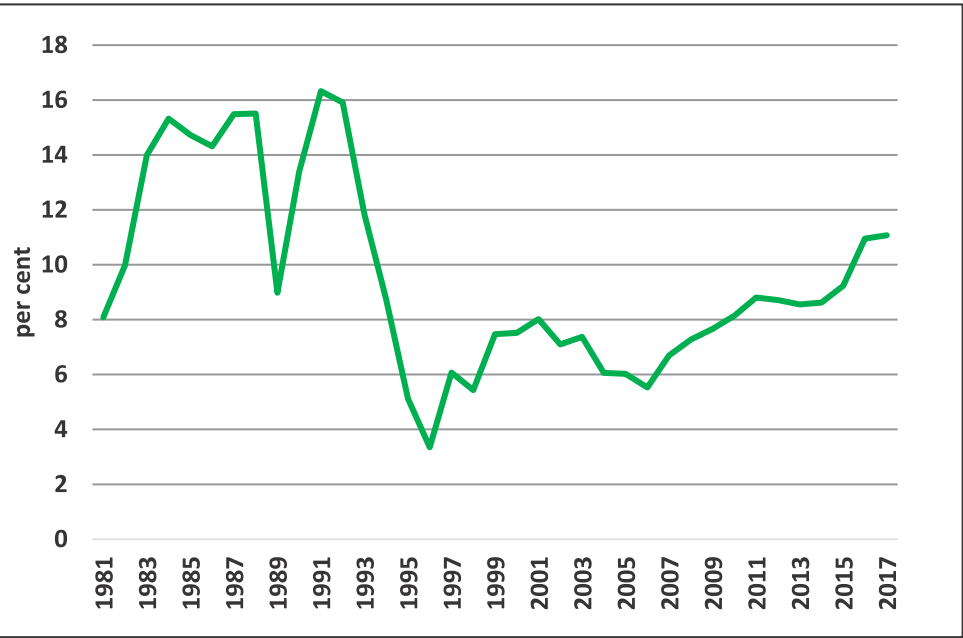
### Understanding the growth-stability-liquidity nexus

External liquidity is key for an economy of Nigeria's size and profile. Since the early 1980s, the country has struggled with growth because of domestic illiquidity, whilst also contending with exchange rate stability because of external illiquidity. Policymakers needs to recognise that, unless liquidity concerns are addressed, growth and stability aspirations will remain elusive. The 2004-2008 growth acceleration episode in Nigeria was fuelled by a surge in its external liquidity as a result of steady increases in the price and volume of oil exports.

**Figure 6: Broad money (M2) (in billion USD), 1990 - 2018**



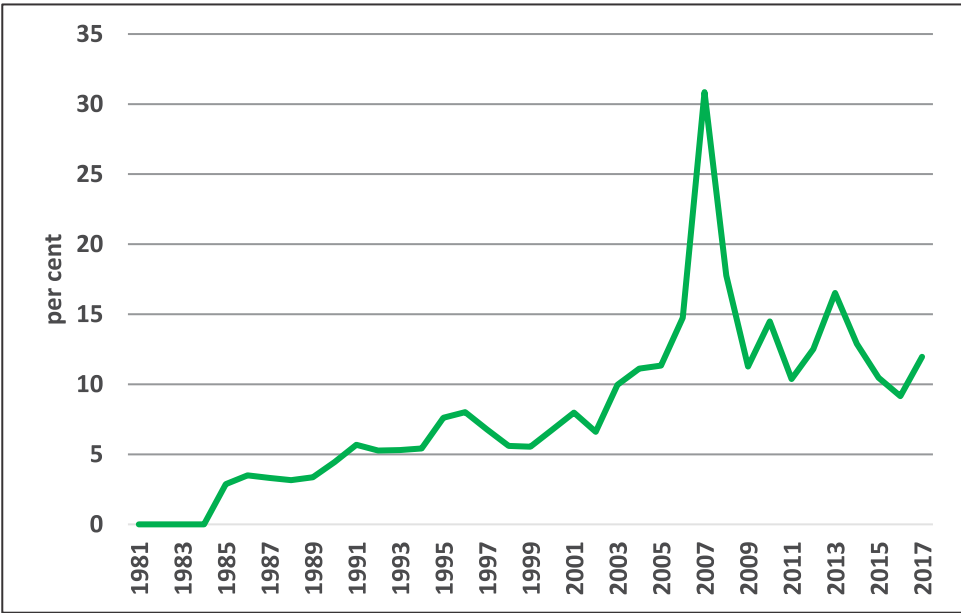
**Figure 7: Bonds (as % of GDP), 1981 - 2017**



The period stands out in Nigeria's post-1980 history as the only time the naira appreciated, the banking system, bond market and equity market deepened markedly, and growth accelerated. Such was the magic of adequate external liquidity. Nigeria must thus ensure adequate internal and external liquidity to restore growth and stability. The sequencing is crucial: external liquidity is required for exchange rate stability; exchange rate stability is required for domestic liquidity; and domestic liquidity is required for growth.

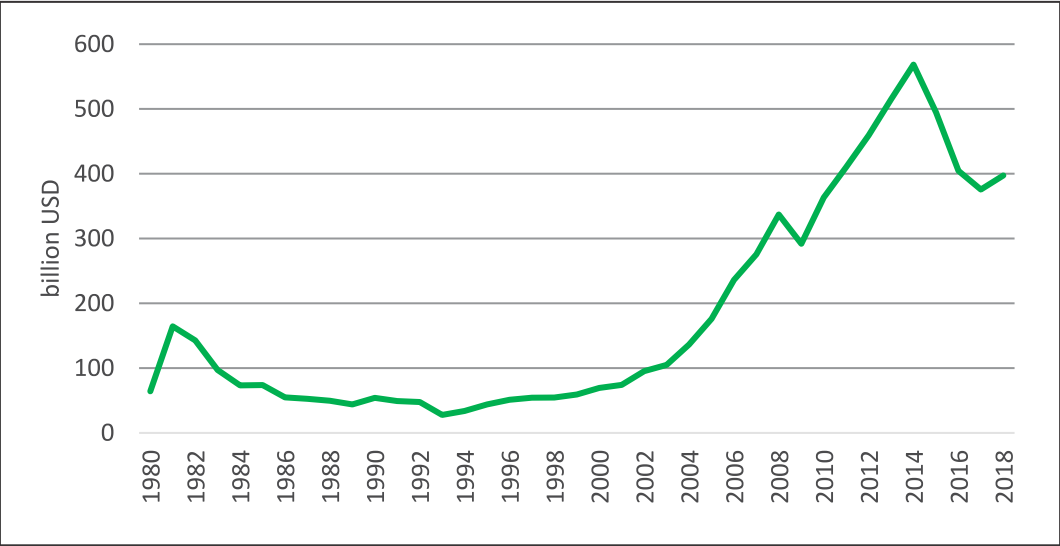


**Figure 8: Equity ( as % of GDP, 1981 - 2017)**

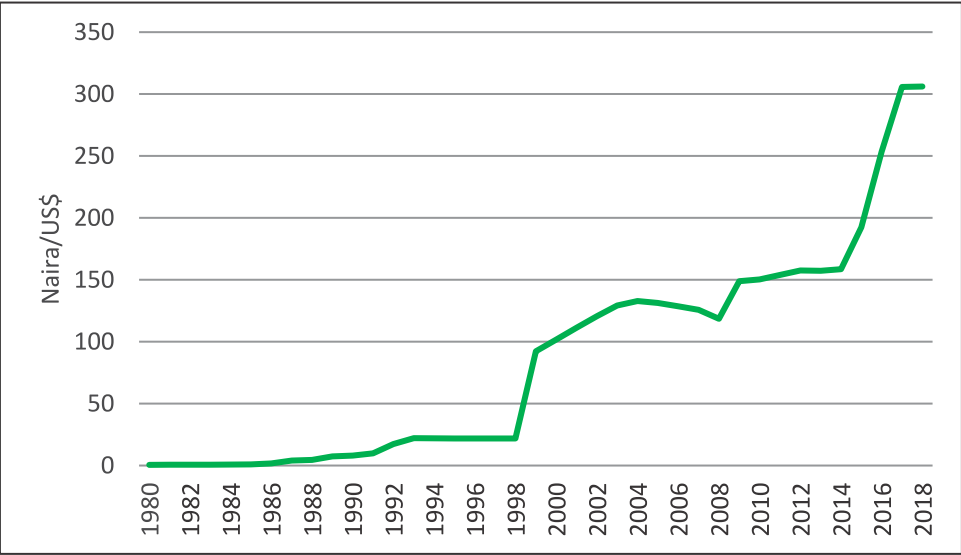


Nigeria must reorder its economic policy priorities to:  
External liquidity → exchange rate stability → domestic liquidity → growth  
Stimulating enough foreign capital inflows is key for stability; getting business done, even when business is easy to do; the rebuilding of infrastructure; growth acceleration; growth diversification; and generating employment, wellbeing and prosperity to underpin inclusive security.

**Figure 9: Nigeria's Gross Domestic Product (in billion USD), 1980 - 2018**



**Figure 10: Exchange rate (Naira/USD), 1980 - 2018**



As Joseph Joyce demonstrated in 2018, over many years Nigeria's peers have learnt to deepen external liquidity, stabilise the exchange rate, deepen domestic liquidity, and grow the economy, with external liquidity as the silver bullet (see table 2 above). The other three - exchange rate stability, domestic liquidity and growth acceleration - will happen automatically once the steps needed to boost external liquidity are implemented effectively. This is evidenced by Nigeria's 2004-2008 external liquidity surge, exchange appreciation, financial deepening and growth acceleration.

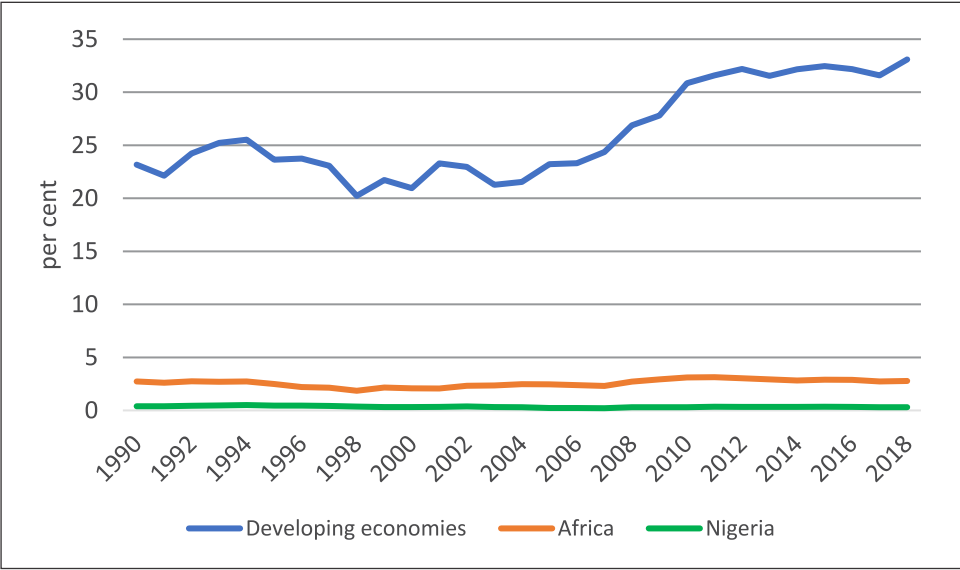
**Opportunities for unlocking liquidity**

At least three factors currently which are all favourable for unlocking the liquidity that the Nigerian economy urgently needs. These include the global liquidity glut, opportunity to join the emerging market economies' race for the global liquidity glut, and opportunities for domestic public wealth conversion. Each of these is analysed below:

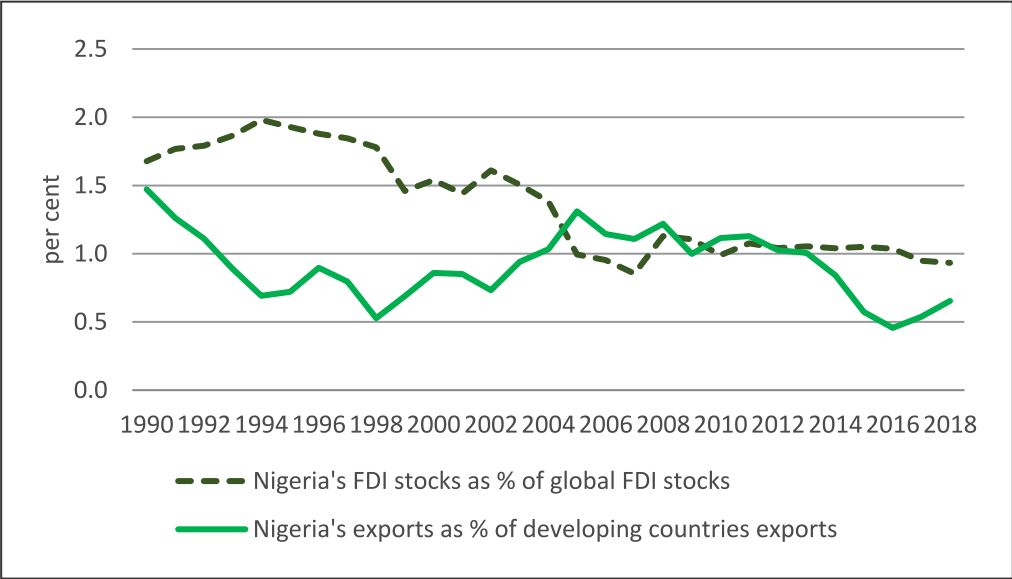
**1. Opportunities offered by the global liquidity glut**

The global liquidity glut offers unprecedented opportunities for Nigeria to attract easy capital inflows to stabilise the naira, deepen domestic liquidity and fuel growth.

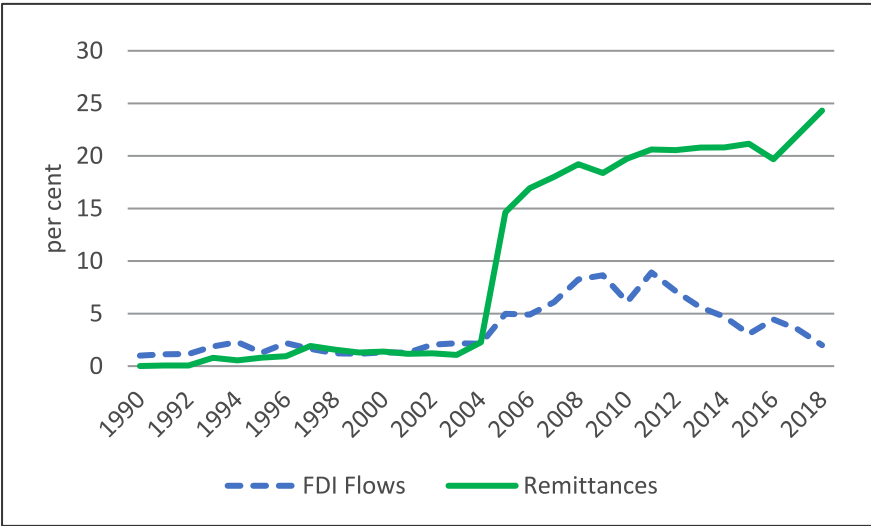
**Figure 11: Foreign Direct Investment (FDI) stocks (as % of global FDI stocks) Nigeria in comparison, 1990 – 2018**



**Figure 12: Nigeria's share of global FDI stocks and Nigeria's share of developing countries exports, 1990 – 2018**

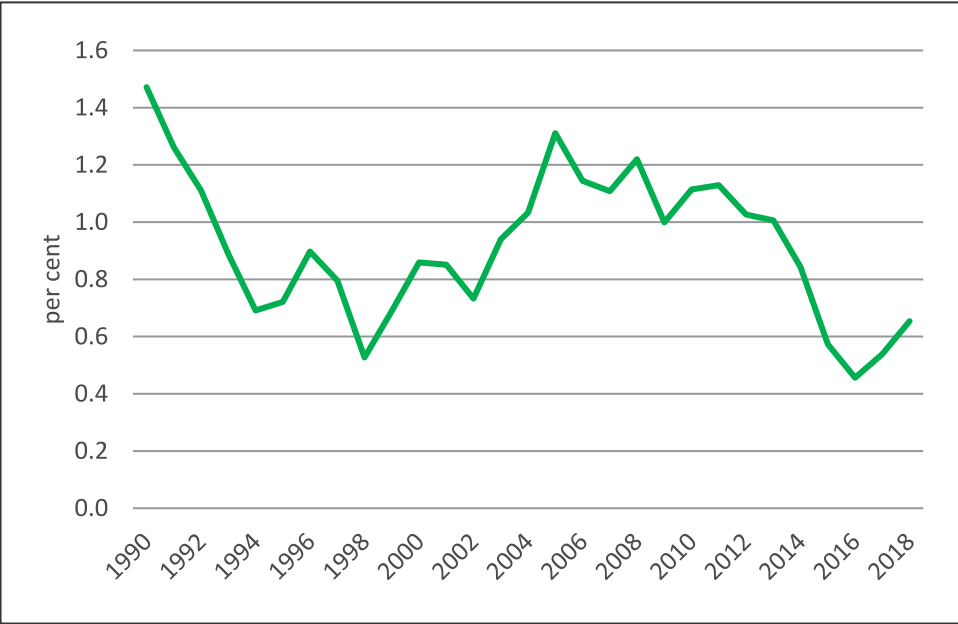


**Figure 13: Nigeria's FDI and remittances flows (as % of global flows), 1990 - 2018**



Annual inflows of foreign direct investment (FDI) and diaspora remittances into developing countries now exceed a trillion US dollars, but these are concentrated in a few developing countries that have adopted investment-friendly policies. Nigeria is not on that list, as its shares of both types of inflow have been on a steep downward trajectory even as these flows have doubled over the past decade and a half.

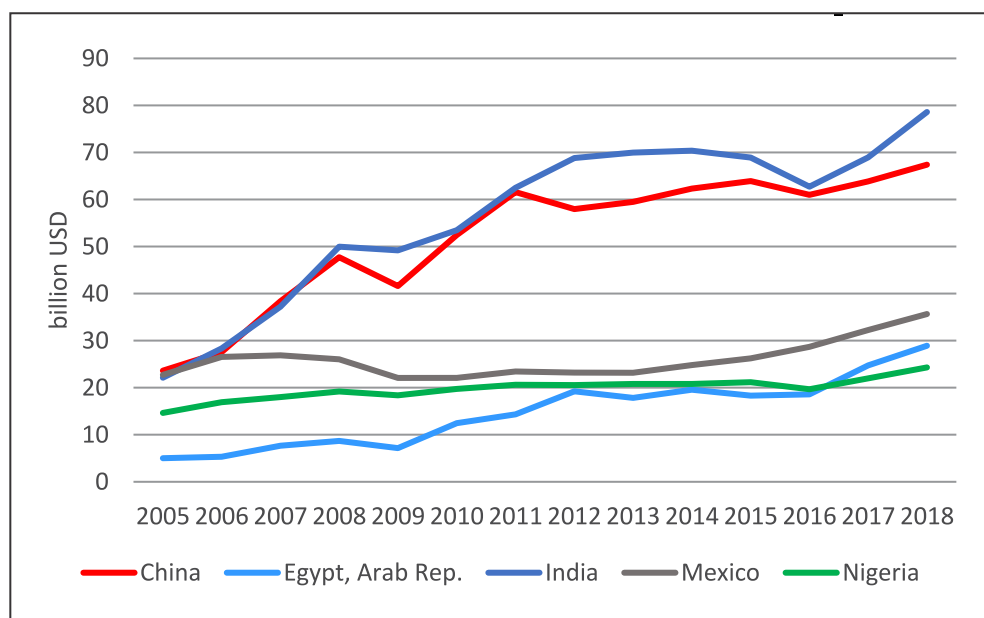
**Figure 14: Nigeria's share of exports (goods and services) of developing countries exports (in %), 1990 - 2018**



## **2. Opportunities to join emerging market economies' race for global liquidity**

It is imperative that Nigeria joins the short list of developing countries that are getting increasing shares of both FDI and remittances as these flows continue to surge. Unfolding global realities mean that Nigeria could easily adopt policies that would raise external liquidity thresholds enough to switch from contraction to expansion. The country must join the race for massive private-to-government remittances from non-resident citizens and narrow the gaps between itself, China and India.

**Figure 15: Inward remittances (billion USD), 2005 - 2018, Nigeria in comparison**



Nigeria's peers like Egypt, India and Saudi Arabia and other emerging markets are taking full advantage of the opportunities to deepen external liquidity, stabilise their currencies, and deepen domestic liquidity to fuel growth, infrastructural development, employment and poverty eradication. In the mid-1990s, Nigeria had larger stocks of FDI than India, Saudi Arabia or the United Arab Emirates, but these have all since overtaken Nigeria. India now has more than triple, and Saudi Arabia more than double, Nigeria's FDI stock.

### **3. Opportunities for domestic public wealth conversion**

Despite the negative external income shock, the domestic reality is that Nigeria remains prodigiously asset rich. However, while its economic and financial struggles resulting from the decline in income have been prominent in economic news headlines, the value of assets owned by Nigeria and the solutions these assets could unleash have been less highlighted. It is time to pay attention to the hidden value of these assets and unlock the considerable domestic and external liquidity needed to arrest Nigeria's extant economic and financial crisis.

## Options for unlocking liquidity

The following four options could raise domestic and external liquidity thresholds in Nigeria:

- a) Securitise (not sell) equity holdings in Nigeria Liquefied Natural Gas (NLNG) and other oil and gas joint ventures to give Nigerians at home and in the diaspora the opportunity to invest in these assets and earn some of the dividends.
- b) Privatisate to attract brownfield FDI by converting all wholly owned corporate assets into securitisable joint venture stakes in which the government owns up to 49%, privatising (selling) the rest to allow foreign investors to own a minimum of 51%, like the NLNG.
- c) Liberalise to attract greenfield FDI by breaking the government's monopoly on infrastructure to encourage the entry of foreign investors operating in parallel to joint ventures.
- d) Commercialise idle or under-utilised government-owned land and built structures by leasing (not selling) them, relocating uneconomic activities from prime locations and repurposing such locations for leasing, to open new streams of lease/rental income into government coffers.

Doing all these will change Nigeria's economic, fiscal and financial narratives by unlocking vast amounts of liquidity to strengthen the naira, rejuvenate fiscal, financial and foreign exchange streams. The new liquidity will also help to rebuild infrastructure, diversify and accelerate growth, eradicate poverty and unemployment, and lay the foundations for shared prosperity. Leading developing countries such as China and India adopt different combinations of the four options to fuel their development. Nigeria's high population, scattered across hundreds of densely populated cities, combined with the recent oil boom, have bequeathed the country with valuable but idle public assets that can be unlocked to raise much required liquidity.







Development for sale

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## Public procurement in Nigeria is stuck in a quagmire

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*Joe Abah*

*“Our procurement laws are not compatible with the speed with which we want projects to be executed. The way our procurement law is enacted, it is the big contractors that can make the most money. Our law is holding us back.”*

*– Babatunde Fashola*

## Key Recommendations

- Nigeria must review and update the Public Procurement Act 2007 to bring it up to date with current realities with a sharper focus on supporting economic growth.
- Full implementation of Open Contracting and adoption of the Open Contracting Data Standards in the public sector is essential.
- Government must expedite efforts to institutionalise both electronic procurement and the National Open Contracting Portal (NOCOPO).
- All branches of government must work more closely with the anticorruption agencies to ensure that infractions against the Public Procurement Act are speedily prosecuted.

During his screening by the Nigerian Senate on 29 July 2019, Babatunde Fashola, the previous Minister of Power, Works and Housing and current Minister of Works and Housing, blamed Nigeria's Public Procurement Act for impeding the speed of the country's development. In January 2018, he had announced that the Power, Works and Housing Ministry had not executed any projects in 2017 as a result of the late passage of the budget and bottlenecks caused by Nigeria's procurement laws and regulations.

Nigeria has a long history of public procurement challenges. A World Bank Country Assessment survey conducted in 2000 suggested that 60 naira (N) out of every 100 naira spent by government was being lost to procurement fraud. This survey formed the basis of the Public Procurement Act 2007. In 2017, the Bureau of Public Procurement (BPP) claimed to have saved the country N825 billion since the introduction of the Act. The savings were calculated as the difference between the contract prices originally submitted to the Bureau for approval and the eventual contract prices following a downward review by the Bureau. Yet impressive as this sounds, the Independent Corrupt Practices Commission still announced in 2016 that 60% of corruption cases in Nigeria were procurement related.

As Nigeria's ratings on the Corruption Perception Index remain unimpressive, it is clear that all is not well with the country's public procurement regime. A cursory reflection on why the Ministry of Power, Works and Housing did not execute any new capital projects in 2017 may help to put the issues in perspective.

### **Hold-ups and red tape**

Nigeria has a tradition of passing its budgets late. The executive often does not submit the budget estimates to the National Assembly until November or December, when the budget is supposed to take effect by 1 January the following year. This does not leave the legislature with enough time to scrutinise what is often a 2 500-page document, particularly if one factors in the various public holidays during that period. It is also not unheard of for the National Assembly to delay the budget until it can extract certain concessions from the executive, including provisions for constituency projects. At other times, it may delay the passage of the budget to frustrate the president. The cumulative effect of this is that the federal budget, which should be implemented from January, is often not passed until June.

Many public servants, like Fashola, blame the late passage of the budget for their inability to execute capital projects. The BPP counters that government departments (referred to in Nigeria as Ministries,

Departments, Agencies and Parastatals, henceforth MDAs) should start their procurement activities while waiting for the budget to be passed. It says that government entities can complete all other procurement activities except issuing contract award letters. That way, once the budget is passed, they can issue contract award letters and immediately launch their capital projects.

In reality, the position of the BPP is impracticable. What is eventually appropriated in the budget is often markedly different from the budget proposals submitted by MDAs. Therefore, many chief executives would not be keen to go through a full, pre-award procurement process when they have no idea of what would be appropriated in the budget. The time and expense required to reconfigure the arrangements after appropriation are simply not appealing. Most would rather wait for the budget to be passed and then plan with what they know they have. Government regulations also state that contracts may not be awarded unless they are backed with cash. In 2017, as in most years, cash was not released to ministries until August. Even then, cash was only released to what the Ministry of Finance termed “priority ministries”. Others did not receive cash releases until much later, if at all. In addition, certain projects are difficult to start in the rainy season, which is often in full swing by the time cash is released to MDAs. Delays in execution are, therefore, not surprising.

The primary purposes of the Public Procurement Act are to minimise procurement fraud and to ensure a level playing field for potential bidders. While these intentions are noble, certain provisions of the Act can cause unnecessary expenses and contribute to delays. For example, for any new projects above N2.5 million the law requires an advertisement in at least two national newspapers. Depending on the size of the advertisement, an MDA may have to spend N2 million to advertise a N2.5 million contract. This is absurd, as it could have been advertised online at virtually no cost, and many newspapers now get their news from online sources. Worse still, the MDA will often not have the funds to pay for the advertisement in the first place because the budget has not been passed and the funds with which to place the advertisement have not been released.

In addition, the law requires that bidders be allowed at least six weeks to bid. Depending on the size and complexity of the bid, another six weeks may be needed to evaluate it. Permanent secretaries and directors-general are “accounting officers” under the law. That means that they are accountable for all procurements during their tenure, for the rest of their lives. Nobody wants to rush and make a mistake. When the evaluation is complete, it is then necessary to conduct due diligence on the preferred bidders to ensure that their tax clearance certificates are genuine, and that they are registered with the Bureau of Public Procurement, the Pensions Commission and the Industrial Training Fund, among others. Acquiring these registrations can be expensive and often has the effect of excluding small companies. This is the point that Fashola was making about the system's favouring big contractors.

If the contract is above a certain threshold, the procuring entity needs to get a “Certificate of No Objection” from the BPP and, in some cases, the approval of the Federal Executive Council. When one factors in late passage of the budget, the late release of funds, the advertisement requirement, the time needed to evaluate the bids and conduct due diligence, the “No Objection” Certificate from the BPP, consideration by the Federal Executive Council, the rainy season and the various holidays towards the end of the year, it becomes clear why the Ministry of Power, Works and Housing did not execute any new projects in 2017 and why Fashola believes that the law is holding the country back.

Ben Akabueze, the Director-General of the Budget Office of the Federation, agrees with him. At an event in 2019, Akabueze said about the Public Procurement Act: “If relied upon the way it was designed, the law is capable of killing growth in the local economy.” These are very serious allegations, by people who are directly involved in driving development and growth.

## **What is being done**

To address the complaints about the Act and its own operations, the BPP has taken a number of steps. It is in the process of deploying an e-procurement system to reduce the reliance on manual processes, thereby





saving time and money. It has also collaborated with the Efficiency Unit of the Federal Ministry of Finance to put in place a “price checker”. This is intended to eliminate the wide price variations of commonly procured off-the-shelf items that fall within the approval thresholds of the procuring entities that are sometimes subject to abuse or “padding”.

In 2016, Nigeria joined the Open Government Partnership (OGP), a group of 76 countries that have voluntarily committed to seek greater transparency in government activities. Nigeria's OGP National Action Plan 2017-2019 includes a commitment to the “[f]ull implementation of open contracting and adoption of open contracting data standards in the public sector”. Further to these commitments, a National Open Contracting Portal (NOCOPO) has been developed to foster increased disclosure of procurement activities. These efforts won the BPP a global Government Innovation Award in June 2017.

Between 2007 and 2014, the BPP undertook various initiatives to strengthen public procurement. This included the establishment of a



professional procurement cadre within the federal public service, the development of standard bidding documents, the establishment of the Public Procurement Research Centre at the Federal University of Technology, Owerri, and the development of standard price lists for more than 22 000 items. Since 2014, it has built on these initiatives by continuing to build the capacity of procurement officers, establishing two additional Procurement Research Centres at Ahmadu Bello University, Zaria and University of Lagos, and providing advocacy to encourage sub-national governments to pass public procurement laws. To date, 26 states have passed their own versions of the procurement law.

However, challenges remain. The National Council on Procurement provided for in the 2007 Act has still not been set up. This means that the Federal Executive Council continues to usurp the functions of the council. Delays in budget preparation and appropriation continue. There is a distinct lack of enthusiasm by the executive to amend the Public Procurement Act to address the challenges raised by Fashola. That lack of enthusiasm is mirrored by the National Assembly, whose sole interest seems to be to weaken the role of the BPP, thereby making it easier for legislators to bypass the Act. Contract-splitting to keep procurements under certain thresholds is still rife among procurement entities.

### **What can be done?**

Over the next five years, it will be important to take action to ensure that the public procurement regime does not constitute a barrier to national development, while protecting the public against contract fraud. There is a need to expedite action on the “Organic Budget Bill” that is before the National Assembly. The Bill, when passed into law, will set a deadline by which the executive must submit the budget proposal to the National Assembly. It will also set a deadline by which the National Assembly must pass the budget, failing which it automatically becomes law as submitted by the executive. This will go a long way to address the annual problem of late budget preparation and appropriation. There is also an urgent need to amend the Public Procurement Act to focus it more on delivery, not just fraud prevention. Some of the arcane provisions, like advertising in national newspapers, should be revised and updated.

E-procurement and the full implementation of Open Contracting and the Open Contracting Data Standards will go a long way to speed up the procurement process, make it easier for small companies to bid for government contracts and enhance the transparency of government procurement. In order to prevent price inflation, it is important to link the database of prices held by the BPP to the budget template used by the Budget Office of the Federation. That way, a procuring entity only need to select a particular type of vehicle or computer and the BPP Price Checker will supply the approved standard government specification and insert the price into the budget template. This will remove the incidences of “budget padding” and the widely varying prices quoted for the same items in the budget.

Finally, there should be more synergy among the nation's anti-corruption bodies and the BPP must start to see itself as an anti-corruption agency. It is often difficult to engage in large-scale corruption without breaching public procurement laws and regulations. The BPP should work closely with the Office of the Auditor-General for the Federation to ensure that infractions reported in the annual audit reports are pursued and sanctioned. It should also partner with the Independent Corrupt Practices Commission in the “system studies” that the Commission undertakes to identify potential weaknesses in procurement and financial systems in MDAs, with a view to eliminating those weaknesses and risks.

## **Conclusion**

The public procurement regime exists for good reasons. It has to continue to protect the interests of the public. However, care must be taken that, in doing so, it does not become an end in itself, or a clog in the wheel of development that Nigeria sorely needs at the moment.

**A focus on citizens' well-being would recalibrate investment priorities**

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# **Reforms and infrastructure in Nigeria**

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*Eyo O. Ekpo*



## Key Recommendations

- Nigeria should reduce the public sector's stranglehold on the "commanding heights" of the economy, especially the Federal Government's operational control of sectors like infrastructure.

- There is need to drastically reduce the time needed for procurement along with easier methods for the private sector to undertake PPPs and JVs with the Federal Government on key infrastructure projects.

- Liberalisation of entry by private sector players into the infrastructure sectors and easing of regulations and bureaucratic control will enable market forces to determine pricing for the benefit of public finance, the infrastructure stock and broader economy.

- Urgent policy changes are needed to make it easier and profitable for informal sector businesses to formalize, enter national data and the tax net, and the enhancement of systems for paying and interrogating all business taxes, etc. Beyond streamlining business registration, more supportive measures are needed to encourage growth of SMEs.

Nigeria's need for fundamental and sustained economic reform is magnified by deeply worrisome key economic indices. The country's population is approaching 210 million, while real gross domestic product (GDP) growth, which was 6.2% per year at its 2014 peak, now stands at 2.3%, which in turn is below the population growth rate of 2.6%. The national debt stood at \$73.2 billion on 30 June 2018, or 19% of GDP, driven significantly by an increase in external debt from \$4.6 billion in 2015 to \$22.8 billion in 2018. This has been magnified by the approximately 60% devaluation of the naira during the same period. Taken alone, these numbers would not be so bad if they reflected sustainable national





investments in physical (land, air, sea transport, electricity and natural gas) infrastructure or an exponential increase in Nigeria's non-oil exports. Unfortunately, this has not been the case.

This paper contends that in the past 45 years two major factors have arisen to challenge Nigeria's socio-economic growth. One is the total dominance by the Federal Government of Nigeria (FGN) of the key levers of the national economy – commanding the commanding heights, as it were. The other is Nigeria's cultural devaluation, signified by its descent from an ethos of national excellence to a constant squabble driven by the lowest parochial denominators of tribe, tongue and religion. As *The Economist* recently noted, “acquired social codes also influence individual choices, and thus broader economic activity”. While it is not the focus of this paper, this latter factor, its negative effect on the political economy and how to remedy it is surely a necessary discussion that Nigeria can no longer avoid. Nevertheless, the negative effects of both factors on the country have continued to play a major role in the deficit in its infrastructure growth.

Considering that practically the entirety of Nigeria's vital infrastructure stock is tightly held by the FGN, the country's most urgent economic policy imperative surely is to loosen the federal public sector's hold on the commanding heights of the economy. This is particularly true of key infrastructure assets, which will enable private sector investment in target sectors by the fastest means possible. This urgency is driven by three harsh realities. First, the FGN has inadequate revenue streams - achieving barely 50% (\$31.3 billion) of expected revenues of approximately \$60 billion during the past three fiscal years. Second, there is the massive debt profile summarised earlier, which is now probably higher than \$80 billion. Third, the debt service-to-revenue profile went from 32.7% in 2015 to 69% in 2018. According to the Budget Office of the Federation, this looks set to grow to 82% by 2022.

### **What has worked and why?**

In the past four years it has been hard to find what has worked; in other words, policies that have led to increased investment and economic growth. It is even harder when physical infrastructure is considered. Projects - such as there are - in roads, rail, ports, electricity, natural gas are all at best works in progress. The FGN's primary focus on the fight against corruption, the fight against Boko Haram, the execution of social welfare programmes (school feeding, N-

Power, Trader Moni, Market Moni, etc.), the defence of the naira by the Central Bank of Nigeria, and several separate policy initiatives in the infrastructure space, have all so far produced suboptimal results.

The evidence can be discerned across several infrastructure clusters. First, in terms of roads, total dependence on a depleted national budget meant that no new federal roads were added. At the same time, maintenance of the existing stock continues to fall behind demand. A few key initiatives – the Kaduna-Kano Expressway, the Second Niger Bridge, Onitsha, and the Lagos-Ibadan Expressway resurfacing – seem to have gained some momentum and are now underway. This situation makes even more glaring the many other projects, literally in every state, that are not being considered at all. The situation is worsened by the slow implementation of the capital budgets for roads and the abysmally lower proportion of funds released, hovering between 10% and 15% over the past three years.

Second, in the rail sector, the massive effort to mobilise Chinese bilateral funding to construct a standard gauge railway network across the country has yielded mixed results. The Abuja-Kaduna standard gauge link was commissioned but remains entirely dedicated to carrying passengers. So far, the construction of a standard gauge line from Lagos to Kano is assured only of getting to Ibadan and hopefully being commissioned in 2020. It is not clear whether funds are available to extend it to Kano. The story is similar for the Port Harcourt-Maiduguri Eastern Line. It is also unclear whether the loan terms for some of these projects will not push the country into a debt trap. The effort to concession the legacy national narrow gauge rail system to a consortium of international companies continues to wind its tortuous way through a complicated procurement process.

Third, Nigeria's ports still perform sub-optimally and thus create a viable business case for ports like Cotonou and Lome to act as alternatives to the Lagos Port Complex. On the other hand, projects such as the Lekki Port/Lagos Free Trade Zone have succeeded in mobilising capital for a new deep-water port project that has proven itself to be fully bankable on stringent engineering and commercial parameters. It is no coincidence that the promise of great things in Lagos comes from private sector activity. This is only because state actors have refrained from going directly into business themselves and instead focused on creating an enabling environment for private investment.



Fourth, Nigeria's electricity sector, together with natural gas, is yet to fulfil its promise. Electricity reforms between 2005 and 2013 slowly went through the planned stages of unbundling, corporatisation, the establishment of a fully autonomous sector regulator and finally privatisation. Yet geometric growth in electricity consumption per capita has not materialised. Rather than blame privatisation, as some have done, a closer study will show that energy sector (electricity and gas) growth has been hindered by suboptimal, even negative, regulation and policy-making. It also does not help that natural gas and electricity transmission is controlled by two FGN parastatals with dissimilar purposes and strategies, controlled or supervised by two separate ministerial portfolios.

Finally, efforts to improve the ease of doing business in Nigeria are showing results, which ironically are almost unnoticed or insufficiently appreciated. The FGN's focus on upgrading Nigeria's ease of doing business rankings has had some success, as have similar efforts in some states like Lagos. Yet this is only one part of the comprehensive policy package needed to make Nigeria's business environment truly viable. A necessary complement is enhancing the prospects of entrepreneurs' running and growing their businesses successfully, which remain difficult in Nigeria. Two features of the country's economic landscape make this task even more difficult. These are the negative, almost predatory, policy/bureaucratic/regulatory environment in which Nigerian businesses, big and small, operate, and the high, multiple fiscal impositions such as taxes and levies.

## **What can be done?**

The FGN must undertake several key actions to prevent Nigeria from finding itself far adrift of its peers and the region it should be leading.

1. Make it easier and profitable to formalise: Nigeria's informal sector was responsible for a massive 75% of GDP in 2010, according to a study by Mgbabor and Malaolu (2013). They note that “unemployment, [the] tax burden, government regulation and inflation are the most important drivers of informality in Nigeria”. Of these, the tax burden and predatory regulatory practices are the most important factors that the FGN can control. Indeed, if these two are eased and informal small and medium enterprises (SMEs) are encouraged to formalise, they will in turn help to reduce the inflation

significantly. The ease of upgrading into the formal sector and the even more important need to ease running and growing a small business will create a wider baseline and stream of tax revenues to help ameliorate the unsustainable debt-to-revenue profile that the FGN currently carries.

So, while it is good to focus on improving the country's ease of doing business ratings, it is now more important to focus on improving the indices around the ease of managing and growing SMEs. In addition, recognising that the heavier tax burden that formal companies face is a huge disincentive to their growth, the Joint Tax Board should work to streamline state and federal taxes, reduce rates and develop a simple and user-friendly system for informing taxable individuals and entities of their tax liability and enabling them to pay their taxes and interrogate tax authorities easily.

2. Reduce procurement time and foster infrastructure partnerships and joint ventures: Senior public servants may want to ask private sector players a simple question a lot more often: “How may I help?” A common answer would be: “Let go of underutilised and undercapitalised assets and do it quickly.” In this regard, the National Assembly has a vital role to play. Three pieces of legislation have turned out to be suboptimal and a major brake on the speed at which assets can be turned over to private sector investment. These are the Public Procurement Act, the Public Enterprises (Commercialisation and Privatisation) Act and the Infrastructure Concession and Regulatory Commission Act. Often when the idea of a joint venture between private interests and a relevant FGN Ministry, Department, and Agency (MDA) is mooted, at least two, sometimes all three, of these acts come into play, easily adding 18-24 months or more to a transaction timetable.

The political reality is that the process of getting a major project past the initiation, negotiation and transaction documentation stages is often protracted. This is a disincentive to even start in the first place, during a single ministerial or presidential tenure that may not be renewed. As a result there has been gravitation towards a short-term policy and planning perspective. The National Assembly should work with the Executive Branch to create a limited window for temporary exemptions to the application of aspects of these laws. Alternatively, new legislation can also grant powers to the President-in-Council to cut short compliance times and/or exclude certain critical projects from strict compliance with said laws. This would enable projects with significant value-for-money potential to be executed rapidly if certain simpler technical, commercial and financial parameters can be met.



Thus, joint ventures and concessions could be proposed, studied, negotiated and concluded in roads, land transport, aviation (particularly in airport and airspace operations/management), electricity and natural gas processing/transmission. Given the few precedents in private investment in infrastructure, it is certain that speeding up transaction times can only have a positive effect on the national economy.

3. De-regulate infrastructure sectors: “De-regulate” is used here to mean liberalising entry into these sectors by reducing the number and cost of the various current barriers to entry. It is also important to reduce the many unwieldy rules and regulations with which players in the infrastructure sectors must contend. Two issues here are of particular interest. The first concerns the need to significantly reduce reporting requirements of regulatory agencies like the Nigerian Electricity Regulatory Commission (NERC), Nigerian Communications Commission (NCC) and Department of Petroleum Resources (DPR) to the minimum. To this end, the Presidential Ease of Doing Business Council (PEBEC) should be mandated to investigate this question and identify regulations for which compliance should be suspended or even terminated.

Another option is to permit market forces to come more into play in pricing infrastructure services. For instance, the Minister of Power could issue a policy directive to NERC under section 33 of the Electric Power Sector Reform Act, 2005, to fully deregulate electricity tariffs and foster a true willing buyer-willing seller electricity market. If the right tariffs are set, distribution companies (DISCOs) would enter into more supply contracts and all the players in the electricity value chain – generation, transmission, distribution, natural gas (exploration, processing, supply and transport) – would be incentivised to invest in revamping and expanding their asset base and growing steadily once again. This can rapidly augment the current grossly insufficient average daily output of 3 900 MW delivered to the national grid.

4. Foster devolution through contracts with state governments: One of the key elements of the electoral platform set out by the ruling party, the All Progressives Congress (APC), is the devolution of exclusive federal powers to the states. Typically, this would be via a convoluted constitutional amendment process involving the 37 national and state legislative houses. This would take years to design and more years to execute, which is simply not a politically viable option. A better way to devolve responsibility for speedily initiating and contracting major infrastructure public-private partnerships (PPPs) would be for the FGN to enter into “administrative contracts” with State Governments. In this way, the FGN and the three or four states, for instance, through which a long stretch of a major federal road (trunk “A”) passed could enter into a contract whereby responsibility for contracting a PPP was devolved to these states. Certain simple preconditions could be set for these states to meet, such as the express intent by credible private sector financial and operating entities and development finance institutions (DFIs) to work with the states in designing, financing and procuring such PPP projects. Those states would then undertake a much faster process of project development, capital raising and project contracting. Apart from preparing the grounds for constitutional devolution, this would be a practical way to get much-needed investment to where it is needed.

## **Conclusion**

Since 2015, economic reform in Nigeria and the growth that it seeks to foster have slowed considerably. The FGN has been occupied with maintaining macroeconomic stability (at an increasingly great cost), as well as waging an anti-corruption war (which has in no way addressed the institutional causes of



corruption) and a war in the Northeast (which has hugely distracted national governance and leadership).

The true focus of national security ought not to be regime security or the wellbeing of the president of the day or the maintenance of the FGN's dominance of the commanding heights. Rather, it should be the wellbeing of the citizen. The strategic elements of national security – military, diplomatic, intelligence and economic – must be singularly focused on this. If the economic reform ideas briefly discussed here are examined in further detail, a focused economic strategy for loosening the hold of the FGN on major infrastructure assets that straddle the commanding heights of Nigeria's economy can be developed and implemented.

The direct result of such a strategy would be to catalyse direct investment into the country's grossly inadequate infrastructure stock and various other sectors of the national and state economies. This would yield positive effects on the wellbeing of Nigeria's citizens and, ultimately, the advent of a peaceful and progressive Nigeria that has been so long in the making yet never realised.

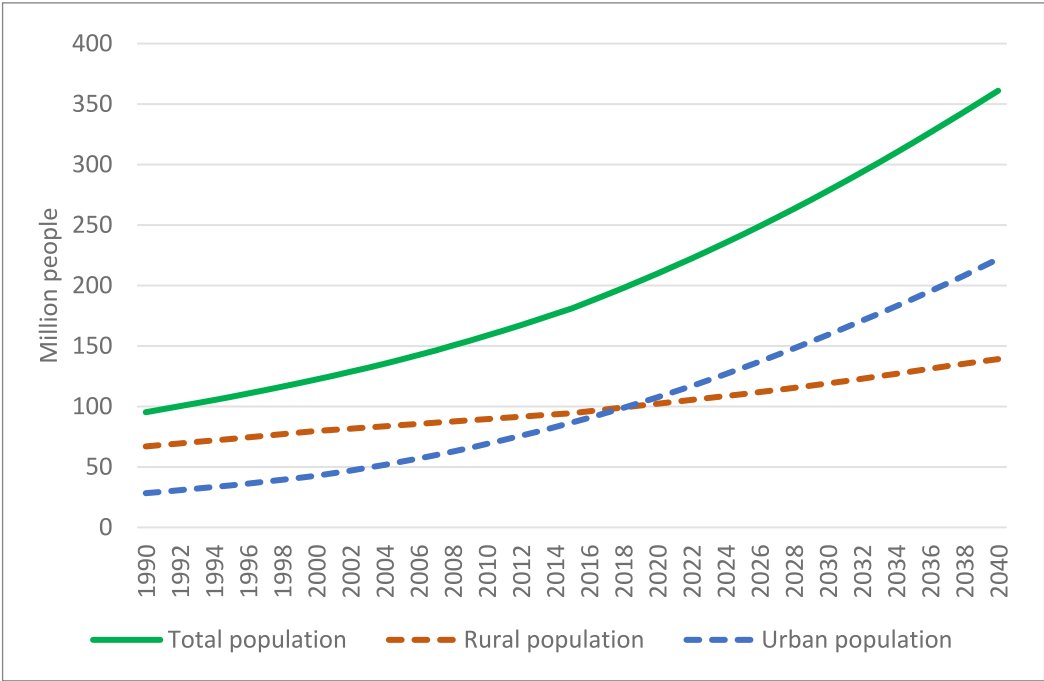


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# Story in numbers: Nigeria's past, present and future

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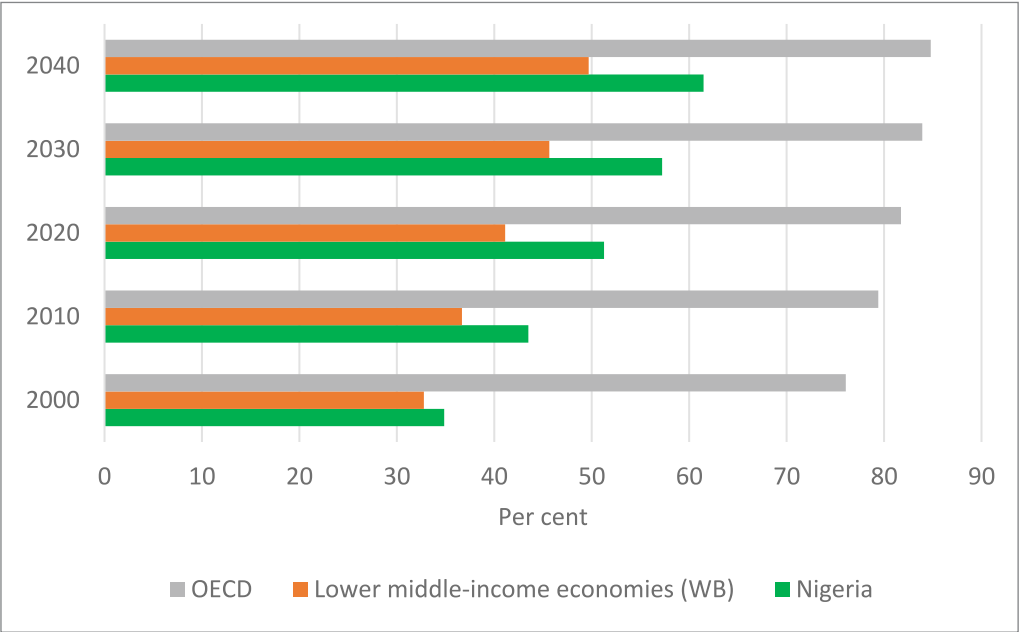
**Figure 1: Nigeria's population (total, urban and rural), 1990 - 2040**



Source: IFs v 7.45, data from UN (UNPD) World Population Prospects, UN World Urbanisation Prospects

Nigeria's population has more than doubled since 1990 – from about 95 million to close to 210 million people today. According to the International Futures (Ifs) model, an expected 58% increase will push this figure to more than 360 million Nigerians by 2040. Of these, more than 60% will live in urban areas compared to just over 50% at present. The rural population is also growing albeit at a slower pace. High average fertility rates and gains in life expectancy are drivers of this extraordinary pace in Nigeria's population growth.

**Figure 2: Share of population living in urban areas (%), Nigeria in comparison, 2000 -2040**

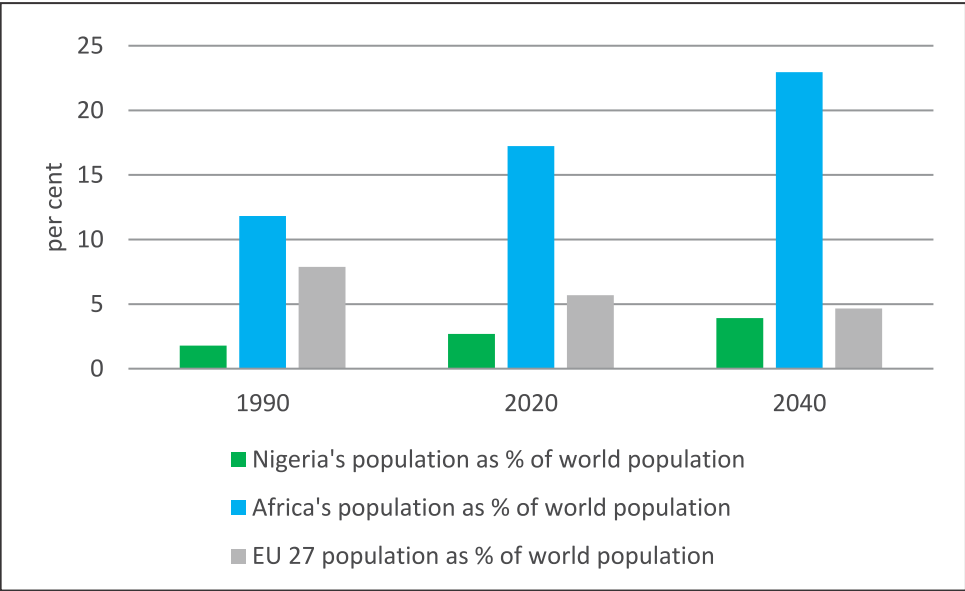


Source: IFs v 7.45, data from UNPD World Population Prospects, UN World Urbanisation Prospects

With more than half of its population living in cities and towns, Nigeria is already more urbanised than the average lower middle-income country. Urbanisation and high population densities can make infrastructure provision more efficient. However, Nigeria's infrastructure to population ratio is low by international standards.



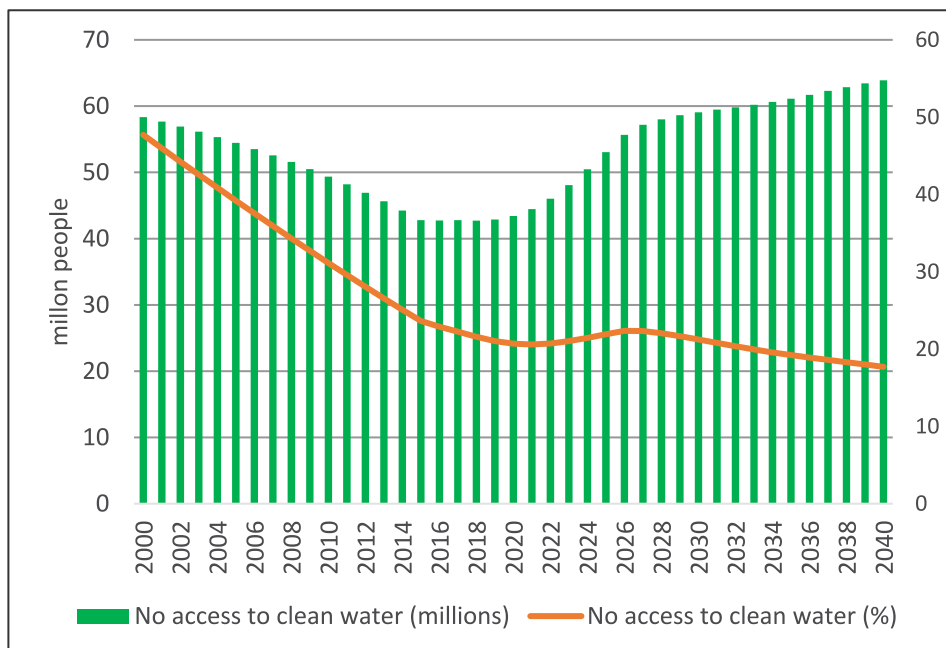
**Figure 3: Share of global population, Nigeria in comparison, 1990 - 2040**



Source: IFs v 7.45, data from UNPD World Population Prospects

Over the next 20 years, Africa will account for more than half and Nigeria alone for more than 10 % of global population growth. By 2040, every fifth person in the world will be African compared to every tenth person in 1990. In twenty years from now, Nigerians will account for almost 4% of the world's population. By 2040, Nigeria will have the 4<sup>th</sup> largest population in the world, following India, China and the US. However, Nigeria's economy is not expanding as fast as its population, and the discrepancy between country's demographic and economic might will remain stark. By 2040, China's economy is expected to be the world's largest economy, followed by the US and India, with Nigeria ranking 18th.

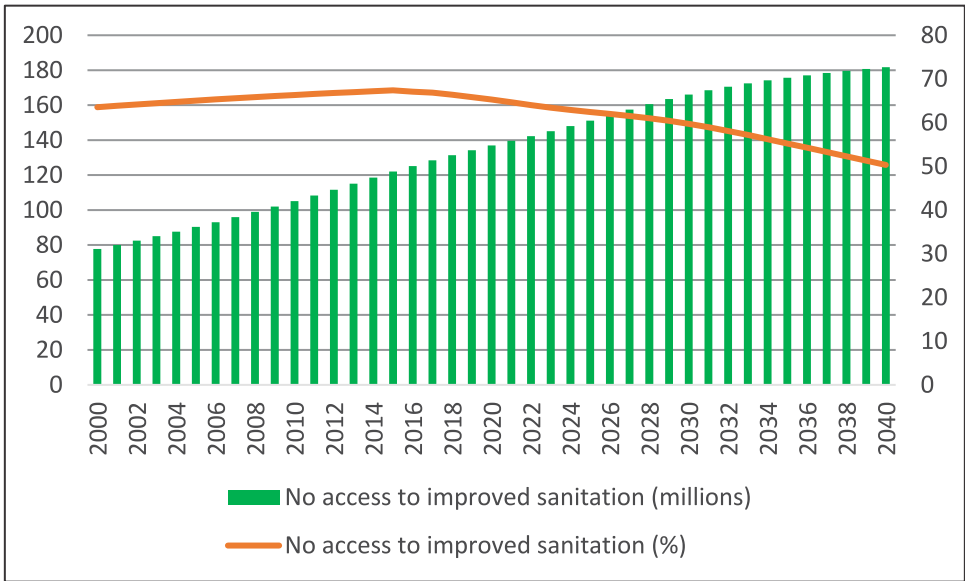
**Figure 4: Nigerians without access to clean water (in millions vs as percentage of overall population), 2000 - 2040**



Source: IFs v 7.45, data from UNICEF/WHO Joint Monitoring Programme

By 2040, over 60 million people are expected to lack access to clean water in Nigeria, compared to more than 40 million at present. Being deprived of essential services negatively impacts health, education and empowerment and ultimately compromises economic growth.

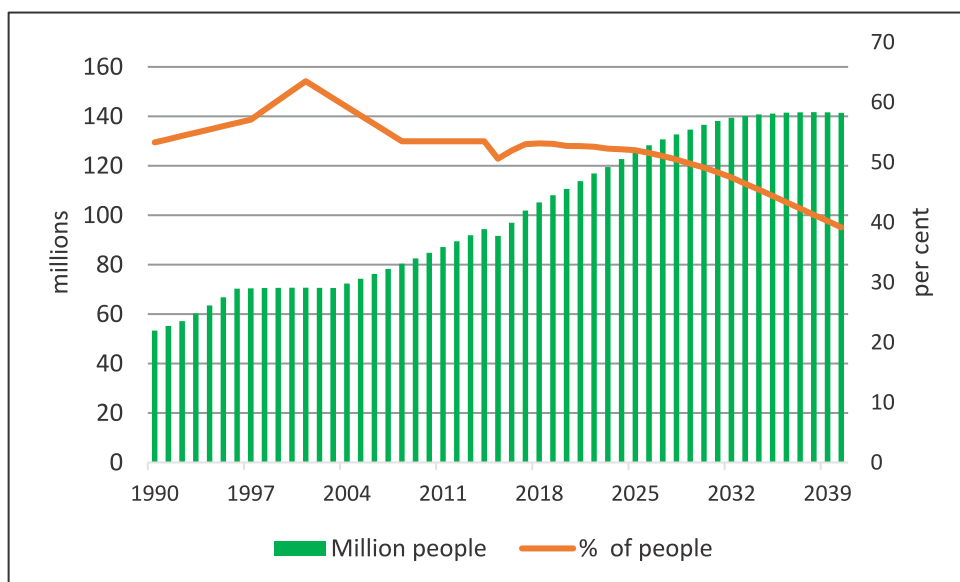
**Figure 5: Nigerians without access to improved sanitation (in millions vs as percentage of overall population), 2000 - 2040**



Source: IFs v 7.45, data from UNICEF/WHO Joint Monitoring Programme

In 2040, roughly 180 million Nigerians will likely not have access to improved sanitation, which is 40 million more than today. On the current path, Nigeria will miss both SDG goals on universal access to safe water and improved sanitation by 2030.

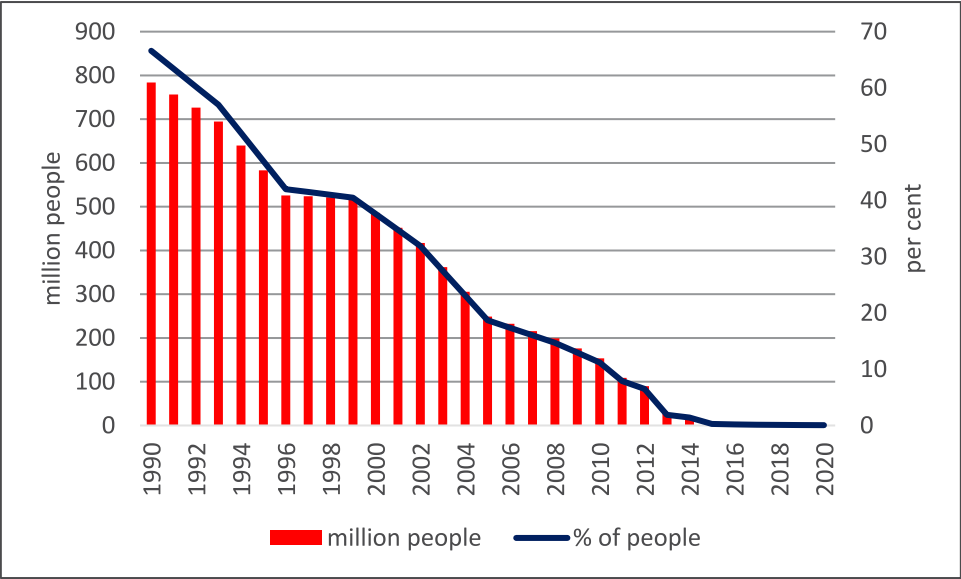
**Figure 6: Extreme poverty in Nigeria (living on less than \$1.90/day) (in millions vs as percentage of overall population), 2016 - 2040**



Source: IFs v 7.45, data from UNPD World Population Prospects (2011 USD)

By 2040, the IFs model forecasts that more than 140 million Nigerians are likely to live in extreme poverty compared to roughly 110 million at present. Due to slow economic growth and high levels of inequality it will be difficult to reverse this trend although the proportion of extremely poor Nigerians is expected to decline from over 50% at present to about 40% in 2040.

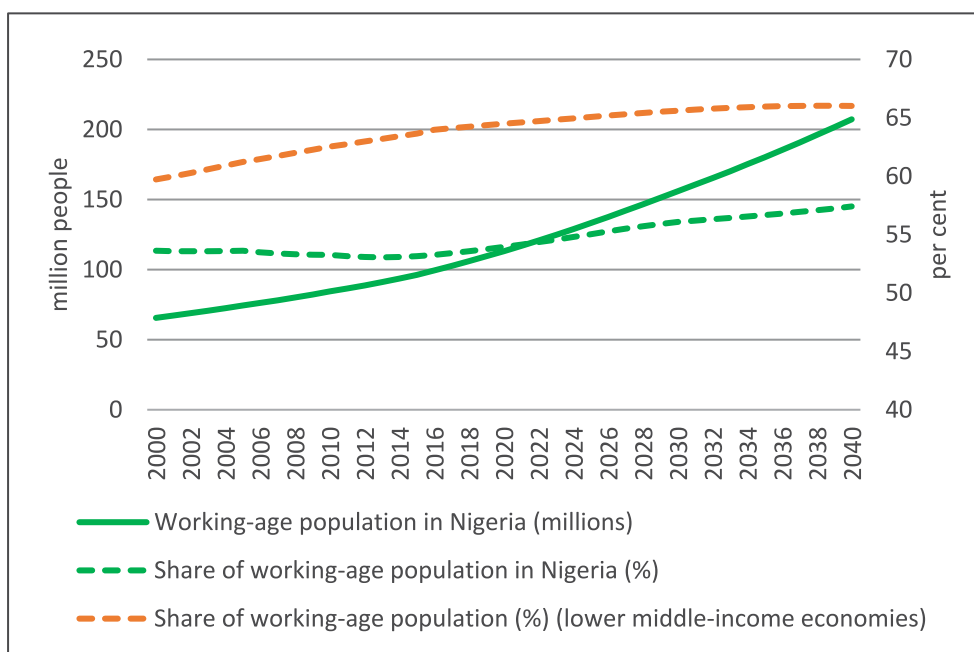
**Figure 7: Extreme poverty in China (living on less than USD 1.90/day) (in millions vs as percentage of overall population), 2016 - 2040**



Source: IFs v 7.45, data from UNPD World Population Prospects

In 1990, more than 65% of China's population lived in extreme poverty. Over the following 20 years, more than 630 million people escaped this condition with the remaining 150 million extremely poor people accounting for about 11% of the country's overall population. Currently, less than one million Chinese suffer from extreme poverty.

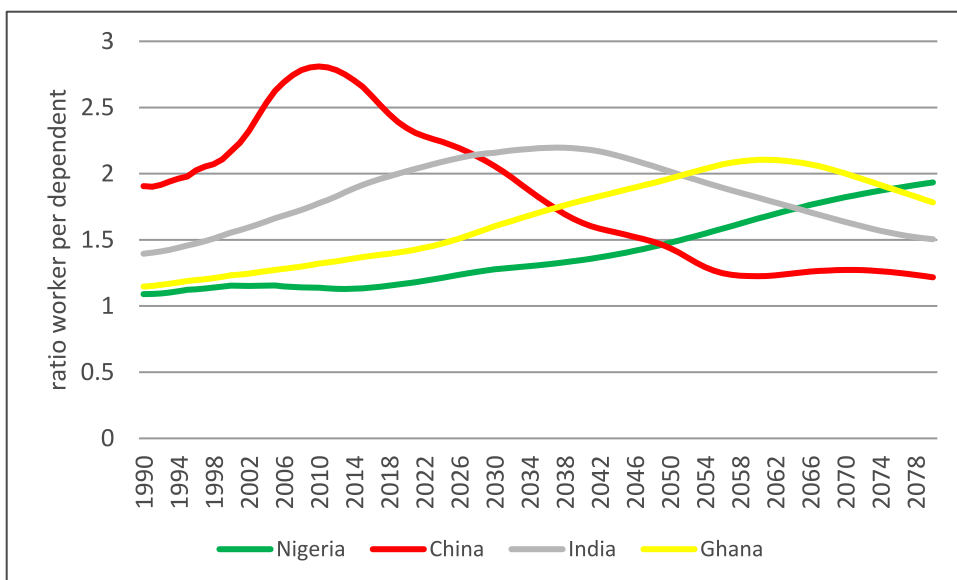
**Figure 8: Nigeria's working-age population (in millions and as percentage of overall population) compared to average share of working population in world's lower middle-income economies, 2000 - 2040**



Source: IFs v 7.45, UNPD World Population Prospects

By 2040, the size of Nigeria's working-age population (people aged between 15 and 65) is expected to more than double, getting close to 210 million people. The economy will benefit from a larger workforce. However, without an improvement in overall skills levels, productivity is unlikely to increase and economic growth will fall short of what it could be. Furthermore, Nigeria's workforce will account for about 57% of the overall population when the average for the country's global income peers is 66%.

**Figure 9: Demographic dividend (worker dependent ratio), Nigeria in comparison, 1990 - 2080**

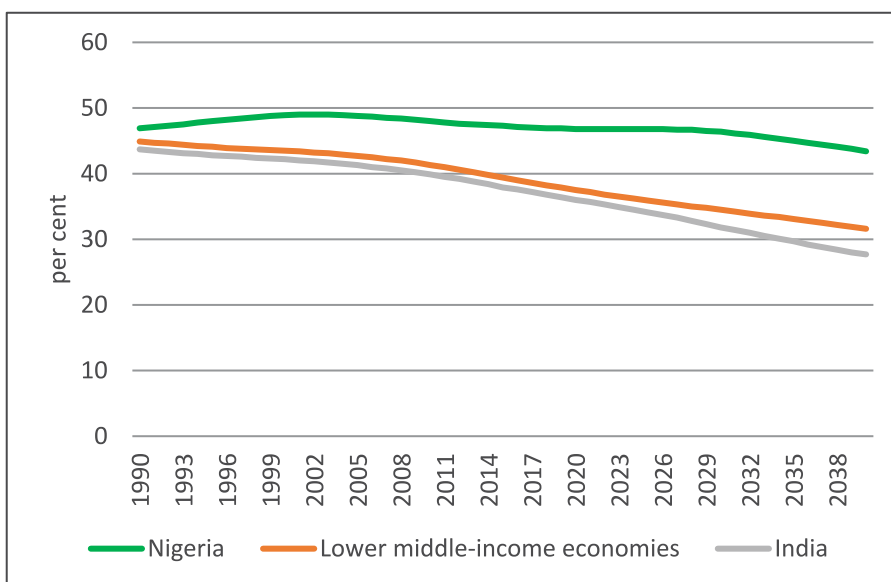


Source: IFs v 7.45, data from UNPD World Population Prospects

Nigeria workforce will remain too small to cater for the population that depends on it, which are children and the elderly. The country is still several decades away from a truly favourable population age structure that propels economic growth not to mention the human capital and job creation bottlenecks that will undermine a potential demographic dividend. At its peak demographic 'sweet spot', China had close to three workers per dependant while Nigeria in 2080 is expected to hardly have two (Ghana is likely to reach its demographic 'sweet spot' decades ahead of Nigeria).



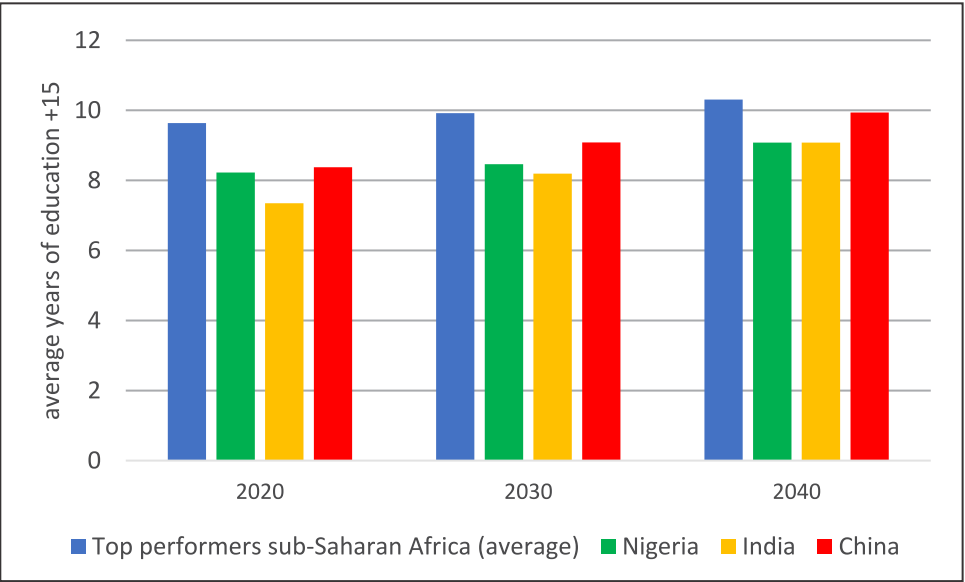
**Figure 9: Youth bulge (% of those aged 15-29 of total adults population), Nigeria in comparison, 1990 - 2040**



Source: IFs v 7.45, UNPD

Much like in sub-Saharan Africa generally, Nigeria will continue to have a so-called youth bulge. By 2040, half of the population will still be about 21 years old compared to just over 18 today, and the 15-29 age cohort is expected to account for more than 40% of the overall population. In Nigeria's lower middle-income peers, the youth makes up about 30% of the overall population. A youthful population requires heavy spending on education, healthcare and strategic investments to create skilled jobs. Neglecting the youth implies an increased risk of social instability.

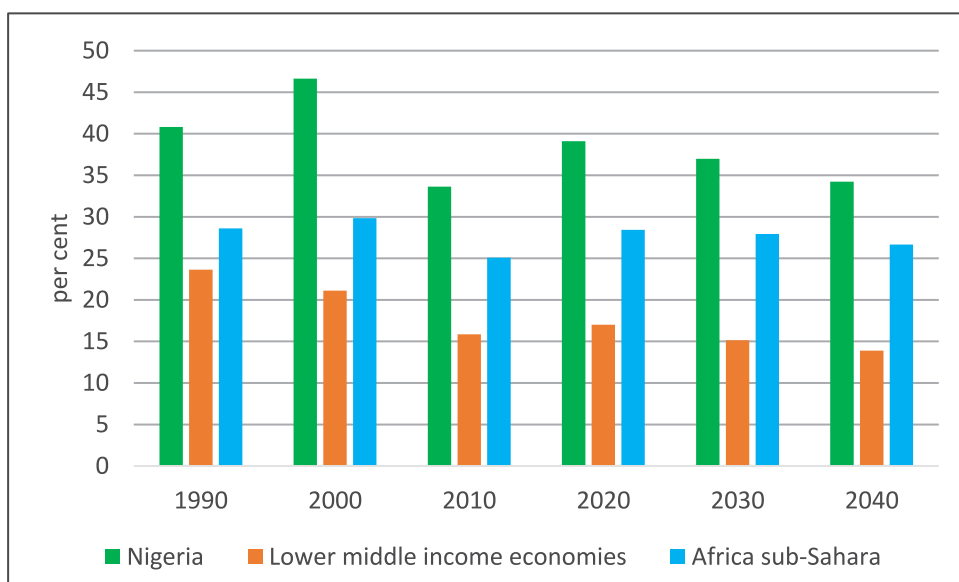
**Figure 10: Average years of education (population over 15 years old), Nigeria in comparison, 1990 - 2040**



Source: IFs v 7.45, data from Barro-Lee dataset

At present, the average Nigerian adult has just over eight years of schooling compared to close to on average ten years in sub-Saharan Africa's top ten performing countries. Both India and China do not stand out for their educational achievement when measured in average years of education. By 2040, the average Nigerian is likely to have just over nine years of education, still less than the average of the top performers but on par with India.

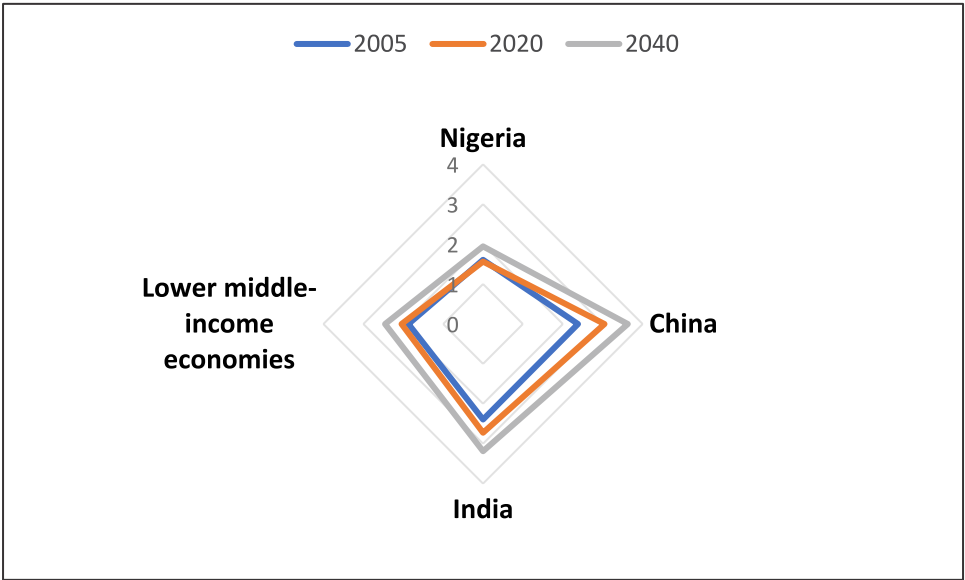
**Figure 11: Informal economy as a share of GDP, Nigeria in comparison, 1990 - 2040**



Source: IFs v 7.45, data from United Nations Economic Commission for Europe

At present, Nigeria's informal economy accounts for close to 40% of the country's Gross Domestic Product (GDP). IFs projects that by 2040, this figure will drop to about 34%, likely reflecting higher government capacity as well as higher incomes. In Nigeria's lower middle-income peers and in sub-Saharan Africa as a whole, on average the informal economy is expected to account for a smaller share of GDP (close to 14% and 27% respectively). In oil-exporting economies, such as Nigeria, the link between higher incomes and better governance is typically weaker than in non-oil dependent economies.

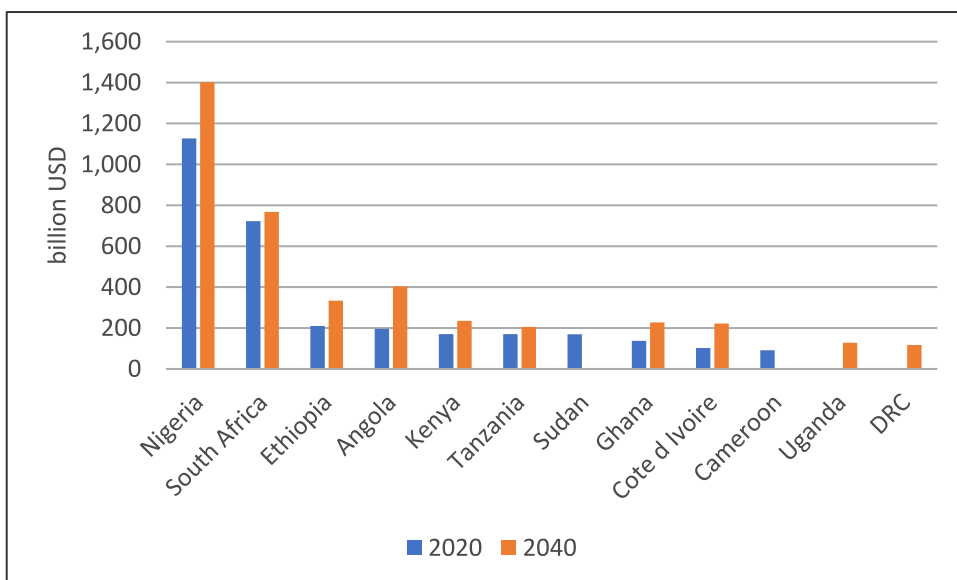
**Figure 12: Government effectiveness as per the World Bank index, Nigeria in comparison, 2005 - 2040**



Source: IFs v 7.45, data from WB Worldwide Governance Indicators

Nigeria's government effectiveness score as per the World Banks Worldwide Governance Indicators is worse than the average score of its peer economies and much lower than China and India's. Until 2040, Nigeria is expected to make progress, but the gap will remain wide. Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

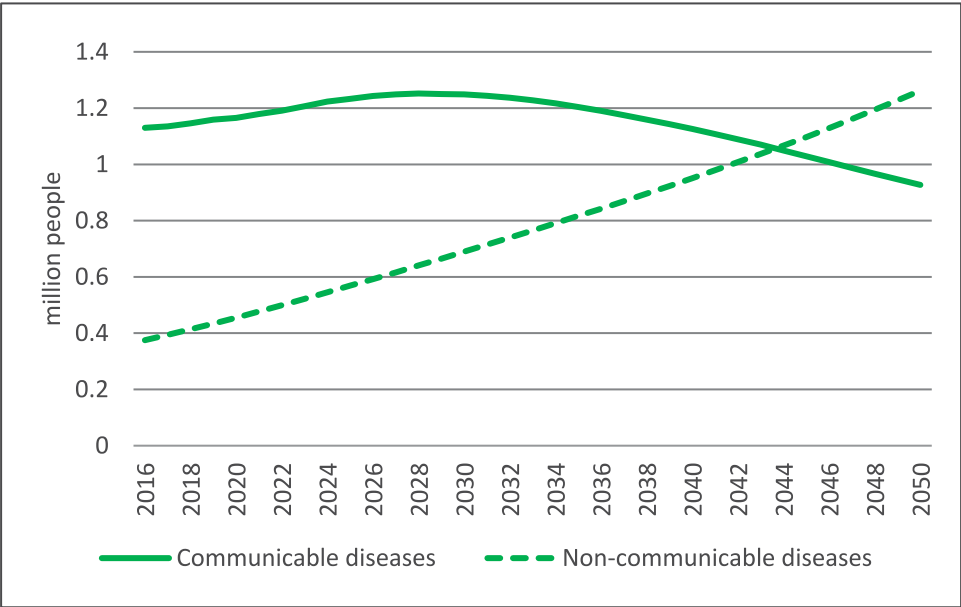
**Figure 13: Top ten economies in sub-Saharan Africa by GDP MER (billion 2011 USD), 2020 and 2040**



Source: IFs v 7.45, data from IMF World Economic Outlook 2017

Nigeria is and will remain sub-Saharan Africa's largest economy by a significant margin, followed by South Africa, Angola and Ethiopia. Currently, Nigeria's economy ranks 28<sup>th</sup> globally. It is expected to move up 10 ranks until 2040. At present, the Nigerian economy accounts for close to 0.6 per cent of the global economy.

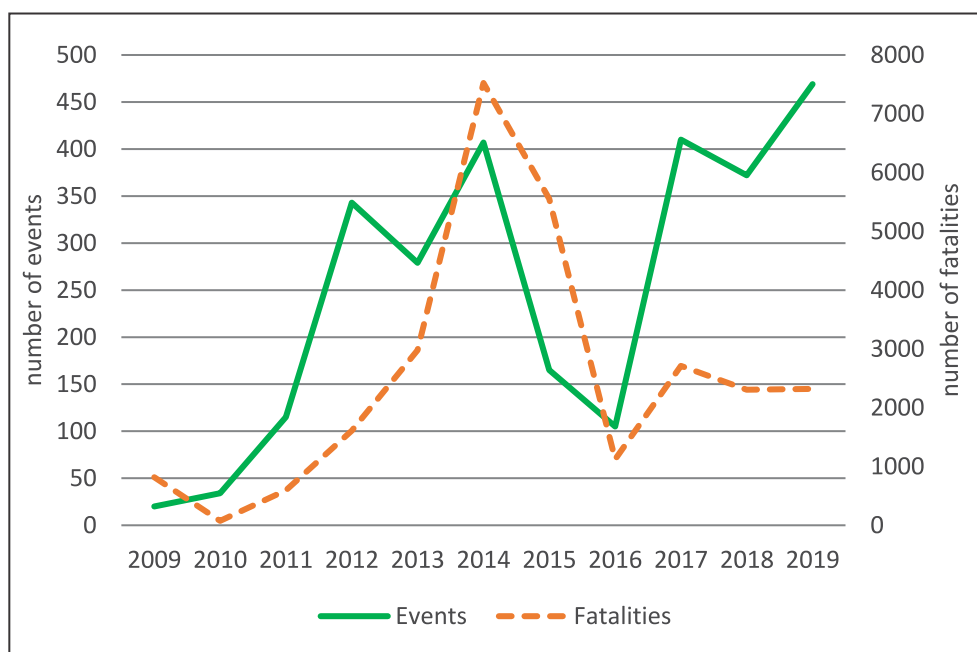
**Figure 13: Nigeria's double burden of disease (million people), communicable versus non-communicable diseases, 2016 - 2050**



Source: IFs v 7.45

Nigeria's burden of disease is rapidly shifting. By 2045, non-communicable diseases, such as diabetes, cancers and heart diseases are expected to cause more deaths than communicable diseases, such as malaria, tuberculosis and HIV/Aids. Since 1990, Nigeria has made significant gains in life expectancy from about 55 to 65 years; a development that is in line with the average progress made in the country's lower middle-income peers.

**Figure 14: Boko Haram conflict activity (number of events and fatalities), 2009 - 2019**

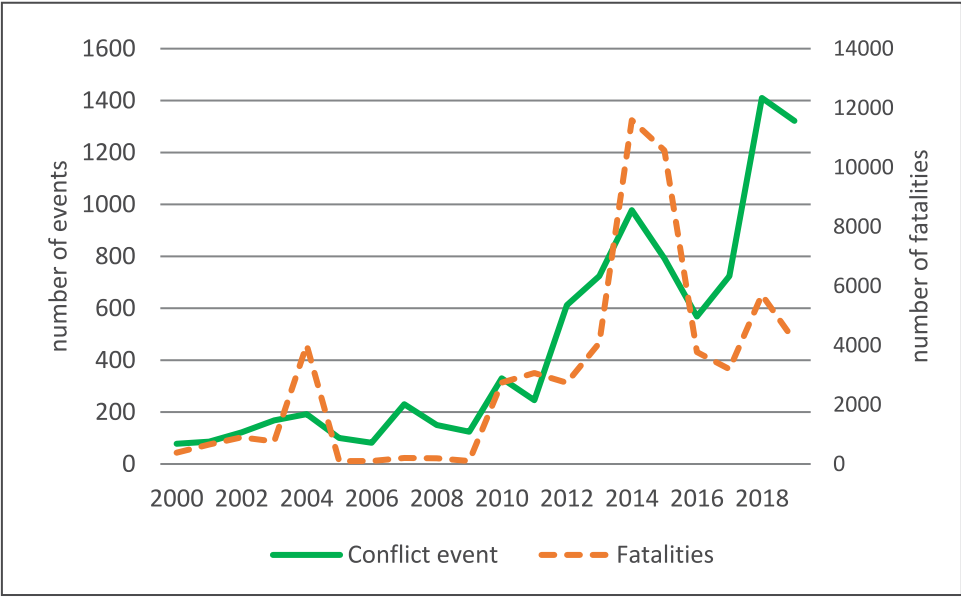


Source: Armed Conflict Location & Event Data Project (ACLED)

Since 2009, conflict events involving Boko Haram have numbered more than 2,700 and have been linked to more than 27,000 fatalities. Violent events and fatalities peaked in 2014 when more than 7,500 people died. There was a decline in both events and fatalities thereafter, but after 2016 Boko Haram activity started to increase again reaching a new high in 2019. Fatalities also increased even though they have never reached previous peak levels.



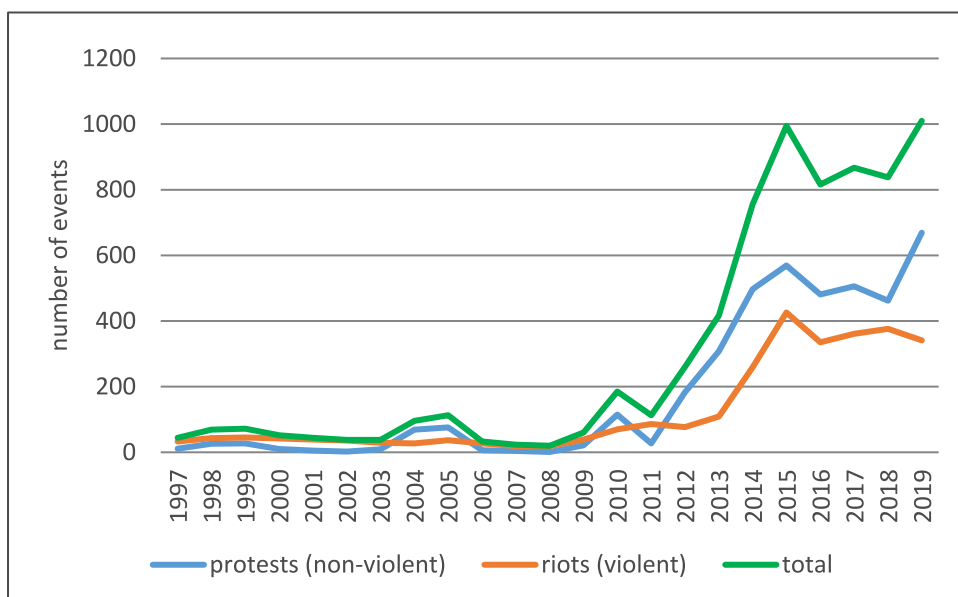
**Figure 15: Violence against civilians in Nigeria (number of events and fatalities), 2009 - 2019**



Source: Armed Conflict Location & Event Data Project (ACLED)

Civilians are at high risk from political violence in Nigeria. Violence against civilians is defined as armed/group attacks against civilians. Civilians are unarmed by definition and not engaged in political violence. Between 2000 and 2019, more than 60,000 Nigerians lost their lives due to violence against civilians, more than 11,000 in 2014 alone.

**Figure 16: Protests and riots in Nigeria (number of events), 2009 - 2019**



Source: Armed Conflict Location & Event Data Project (ACLED)

In line with the general trend for Africa, riots and protests have been on the increase in Nigeria with 2019 representing a peak. During that year, Nigerians took to the streets more than a thousand times. Peaceful protests were more common than violent riots.

Tackling Insecurity

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**Ethnically diverse police forces  
recruited by each geopolitical  
zone is needed**

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*Oladiran 'Ola' Bello and 'Femi Balogun*



## Key Recommendations

- Nigeria must devolve policing powers: ideally this experimentation should start at the collective regional (geopolitical) level. This will ensure that devolved police powers are not misused whilst encouraging collaboration among state governors in the sub-regions.
- Checks and balances: control of the forces must be vested collectively in all the governors within a geopolitical zone. Each governor should possess a veto vote over the choice of the commander of the force, its funding and sensitive operational deployments.
- Composition of the regional police forces: this should reflect national character and aid cohesion. Constitutionally, each force must draw its recruits from all of Nigeria's six geopolitical zones, with maximum 70% of officers recruited from the zone in question.
- Inclusive community policing: The remaining 30% of recruits into a force must be drawn from Nigeria's five other geopolitical zones (at 6% each), enabling regionalised and localised policing partnerships that complement and remedy the deficient federal police.

Since President Muhammadu Buhari assumed office in 2015, there has been a marked deterioration in Nigeria's security situation. Amid the deterioration, the Nigerian Police Force (NPF) is widely adjudged as under-resourced and ill-equipped for effective policing. Although Buhari inherited the Boko Haram (BH) conflict in the northeast and the unrest in the Niger Delta region, his tenure has also seen other sources of insecurity grow in profile. These include the spike in inter-communal conflicts, herder-farmer clashes, kidnappings for ransom, Shia confrontations with the police/army, and other threats.

# LEKKI - EPE EXPRESS WAY



Demands from Nigerians for broad-based policing reform have thus become more strident. This analysis posits that attention should be given to reshaping Nigeria's policing architecture. A successful devolution of federal policing responsibilities to regions will impact broadly to alleviate insecurity drivers. This paper therefore advances a groundbreaking proposal based on regional policing, as opposed to state-controlled police forces. Besides bolstering the weak federal police, regional forces will help address the political controversies that have dogged past attempts to devolve policing powers. The recommendations advanced here, if well implemented, will ensure depoliticisation, in-built inclusiveness and greater democratic control over new regional police formations to be controlled collectively by the governors in each of Nigeria's six geopolitical zones.

### **Policing and demands for reform**

The call for police reform has a long history in Nigeria, progressively amplified since the return of democracy in 1999. Growing awareness of police incompetence and alleged abuses and brutality against citizens has provided further fuel. With many communities trapped in a web of disorderliness and criminality – including kidnappings, terrorism, rural banditry, armed robbery and cybercrime, as well as low-intensity warfare in parts – demands for the creation of state police have become more commonplace. Calls in early 2020 led to the establishment of a paramilitary organisation code-named “Operation Amotekun” in southwest Nigeria, which aims to tackle myriad insecurity-generated controversies. At stake is the constitutionality of sub-nationally led policing.

Meanwhile, the glaring inability of the police to cope with the current security issues has eroded public confidence. From a citizen's perspective, there have been protests in recent times demanding the abolition of the Special Anti-Robbery Squad (SARS), widely loathed for its alleged abuse of citizens' rights. SARS is a branch of the NPF under the Force Criminal Investigation and Intelligence Department (FCID). This advocacy, which started on social media using the hashtag #endsars, lifted the lid on unlawful arrests and detention, extortion, highhandedness and humiliation of citizens by the police. With social media becoming a means for citizens to demand justice, commentators have described #endsars as a new form of social and political action.

According to the 2016 World Internal Security and Peace Index (WISPI), the NPF was ranked the worst police force in Africa. This index suggests that more than 81% of Nigerian respondents to the Global Corruption Barometer admitted to paying a bribe to a police officer in 2015. This fact is substantiated by the 2017 National Corruption Report released by the Nigerian Bureau of Statistics (NBS).

Internally, the police force is burdened with various challenges that impede its officers from performing their basic function of safeguarding life and property. The police force is largely understaffed, resulting in the deployment of the Nigerian army in many parts of the country to augment existing deficits. This has come at the cost of the militarisation of law enforcement. At the same time, police officers are posted on escorting duties to protect the elites and their families. This undermines the potential for effective frontline policing. It justifies important questions around whom the police as an institution exist to serve, and fuels the demand for reform.

Successive governments have grappled with this in various forms. Buhari promised in his 2015 campaign to reform the NPF with an emphasis on training and better equipping the force. On his assuming office, a new Nigerian Police Reform and Restructuring Plan 2015-2020 was unveiled aimed at addressing human resource issues, improving complaints handling, and enhancing the delivery of police services more broadly.

Unfortunately, not much has emerged from this activity since 2017, following the claim by the Inspector General of Police that the funding allocated – \$86 million – was not sufficient. He claimed that the implementation of the plan required an estimated \$3.1 billion. On the one hand, insufficient funding by the federal government speaks to the weak political will that hampers reform. On the other hand, claims of a funding shortfall also raise questions around the lack of accountability, opaque budgeting, procurement issues and corruption within the force.

Notably, the Nigerian Senate passed a bill in 2019 to repeal and re-enact the Police Act of 1943. At the heart of the bill is the effort to provide for a more efficient and effective police force:

Based on the principles of accountability and transparency, protection of human [rights] and freedoms ... [i]t also provides a framework to ensure cooperation and partnership between the



police and communities in maintaining peace and combating crime.

However, there is uncertainty regarding its implementation. In some quarters there are concerns about the reform process being abandoned, leading to misapplication and misappropriation of funds.

Nevertheless, Buhari seems to have started giving effect to his strong statements on overhauling the NPF. In the latter part of 2019 he took steps to secure the support of traditional rulers. In addition, following citizens' demand for the abrogation of SARS, Buhari set up a three-man committee led by the National Human Rights Commission. It was to produce a white paper on the recommendations of the Presidential Panel on SARS reform and the devolution of policing to state and local governments.

Devolution is a controversial issue, with lingering mistrust and fear over the potential abuse of police power by state governors and politicians. Hence, resolving this dilemma will require creative thinking, with a focus on constitutional, operational and institutional safeguards to prevent abuse. Yet, serious threats such as BH terrorism, regionally based insurgencies and inter-community clashes have festered precisely because of the lack of credibility in the existing system in which the federal government monopolises control of policing.

### **Worsening terrorism**

The BH insurgency has now lingered for about a decade with the police notably in the background, while the military takes the lead counter-terrorism role. Buhari, as part of his campaign promise in 2015 and 2019, has maintained that the insurgency in the Northeast must remain a priority. Consequently, the federal government launched “Operation Lafiya Dole” in June 2016, which led to a drop in the number of attacks. However, this was short lived as hostilities resumed in December 2017, leading to a change in the military command structure and the release of \$1 billion to support counter-terrorism. Releasing funds to support military efforts on the surface demonstrates government commitment to ending the insurgency. However, the impact of these funds and other support remains questionable.

The abduction of over 200 Chibok girls in April 2014 was arguably one of the high points of security conversations in the last decade. It partly explains the outcome of the 2015 presidential elections, which Buhari won. The 'Chibok event' made it clear to many citizens that the government then led by President Goodluck Jonathan was incapable of protecting the Nigerian state from an insurgency that threatened to engulf West Africa. In 2018, a similar event – the abduction of over 100 girls in the town of Dapchi – brought the Buhari administration's competence into question.

Although all but six of the girls were returned, this second incident further exposed the escalating insecurities in Nigeria's northeast. Many Nigerians had anticipated that a former military general would better handle the dire national security situation. However, after winning a second term in office, Buhari appears to be overwhelmed by the ever-increasing security threats, with hopes of a solution seeming more distant.

### **Broader insecurity challenges**

Besides BH and the Islamic State in West Africa (ISWA), other threats to security have emerged. These include deadly communal clashes involving herders and farmers, separatist agitations in the southeast, concerns relating to kidnappings and cybercrime, and human rights abuses oftentimes involving the police and other security agencies. All these are testing the resilience of Nigeria's security sector.

Many citizens have felt particularly threatened by the clashes involving herders and farmers, especially in the agricultural belt of the central states. According to the 2018 Global Terrorism Index, the herdsmen were responsible for about 1 700 deaths in 2018 alone – three times more than the fatalities linked to BH in the same year. Analysts state that the conflict is fuelled by religious intolerance, climatic pressures and the lack of effective security responses. In any case, the intensity and size of the conflict has expanded. Following a public outcry, especially on social media, the federal government launched “Operation Karabiner Goro” in 2018 with very little success.

In 2019, Buhari proposed a plan to bring an end to the recurring clashes between herders and farmers through Rural Grazing Area (RUGA) settlements. According to the federal government, RUGA seeks to provide basic amenities for herders in specific areas across the country.

Unfortunately, many Nigerians reacted negatively to this plan, given suspicions of an underlying agenda. Although the plan was later withdrawn, the outrage caused by RUGA highlights the deep-rooted mistrust between citizens and the state. It was obvious that the ideas that shaped RUGA did little to harness solutions from citizens, nor did that the vision for security capture popular hopes and aspirations.

While it is important to acknowledge that the Buhari administration has not failed to respond to emerging security issues, its response is often disarticulated from the lived experiences of ordinary citizens. This is an underlying issue that makes tackling insecurity seem like an impossible task. Essentially, there is a lack of transparency and accountability which mirrors the broader issues affecting the entire security sector. Most notably, senior officers act with impunity and with little or no regard for the rule of law. The many cases of graft, indiscipline and human rights abuses associated with the security forces represent a collective failing requiring any serious government to act. For example, Amnesty International and Human Rights Watch continue to put pressure on the Nigerian government to investigate the allegations of human rights abuses, but to no avail.

The National Human Rights Commission reported the extent to which the former Director-General of the Directorate of Security Services (DSS) violated rights by carrying out unlawful arrests, torturing and detaining citizens without trial. The justice system has also suffered damage to its reputation. The executive – going against a judicial ruling – detained the former National Security Adviser, Sambo Dasuki, and the leader of the Shia Islamic Movement of Nigeria (IMN), Ibrahim El-Zakzaky. Similarly, the leader of the Revolution Now Movement, Omoyele Sowore, was re-arrested on the court premises despite the court ruling to grant him bail. These underscore the necessity for reforms within the security and justice sectors, and the police force in particular.

### **Towards a reset?**

Following strong criticism from local and international civil society groups regarding the mushrooming security threats, Nigeria's Ministry of Defence in 2018 announced a review of the Armed Forces Act. While the review committee has summited its final report, the public have few expectations of this process due to negative perceptions of the military. Experts have called for a fundamental review of the country's National Security Strategy.

Conversations on the document have focused on the reactive nature of the policy, as well as a narrow definition of security. In response to this, the Buhari administration – in 2019 – reviewed the 2014 National Security Strategy in line with new thinking around the expanded notion of security to capture what security means to ordinary citizens.

Interestingly, the reviewed document places an emphasis on human security seeking to advance citizens' wellbeing. It addressed issues relating to unemployment, inequality and poverty more broadly, recognising that these issues are at the core of terrorism, cybercrime, militancy and other security challenges. Furthermore, the strategy recognises the need for a new understanding of contemporary geopolitical security issues within the country, as well as positioning and preparing security agencies to effectively and efficiently combat them.

To position security forces effectively for greater human security, this paper recommends the regionalisation of Nigeria's policing architecture. This will provide additional policing capacity in support of the federal government from the six geopolitical zones of Nigeria. However, due to concerns about the potential abuse of police power by individual state governments in Nigeria, policing reform debates have been unhelpfully polarised. This pits advocates of the federalist status quo against proponents of state-led policing. A regional policing arrangement will bring security governance and accountability closer to the people in each region. It will also address anxieties by enshrining national inclusivity provisions in the enabling laws. Constitutional safeguards must be enshrined to cover inclusive recruitment to the regional forces, their collective democratic control by the governors within a geopolitical zone, and other meaningful checks and balances to carefully circumscribe their use and operations. Guarding against destructive politicisation in this way is crucial to the successful devolution of policing powers in Nigeria. Its successful implementation can also guide further devolution of police powers to the states. In addition, its inclusive composition will arguably represent a modern, progressive and positive interpretation of the much-abused national character principle.

## **Conclusion**

Nigeria's review of its National Security Strategy is an opportunity for a comprehensive review, leading to new approaches that fully integrate citizens' perspectives into national security strategy. Importantly, the police

are at the critical interface of government and citizens when it comes to managing instability and safeguarding human security. The new Police Act and a reviewed National Security Strategy together represent a promising opportunity for the federal government to tackle old and new threats, and make the country more secure in the next five years.

This paper proposes strengthening policing in Nigeria with an extra regional layer of forces (see elaboration in the policy recommendations below). The forces will be directly accountable to state governors (though within a regionalised framework of funding and control). It will be a viable, gradualist path to policing improvement.

In addition, there is a need to take account of the broader reform environment. The government may find it useful to set up specific accountability mechanisms to mitigate misappropriation and abuse of procurement regulations (also see Joe Abah's contribution in this volume), and ensure professional discipline and accountability in the forces. Both the state and the federal government must demonstrate a renewed commitment to exposing police corruption and abuse by guaranteeing the security of whistle-blowers. There is a need to challenge the culture of hiding misdeeds behind the cloak of security sensitivity. This will incentivise citizens to support government efforts to fund police reform and implement more broadly a new national security strategy.

### **Recommendation: Designing effective regional police forces**

Ordinary citizens have been the primary victims of Nigeria's mushrooming security challenges. This situation has resulted in the death and displacement of more than 2 million individuals. Advocacy efforts so far have not led to any tangible reform achievements. Given the contemporary context, the following recommendations to guide decisive police reform are both balanced and pragmatic:

- 1. Regionalise policing architecture:** A root-and-branch restructuring of the policing architecture underpinned by a constitutional change is self-recommending. The priority must shift towards creating regional police forces rather than devolving police powers to the states.
- 2. Appropriate sequencing:** Experience from Spain shows how Nigeria might advance the police reform agenda in stages. At the initial stage involving "regionalisation" of policing, sub-federal policing forces will be created in each geopolitical zone (namely the

southwest, south-south, southeast, north-central and northeast). Like Spain, which has several layers of policing authorities, including national, municipal and local police, Nigeria could assuage anxieties by starting with regional police. Constitutional change should allow the state governments that make up each of Nigeria's six geopolitical zones to come together to form such a force. This should be based on newly devolved regional policing powers vested in the regions by Nigeria's constitution.

3. **Inclusive composition:** Recruitment into the regional forces should promote national inclusion by meeting certain constitutional safeguards. They must include a requirement that officers of each regional force are recruited from across all of Nigeria's six geopolitical zones, with the majority – ideally about 70% of officers – drawn from the zone in question. This guarantees that the forces do not exclusively represent a single ethnic group or region. That will provide guarantees of inclusion and assurance for all Nigerians in the region, regardless of their origin. The other five geopolitical zones will each contribute 6% to make up the non-regional 30% of officers. Each and every geopolitical zone desirous of its own force will need to meet these inclusive recruitment criteria.
4. **Checks and balances:** Lastly, collective control of the forces, which will be vested in all the governors within a geopolitical zone, will ensure checks and balances. Encouragingly, seldom has any geopolitical zone in Nigeria been controlled by elected governors from the same political party. The regional police force will be accountable to these governors, each holding a veto vote on key decisions such as funding, staffing and appointment of the head of the force. With this collective responsibility approach, a culture of consensus building should gradually emerge among the governors. By this design, the force itself will be immune to the whims of any individual and should not easily become a partisan tool.

*Ethnically diverse police recruited by each geopolitical zone is needed*



**A rare case of good socialism**

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# Creating a broad-based mortgage system

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*Abimbola Agboluaje*



## Key Recommendations

- Government policy should increase the incentive for more Nigerians to contribute to the National Housing Fund (NHF) by raising the interest rate from 6% to 12%, thus generating more funds to finance more mortgages.
- There is need to transform the National Housing Fund (NHF) into a fund for repurchasing mortgage loans from banks.
- Policy should target 16% mortgage rate by making only mortgages at this rate eligible for repurchase by the NHF; NHF funds should subsidize the 4% difference.
- Contribution to the NHF should be made a precondition for accessing rent-subsidized public housing developed through NHF-financed slum redevelopment schemes. This should encourage lower-income Nigerians to contribute.

In April 2019, President Muhammadu Buhari refused assent to the National Housing Fund (Establishment) Act of 2018 (“the new NHF Act”). The private sector decried what it described as yet another attempt to cripple the free market with a socialist intervention. While the proposed legislation is indeed inadequate, the reaction to it also leaves much to be desired. The Act fails to recognise that government interventions are critical in developing a housing (supply) system that meets demand while encouraging economic development. Useful discussions and efficient housing policy solutions depend on a conceptual separation of two distinct elements in the debate. The first element

involves government interventions to assist the private financial and housing markets to deliver homes. The second element encompasses another set of interventions to ease the housing conditions low-income Nigerians face. The lack of distinction between these two objectives and the tools required to meet them has made interventions in housing, including the NHF Act, wasteful and ineffective.

### **Houses: a befuddling asset class**

Nigeria has a 17 million “housing gap”, according to a 2012 assessment. This paper attempts a rough illustration of the housing needs of different classes of Nigerians as a basis to critique extant policies aimed at addressing these needs. In addition, it sets out recommendations on addressing Nigeria's housing gap. In Lagos it is possible to find couples with steady incomes paying about N1 million in rent whilst saving N15 to N40 million to buy a house that costs between N35 and N90 million. The couple may have a “driver” who lives in a single bedroom with a wife and three children in a slum with poor sanitation. The driver's parents could be living in a village in a “house” built of mud that lacks any modern amenities such as electricity or water. In many Western and developing markets government interventions have sought to address the housing needs of equivalent classes of citizens since the early 1900s.

These types of housing needs are correlated, as solving one helps to alleviate another category. Yet policy solutions must target specific problems and particular objectives. Professionals and members of the middle class hoping to buy homes that cost N20 million upwards do not need “low-cost” housing. The solution to the housing problems of villagers living in mud houses or migrants sleeping in the open in cities such as Lagos or Kaduna lies in jobs that generate economic development, rather than in a plan to build 750 000 houses across Nigeria, as announced in 2017 by the former Minister of Power, Works and Housing. On the other hand, urban dwellers, from low-income workers to young professionals and civil servants who earn N30 000-N250 000 per month, face severe housing problems that are amenable to direct state policy interventions. Houses are a complex asset class; a home is the most expensive item that 99% of people will ever purchase. Yet, governments everywhere readily accept an obligation to help keep rents low, even for the middle classes, and get people on “the property ladder”. For example, America's Department of Housing and Urban Development's (HUD)



*Creating a board-based mortgage system*

Federal Rental Assistance schemes offering grants, tax credits, or reduced-interest loans to build or rehabilitate rental housing. Also, the Help to Buy scheme in the UK which offers first-time home buyers discounts on property taxes, mortgage interest and insurance. The critical question is which housing policies should assist low-income earners and which should support private markets to better deliver houses to those Nigerians who can afford them. The appropriate subsidy levels required to meet each policy objective, the incentives they provide to businesses and individuals, and the social and economic pay-offs are important considerations. Government interventions in the housing sector have been devoid of these calculations.

### **Serving the privileged in the name of the poor**

The housing problem first got the government's attention when the investment of massive oil receipts triggered migration to Nigeria's urban centres and slums proliferated. According to the Third National



Development Plan, “There is no area of social service where the urban worker in Nigeria now needs relief more desperately than in housing.” It is unclear to what extent the 1975 document influenced housing policies, but it did reflect a deeply ingrained tendency to treat housing policy as an aid to the poor rather than a market-enabling intervention. This thinking has persisted despite its glaring failures. Nigeria's housing policy interventions are briefly described below, along with explanations on why they have failed.

**Low-cost housing:** Housing authorities were set up at the federal and state level to build “low-cost” housing for poor Nigerians, identified in policy documents as suffering under the country's housing shortage. They were to buy these houses unaided by mortgages. The federal and state government subsidised inputs, hence the cost of these houses was below market price. But these governments had limited funds to build low-cost housing, hence no more than 2% of Nigerians ever benefitted. Wealthier Nigerians often acquired the houses through bribes or influence. The poorest Nigerians lacked the means to acquire “low-cost” even if such houses were available.



Federal and state agencies also use the government's power to acquire land and to plan and regulate urban development. This often includes appropriating land for “government-scheme” estates where the rich and influential acquire grossly under-priced plots through “allocation” and later resell at market rates. Professor Paul Collier of Oxford University noted in a 2012 *Business Day* article that individuals rather than the Nigerian government captured the vast capital gains from urban land.

Unfortunately, this grossly inefficient “low-cost” approach has been adapted to the rhetorical transition to the private sector-led development model. State and federal government agencies allocate hectares of land to developers under bizarre public-private partnership (PPP) schemes for nominal sums far below the market value. According to a 2011 study of the PPP model in Abuja, developers mostly sell off the plots at market prices and buyers build palatial duplexes, mansions and bungalows rather than the intended low-cost housing.

**Mortgage saving scheme:** In 1991 Nigeria created the National Housing Fund (NHF), into which workers were to pay 2.5% of their salaries. Insurance firms had to invest 10% of their non-life and 20% of their life funds in the NHF and banks 10% of their loan books, an obligation that was largely ignored. Many workers, including all civil servants in some states, also do not contribute to the NHF, mainly because they earn less than is required to buy homes and so will never need these loans. The total NHF contribution of workers who do not take out mortgages is paid back at retirement, but only at a 6% interest rate. The NHF is also irrelevant to acquiring homes in Nigeria's main cities, which form the most liquid real estate market in the country. Designed to aid buyers of “low-cost” houses, no more than N5 million could be borrowed from the NHF until 2010, when its threshold was raised to N15 million. Like other interventions, the NHF is irrelevant to most Nigerians planning to buy their own homes. Nigeria's mortgage to gross domestic product (GDP) ratio is a mere 0.2%, compared to 2% in Ghana, 31% in South Africa, 32% in Malaysia and 80% in the United Kingdom.



A comparison of Nigeria's housing policies with those of Singapore highlights the structural deficiency of the former. In Singapore, the Housing Development Board (HBD), the public housing authority, builds homes specifically for the poor. These are modest high-rise buildings with ground-floor toilets that were erected after the demolition of slums. The flats were offered for rent rather than being sold as “low-cost” accommodation to the poor, who lacked the means to purchase them. The Singaporean government also used a Land Acquisition Act to appropriate land for public housing, but it paid near-market rates as compensation. Singapore also established the Central Provident Fund (CPF) into which workers and employers jointly contributed 25% of an employee's salary to fund his/her medical insurance and pension. In 1968, the government allowed Singaporeans to draw from their CPF savings to pay deposits on the HBD flats they lived in, or on new ones. The CPF also supported long-term mortgage lending. The HBD started to develop more expensive houses from the early 1970s. The Singaporean model thus adapted to changing economic conditions. Countries like



Malaysia have successfully copied it. Today, about 85% of Singaporeans live in accommodation developed by the state-owned housing corporation. The CPF is often described as the bedrock of Singapore's "market-based welfare" system.

## **Recent developments**

**National Mortgage Refinance Company (NMRC):** The NMRC acts as an intermediary between Nigerian mortgage lenders (banks) and capital markets. Promoted by the Ministry of Finance, it was founded in 2013 as a wholly private institution regulated by the Security and Exchange Commission and the Central Bank of Nigeria. The NMRC raises funds on international capital markets with which it buys mortgages from Nigerian banks, thus improving liquidity. It is a significant but modest development that seems to have reduced the mortgage rate by 1-2%. However, it lacks the potential of Nigeria's NHF or Singapore's CPF to mobilise mass savings. Mortgages bought by the NMRC have a tenure of less than five years, which is the limit of the risk appetites among domestic lenders and foreign capital markets.

**LagosHoms:** This scheme was established in 2012 to aid first-time homebuyers in Lagos State acquire mortgages subsidised by the state government (at 12%). The State Housing Corporation constructs eligible homes. LagosHoms is innovative as it recognises that financing is the major barrier to acquiring homes. It has elements that are very useful in improving on the federal government's NHF, namely a 12% rate (which is closer to the market rate) and the use of public funds to subsidise interest rates. Yet critically, unlike the NMRC, it is a modest intervention. It focuses on using government resources to help the less well-off, if not the poor, rather than developing what is by far Nigeria's largest construction and real estate market, centred in Lagos. A crucial failing is that the eligible houses are built by a government agency. LagosHoms houses are won through balloting, a rationing system imposed by the limited government funds available to build homes or subsidise mortgages. The huge potential of private investment in urban renewal projects, which would improve housing supply and conditions as well as unlock public revenues, has not been explored. The NMRC has survived the change in government at the federal level because it is a government-initiated private sector initiative. In contrast, LagosHoms has been severely hampered by the change in governors, even though Lagos's ruling party

has remained effectively the same. The scheme has been poorly funded since former Governor Babatunde Fashola, who had initiated it, left office.

**The new NHF Act:** The proposed Act sought to improve on the 1992 National Housing Fund Act, attempting to boost NHF funding by increasing mandatory contributions from banks and insurance companies and demanding a new 2.5% pre-tax profit from cement-producing firms. However, the amended legislation failed to address key weaknesses in the extant NHF that has ensured that an overwhelming majority of Nigerians neither contribute to the fund nor use it for its intended purpose.

The main criticisms of the proposed amendment are:

1. It is a forceful diversion of funds from individuals and companies.
2. The 2.5% NHF contribution from salaries is unfair and regressive; it is 25% of the payroll tax of workers on minimum wage and only 2% for most professionals.
3. It will prevent funds from banking and insurance companies from going to more rewarding investments.
4. The 2.5% profit contribution by cement firms will make houses more expensive, as cement firms will pass this cost on to consumers.
5. The housing sector cannot be developed at the expense of other sectors.

As seen from the Singapore example, “forced saving” is a useful method to pool funds for mortgage lending in a market with low levels of liquidity. According to Ayo Teriba (see article in this volume), deposits in Nigerian banks are 20% of GDP, compared to 40–200% in peer countries, meaning that Nigerian banks have little capital to lend. Critics of the proposed NHF amendment reject this principle rather than its design. It is erroneous to argue, as they do, that fine-tuning the relevant housing sector policies and regulations such as the Land Use Act without making non-market public interventions will spur the market to supply affordable, longer-term mortgages.



A broad-based mortgage system can and should be funded by taxing other sectors because of the powerful impetus it could give to construction, real estate, finance and other sectors. In 2003 Chee Wong and Adriel Yap wrote that Singapore's “public housing has, to a great extent, contributed towards lowering wages, higher productivity, political and social stability, thereby attracting international capital and manufacturing investment”. The contribution that a well-designed NHF would make to economic growth would be several times greater than the sums “forcefully diverted” from banks and cement companies.

## **Conclusion and recommendations**

The goal of a housing policy is to help people live in safe, affordable accommodation. A housing policy should help as many people as possible to acquire their own homes, and others to spend as little as possible of their income on paying rent. It should also provide safe shelters for those too


poor to pay for any accommodation. The easier it is for more people to buy or build their own homes, the bigger the supply of housing becomes and the more rents will drop. A mortgage system that assists the majority of the population to acquire homes is indispensable to boost the supply of housing. Creating a pool of mortgage funds through a “forced saving” scheme is unavoidable to establish such a broad-based mortgage system.

### **Recommendations for a more effective NHF:**

1.       Ensure a genuine focus on the poor: Make the NHF contributions of lower-income and informal sector workers and others who cannot afford to buy homes a condition of rent-subsidised public housing. Such a step should form part of a slum clearance and urban renewal programme. This not only resolves the NHF equity problem but also creates an incentive for broad-based compliance. Furthermore, savings in the NHF should pay out at rate not below the return on market-based pension schemes for people who cannot access a mortgage or seek subsidised public accommodation.
2.       **Make it affordable to make it mass:** A choice has to be made between helping a few thousand Nigerians obtain 30-year mortgages at a 6% interest rate and helping millions of Nigerians obtain 15-year mortgages at 12%. The latter is more affordable for the government and will attract more investments in a reformed NHF (either as savers or buyers of government housing bonds).
3.       **Merge the NMRC and the Federal Mortgage Bank of Nigeria:** The NHF contribution should be used to buy off mortgage loans from banks; a role the NMRC currently plays with a smaller but more expensive pool of capital. This will combine the advantages of mobilising funds through public policy with the private sector's allocative efficiency. Banks should be left to assess who needs a mortgage and the risk involved.

4.       **Make it as easy as walking in:** Banks are in the best position to determine who needs and can finance a mortgage. They should be allowed to open “NHF accounts” and keep deposits in these for three months before transferring them to the NHF. Banks should routinely offer 12% mortgages to their customers over 15-year terms because they have information about their intention to buy houses and a bigger pool of funds to repurchase the mortgage loans
  
5.       **Interest rate subsidy:** High interest rates reflect the shallow nature of Nigeria's financial markets, as well as of inflation. Mobilising funds into the NHF will reduce the cost of long-term mortgages by deepening the market. Yet, for the first four to five years of the operations of the reformed NHF, it may be necessary to subsidise interest rates, e.g. the 4% difference between the 16% market rate and the target 12% NHF rate. (This signals 16% to the banks as the mortgage-lending rate eligible for repurchase by the NHF.) Some NHF funds would be set aside for subsidising interest rates, to be complemented by government grants as in the LagosHoms scheme.
  
6.       **Urban Planning & Infrastructure Fund:** High rents and cost of land, as well as various accommodation problems, are tied to the lack of transport infrastructure and not to the inadequacy (the number) of houses per se. So, just building more houses can never be an adequate solution. Connectivity is just as important. A portion of NHF funds should be set aside for eradicating slums and improving transport connectivity. This will have the effect of smoothening house prices (between well-planned and unplanned urban areas) and generating considerable taxes through urban renewal projects.





Protectionist policies have hobbled growth

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# Reforming Nigeria's textiles and garments industry

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*Nonso Obikili*

## Key Recommendations

- In the quest for inclusive growth, government should craft policies for a more competitive textile and garments industry, particularly the labour-intensive segments with the potential to foster growth.
- Since not all sub-sectors in the textile industry are labour-intensive, and capital in Nigeria is also expensive and scarce, government policies on the sector must be finely crafted to target job creation only where this is a realistic objective.
- Policies that force sub-sectors in the industry to rely on one another have failed whilst locking in inefficiencies. Government should discard these to allow competitive sourcing of inputs, including from regional and global markets.
- A targeted approach to stimulate exports potential should be the focus of policy from the outset, as this alone carries the potential for sustained growth in the sector.

A major focus of policymakers in Nigeria is the quest for inclusive growth. From this perspective, stimulating growth in labour-intensive sectors with the capacity for mass job creation is a key policy objective. The textile and garment industry as whole, based on similar structures in other countries, has such a potential for mass employment. For instance, Bangladesh has established itself as a major textile and garment hub. A survey by the Bangladesh Bureau of Statistics showed that the industry directly employed about 4 million people in 2016 and accounted for 40% of manufacturing employment, and 8% of all employment.





However, the industry in Nigeria has been plagued by a protectionist policy, encouraging it to depend solely on local demand. Policies have also promoted vertical integration, forcing sub-sectors to rely on other, less competitive sub-sectors. This domestic focus has limited both their global competitiveness and their ability to participate in international markets. At the same time, the domestic industry has not been spared international competition. The continued drop in global trade costs, as well as the fact that garments are non-perishable and can easily be smuggled across borders, has exposed the industry to competition from major foreign players.

The policy focus on domestic demand has led to the slow decline of Nigeria's textile and garment industry. Focus should instead shift towards removing the forced reliance of sub-sectors on other local sub-sectors and re-directing the industry towards exports and greater participation in global value chains.

### Structure of the textile and garment industry

Although the textile and garment industry as a whole is labour intensive, this varies across its sub-sectors. These sub-sectors range from the production of raw materials to the manufacturing of clothing. First there is the production of fibres, either natural from agricultural products like cotton or man-made from artificial fibres like polyester. Then there is the production of yarn from fibres, involving activities such as ginning, carding, combing, spinning and dyeing. Then there is the production of fabric from yarn, with activities like weaving or knitting, bleaching, dyeing and finishing. Finally, there is the production of the finished product from fabric, which results in clothing, home furnishings or other industrial uses.

Table 1: Textile and garment industry structure

Fibres	Yarn	Fabric	Finished product
Natural Man-made	Ginning Carding Combing Spinning Dyeing	Weaving or knitting Bleaching Dyeing Finishing	Clothing Home furnishings Industry

These sub-sectors differ in terms of their structure and skill requirements. The production of fibres tends to be labour intensive, especially in the cotton sub-sector. The end of the production process, involving the transformation of fabric into clothing and home furnishings, is also labour intensive. At the same time, the intermediary processes with regard to the production of yarn and fabric have become very capital intensive and reliant on technological innovations and improved machinery.

For instance, in the United States the “textile and textile products” industry with \$18 billion worth of value added employed only 113 900 people. On the other hand, the cotton production industry, with a production value of \$5 billion, employed 126 000 people. The apparel manufacturing industry, with \$9 billion in value added, employed 131 000 people. Cotton production and apparel manufacturing are thus relatively more labour intensive than the intermediary textile and textile products industry.

The same differences in labour intensiveness across sub-sectors are also observed in developing countries. In Bangladesh, for example, employment in the various sub-sectors is skewed towards the garment sub-sector, as shown in Table 2. If mass employment is the policy objective then certain sub-sectors are better policy targets than others.

Table 2: Employment in Bangladesh textile sector 2016

Type of mill	No. of unit	Production	Employment	Employment
Spinning	385	205 core kg	4 lakh	400,000
Weaving	721	215 core metre	80,000	80,000
Knitting	2800	410 core metre	60,000	60,000
Power loom	1065	40 core metre	43,000	43,000
Handloom	1,83,512	837 core metre	10.2 lakh	1,020,000
Dyeing Finishing	310	172 core metre	33,000	33,000
Garments	5063	44.4 core dozens	36 lakh	3,600,000
Sericulture	72	6.94 lakh kg	6 lakh	600,000
Jute		9.05 lakh ton		





## **Globalisation of the textile and garment value chain**

Another feature of the modern textile and garment industry is the globalisation of its value chain. The products from each sub-sector are non-perishable and easily tradable, meaning they can be bought and sold around the world with ease. In addition, global trade costs, including tariffs, transportation and communications costs, have reduced significantly over time. Average import tariffs on all goods for both developed and developing countries fell from 14% in 1952 to 3.9% in 2005, according to the World Trade Report for 2008. In the *Economic Enquiry* of 2013 Dennis Novy used the example of the United States, where trade costs with major trading partners dropped 40% between 1970 and 2000.

The ease of tradability in the textile and garment sub-sectors, combined with the decrease in global trade costs, has resulted in global value chains that are competitive but spatially dispersed. Cotton is grown in one location with the yarn and fabrics industry operating in another location, and the finished goods produced in a third location. Given these characteristics, vertical integration from fibres to finished product in any one country is rare. The question for each participant then is what sections of the value chain do countries participate in?



## **The Nigerian experience**

The Nigerian textile and garment industry has been exposed to the same pressures from an increasingly competitive global value chain. Historically, the industry in Nigeria was vertically integrated, with protectionist measures and generous oil-backed government support stimulating growth from the 1960s through the early 1980s. At its peak the industry reportedly employed 1 million people. However, the industry was not internationally competitive. Between 1980 and 1985 Nigeria exported almost no textile products, according to a 2013 study on the country's textile import restrictions.

The macroeconomic turbulence of the 1980s, which saw periods of high inflation and foreign exchange restrictions, as well as the withdrawal of support from the cash-strapped government, had significant negative consequences for the industry. At the same time, China emerged as an internationally competitive textile and garment producer. This exposed the Nigerian industry to fierce competition from cheaper Chinese imports, especially in the yarn and fabrics sub-sector. This happened despite the protectionist policies in place. Reduced trade costs, as well the non-perishable and lightweight nature of most textile products, saw imports bypass official restrictions with cheap imports smuggled into the country. The combination of reduced financial support from the government and de facto forced competition with international firms saw the sector decline.

Between 1985 and 2000 the number of textile manufacturing firms fell from 185 to 89, decreasing further to 16 in 2015. The tradeable nature of the industry, however, meant that domestic cotton producers did not suffer the same fate as textile manufacturers. As a result of the liberalisation of the currency in 1986 domestic cotton growers were suddenly more competitive and production increased from a low of 46 000 480lb bales to a peak of 459 000 480lb bales in 1995. Cotton production thus remained stable for a time, only starting to decline in 2010. It is currently at about half of historical production levels.

The garment industry, which is fairly labour intensive, remained stagnant throughout the 1980s and 1990s, but showed decent growth after the return to democracy in 1999. The textile, apparel and footwear sector grew at an average of 46.42% between 2010 and 2013, and had tripled in size in real terms by 2014. This growth was driven mostly by the garment industry. However, growth had been fuelled by domestic demand, with clothing and textile exports still insignificant. In 2017, only \$33 million worth of textile and clothing products were exported, dominated by packing bags and raw cotton exports, as the Comtrade Database shows. At the same time, Nigeria imported \$2.7 billion worth of textile products in 2017, with fabrics a significant part of those imports.

The structural problems are clear: Nigeria has a significant domestic textile and garment industry, but that industry is not competitive and does not participate in global value chains. Attempts to incentivise growth in the industry have focused on financial support and trade policy measures seeking to protect the industry from international competition. For instance, in 2009 the Federal Government established a N100 billion bond-funded cotton, textile and garment industry revival scheme aimed at increasing the industry's capacity utilisation. On the trade policy front, tariffs on some types of textile imports were increased to as much as 80%. At the same time some tariffs were reduced as part of the harmonisation with the Economic Community of West African States' (ECOWAS) common external tariff policy. Overall, government policies for the industry have had limited impact.



## Five-year policy review

Over the last five years the policy environment has continued to focus on the use of international trade restrictions and direct fiscal interventions. Although the government was limited by its commitment to the ECOWAS common external tariff regime, it still used indirect methods to restrict imports of textiles and clothing. Specifically, it placed textiles, woven fabrics and clothes on the list of items prohibited from accessing foreign exchange from official markets. This is equivalent to a tariff on imported textiles and garments, as importers faced an extra cost. The Central Bank of Nigeria (CBN) also launched an additional N50 billion intervention fund through the Bank of Industry, again to “revive” the sector. This was mostly directed at the defunct textile manufacturers.

The policy focus has remained on reversing global dynamics in the industry and rebuilding a vertically integrated domestic industry, which for most of Nigeria's history has not been able to compete internationally. Crucially, the focus has mostly been on the capital-intensive sub-sector of the industry, with cotton growers and garment manufacturers receiving little support. The forced reliance on domestic sub-sectors has worked to the detriment of other sub-sectors, which could have been more productive if they did not have to rely on inefficient partner firms.

For instance, cotton producers, owing to the absence of organised domestic markets, have been forced to sell their produce to an increasingly small number of textile firms. The oligopolistic structure of textile firms implies that pricing is typically depressed, with textile firms having enough market power to force down prices. At the other end of the scale, the garment industry has been forced to deal with high production costs owing to tariffs on their key raw material –fabrics – ostensibly to support textile firms. These policies to “support” defunct textile manufacturers have thus hurt other sections of the value chain that could have been competitive.

Finally, restructuring the industry for international competitiveness and exports has not been on the agenda at all. Unsurprisingly, the sector has failed to live up to its potential and the comatose capital-intensive sub-sectors have not been revived.





## Going forward

Going forward, policy for the textile and garment industry must focus on improving productivity and efficiency across the value chain and priming the sector for exports and participation in global value chains. Given the revolutions in the global textile industry, historical policy positions aimed at vertically integrating the sector are doomed to fail. The focus should therefore be on increasing the likelihood that each sub-sector of the value chain succeeds independently of other sub-sectors. Policy recommendations for the sub-sectors are as follows:

### Cotton farmers

1. **Market development:** The creation or formalisation of markets should be a policy focus to allow farmers, who are mostly small-scale, to quickly and easily sell their produce at competitive prices, and to take advantage of modern financial planning tools.
2. **Agricultural extension services:** Agricultural extension services should be made available for farmers, specifically focused on increasing yields through better farming practices and disease management.

### Man-made fibres

1. **Plastics to polyester:** Nigeria is in a key position to explore the man-made fibre sector, specifically polyester manufacturing. The country produces a significant amount of crude oil, as well as a large amount of plastic waste, which can be turned into polyester. Its abundant low-



skilled labour also makes it a good destination for the global plastic-to-polyester industry. A plastic-to-polyester roadmap should be developed.

### **Textile mills**

1. **Access to cotton markets:** The old, inefficient and large textile mills may not be revivable. Newer, more efficient and smaller textile mills need to be encouraged. These mills will probably not require the vertically integrated farm-to-fabric structure of the 1980s, but will need access to the highest quality and competitive natural or man-made fibres, regardless of whether they are locally produced or imported. Market development, and open access to international markets for raw materials, should be a priority.
2. **Energy security:** The capital-intensive nature of modern textile mills implies that energy requirements are crucial to their survival. Natural gas currently has the most potential as a source of cheap energy for industrial use. However, most firms may not be directly on the current gas pipeline network. Extending the gas pipeline network to key industrial areas, or offering incentives for liquefied natural gas applications, should be a priority.

## **Garment industry**

1. **Export focus:** The priority from the start must be to prime the garment industry for exports, and therefore to be competitive internationally. Although the domestic market seems large, it is still a fraction of the international garment industry. For context, Statista Research estimated the global apparel industry to be worth \$1.68 trillion in 2015. The Nigerian apparel industry in 2015 was only worth \$9.3 billion, or 0.6% of the global industry. If sustained growth is the objective, then the focus must be on participation in international markets. Policy must be focused on productivity growth, efficiency and cost reduction.
2. **Human capital investment:** The garment industry may not require intensive tertiary education, but it does require simple skills that can easily be learned by unskilled workers. Training centres for various skills in the garment industry should be incentivised. These training centres do not need to be free, but they do need to exist and constantly train workers who are ready to perform the jobs required in the garment industry.
3. **Access to raw materials:** As with any industry, access to raw materials, and specifically the costs of these raw materials, is fundamental for success. The garment industry needs to be able to access the highest quality and cheapest raw materials, regardless of where they are produced. The current high import tariff for fabrics also needs to be revised, as it adds significant costs to the garment industry and makes it less competitive internationally.

## **Conclusion**

In conclusion, the textiles and garment industry, from cotton to clothing, can be a key driver of the Nigerian economy, creating jobs and improving workers' standard of living. However, for this to occur each sub-sector in the industry should be given the opportunity to thrive independently of the other sub-sectors, especially the labour-intensive sections of the chain. Improved productivity and efficiency should be the key focus, as should production for exports, which has the potential to bring about significant long-term growth.



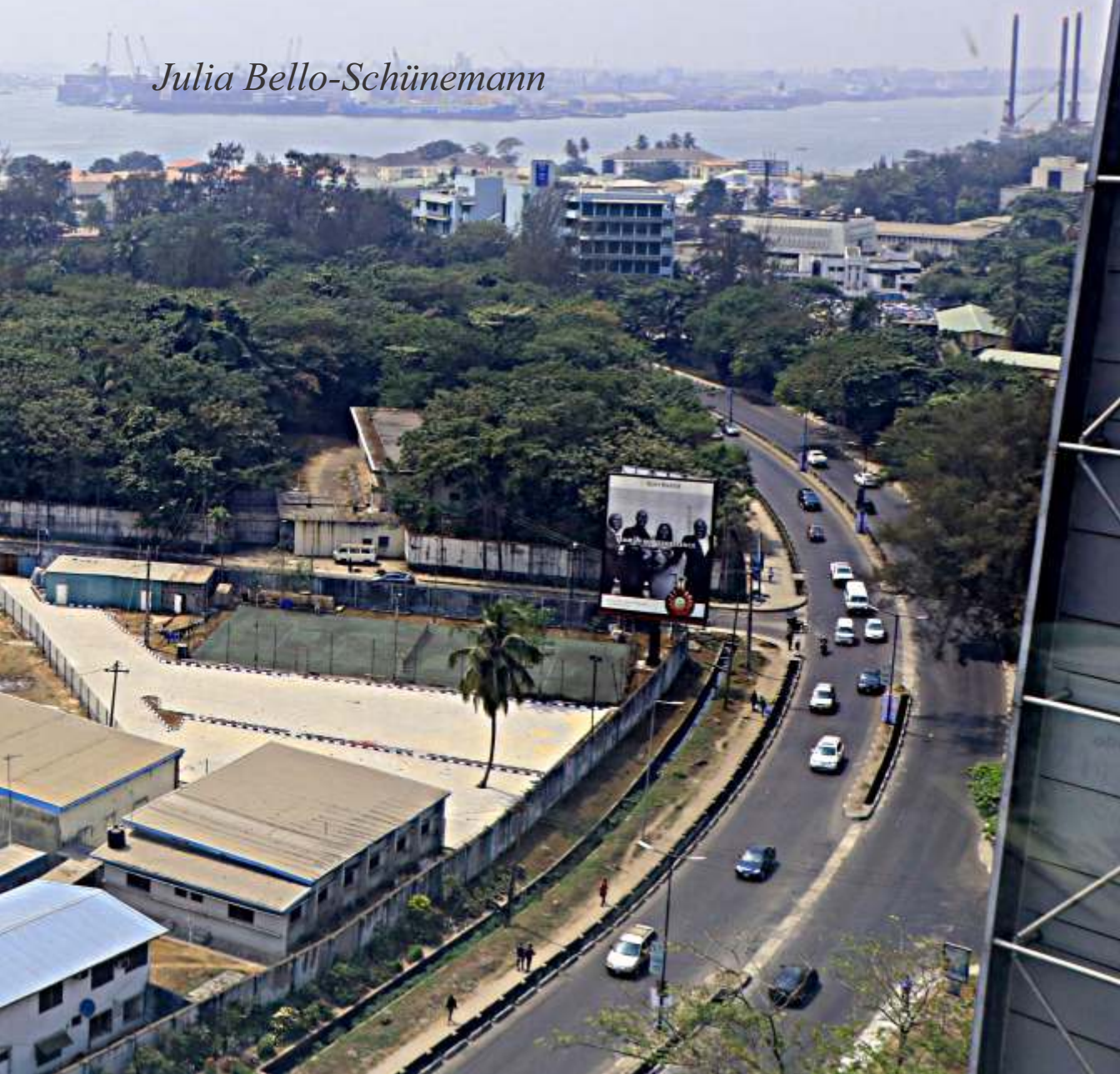
Planning is good governance

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# Data and foresight key to development

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*Julia Bello-Schünemann*



## Key Recommendations

- Buhari's government and future administrations need to invest more strategically in data and planning. They need to ramp up funding and support to the National Bureau of Statistics and the National Population Commission.
- Until such efforts bear fruit, the Buhari administration should work pragmatically with the best available evidence using credible data curation and validation mechanisms.
- Sector experts can validate and creatively leverage existing data. Sectorial expertise must be used in a coordinated, systematic and objective – not politicised – manner.
- The government needs to engage diverse stakeholders in sustained conversations to infuse smart data into planning, including civil society initiatives like BudgIT or Connected Development which possess rich, grassroots-level data.

**T**he Nigerian government urgently needs to invest in strategic foresight and integrated long-term planning to set the country on a path of growth and prosperity. By 2040 and based on current trends, more than 360 million people are expected to live in Nigeria of which over 140 million are likely to live in extreme poverty or on less than USD 1.90 a day. Reversing this trend requires good policies rooted in evidence and sound planning.

During President Muhammadu Buhari's speech on Democracy Day in June 2019, and again when he addressed the United Nations General Assembly in New York in September later that year, Buhari promised that his government would lift 100 million Nigerians out of poverty over the next ten years. He did not explain how this promise would be fulfilled. Astute use of data and forecast can help frame action to translate such ambition into realistic policy plans.

Contrary to Buhari's claim, the International Futures system (IFs), a global integrated modelling platform housed and developed at the Frederick S. Pardee Center for International Futures at the University of Denver (see Box 1), shows that the number of extremely poor Nigerians is set to rise by about 26 million over the coming decade. Projecting on where Nigeria is currently headed, more than 30 million more Nigerians are likely to suffer from extreme poverty by 2040. That is roughly equivalent to Ghana's current population. In short, Nigeria is not on track to meet Goal 1 of the Sustainable Development Goals (SDGs) which is to 'eradicate extreme poverty for all people everywhere' by 2030.

Nigeria's government in setting ambitious targets needs to work with realistic data and models, explaining how it intends to reach set milestones. In other words, targets should be the result of comprehensive planning processes that factor in the best available data and different options for policy interventions.

### **Poor planning is bad governance**

Poor development outcomes in Nigeria are a direct result of bad governance and defective choices made by decisionmakers mandated to effect changes to benefit society. Good governance requires government to effectively formulate and implement sound policies for improved human development, according to the World Bank's World Governance Indicators project. In other words, the choices that Nigeria's leaders will make over the next decade will determine whether the living conditions for Nigerians will improve, stagnate or further deteriorate.

### **Box 1: The International Futures (IFs) forecasting system**

Based on Barry B. Hughes' book published in 2019, *International Futures: Building and Using Global Models*, IFs is a global modelling platform that integrates a large number of data series across a wide range of development systems. These include agriculture, economics, education, energy, the environment, infrastructure, health, governance, technology and international politics. In addition, the model has a repository of more than 4,000 data series for 186 countries and can forecast hundreds of variables to 2100.

IFs is an integrated assessment model, meaning it utilises multiple modeling techniques, such as econometric modeling, computer-generated equilibrium models, and social accounting matrices, to produce forecasts.

The tool allows users to undertake three types of analysis. First, to explore historical trends and the relationships between development systems to get a better understanding of how a country or region has progressed over time. Second, these relationships are formalised within the model to produce an integrated Current Path scenario. This Current Path scenario helps users to understand where a country or region seems to be heading under current circumstances and policies and barring major shocks to the global system. Third, IFs allows for scenario analyses to augment the Current Path scenario by exploring the leverage that policymakers may have to push different systems toward more desirable outcomes.

No planning or ad-hoc policy making is not going to improve Nigeria's development outlook but will make it worse. Several of the policy changes proposed in this volume require this planning and data-driven approach to governance. Better foresight and a more strategic approach to planning is necessary to identify the best levers to grow the economy and create prosperity for all. Firstly, this means investing time and effort to understand Nigeria's situation today, where the country is coming from and where it is headed on its current trajectory. Secondly, it means setting priorities and targets that are ambitious but realistic. Appropriate policies need designing and implementing. Integrated forecasting which considers how different systems such as demographics, the economy, health, etc are connected can help.



## Nigeria's current development trajectory

Besides widespread poverty, Nigeria faces numerous other interconnected challenges, such as poor health and education outcomes, a severe infrastructure deficit, slow economic growth and high levels of inequality. Other challenges include overreliance on natural resources for revenue generation (coupled with severely underdeveloped industrial and agricultural sectors), a large informal sector and low levels of productivity. Extremely fast population growth undermines progress, and high levels of conflict and violence also compromise human development.

How exactly Nigeria's future will unfold is uncertain. However, and despite the notoriously imperfect evidence base, we probably know more about it than many experts acknowledge. The future of some systems, such as agriculture or governance are characterised by great uncertainty, according to a 2018 report by Jonathan D. Moyer and others, *Africa's path to 2063: Choice in the face of great transformation*. However, other trends such as population dynamics are easier to anticipate as this is driven by births, deaths and to a lesser extent migration. In fact, demographics is where every sensible planning exercise must start.

In Nigeria, politics has been in the way of conducting a national census since the one carried out in 2006. However, if the government takes planning for vital sectors, such as health, education, and infrastructure seriously, at the very least it needs to know how many people are living in the country and how large the population can be expected to be in the future. The National Population Commission says that it is ready to conduct a census, but still awaiting green light from President Buhari, according to a 2019 report in the Premium Times newspaper.

In the absence of data, estimates are better than nothing and certainly good enough to understand the broader trend. The United Nations Population Division estimates that since 1990, Nigeria's population has more than doubled from about 95 million to close to 210 million people today. According to the IFs model, an expected 58 per cent increase will push this figure to more than 360 million Nigerians by 2040 of which more than 60 per cent will live in urban areas compared to just over 50 per cent at present. This extraordinary pace of population growth will exacerbate the existing challenges of the Nigerian state in providing essential services to all its citizens.

Nigerians currently have one of the lowest levels of access to improved basic infrastructure anywhere in the world, according to the IFs model. Basic infrastructure includes clean water, improved sanitation, electricity and roads. In fact, most economies in the lower-middle income range like Nigeria have better infrastructure, both in and outside of Africa. This is according to the 2017 paper by Julia Bello-Schuenemann and others, titled *Building the future: infrastructure in Nigeria until 2040*. On Nigeria's current trajectory, this situation is unlikely to improve over the next 20 years.

According to IFs, by 2040, more than 60 million Nigerians are expected to lack access to clean water compared to 40 million today. Roughly 180 million people will likely not have access to improved sanitation compared to the current 137 million. On the current path, Nigeria will miss both SDG goals on universal access to safe water and improved sanitation by 2030. As in the case of extreme poverty, the share of Nigerians without access to clean water and improved sanitation will fall, but the absolute number of citizens deprived of these essential services will increase. Extremely fast population growth coupled with slow economic growth is a dead end for development.

Improved water and sanitation infrastructure drive human capital through its impact on health, education, equality and empowerment, which are all fundamental components of economic productivity and growth. Using IFs to model different infrastructure interventions, the 2017 paper by Bello-Schuenemann and others found that increasing access to improved sanitation and safe water in Nigeria will have a greater direct impact on economic growth and development indicators (notably health) by 2040, as opposed to increasing access to electricity or investing in roads.

Yet, improving access to water and sanitation has historically been overlooked in Nigeria. This view is supported by the Bill and Melinda Gates Foundation as widely reported in the Nigerian media in 2018. In fact, the government's Economic Recovery and Growth Plan (ERGP) emphasises investment in infrastructure, especially in power, roads, rail, ports and broadband networks to improve the national infrastructure backbone. This is crucial for a more productive economy, but for an economy to prosper in the longer term, it needs to rely on a healthy and educated workforce.

According to IFs and based on data and estimates from the Barro-Lee Educational Attainment data set, the average Nigerian adult (over 25 years old) currently has 7.5 years of education, slightly above the average of seven years in its income peer group. Though, this is below close to ten years in South Africa, the top performer in sub-Saharan Africa. By 2040, the average years of education in Nigeria are only expected to increase to close to 8.2 years. Nigeria's education sector is chronically underfunded. Spending on education hardly represents six per cent of the national budget; far less than the international recommended standard of between 15 and 20 per cent.

In fact, the share of the national budget that the first Buhari administration allocated to education has been decreasing from around twelve per cent in 2015 to just over nine per cent in 2016 to about seven per cent in both 2017 and 2018. In the 2019 budget the allocation for education remained similarly low. Budget performance is another problem, but if the allocation for education is too low in the first place, that already compromises what could potentially be achieved.

By 2040, the size of Nigeria's working-age population (people aged between 15 and 65 years) is expected to more than double, getting close to 210 million people. The economy will benefit from a larger workforce, but without improving overall skills levels productivity is unlikely to increase. Economic growth will fall short of what it could be. Moreover, the size of the workforce needs to be analysed in relation to the size of the population that is not working, essentially children and the elderly. Nigeria's persistently high birth rates coupled with increasing life expectancy means that relatively fewer workers will have to look after a relatively larger pool of dependents for the foreseeable future. In other words, Nigeria is still several decades away from a truly favourable population age-structure that propels economic growth. And if Buhari's government and subsequent ones do not aggressively invest in human capital and job creation, Nigeria will not be able to capitalise on this so-called demographic dividend as it should.

## **Planning for development and Buhari's track record**

Since the transition to democracy, Nigeria has seen several plans, including the National Economic Empowerment and Development Strategy (NEEDS) (2003-2007); Vision 20: 2020; the Transformation Agenda; and the Economic Recovery and Growth Plan (ERGP), all launched respectively under the Obasanjo, Yar'Adua, Jonathan and first Buhari administrations. Vision 20:2020 aimed to transform the Nigerian economy to join the top 20 global economies by 2020, an objective which like many others has not been met. Nigeria is currently the 28<sup>th</sup> largest economy in the world

In fact, these plans all identified similar structural constraints to growth and development and yet all consistently fell short of achieving their stated goals. This is due to poor implementation and a lack of political determination to change course, as well as reflecting poor planning in the first place.

The first Buhari administration (2015 - 2019) has not engaged in any comprehensive or integrated long-term planning exercise to address Nigeria's multi-layered development challenges. Planning mostly takes place in silos if at all. The cornerstone of the government's efforts has been the ERGP. The plan was launched in March 2017 after the Nigerian economy had entered into a recession, triggered inevitably by the drop in oil prices and Nigeria's heavy dependency on oil exports for revenue generation. The ERGP's strategic objectives are to restore growth, invest in people and build a competitive economy. There is no systematic roadmap sequencing or explaining paths to the set objectives.

The plan promises that 'by 2020 Nigeria will have made significant progress towards achieving structural economic change and having a more diversified and inclusive economy'. Yet, according to the report of the National Bureau of Statistics (NBS) on Gross Domestic Product for the Third Quarter 2019, the structure of the Nigerian economy in terms of contribution to real GDP by sector has changed only marginally since. More importantly, despite the rhetoric on economic diversification, crude oil still accounts for close to 90 per cent of the country's foreign exchange.

Perhaps unsurprisingly, Nigeria has fallen short of the plan's predictions for economic growth, according to a *Quartz Africa* article of May 2019 written by Yomi Kazeem. In 2018, the economy grew an average 1.9 per cent instead of the anticipated 4.8 per cent. In 2019, average growth was about 2.2 per cent versus the ERGP projection of 4.5 per cent. The ERGP assumption of seven per cent growth in 2020 stands in sharp contrast with growth projections of 2.5 per cent and 2.1 per cent by the IMF and the World Bank respectively. The question is how did the architects of the plan arrive at such figures in the first place?

### **Improving statistical capacity is a long-term goal**

The 2019 Mo Ibrahim African Governance Report states that, 'quality statistics are essential for all stages of evidence-based decision-making, which include monitoring of social and economic indicators; allocating political representation and government resources; guiding private sector investment; and information for the international donor community for programme design and policy formulation'.

On 9 October 2019, President Buhari endorsed the importance of data for planning with the following tweet: 'We can only plan realistically when we have reliable data. As a government we are taking very serious steps to improve the quality of data available for policymaking, and today I charged the Presidential Economic Advisory Council to prioritize the collection of Primary data.' However, it is not clear which steps the government has taken or is planning to take. In fact, according to the 2019 African Governance Report, Nigeria's statistical capacity has been deteriorating over the period from 2014 to 2017.

Producing systematic, accurate, relevant, comparable and timely data is a costly task that requires long-term commitment. For now, that commitment is missing. President Buhari's complained in an October 2019 Premium Times newspaper report that 'today, most of the statistics quoted about Nigeria are developed abroad by the World Bank, IMF and other foreign bodies' and that 'some of these statistics are wild estimates that bear little relation to the facts on the ground'. This cannot distract from the dire state of Nigerian data. Worse, it remains the basis for international data providers despite its patchiness.

## **Recommendations**

1. Buhari's government and future administrations need to ramp up funding and institutional support to the NBS and the National Population Commission for the purpose of the national census. This is a strategic investment in the future of data and planning. Until such efforts bear fruit, the Buhari administration should work pragmatically with the best available evidence.
2. Sector experts, with which Nigeria is abundantly blessed, offer possibilities to creatively leverage and re-validate existing data. Data on Nigeria is imperfect, but will serve more useful purposes such as illustration of major trends in policymaking planning. This requires coordinated, systematic and objective – not politicized – use of sectorial expertise.
3. Furthermore, sustained, open and better structured stakeholder conversation involving government alongside diverse stakeholders can help mainstream accurate and smarter data for planning with the insights of specialists and diverse practitioners and artisans. The current lack of statistics for planning contributes to a poor understanding of Nigeria's complexity. It in turn exacerbates the opacity that surrounds policy processes whilst entrenching the general transparency and accountability challenges in Nigeria.
4. Government should recognize and cultivate civil society initiatives as a rich source of grassroots-level data. These include BudgIT, Connected Development, TrackaNG and Follow the Money International, etc. which positively challenge the status quo. Decision-makers must recognise them as authentic ground-level initiatives helping to gauge, measure, track and positively direct governance discourses in the Nigerian public sphere.

The background of the entire page is a vibrant, abstract illustration of numerous hands reaching upwards from the bottom and sides towards the center. The hands are rendered in a variety of colors including shades of purple, blue, yellow, orange, and pink, with some hands having darker, textured patterns. They are all oriented with fingers spread, creating a sense of collective effort and aspiration.

For the people and of the people

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# Towards a truly representative and accountable democracy in Nigeria

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*Olu Fasan*



## Key Recommendations

- Nigeria needs a new political and constitutional settlement: it must restructure and develop a constitution that devolves significant power to its federating units.
- Nigeria's economic future lies in being a robust free-market economy: it must abandon protectionism and embrace a competitive market economic system, including using its membership of AfCFTA to trigger needed reforms.
- To be truly representative, Nigeria's democracy must be credible and accountable. This necessitates changes to electoral laws to guarantee credible elections, and institutional revamps and checks and balances to protect against abuse of power and bad government
- Nigeria must rebuild its institutions of governance to boost state capacity and government effectiveness. A normative agenda that promotes positive values, notably anti-corruption is needed to underpin this.

This analysis explores whether Nigeria is, in the true meaning of the phrase, a “representative and accountable democracy”. The discussion is divided into four parts. The first sets out the context: when is a democracy truly representative and accountable? The next section addresses the question of whether Nigeria meets the standards of a genuinely representative and accountable democracy. The final part develops a theoretical framework for understanding why a democracy may or may not be truly representative and accountable, and applies the framework to explain the nature of Nigeria's democracy. The analysis concludes with recommendations.



# DEMOCRACY

## **What does a representative democracy look like?**

Unlike a direct democracy, where elected officials are mere “delegates”, with the people deciding directly what laws and policies they want, in a representative democracy citizens elect others to represent them and govern on their behalf. A representative government is thus based on the consent of the governed, expressed freely by votes in elections. This suggests an agency relationship in which the elected government becomes the agent of the people, working for and being accountable to them.

Several great philosophers have long shown that governments have their roots in an implied social contract. Thomas Hobbes and John Locke, the two greatest social contract theorists, reached the same conclusion, albeit from different premises, on the origins of government. Hobbes argued that humans are, by nature, barbaric, but for the sake of self-preservation men have submitted themselves to a civil government to insulate them from arbitrary violence. For Locke, men are not inherently barbaric, but rather seek perfect liberty. However, as humans cannot guarantee their own safety and protect their own properties themselves, they have surrendered some of their individual freedom to a civil government in return for the state's safeguarding their lives, liberty and property.

It is from the Hobbesian and Lockean formulations of the social contract that we derive the universal credo that the primary duty of a government is to protect the lives, properties and general wellbeing of its citizens. Thus, in assessing whether Nigeria is truly a representative and accountable democracy, one must ask: 1) whether its democracy produces government based on the genuine consent of the people freely expressed in credible elections, and 2) whether the government works as the agent of the people, meeting their basic needs. In other words, is there a meaningful social contract between government and citizens in Nigeria?

### **How representative and accountable is Nigeria's democracy?**

There are two aspects to this question. The first deals with the nature of Nigeria's electoral democracy. To address that question, one must rely on assessments of recent general elections in the country. The second aspect is whether Nigeria's presumed representative government acts as the agent of citizens, serving their best interests. For that, this section draws on Nigeria's performance in global indexes on governance and social progress.

### **Electoral democracy in Nigeria**

Nigeria has held six general elections since the country's return to civil rule in May 1999. Most were marred, to varying degrees, by violence and malpractice. Against the backdrop of the violent 2011 elections, the 2015 presidential election was conducted under intense international scrutiny as the world sought to prevent Nigeria from descending into post-election conflict. In the end, the election was relatively peaceful and, for the first time in Nigeria, an incumbent president was defeated by a challenger when President Goodluck Jonathan lost to Gen. Muhammadu Buhari. To his credit, Jonathan set a precedent by conceding defeat to Buhari, a gesture that helped to avert massive bloodshed and the destabilisation of the country.

The 2019 general election, however, was far less successful. Its credibility was seriously undermined by heavy militarisation, massive violence and intimidation, and widespread vote buying. As the European

Union Election Observer Mission (EOM) said in its final report, “Nigeria's 2019 general elections were marked by severe operational and transparency shortcomings, electoral security problems, and low turnout.” On vote buying and the abuse of incumbency, two factors that could thwart the will of the people in an election, the EOM said, “Instances of the misuse of state resources and vote-buying were evident and remained generally unaddressed.”

The result of the presidential election, in which Buhari was re-elected, was challenged in the election tribunal by his main opponent, former Vice President Atiku Abubakar. Despite the tribunal's finding in favour of Buhari, the truth is that Nigeria's representative democracy has huge credibility and legitimacy problems. The will of the people can hardly be said to be freely expressed in elections marked by militarisation, violence and intimidation – which disenfranchise voters and depress turnouts – as well as the misuse of state resources, vote buying and bribing of polling staff and police, as highlighted in the EOM report.

But if, for analytical purposes, one assumes that elections in Nigeria broadly reflect the will of the people, the next question is: has Nigeria's representative government acted as the agent of citizens, working for and being accountable to them? If the social contract is an implicit agreement between the government and the governed, in which citizens elect a government in return for the government's meeting their basic needs for safety, education, healthcare, etc., is this social contract functioning well in Nigeria?

### **Measuring governance and social progress in Nigeria**

Any assessment of whether a representative government is working for the country's citizens must start with its capacity to manage the economy. This is because the ability of a government to tackle social challenges, such as poverty and insecurity, depends in large part on whether it can run its economy in a way that generates prosperity for all. So, what has been the state of Nigeria's economy over the past five years?





Buhari, in May 2015, inherited an economy that had started to decline in 2014 following the collapse of world oil prices. On assuming power, he failed to appoint a cabinet in his first six months in office and pursued misguided economic policies, including a rigid exchange rate regime that damaged investor confidence, led to capital flight and worsened the economic situation.

For the first time in two decades, Nigeria's economy went into recession, with a negative growth rate of -1.5% in 2016. Growth, at about 2%, has remained anaemic, insufficient to tackle Nigeria's deepening unemployment and grinding poverty. At the same time the country's population is increasing at well over 3% annually, outpacing growth.

High unemployment and poverty are inevitable consequences of low economic growth. Unemployment rose from 8.2% in 2015 to 23% early in 2019. Youth unemployment rose from 3 million in 2015 to 13 million in 2018 (a 263% increase over three-and-a-half years). With such an appalling unemployment situation comes poverty. Indeed, in 2018, according to the Brookings Institution, Nigeria became the “poverty capital of the world”, having overtaken India as the country with the largest number of people living in extreme poverty. According to the World Bank, 92% of Nigerians live on less than \$5.50 a day, while a recent United Nations (UN) report said that two-thirds of the world's hungriest people live in Nigeria and seven other countries. The government's social intervention programmes seem to have had little impact on poverty reduction.

To the grinding poverty, one must add debilitating insecurity. The 2018 Legatum Security Index for Safety and Security ranked Nigeria as the fifth most dangerous (i.e. least safe) country in the world. Boko Haram and the “killer herdsmen” were recently listed on the Global Terror Index as, respectively, the first and fourth most dangerous terrorist organisations in the world. These two violent groups have killed thousands of Nigerians and continue to operate with impunity across the country.





In addition to poverty and insecurity, most Nigerians live in appalling conditions, with no access to basics such as good healthcare, high-quality education and proper sanitation. For instance, according to the World Bank, nearly 50% of Nigerians have no access to electricity, and UN data shows that only 29% have access to sanitation.

A joint study by the London School of Economics and Oxford University titled *Escaping the Fragility Trap* listed the following as “symptoms of state fragility”: 1) a security threat from organised non-state violence; 2) lack of government legitimacy; 3) weak state capacity for essential functions; 4) unattractive investment climate; 5) an economy that is exposed to shocks with little resilience; and 6) deep divisions in society. Looking at these symptoms, it is difficult not to conclude that Nigeria is a fragile state with severely weak capacity.

Nigeria lacks the capacity for essential functions. It ranked 162nd out of 193 on the 2017 Government Effectiveness Index; scored 0.34 on the 2018 Human Capital Index, the 5th worst in the world; and ranked 157th out of 189 on the 2018 Human Development Index. With government revenue at 6% of gross domestic product (GDP) in 2017, Nigeria has the lowest tax/GDP ratio in Africa, and with government spending at 8% of GDP it has one of the lowest government spending/GDP ratios in the world.

Unsurprisingly, the woeful failure to provide basic amenities, coupled with widespread corruption, means that successive Nigerian governments have lacked legitimacy in the eyes of citizens. The World Economic Forum's 2018 Index on "Trust in politicians" ranked Nigeria 130th out of 137. This deep distrust of government undermines respect for state authority, including voluntary tax compliance.

The foregoing suggests that politics and governance in Nigeria are broken and that Nigeria's democracy is not truly representative and accountable, to the extent that it is not working for citizens. Elections in the country are, as Ivan Krastev puts it, "a collective celebration of popular powerlessness" – after elections, elected officials do virtually nothing to improve the lives of citizens, and citizens have no means of controlling or holding them to account between elections. They have to wait until the next elections to make their will felt, but, as shown above, the elections are likely to be marked by vote buying and other malpractices, thereby lacking credibility and, arguably, legitimacy.

But why would a state consistently fail to better the lives of its citizens, and under what conditions would it be able to do so? That brings us to the following analytical framework, drawn from academic research.

**Analytical framework:** The determinants of effective and inclusive state  
Professor Paul Collier of Oxford University made it clear in a seminar titled "From poverty to prosperity: Understanding economic development" that every state had once been fragile, even anarchic. However, some successfully transitioned from anarchy to being an effective state, and from an effective state to being an inclusive one; that is, a state where ordinary people are a lot better off.







For a state to be effective, it must have the following characteristics: a strong army, i.e. a monopoly of violence within its jurisdiction; an effective tax system to raise revenue; the rule of law and a credible regime for contract enforcement to facilitate trade and commerce, which generate more revenue; rudimentary infrastructure and markets, which further increase trade and revenue; and a democracy, to give citizens a voice. For a state to be an inclusive one, it must not just be effective but must also improve the welfare of citizens. Nigeria is not even an effective state, let alone an inclusive one.

### **Why would a state fail to meet those standards?**

#### **Building institutions is key**

In their book entitled *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, Daron Acemoglu and James Robinson argue that states fail or succeed because of the nature of their political and economic institutions. They make the same point as Douglas North, the institutional

economist and Nobel Prize winner, namely that different institutions will create different incentives and produce differences in economic prosperity in states.

They stress that political and economic institutions interact in either causing poverty or creating prosperity, but emphasise the primacy of politics and political institutions. For instance, while economic institutions create the incentives that generate prosperity, politics or the political process determines which economic institutions are created, and political institutions determine how the political process works. Specifically, political institutions, such as a constitution, can establish democratic and governance principles, create limitations on the use of political power, ensure the distribution of power broadly in society and enable citizens to control politicians and influence how they behave. All of these, in turn, determine whether politicians act as the agents of citizens and pursue sensible policies that generate prosperity for all.

However, as Collier argues, not every government has the incentive to create or foster the critical institutions of political and economic governance, such as an independent judiciary, an independent electoral body, the rule of law, free market and property rights, a strong and fearless media, a vibrant civil society, etc. This is because such institutions, if they function properly, check the government itself and limit the ability of the elite to misrule and exploit the people. Further, weak states usually follow a path shaped by the status quo, i.e. by existing failed institutions, rather than adopt transformational change.

Yet, it is precisely the existence and the flourishing of such inclusive institutions that determine whether a society is a genuine representative democracy. That said, the nature of representative democracy, which is based on citizens' electing others to govern on their behalf, means that there is a potential for an agency problem, in the sense that an elected government may not, as stated above, willingly create such institutions of governance. It is therefore imperative in a representative democracy that citizens put pressure on the government to provide such public goods. Whether those in authority face such political and societal pressures depends on the existence in a country of a critical mass of well-informed citizens. This, in turn, depends on societal norms and values.

Norms and values matter. As North's work makes clear, any conception of the role of institutions in incentivising behaviour must consider their formal and informal aspects. Formal institutions are tangible rules and structures, such as the constitution and the courts; informal institutions are norms of behaviour and values. Thus, the overarching insight from the above theoretical analysis is that formal and informal institutions, political and economic alike, interact in determining whether a society has a healthy representative democracy that is both effective and inclusive in creating prosperity.

## **Conclusions and recommendations**

The above diagnosis shows that Nigeria is not a genuine representative democracy, let alone an effective and inclusive state. In her book, entitled *Fighting Corruption Is Dangerous*, Dr Ngozi Okonjo-Iweala, Nigeria's former Minister of Finance, lists the following as factors undermining governance in the country: inappropriate policies, inefficient and non-transparent institutions, corruption, capture by leaders and rent-seeking elite. This makes Nigeria what Acemoglu and Robinson call an “extractive” state; that is, a state where a small elite dominates and exploits the people. It also means that Nigeria lacks the ideals of inclusive and representative democracy, which explains why it is struggling to become an effective state that can generate prosperity for its people.

Nigeria needs, among others:

- 1 a robust market economy structure to generate economic prosperity;
- 2 electoral legislation and practices that make its representative democracy credible and legitimate;
- 3 channels for political participation that ensure its citizens can influence the government's policy agenda between elections, which would also help create a critical mass of well-informed citizens;
- 4 checks and balances that limit political power and abuse of office; and
- 5 a normative agenda aimed at engendering the right social attitudes about good governance, unity, the values of public service, etc.





More specifically, the following recommendations are made.

### **The economy**

- I. Nigeria should make a policy shift away from protectionism and adopt free market policies, including a flexible exchange rate, subject to relevant regulatory safeguards, such as a robust trade remedies regime.
- II. Nigeria should, over the next five years, use its membership of the African Continental Free Trade Area (AfCFTA) to transform its economy into an open, competitive and export-oriented one, with particular attention paid to building its productive and trade capacities.

### **Electoral democracy**

- III. Nigeria should amend its Constitution and electoral legislation to promote credible elections, including prohibiting militarisation and misuse of state resources to gain an electoral advantage. Vote buying should be made a criminal offence.
- IV. Where the electoral law already creates electoral offences, they should be strengthened and strictly enforced.

### **Channels for political participation**

- V. Nigeria should consider creating citizens' assemblies at various levels of government to encourage a deliberative democracy, which would strengthen its representative democracy. Citizens' assemblies are one way of diffusing power and ensuring citizens are involved in governance between elections.
- VI. Every major government policy initiative should be accompanied by an Impact Assessment, signed off by the Auditor-General, and subjected to a statutory public consultation that is open and transparent before it is adopted and implemented.

## **Institutions of checks and balances**

- VII. The Constitution should be amended to guarantee the absolute independence of, and non-interference with, institutions of checks and balances such as the judiciary, the central bank, the office of the Auditor-General, the electoral commission and the media. Non-compliance with court rulings should be declared an abuse of office in the Constitution.
- VIII. Independent non-governmental organisations, such as the UK Institute of Fiscal Studies and Institute of Government, should be empowered in Nigeria and encouraged to publish research on governmental practices and policies with reasonable access to official documents.

## **Normative agenda**

- IX. Nigeria should consider creating a national body, consisting of respected elder statesmen, traditional rulers, religious leaders and other civil society leaders, with the moral authority to act as the conscience of the nation and to pronounce on national issues from a values-based perspective. They should lead the agenda, working through social, political and economic networks, to influence social attitudes in a way that engenders a sense of common purpose for the progress of Nigeria.



