key figures

- Land area, thousands of km²: 924
- Population, thousands (2005): 131,530
- GDP per capita, $ PPP valuation (2005): 1,776
- Life expectancy (2000-2005): 43.3
- Illiteracy rate (2005): 29.2
WITH A PRESIDENTIAL ELECTION looming in early 2007, Nigeria’s economic and political situation is approaching a critical juncture. Despite encouraging progress, it is too early to judge whether the reforms implemented under President Obasanjo’s administration will prove to be durable enough to reverse the Nigerian paradox: abysmal poverty in the midst of an abundance of natural and human resources.

With respect to key Millennium Development Goal (MDG) poverty and social indicators, Nigeria compares unfavourably with the averages for low-income countries. This sad state of affairs is the culmination of decades of poor economic management, malfunctioning institutions and corruption resulting in low economic growth, infrastructure decay, and the accumulation of large external and domestic debts.

The democratic election of President Obasanjo in 1999 marked a potential turning point for Nigeria. In March 2004, the federal government unveiled the latest reform programme, the National Economic Empowerment and Development Strategy (NEEDS), with a simultaneous state-level programme, the State Economic Empowerment and Development Strategy (SEEDS). The NEEDS differs in important ways from previous programmes: it is thought to be more far-reaching, realistic and better co-ordinated, and to reflect the input of all the country’s stakeholders. The NEEDS initiative appears to be yielding results. Macroeconomic indicators have shown remarkable improvement in recent years, although the extent to which these gains reflect improved policies or high oil prices remains to be seen. According to the official statistics, strong GDP growth continued in 2005 at an estimated rate of 4.4 per cent, although more recent estimates suggest a growth rate closer to the 6.1 per cent recorded in 20041, still well below the medium-term NEEDS target of 10 per cent per annum.

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1. This was noted in President Obasanjo’s 2006 Budget Speech. The 6 per cent growth is, however, higher than the forecasts produced by a number of international organisations and agencies. For instance, the Economist Intelligence Unit (EIU) estimates GDP growth at 4.8 per cent in 2005.

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Nigeria's current-account surplus in 2005 widened and international reserves increased substantially, but inflation showed little sign of abating. Another noteworthy achievement for Nigeria in 2005 was the historic obtainment of debt reduction from the Paris Club, writing off 67 per cent (equivalent to $18 billion) of Nigeria’s external debt.

**Recent Economic Developments**

Macroeconomic developments in recent years have been encouraging, with GDP growth averaging 6 per cent for 2000-05. After peaking at 10.2 per cent in 2003, growth slowed to 6.1 per cent in 2004. Growth in 2005, estimated at 4.4 per cent, a much lower rate than the government’s figure, was broadly based, with the oil, agriculture, construction and telecommunications sectors performing particularly well. High world oil prices have provided a big boost to the oil sector in recent years. In 2005, agricultural output increased by 7 per cent, up from 6.2 per cent in 2004, reflecting both favourable weather conditions and government efforts to increase farmers’ access to credit and fertilizers. Construction was estimated by the government to grow by 10 per cent in 2005 as a result of booming real-estate development. Nigeria's telecommunications sector grew by 12 per cent following its accelerated liberalisation and privatisation, which led to the introduction and rapid spread of the global system for mobile communications (GSM) services. The number of mobile phone lines increased from 230,000 in 2001 to 8.3 million in 2004 while fixed land lines increased by an average of 20 per cent annually, from 600,000 to 1.03 million during the same period. Growth in the manufacturing sector, at 8 per cent in 2005, is lower than the 10 per cent recorded in 2004.

Agriculture accounted for nearly one-third of GDP in 2004: mining (primarily oil) accounted for about 36 per cent of GDP. Crude petroleum production was estimated at 2.5 million barrels per day (mbd), about 2.05 mbd of which is destined for exports. At an estimated average price of $55 per barrel in 2005, the price of Nigeria’s reference Bonny Light crude oil increased by about 11 per cent during the preceding year as a result of high world prices. Wholesale trade represented about 15 per cent of GDP in 2004, whereas the manufacturing sector accounted for only 5 per cent of GDP despite its recent strong growth.

The sectoral developments mentioned above reflected strong growth in private consumption and private investment in both 2004 and 2005. In terms of the composition of demand, the main development was a surge in net exports demand to 18.8 per cent of GDP in 2005, compared with 8.2 per cent of GDP in 2003, and -0.9 per cent in 2002, also reflecting the oil-price increases of recent years. Correspondingly, domestic consumption and investment shares declined in 2003 and 2004, reflecting the increase in the share of exports in total demand.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Demand Composition (percentage of GDP)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1997</td>
</tr>
<tr>
<td>Gross capital formation</td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>5.4</td>
</tr>
<tr>
<td>Private</td>
<td>11.7</td>
</tr>
<tr>
<td>Consumption</td>
<td>74.8</td>
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<tr>
<td>Public</td>
<td>7.1</td>
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<tr>
<td>Private</td>
<td>67.7</td>
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<tr>
<td>External sector</td>
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<tr>
<td>Exports</td>
<td>47.4</td>
</tr>
<tr>
<td>Imports</td>
<td>-39.3</td>
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</tbody>
</table>

Source: Domestic authorities' and IMF data; estimates (e) and projections (p) based on authors’ calculations.
Macroeconomic Policies

Fiscal Policy

Prudent macroeconomic management has been one of the government’s clearest and most impressive achievements. The government has introduced a medium-term fiscal-expenditure framework (MTEF) to focus macroeconomic strategy and prioritise expenditure. Specifically, the 2005 and 2006 budgets were geared towards the achievement of the MDGs. Fiscal policy was relatively prudent in the context of windfall oil revenues in 2004 and 2005, as the overall fiscal balance moved from a deficit of 1.3 per cent of

Source: Authors’ calculations based on domestic authorities’ data.
GDP in 2003 to a surplus of 7.7 per cent in 2004. In 2005, the fiscal deficit (not including windfall oil profits) was about 1.4 per cent of GDP thanks largely to much higher crude oil prices than anticipated. Government expenditure, although increasing in absolute terms, fell to 33.5 per cent of GDP in 2005 from 35.4 per cent in 2004, with most of the drop associated with current expenditure and interest on the public debt. Measures such as freezing civil-service hiring, tightening the budgets of parastatals and reducing non-essential recurrent expenditures were introduced to control government spending.

Total government revenue in 2005 (not including windfall oil profits) was estimated at $12.5 billion (NGN1.63 trillion [nairas]), resulting in a budget deficit of 1.4 per cent of GDP. The fiscal deficit is expected to rise to about 2.4 per cent of GDP in 2006, mainly due to declining oil prices.

It should be noted, however, that if the 2005 fiscal figures included the oil windfall revenues (as they do in Table 2), the fiscal balance would show a surplus of 12.4 per cent compared with 7.7 per cent in 2004. The government has recently set up a special holding account for temporary increases in oil revenues so as to smooth government spending and to reserve some of the windfall revenues for infrastructure development. In 2004, nearly $6 billion from oil revenues were set aside, with 50 per cent earmarked to a special "volatility cushioning fund" intended to safeguard against oil-price volatility; the remainder was shared among the three tiers of government for development financing.

The government is seeking to improve budget monitoring and transparency. To this end, the government publishes mid- and end-year budget performance reviews, monthly reports on revenues disbursed to all tiers of government, and a summary of expenditures in the past five years.

**Monetary Policy**

Nigeria’s monetary policy in 2005 was aimed at reducing inflation to around 10 per cent. At the end of the first quarter of 2005, on the basis of a 12-month moving average, inflation was running at 12.2 per cent with a seasonally adjusted 13 per cent month-over-month rate. The broad money stock (M2) rose by 17.5 per cent in 2005, a significant deviation from the NEEDS medium-term target of 15 per cent (2004-07), providing some cause for concern about upward pressure on inflation. The growing money supply, associated with the increased foreign-exchange reserves, has also led to declining interest rates, especially in the inter-bank and Treasury-bill markets. For instance, the weighted average inter-bank call rate declined from 15.9 per cent in 2004 to 12.1 per cent in 2005. Similarly, the weighted average prime lending rate declined from 19.6 to 18.1 per cent during the same period.
In order to slow down money growth, the Monetary Policy Committee (MPC) adopted a number of measures to counter excess liquidity in the system, including raising the Reserve Requirement (RR) and revising the definition of liquid assets used for monetary targeting to include three-year bonds.

One of the thrusts of monetary policy in Nigeria is to maintain a competitive but stable exchange rate, which is based on the Dutch Action System (DAS). In 2005, monetary authorities maintained a 3 per cent band around a benchmark rate of NGN133 per $1, which resulted in the stabilisation of the exchange rate at NGN129 per $1.

In summary, further efforts at monetary and fiscal restraint are in order, given the booming economy and rapid money growth. The prospects for continued fiscal restraint are clouded, however, by the upcoming election.

**External Position**

Nigeria’s balance of payments is heavily influenced by developments in the international oil market, as the country is both a major exporter of crude oil and an importer of petroleum products. Thanks to higher oil prices, Nigeria’s current-account balance swung from a deficit of 2.7 per cent of GDP in 2003 to a surplus of 4.6 per cent of GDP in 2004. This was mainly because the trade surplus as a percentage of GDP increased from 17.3 percent in 2003 to 25.2 per cent in 2004. A marginally higher trade-balance surplus of 26.9 per cent of GDP was estimated for 2005.

The level of international reserves more than doubled during 2004 and 2005, from nearly $20 billion in 2004 to $27 billion in 2005, equivalent to 18 months of imports.

Nigeria’s external debt declined as a percentage of both exports and GDP thanks to booming exports and output and will improve further following the Paris Club decision to write off a substantial part of Nigeria’s debt. Under the agreement, Nigeria is required to clear its $6.3 billion arrears and to buy back the remaining debt stock at a market-related discount of 25 cents to the dollar, which together would require an expenditure of $12 billion of Nigeria’s reserves. While the large payment has elicited some opposition in Nigeria, it seems clear that the deal could be highly beneficial to the country if it takes advantage of reduced debt-servicing costs to finance economic and social development. The debt reduction could also prove to be a catalyst for improved confidence, thereby boosting access to foreign capital, including trade credit and inward foreign direct investment (FDI).

Nigeria also plays an important role in regional, continental (African Union) and international trade agreements. On the regional front, the Economic Community of West African States (ECOWAS) is inching closer to a customs union. Harmonisation of Nigerian tariffs with the four ECOWAS bands would entail a drastic lowering and simplification of Nigerian tariffs. Nigeria has also pledged to remove all import bans by the end of 2006 and to improve customs administration, thereby reducing endemic smuggling from neighbouring countries. The ECOWAS customs union is viewed as a step on the way to an economic and monetary union with a single currency under the West African Monetary Zone (WAMZ). At the continental level, President

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade balance</th>
<th>Exports of goods (f.o.b.)</th>
<th>Imports of goods (f.o.b.)</th>
<th>Services</th>
<th>Factor income</th>
<th>Current transfers</th>
<th>Current account balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>18.2</td>
<td>44.7</td>
<td>-26.5</td>
<td>-19.8</td>
<td>-2.2</td>
<td>1.4</td>
<td>-2.4</td>
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<tr>
<td>2002</td>
<td>8.7</td>
<td>37.8</td>
<td>-29.2</td>
<td>-9.5</td>
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<td>-11.6</td>
</tr>
<tr>
<td>2003</td>
<td>17.3</td>
<td>46.7</td>
<td>-29.5</td>
<td>-9.1</td>
<td>-14.4</td>
<td>3.6</td>
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</tr>
<tr>
<td>2004</td>
<td>25.2</td>
<td>51.8</td>
<td>-26.6</td>
<td>-8.2</td>
<td>-16.3</td>
<td>3.8</td>
<td>4.6</td>
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<tr>
<td>2005</td>
<td>26.9</td>
<td>51.9</td>
<td>-25.0</td>
<td>-25.4</td>
<td>-25.4</td>
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<tr>
<td>2006</td>
<td>24.0</td>
<td>49.4</td>
<td>-26.2</td>
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<tr>
<td>2007</td>
<td>20.2</td>
<td>46.4</td>
<td>-26.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Domestic authorities’ and IMF data; estimates and projections (p) based on authors’ calculations.
Obasanjo, as chairperson of the Heads of State and Government Implementation Committee of the New Partnership for Africa’s Development (NEPAD), has played an influential role in moving the NEPAD agenda forward. Nigeria also chaired the Africa Group of the Resident Representatives of African countries at the Word Trade Organisation (WTO), which is attempting to build an African consensus on the Doha Round of trade negotiations. Nigeria is playing a critical role in the ongoing Economic Partnership Agreement (EPA) negotiations between the European Union (EU) and ECOWAS. The EPA, expected to come into force by January 2008, will replace the current Cotonou Agreement, which provides preferential market access into the EU for African, Caribbean and Pacific (ACP) countries.

**Structural Issues**

**Recent Developments**

The economic reforms in Nigeria are aimed at generating a conducive environment for private investment. Key pillars of the reform process include improved macroeconomic management, reform of the financial sector, institutional reforms, privatisation and deregulation, and improvement of the infrastructure.

The importance of infrastructure for economic growth and development cannot be overemphasised. The poor state of electricity, transport and communications is a major handicap for doing business in Nigeria.

The government has also made progress in consolidation of the banking system. Prior to the reforms, the industry was highly fragmented, with many banks having very small and undiversified capitalisation. The reforms stipulate a minimum paid-up capital of $188 million, up from $15 million, with a deadline for compliance at the end of December 2005, which resulted in a record number of bank mergers and acquisitions. As a result, the number of banks in Nigeria has shrunk from 89 in 2004 to 25 in December 2005. With a much higher capitalisation base, the Nigerian banking sector will be expected to play an important role in financing economic development through increased credit to the private sector.

The privatisation and deregulation programme is also a notable area of success. The programme started
in 1989 following the inauguration of the 11-member Technical Committee on Privatisation and Commercialisation (TCPC) on 27 August 1988. In the first round of privatisation, between 1989 and 1993, the TCPC privatised 55 firms. Offer for sale was the predominant mode of privatisation. The second round of privatisation, which began in 1999, is aimed at full or partial divestment of government interest in 98 public enterprises in 14 sectors. Since 1999, approximately 45 public enterprises have been privatised. The most remarkable progress has been in the communications sector, where the number of cell-phone lines increased from less than 0.25 million in 2001 to 8.3 million in 2004. Thus, the deregulation of the telecommunications industry has greatly improved access to telecommunications services. Similarly, the deregulation of downstream petroleum has been accompanied by reductions of subsidies on petroleum products, saving $1 billion.

Transport Infrastructure

Nigeria’s transport sector contributed about 2.4 per cent to real GDP in 2004, with road transport alone accounting for nearly 86 per cent of the transport-sector output. Recently, traffic handled by the top three modes of transport (road, air and maritime) has risen considerably. In the road sector, the number of vehicles increased at an average annual rate of 17 per cent, from 1.3 million in 2000 to 2.2 million in 2004. In the case of air transport, freight tonnage and passenger traffic increased by 54 per cent and 9.4 per cent per annum, respectively, during the same period. In the area of maritime activities, merchandise shipments and passenger traffic increased at average annual rates of 14.2 per cent and 5.4 per cent, respectively, between 2000 and 2004.

Nigeria’s transport-infrastructure services are inadequate and in deplorable condition. The country has a total of 193 200 km of roads, 3 775 km of rail, 19 airports, 62 air strips, 13 major ports and 3 000 km of navigable waterways. Only 15 per cent of the roads are paved, and about 23 per cent of the paved roads are in bad condition, requiring urgent rehabilitation. The growth in the number of road accidents reached an average of 3.1 per cent per annum between 2000 and 2004, rising from 12 705 to 14 279 respectively. The railway system is still operating with the same narrow gauge lines built during the colonial era and the recent accidents involving domestic airlines attest to the serious deficiencies of the Nigerian air-transport system.

Some of these problems are, however, currently being addressed by the ongoing transport-sector reform initiatives. The Bureau of Public Enterprises (BPE) is charged with reform and privatisation of the transport sector in Nigeria. The reform agenda is centred on setting up a new legal and regulatory framework for private-sector participation in the transport sector with the establishment of the National Transport Commission as an independent regulator for the sector. The National Council on Privatisation (NPC), in collaboration with the Federal Ministry of Transport (FMOT), has finalised a new national transport policy, which supersedes the existing policy developed in 1993.

Deficiencies of the road sector pose serious problems for the national economy. It is estimated that inadequate road investment and maintenance will lead to increased costs of $570 million (NGN80 billion) in vehicle-operating costs and road accidents. The responsibility for construction and maintenance of the national road network in Nigeria is shared among the three tiers of government as follows: federal government (17 per cent), state government (16 per cent) and local government (67 per cent). At the federal level, the Federal Roads Maintenance Agency (FERMA) is responsible for federal roads, while the Rural Development Department of the Federal Ministry of Agriculture and Rural Development is responsible for rural roads. The current construction and maintenance of roads falls short of needs in both rural and urban areas.

Reform of the road sector has just begun. The BPE is collaborating with the Roads Sector Development Team of the Federal Ministry of Works in leading the reform process. The reform will address deferred maintenance and investment through public-private partnership (PPP) arrangements or concessions. Financing is to be improved through a “Road Fund” obtained from road-user charges. An autonomous
agency known as the National Roads Board (NRB) is to manage the fund, while concessions will be granted to private operators on a build-operate-and-transfer (BOT) basis.

The federal government solely owns, operates, manages, funds and controls the railway system through the Nigerian Railway Corporation (NRC), a parastatal under the Federal Ministry of Transport. The existing antiquated railway system limits train speeds and precludes simultaneous bi-directional usage. Additional rail routes are also needed, especially an east-west connection, as set out in the Strategic Vision of the NRC. Nigeria also requires a railway system with connections to neighbouring countries. Recently, Nigeria and China have begun negotiations for a $2 billion bilateral loan to rehabilitate, reconstruct and develop the ailing Nigerian railway system.

The current rail-sector reform intends to achieve a vertically integrated concession framework for the following routes:

- **Western Railway**: linking Lagos to Kaura Namoda to Nguru via Kaduna, including all the branch lines along that route.
- **Eastern Railway**: connecting Port Harcourt to Maiduguri via Kafanchan, including the Kaduna to Kafanchan link and all branch lines along that route.
- **Central Railway**: a new route (ongoing construction) from Itakpe to Warri via Ajaokuta.

Seaports and inland waterways play a crucial role in shipment of freight. More than 80 per cent of Nigeria’s merchandise trade is handled by the seaports. The navigable waterways are centred on the Niger and Benue rivers, which join at Lokoja and flow into the Atlantic Ocean. The coastal waterways extend from Badagry through Warri to Calabar. The Nigerian Ports Authority (NPA) oversees all public and private activities at the ports while the National Inland Waterways Authority (NIWA), a parastatal of the Federal Ministry of Transport, is responsible for the regulation and management of the waterways. The installed capacity of Nigerian ports is adequate at present. The problem lies in port management. Due to corruption and administrative inefficiency, cargo handling times and costs in Nigeria’s ports are among the worst in West Africa. Shipment of cargo from and to Nigeria is entirely carried out by foreign shipping lines despite measures to encourage indigenous shipping. The Nigerian inland waterways have also remained underdeveloped and underexploited as a mode of transport. To help address this problem, NIWA will be restructured. Port reform also revolves around a new legal and regulatory framework for enhanced private-sector participation.

Nigerian aviation is overseen by the Federal Airport Authority of Nigeria (FAAN), the National Aviation Management Agency (NAMA) and the National Civil Aviation Authority (NCAA). FAAN manages 19 airports, including 5 international airports, but is viewed as inefficient and is slated for privatisation under either a management contract, following restructuring, or the sale of airports. Nigeria’s air-transport industry has recently been plagued by disasters involving domestic airlines. In October 2005, for instance, a Bellview Airlines flight from Lagos to Abuja crashed five minutes after take-off, killing all 111 passengers and 6 crew members. Similarly, in December 2005, a Sosoliso plane, flying from Abuja to Port Harcourt, exploded during landing, killing all 107 people onboard, including 7 crew members.

Improved transport infrastructure requires additional investment and better regulation. Nigeria is a large country with low population density in some regions, requiring large capital investments in transport. The overarching strategy of the present government is to rely on PPPs. The liberalisation and consolidation of the banking sector, it is hoped, will help mobilise private capital for the transport sector. Foreign investment is also critical. Successful PPPs also require a sound regulatory framework. The recently formed Africa Infrastructure Consortium and the NEPAD infrastructure initiative might prove helpful, but ultimately it will be up to the Nigerian government to tackle the notorious corruption, insecurity and waste that plague Nigerian transport institutions such as ports and airports.
Political and Social Context

Since 1999, when the current democratic government of President Obasanjo came to power, there has been substantial progress in establishing democratic institutions, which underpin the current economic reform. Elections have been held and have been largely successful, despite the controversies that surrounded the 2003 elections, and the legislature has now established a workable relationship with the executive branch of government. However, with less than one year to the end of President Obasanjo’s second term in office, the political situation in Nigeria is unsettled, as politicians jostle for position. The political frenzy has also been stoked by the intra-party squabble of the ruling People’s Democratic Party (PDP). Supporters of the president are pushing for a constitutional amendment to allow for a third term, placing themselves openly in conflict with the presidential aspirations of the vice-president. The run-up to the 2007 election is sure to test Nigeria’s young democracy.

Progress has been made in combating corruption, as evidenced by the work of both the Independent Corrupt Practices Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC), with a substantial number of arrests and prosecutions. Close co-operation between these agencies and Interpol has resulted in the arrest in the United Kingdom of two state governors for alleged money laundering. Nevertheless, there have yet to be many convictions of high-level officials, and Nigeria’s ranking in Transparency International’s corruption perception index improved only slightly in 2005 from second-to-last to sixth-to-last. Some scepticism regarding the extent of government commitment remains. Moreover, there are concerns that the anti-corruption drive has become politicised\(^2\).

Social indicators have improved only marginally. Nigeria ranked 158 out of 177 countries in the United Nations Development Programme (UNDP) Human Development Index (HDI) in 2005. The country’s HDI, at 0.453, is lower than the average HDI for sub-Saharan African countries (0.515) and marginally above the average for countries in the ECOWAS (0.434). This relatively low level of human development is a source of policy concern and is indicative of the efforts needed to achieve the MDGs. A household survey conducted by the government in 2003-04 showed that 54.4 per cent of the population is poor, with a higher poverty rate in rural areas of 63.3 per cent. Income inequality, measured by the Gini coefficients for urban and rural areas in Nigeria at 0.554 and 0.529, respectively, is very high. HIV/AIDS is becoming an increasing concern in Nigeria, with the infection rate rising to about 6 per cent in 2004, up from approximately 4.5 per cent in mid-1990s. The government aims to reduce the HIV/AIDS prevalence rate to 4-5 per cent by 2015. Meanwhile, the targets for 2007 are to reduce by 50 per cent the rates of both the prevalence of sexual transmission and the incidence of mother-to-child transmission of HIV, to ensure 100 per cent access to antiretroviral drugs and to ensure that at least 30 per cent of health institutions in the country are able to offer effective care for HIV/AIDS and its management. The government has established a national policy on HIV/AIDS, which is co-ordinated by the National Action Committee on AIDS (NACA). The policy focus is on treatment and prevention through medical attention to those affected, advocacy, information and education campaigns, encouraging behavioural change, condom distribution and targeting of vulnerable groups. NACA, which is funded largely by the International Development Association (IDA) and the Global Fund to Fight AIDS, Tuberculosis and Malaria, has adopted a multi-sectoral approach to implementing its high-priority and demand-driven programmes. Although progress is being made in achieving these targets, there is need for a more aggressive education campaign, particularly in the rural areas.

The Nigerian government faces the Herculean task of addressing the challenges posed by decades of deterioration in health and education services. Public-health expenditure accounted for only 1.2 per cent of GDP in 2004. Per capita health expenditure (in

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\(^2\) See, for example, the Economist Intelligence Unit (EIU) 2005 country report on Nigeria.
Nigeria’s education system has also suffered from policy neglect in the past two decades or so. Total expenditure on education in 2004 was less than 1 per cent of gross national income – far below the continental average of 4.71 per cent. Under-funding of the education system has left the school systems, including the formerly excellent universities, in deep crisis in terms of standards and facilities, both declining.

The government has, however, started to address some of these problems. Increased spending on education and Universal Basic Education (UBE), aimed at providing free education for all pupils at the primary and junior secondary school levels, has enabled the rehabilitation of schools and contributed to improvements in school enrolment rates. The total gross primary-school enrolment rate increased from 98 per cent in 2000 to 120 per cent in 2005, while the total secondary-school enrolment rate rose marginally from 34 to 36 per cent during the same period.

Although school enrolment ratios have recently increased, there is a considerable gender gap at all levels. For instance, the primary-school enrolment rate in 2004 was 132 per cent for male as opposed to 107 per cent for female. The secondary-school enrolment rate was 40 and 32 per cent for male and female, respectively. Based on the current trends, it is highly unlikely that Nigeria will be able to achieve the gender-related MDG.

Another major policy challenge facing the Nigerian government is related to the twin problems of corruption and crime. As stated earlier, some progress is being made in dealing with corruption, but the same cannot be said about crime. Insecurity of both life and property is a major source of concern as illustrated by the recent growth in the number of ethnic conflicts, politically motivated killings, armed robbery, theft of property and armed militia in the Niger Delta. Although the government has tried to address some of these problems, the strategies so far have failed to come to grips with the underlying causes. The roots of crime in Nigeria include widespread poverty, income inequality, high unemployment, corruption, an underpaid and ineffective police force, a weak judicial system, massive rural-urban drift and breakdown of societal values. The NEEDS strategy to tackle the insecurity problem calls for an increase in the number and effectiveness of the police, reforming the prison services, improving the judicial system and protecting human rights. While these measures are desirable, they must be associated with effective growth and poverty-reduction strategies that will create jobs, encourage rural development and provide social safety nets for the poor.