KPMG
cutting through complexity

Nigeria

Country profile

KPMG Africa Region 2012/2013

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Document review and approval

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1 Background

1.1 Map

1.2 History

British influence and control over what would become Nigeria and Africa's most populous country grew through the 19th century.

A series of constitutions after World War II granted Nigeria greater autonomy; independence came in 1960. Following nearly 16 years of military rule, a new constitution was adopted in 1999, and a peaceful transition to civilian government was completed.

The government continues to face the task of reforming a petroleum-based economy, whose revenues have been squandered through mismanagement, and institutionalising democracy. In addition, Nigeria continues to experience longstanding ethnic and religious tensions.

Although both the 2003 and 2007 presidential elections were marred by irregularities and violence, Nigeria is currently experiencing its longest period of civilian rule since independence. The general elections of April 2007 marked the first civilian-to-civilian transfer of power in the country's history.

2 Population

2.1 Population figures

174,507,539 (July 2013 est.).

Estimates for this country explicitly take into account the effects of excess mortality due to AIDS. This can result in lower life expectancy, higher infant mortality, higher death rates, lower population growth rates, and changes in the distribution of population by age and sex than would otherwise be expected.

Nigeria faces the challenge of rapid urbanisation – from 46.5% of the population in 2003 to a projected 54.8% in 2013; an increase of almost 30m people – which will strain the capacity of municipal authorities to provide adequate services. This trend is also likely to exacerbate the shortage of agricultural labour in many parts of the country unless there is a more rapid shift from labour-intensive farming to modern cultivation methods.

Nigeria is already behind schedule in achieving many of its Millennium Development Goals and is not expected to make sufficient progress during the review period to make up lost ground by 2015.

Today millions of ethnic Nigerians live abroad. The largest communities can be found in the United Kingdom (800,000 – three million Nigerians) and the United States (165,000 Nigerians). There are also large groups in Canada and many other countries.

2.2 Population growth rate

The population growth rate in Nigeria is 2.54% (2013 est.).

Even though the rate of population growth is set to slow between 2009 and 2013, the country's total population is forecast to rise to 170.1m by 2013 from 140m in March 2006, according to Nigeria's last official census, implying an annual growth rate of 3.2%. Nigeria is by far the most populous nation in Africa; it accounts for almost half of the population of the West Africa region and around 20% of the Sub-Saharan region. The population growth rate reported in the census results was probably on the high side. The rate of expansion is likely to fall to around 2.1% by 2015. Nigeria has a very young population, with around 44% under 15 years of age.

2.3 Age structures (2013 estimates)

Age	Total %	Male	Female
0-14 years	43.8%	39,127,615	37,334,281
15-64 years	53.8%	46,060,930	46,753,837
65 years and over	3%	2,390,154	2,840,722

Source: CIA World Factbook.

Despite slowing, the population growth rate will be high enough to retain a relatively stable age profile. Such a youthful population will have difficulty in finding employment within the formal economy, and this will not help the government's attempts to end Nigeria's political instability. Moreover, as only minimal progress has been made in diversifying the economy away from its excessive dependence on oil and gas, the government will struggle to create enough jobs for those seeking work.

Unemployment, therefore, will remain a problem, with public policy unlikely to be sufficiently effective to generate enough jobs. Many young Nigerians will find work in the informal sector, but others are likely to turn to crime, itself another dilemma for policymakers.

Nigeria is ranked near the bottom of the UN Development Programme's Human Development Index, at 158th of the 177 countries ranked in 2005 (according to its 2007/08 report). This low ranking reflects not only the problems with infrastructure and healthcare facilities, but also high fertility and infant mortality rates and relatively low life expectancy, at around 52 years by 2012.

2.4 Gender ratios (2013 estimates)

Total Population	1.05 male / female
Under 15 years	2.87 male / female
15 – 64 years	0.85 male / female
65 years and over	1.01 male / female

Source: CIA World Factbook.

2.5 Life expectancy (2013 estimates)

Total Population	52.46 years
Male	49.35 years
Female	55.77 years

Source: CIA World Factbook.

2.6 Ethnic groups

The most numerous ethnic group in the northern two-thirds of the country is the Hausa-Fulani, the overwhelming majority of whom are Muslim. Other major ethnic groups of the north are the Nupe, Tiv, and Kanuri. The Yoruba people are the most numerous in the southwest. Over half of the Yorubas are Christian and about a quarter are Muslim, with the remainder following mostly traditional beliefs. The predominantly Christian Igbo are the largest ethnic group in the southeast. Roman Catholics are the largest denomination, but Pentecostal and other Evangelical denominations are also strong. The Efik, Ibibio, Annang, and Ijaw (the country's fourth-largest ethnic group) communities also comprise a substantial segment of the population in that area. Persons of different language backgrounds most commonly communicate in English, although knowledge of two or more Nigerian languages is widespread. Hausa, Yoruba, and Igbo are the most widely used Nigerian languages.

2.7 Religions

The U.S. State Department estimates that Muslims outnumber Christians, comprising approximately half of the country's population, while Christians make up 40 percent, with the remainder following traditional indigenous religions or no religion.

Many people combine elements of Christianity or Islam with elements of indigenous faiths. The predominant form of Islam in the country is Sunni. The Christian population includes Roman Catholics, Anglicans, Baptists, Methodists, Presbyterians, and a growing number of Evangelical and Pentecostal Christians. A large majority of Nigerian Christians are Protestant, but Roman Catholicism is the largest single denomination.

It should also be noted that an estimated eight million Nigerians belong to more than one Christian denomination, and unrecorded transferral of membership between diverse Protestant and "African Christian" bodies is widespread. Accordingly, the denominational membership totals add up to considerably more than the total number of Christians in Nigeria.

2.8 Language

English (official), Hausa, Yoruba, Igbo (Ibo), Fulani, Ibibio (Annang/Ibibio/Efik), Ijaw, and others.

2.9 Education

Literacy rates among the population have risen during the past two decades but the improvement has been greater among adult males. Whereas the national literacy rate for adult males rose from 57% in 1991 to 75% in 2006, the corresponding increase for adult females was from 48% to 57%. There is also a wide variation among states, with adult literacy as low as 25% in Yobe and 27% in Borno (both in the far north-east), and as high as 90% in Lagos in the south-west.

Federal government spending on education has increased significantly in recent years – from N126.4bn (US$909m) in 2004 to N230.6bn (US$1.66bn) in 2007 – but this has not led to notable improvements in the quality of education. The pupil-teacher ratio in primary schools rose to 1:39 in 2006, from 1:23 in 1990, while the ratio in secondary schools rose to 1:33, from 1:21.

The apparent inability of the public sector to satisfy growing demand for high-quality educational services has spurred growth in the number of private primary and secondary schools, mainly in urban areas. In 2006 non-state enrolment accounted for 13% of male and 11% of female enrolment at primary-school level and 10% of male and 13% of female enrolment at secondary-school level. The proportion of children of the elite who are privately educated is much higher.

There has been a huge expansion in the university system over the last decade, with the number of universities rising from five in the 1960s to 45 in 2000 and more than 90 in 2008, including 34 private institutions. Total enrolment doubled between 2001 and 2005 to 724,856, but the graduate output still favours the arts as against the science and technology qualifications needed for industrial development. In addition, the quantitative expansion in higher education has not been matched by adequate growth in funding, with the result that Nigeria's university system, once highly regarded, remains in poor shape, struggling with inadequate facilities and the loss of its best teachers

2.10 Health

Total expenditure on healthcare in Nigeria was an estimated 2.6% of GDP in 2010, of which around 75% was spent in the private sector. Despite increasing in recent years, spending on healthcare in Nigeria, at around US$67 per head, was lower than in many other Sub-Saharan countries. Indeed, the UN Human Development Report 2009 ranked Nigeria in 189th position (out of 194 countries) in relation to public expenditure on health as a share of total government expenditure.

Low levels of public funding and underinvestment in the healthcare sector have resulted in poor health facilities and poor basic health indicators: average life expectancy in Nigeria is low and infant mortality is high. These indicators are much worse in the poorer sections of society.

The Nigerian health system consists of a dilapidated state sector and a highly expensive private sector. The poor condition of state services is forcing most people to rely on a limited private sector, in which good treatment is expensive and beyond the reach of the majority of the population, and on traditional healers. Most high earners and expatriates have even basic surgery done abroad.

Domestic production of basic medicines and healthcare goods meets around 40% of demand, with the rest supplied by imports. However, cheaper fake products are providing stiff competition for pharmaceutical companies. The World Bank estimates the market for pharmaceuticals in Nigeria to be worth at least US$1.3bn.

Nigeria's underdeveloped healthcare sector is struggling to combat a wide range of infectious diseases. Nigeria is one of the few countries in the world where polio is still an issue – although a recent immunisation exercise has had some success – and cholera, malaria, tuberculosis and hepatitis are all prevalent. In addition, as with many African countries, Nigeria is facing a potential health crisis caused by the HIV/AIDS pandemic. Nearly 3m people in Nigeria are living with HIV/AIDS, with a prevalence rate of 3.1%, although this masks significant regional variations.

2.10.1 Funding

National healthcare spending in 2010 is estimated at N861bn (US$5.7bn), or 2.6% of GDP. Out of this around N185bn came from the federal executive government under the 2010 budget and supplementary budget. Even taking into account additional public expenditure at state level, the private sector remains the main provider of healthcare in Nigeria. In US-dollar terms the amount spent on healthcare in 2009 actually declined substantially owing to the large depreciation in the naira brought about by the global economic downturn. However, the Economist Intelligence Unit expects average annual growth in total healthcare spending in both naira and dollar terms to be positive during the forecast period, in line with robust macroeconomic growth prospects. Nevertheless, as a proportion of GDP, healthcare spending will remain low.

One factor that has boosted the funds flowing into the healthcare sector in recent years has been the introduction of a National Health Insurance Scheme, which was officially launched nationwide in June 2005. Workers pay up to 5% of their salary into the scheme in order to qualify for free treatment for themselves, a spouse and up to four children. Contributions are voluntary for most workers but compulsory for those in the public sector. Those not in formal employment can join the scheme by forming into socially cohesive groups and paying a fixed fee. By end-2009 it was estimated that 5.3m had registered for the scheme, although the vast majority were federal government employees and their dependents.

Uptake in the private sector is low, and in the informal sector it is virtually non-existent. With just 3.7% of the population covered by the scheme so far, the government's target of universal coverage by 2015 seems unlikely to be met. Many people, especially the poor, will remain outside the scheme and will continue to rely solely on their meagre resources in times of illness.

2.10.2 Provision

Increased government spending has gone on providing new facilities, largely in primary healthcare. This has yielded some benefits, with infant and maternal mortality rates declining in recent years. In his speech to the UN in September 2010 the Nigerian health minister, Onyebuchi Chukwu, claimed that the country was on track to meet the Millennium Development Goals (MDGs) on a number of health-related issues. In particular, the recruitment of midwives has been heavily scaled up. Nevertheless, these rates are still high, and government facilities continue to lack modern medical equipment, have poorly qualified staff and suffer shortages of drugs.

Without a large and sustained increase in government expenditure on Nigeria's dilapidated healthcare system, the country will continue to have low levels of average life expectancy and high rates of infant mortality. It is a stated government objective to work more closely with the private sector for healthcare provision in the coming years. However, this brings with it its own problems, especially given the urban/rural divide in private healthcare provision at present. According to Ministry of Health data there are approximately 20,000 private-sector doctors operating in Nigeria, but the majority are in urban centres, meaning that an urban resident has access to four times as many private-sector doctors as a rural resident.

There is also a major affordability issue, as without large-scale government subsidy access to private medical treatment will continue to be affordable by only a very small percentage of the population. For the rest of the population the main sources of healthcare will continue to be treatments from traditional healers and self-help medication, such as analgesics, plasters, bandages and various balms and creams. If funding can be sorted out, the potential impact of greater public/private sector partnerships is substantial.

Although government-funded primary healthcare centres account for the majority of medical facilities in Nigeria, the private sector provides the majority of secondary healthcare facilities. Data from the Federal Ministry of Health for 2004 showed that there were 2,458 privately run secondary healthcare facilities compared with just 845 publicly owned ones. These numbers are estimated to have increased since then, with private facilities remaining the more numerous, although the expansion has not been rapid enough to provide basic coverage for many of Nigeria's population of 150m people.

The backlog of work that needs to be carried out on the healthcare system, coupled with the growing demands on it, will ensure that the state health sector remains under-funded, with many hospitals and clinics in poor condition. Such inadequate working conditions will continue to contribute to the drain of key healthcare workers from Nigeria. The Nigerian education system does produce a substantial number of medical students; however, many of them seek further education/qualifications overseas, where they often remain for their entire working life.

For those who want quick, efficient treatment, the only option will be to pay for private, Western-style healthcare. For the most part, this will involve the need to travel overseas for treatment. The government has estimated that every year Nigeria was losing some US$200m, which was instead spent on foreign medical treatment, with Nigerians choosing to travel abroad for even relatively minor ailments.

	2009	2010	2011	2012	2013	2014	2015	2016
Life expectancy, average (years)	50.7	51.2	51.6	52.1	52.5	52.9	53.3	53.7
Life expectancy, male (years)	47.5	48.1	48.5	49.0	49.4	49.7	50.1	50.5
Life expectancy, female (years)	54.0	54.4	54.9	55.3	55.8	56.2	56.6	57.1
Infant mortality rate (per 1,000 live births)	83.9	82.5	80.9	79.4	78.0	76.6	75.1	73.7
Healthcare spending (N bn)	1539	1504	2156	2536	2939	3465	4211	5316
Healthcare spending (% of GDP)	6.1	5.1	5.7	5.9	6.1	6.1	6.2	6.3
Healthcare spending (US$ m)	10,334	10,009	13,934	16,154	18,144	20,653	24,626	30,729
Healthcare spending (US$ per head)	77	66	62	84	95	104	115	134
Healthcare (consumer expenditure; US$ m)	1,808	1,723	1,587	1,758	1,827	1,950	2,072	2,227

2.10.3 Key healthcare indicators

2.10.4 Healthcare spending – international comparison

(% of GDP)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nigeria	5.7	6.1	5.1	5.7	5.9	6.1	6.1	6.2	6.3
US	16.5	17.6	17.9	18.0	18.1	18.2	18.3	18.4	18.5
Japan	6.8	7.0	7.2	7.3	7.5	7.7	7.9	7.9	7.9
China	4.6	5.1	5.1	5.2	5.3	5.4	5.6	5.7	5.9
Germany	10.7	11.7	11.6	11.6	11.7	11.8	11.8	11.9	11.9

3 Economy

Oil-rich Nigeria has been hobbled by political instability, inadequate infrastructure, and poor macroeconomic management but in 2008 began pursuing economic reforms. Nigeria's former military rulers failed to diversify the economy away from its overdependence on the capital-intensive oil sector, which provides 95% of foreign exchange earnings and about 80% of budgetary revenues.

Following the signing of an IMF stand-by agreement in August 2000, Nigeria received a debt-restructuring deal from the Paris Club and a US$1 billion credit from the IMF, both contingent on economic reforms. Nigeria pulled out of its IMF programme in April 2002, after failing to meet spending and exchange rate targets, making it ineligible for additional debt forgiveness from the Paris Club. In November 2005, Abuja won Paris Club approval for a debt-relief deal that eliminated US$18 billion of debt in exchange for US$12 billion in payments - a total package worth US$30 billion of Nigeria's total US$37 billion external debt.

Since 2008 the government has begun to show the political will to implement the market-oriented reforms urged by the IMF, such as modernising the banking system, removing subsidies, and resolving regional disputes over the distribution of earnings from the oil industry.

GDP rose strongly in 2007-11 because of growth in non-oil sectors and robust global crude oil prices. President Jonathan has established an economic team that includes experienced and reputable members and has announced plans to increase transparency, diversify economic growth, and improve fiscal management.

Lack of infrastructure and slow implementation of reforms are key impediments to growth. The government is working toward developing stronger public-private partnerships for roads, agriculture, and power.

Nigeria's financial sector was hurt by the global financial and economic crises, but the Central Bank governor has taken measures to restructure and strengthen the sector to include imposing mandatory higher minimum capital requirements.

3.1 Latest Economic indicators

	2010			2011				2012
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
Prices								
Consumer prices (May 2003=100)	176.0	181.1	185.4	194.3	198.5	202.7	207.6	211.9
Consumer prices (% change, year on year)	11.3	9.7	10.5	12.2	12.8	11.9	12.0	9.0
Financial indicators								
Exchange rate N:US$ (av)	154.4	156.7	155.8	157.9	157.3	156.7	155.2	155.2
Exchange rate N:US$ (end-period)	153.3	156.1	158.3	155.5	155.3	155.3	155.3	155.3
Lending rate (av; %)	15.8	15.8	16.7	17.1	16.9	16.6	16.5	N/A
Deposit rate (av; %)	5.4	5.3	7.1	8.0	8.2	8.6	8.9	N/A
Money market rate (av; %)	8.8	7.8	14.6	14.7	13.8	13.7	12.4	N/A
M1 (end-period; N bn)	5.637	6.002	6.772	6.523	6.599	6.392	6.895	6.854
M1 (% change, year on year)	14.6	14.2	21.5	20.2	17.1	6.5	1.8	5.1
M2 (end-period; N bn)	12.172	12.618	13.303	13.271	13.483	14.065	14.958	15.585
M2 (% change, year on year)	12.2	12.4	15.4	13.9	10.8	11.5	12.4	17.4
Stockmarket index (NSE all share; end-period; Jan 3rd 1984=100)	24.890	20.373	20.371	20.652	21.600	26.012	28.079	33.536
Stockmarket index (% change, year on year)	-1.6	-11.6	-16.3	-16.1	-13.5	27.7	35.4	62.4
Sectoral trends								
Crude oil production (m barrels/day)	2.3	2.3	2.1	2.1	2.2	2.2	2.0	2.0
Crude oil production (% change, year on year)	14.8	5.1	-6.9	-4.0	-3.6	-3.8	-3.6	-3.4

Foreign payments (US$ m)								
Exports fob	25,765	32,623	45,775	31,465	36,069	37,704	37.960	N/A
Oil	21,925	29,468	22,527	23,527	22,551	26,578	26,472	N/A
Imports cif	20,626	14,060	8,966	10,461	8,951	8,113	8,328	N/A
Trade balance	5,138	18,564	36,808	21,004	27,118	29,591	29,632	N/A
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	34,572	34,357	35,312	37,793	37,955	43,224	46,405	N/A

Source: Economist Intelligence Unit.

3.2 Five-year forecast summary

Gross Domestic Product, current market prices

	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012(b)	2013 (c)	2014 (c)	2015 (c)	2016 (c)	2017 (c)
Expenditure on GDP (N bn at current market prices)										
GDP	24,665	25,236	34,495	38,017	41,182	46,031	52,488	60,622	70,183	82,148
Private consumption	16,091	18,891	22,845	22,841	25,573	29,229	34,228	40,560	48,550	59,280
Government consumption	2,871	3,270	4,156	4,980	6,063	7,145	8,542	10,455	12,486	14,885
Gross fixed investment	2,053	3,051	4,013	3,908	4,971	6,383	8,566	11,068	14,889	19,678
Exports of goods & services	9,837	7,765	13,472	19,961	20,674	20,767	21,879	23,841	25,397	26,354
Imports of goods & services	6,188	7,832	9,994	13,676	15,413	17,492	20,727	25,301	31,139	38,048
Domestic demand	21,016	25,303	31,016	31,731	36,607	42,757	51,336	62,083	75,925	93,842
Expenditure on GDP (US$ bn at current market prices)										
GDP	208.1	169.5	229.5	245.7	262.6	291.3	324.0	367.4	408.0	456.4
Private consumption	135.7	127.5	152.0	147.6	163.1	185.0	211.3	245.8	282.3	329.3
Government consumption	24.2	22.0	27.7	32.2	38.7	45.2	52.7	63.4	72.6	82.7
Gross fixed investment	17.3	20.5	26.7	25.3	31.7	40.4	52.9	67.1	86.6	109.3
Exports of goods & services	83.0	52.1	89.6	129.0	131.8	131.4	135.1	144.5	147.7	146.4
Imports of goods & services	52.2	52.2	66.5	88.4	98.3	110.7	127.9	153.3	181.0	211.4
Domestic demand	177.3	169.9	206.4	205.1	233.4	270.6	316.9	376.3	441.4	521.3
Economic structure (% of GDP at current market prices)										
Private consumption	65.2	75.2	66.2	60.1	62.1	63.5	65.2	66.9	66.9	72.2
Government consumption11.6	11.6	13.0	12.0	13.1	14.7	15.5	16.3	17.2	17.8	18.1

	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012(b)	2013 (c)	2014 (c)	2015 (c)	2016 (c)	2017 (c)
Gross fixed investment	8.3	12.1	11.6	10.3	12.1	13.9	16.3	18.3	21.2	24.0
Exports of goods & services	39.9	30.8	39.1	52.5	50.2	45.1	41.7	39.3	36.2	32.1
Imports of goods & services	25.1	31.0	29.0	36.0	37.4	38.0	39.5	41.7	44.4	46.3
Memorandum item										
Oil production ('000 b/d)	1,944	1,825	2,080	2,180	2,098	2,194	2,294	2,374	2,464	2,556

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts.

Source: Economist Intelligence Unit.

Gross Domestic Product by sector of origin

	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (a)	2013 (b)	2014 (b)	2015 (b)	2016 (b)	2017 (b)
Origin of GDP (N bn at constant 1987 prices)										
GDP at factor cost	672	719	776	834	889	948	1,016	1,083	1,160	1,239
Agriculture	283	300	317	335	348	363	385	406	431	456
Industry	147	149	158	161	163	165	168	171	174	177
Services	243	270	301	338	377	420	463	506	555	606
Origin of GDP (real % change)										
Agriculture	6.3	5.9	5.8	5.6	4.0	4.3	5.8	5.6	6.2	5.8
Industry	-3.4	2.0	5.8	1.9	1.2	1.4	1.8	1.5	1.9	1.7
Services	12.2	11.2	11.6	12.3	11.8	11.2	10.3	9.3	9.6	9.2
Origin of GDP (% of factor cost GDP)										
Agriculture	32.9	37.1	30.3	31.0	33.1	32.4	32.0	31.7	31.4	31.1
Industry	40.0	32.6	44.7	42.9	39.0	37.1	35.3	33.6	32.0	30.5
Services	27.1	30.4	25.0	26.2	27.9	30.6	32.7	34.7	36.6	38.4
Memorandum item										
Industrial production (% change)	-2.3	3.0	5.8	2.9	2.2	2.4	2.8	2.5	2.9	2.7

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

Growth and productivity

	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (a)	2013 (b)	2014 (b)	2015 (b)	2016 (b)	2017 (b)
Growth and productivity (%)										
Labour productivity growth	6.1	4.3	5.2	4.2	3.9	4.1	4.5	4.0	4.5	4.1
Total factor productivity growth	8.3	18.2	8.7	12.6	5.0	6.7	6.5	6.0	6.2	5.7
Growth of capital stock	8.1	11.8	12.9	8.7	8.3	8.1	8.4	8.6	9.3	9.7
Growth of potential GDP	13.0	24.1	15.1	17.5	9.5	11.2	11.1	10.6	13.1	10.8
Growth of real GDP	6.0	7.0	8.0	7.4	6.6	6.7	7.1	6.6	7.1	6.8
Growth of real GDP per head	5.9	4.2	5.1	4.1	3.8	4.0	4.4	3.9	4.4	4.1

a) Economist Intelligence Unit estimates; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

Economic structure, income and market size

	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (a)	2013 (b)	2014 (b)	2015 (b)	2016 (b)	2017 (b)
Population, income and market size										
Population (m)	153.4	157.5	161.6	165.8	170.1	174.5	179.0	183.7	188.4	193.3
GDP (US$ bn at market exchange rates)	208	169	230	246	263	291	324	367	408	456
GDP per head (US$ at market exchange rates)	1,356	1,076	1,420	1,482	1,544	1,669	1,810	2,000	2,165	2,361
Private consumption (US$ bn)	136	127	152	148	163	185	211	246	282	329
Private consumption per head (US$)	885	809	941	890	959	1,060	1,180	1,338	1,498	1,704
GDP (US$ bn at PPP)	326	352	384	419	455	492	534	580	633	690
GDP per head (US$ at PPP)	2,130	2,230	2,380	2,530	2,670	2,820	2,980	3,160	3,360	3,570
Memorandum item										
Share of world exports of goods (%)	0.55	0.46	0.52	0.52	0.52	0.51	0.53	0.53	0.52	0.51

a) Economist Intelligence Unit estimates; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

Fiscal indicators

	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (b)	2013 (c)	2014 (c)	2015 (c)	2016 (c)	2017 (c)
Fiscal indicators (% of GDP)										
Government expenditure	13.2	13.7	12.6	10.8	10.6	10.7	10.9	11.7	11.8	11.9
Government revenue	13.0	10.5	8.4	8.8	8.5	8.2	8.3	9.0	8.7	8.6
Budget balance	-0.2	-3.2	-4.2	-2.1	-2.1	-2.5	-2.6	-2.7	-3.1	-3.3
Government debt	11.5	15.3	15.2	17.1	17.9	18.6	19.8	20.8	21.7	22.5

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

Monetary indicators

	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (a)	2013 (b)	2014 (b)	2015 (b)	2016 (b)	2017 (b)
Monetary indicators										
Exchange rate N:US$ (av)	118.5	148.9	150.3	154.7	156.8	162.0	165.0	175.0	172.0	180.0
Exchange rate N:US$ (year-end)	132.6	149.6	150.7	158.3	155.3	160.0	163.5	168.5	176.0	184.0
Exchange rate N:€ (av)	174.26	206.97	199.90	215.09	202.28	205.40	205.74	207.90	216.72	228.60
Exchange rate N:€ (year-end)	184.53	215.55	201.28	204.80	203.40	204.80	206.01	212.31	221.76	233.68
Real effective exchange rate, CPI-based (av)	42.64	38.95	42.34	42.73	48.03	51.40	53.90	56.99	58.93	60.63
Purchasing power parity N:US$ (av)	75.63	71.71	89.73	90.70	90.60	93.64	98.26	104.47	110.90	119.10
Money supply (M2) growth (%)	53.6	20.6	3.7	13.6	17.1	12.2	12.5	16.0	17.8	18.6
Domestic credit growth (%)	55.9	41.1	14.1	33.9	2.6	8.8	3.0	9.8	12.2	13.6
Commercial banks' prime rate (av; %)	15.5	18.4	17.6	16.0	16.8	15.5	15.0	16.0	16.5	17.3
Deposit rate (av; %)	12.0	13.3	6.5	5.7	8.4	7.3	6.8	7.0	7.3	7.8
Money-market rate (av; %)	8.2	3.8	3.8	9.7	13.7	12.0	10.0	11.0	12.0	12.5

Actual; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

Employment, wages and prices

	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (a)	2013 (b)	2014 (b)	2015 (b)	2016 (b)	2017 (b)
The labour market (av)										
Labour force (m)	46.9	48.2	49.6	51.0	52.3	53.6	55.0	56.4	59.5	60.9
Labour force (% change)	2.9	2.8	3.0	2.8	2.5	2.5	2.5	2.5	5.5	2.5
Wage and price inflation (%)										
Consumer prices (av)	11.6	11.5	13.7	10.8	12.2	9.1	9.5	10.3	10.6	10.9
Consumer prices (year-end)	15.1	12.9	11.7	10.3	12.0	9.9	9.9	10.4	10.7	10.6
GDP deflator (av)	8.4	-4.3	26.8	3.2	1.7	4.8	6.5	8.3	8.1	9.6
Private consumption deflator (av)	-1.4	-10.4	32.2	-8.2	2.2	4.1	5.4	6.3	6.6	9.4
Government consumption deflator (av)	8.0	13.1	13.6	11.6	12.2	9.1	9.5	10.3	10.6	10.9
Fixed investment deflator (av)	-6.1	10.3	11.2	9.2	20.0	20.0	22.0	18.0	18.0	18.0
Average nominal wages	13.8	13.8	16.0	13.1	14.5	11.8	11.6	12.0	12.2	12.6
Average real wages	2.0	2.0	2.0	2.0	2.0	2.5	1.9	1.6	1.5	1.5
Unit labour costs (N-based; av)	13.8	13.8	16.0	20.0	12.0	11.8	11.6	12.0	12.2	12.6
Unit labour costs (US$-based)	20.8	-9.4	14.9	16.6	10.5	11.0	8.8	10.0	7.6	7.6

a) Economist Intelligence Unit estimates; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

Current account and terms of trade

	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (a)	2013 (b)	2014 (b)	2015 (b)	2016 (b)	2017 (b)
Current-account balance	29.1	13.8	13.3	8.7	18.0	16.1	14.8	17.7	18.0	16.8
Current-account balance (% of GDP)	14.0	8.2	5.8	3.5	6.8	5.5	4.6	4.8	4.4	3.7
Goods: exports fob	85.7	56.1	76.7	92.5	92.9	95.0	99.3	109.5	117.1	122.6
Goods: imports fob	-39.8	-30.8	-46.4	-61.7	-54.9	-57.6	-61.3	-67.0	-71.6	-75.0
Trade balance	45.9	25.3	30.4	30.9	38.0	37.4	38.0	42.5	45.5	47.6
Services: credit	2.3	2.2	3.1	3.4	3.5	3.5	3.6	3.9	4.0	4.2
Services: debit	-24.4	-18.7	-21.4	-24.6	-25.2	-27.3	-30.7	-34.4	-39.3	-45.1
Services balance	-22.1	-16.5	-18.3	-21.2	-21.7	-23.8	-27.0	-30.5	-35.2	-40.9
Income: credit	2.4	0.9	1.0	0.9	1.4	1.4	1.5	1.4	1.8	2.5
Income: debit	-17.4	-15.3	-20.5	-23.7	-23.0	-25.3	-28.0	-31.2	-35.2	-40.2
Income balance	-15.1	-14.4	-19.5	-22.8	-21.7	-23.9	-26.5	-29.8	-33.4	-37.7
Current transfers: credit	20.9	19.8	21.3	22.3	23.8	27.0	31.0	36.3	41.9	48.7
Current transfers: debit	-0.5	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.7	-0.8	-0.9
Current transfers balance	20.4	19.4	20.8	21.8	23.3	26.4	30.4	35.6	41.1	47.8
Export price index (US$-based; 2005=100)	137.5	124.6	139.6	151.7	153.3	146.1	143.9	147.3	142.8	134.0
Export prices (% change)	23.1	-9.3	12.0	8.7	1.0	-4.7	-1.5	2.4	-3.1	-6.2
Import price index (US$-based; 2005=100)	133.5	120.5	135.2	146.4	146.0	144.1	145.1	148.1	150.1	151.8
Import prices (% change)	-3.0	-9.8	12.2	8.3	-0.3	-1.3	0.7	2.0	1.3	1.1
Terms of trade (2005=100)	102.9	103.5	103.2	103.6	105.0	101.3	99.2	99.5	95.1	88.3
Export market growth (%)	1.5	-10.2	13.1	6.1	3.2	3.7	4.5	5.5	5.6	5.9

a) Actual; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

Foreign Direct Investment

	2008(a)	2009 (a)	2010 (a)	2011 (a)	2012 (a)	2013 (b)	2014 (b)	2015 (b)	2016 (b)	2017 (b)
Foreign direct investment (US$ bn)										
Inward direct investment	8.20	8.55	6.05	8.84	7.03	7.59	8.96	10.57	13.21	16.52
Inward direct investment (% of GDP)	3.9	5.0	2.6	3.6	2.7	2.6	2.8	2.9	3.2	3.6
Inward direct investment (% of gross fixed investment)	47.3	41.8	22.7	35.0	22.2	18.8	16.9	15.8	15.3	15.1
Outward direct investment	-1.1	-1.5	-0.9	-0.8	-1.5	-1.8	-1.9	-2.1	-2.4	-2.6
Net foreign direct investment	7.1	7.0	5.1	8.0	5.5	5.8	7.0	8.4	10.9	13.9
Stock of foreign direct investment	45.6	54.2	60.3	69.2	76.3	83.9	92.8	103.4	116.6	133.1
Stock of foreign direct investment per head (US$)	297.0	344.4	373.3	417.6	448.3	480.5	518.4	562.9	618.8	688.6
Stock of foreign direct investment (% of GDP)	21.9	32.0	26.3	28.2	29.0	28.8	28.6	28.1	28.6	29.2
Memorandum items										
Share of world inward direct investment flows (%)	0.54	1.05	0.67	0.82	0.56	0.55	0.59	0.63	0.79	0.97
Share of world inward direct investment stock (%)	0.32	0.35	0.36	0.39	0.40	0.41	0.43	0.44	0.50	0.56

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

External debt

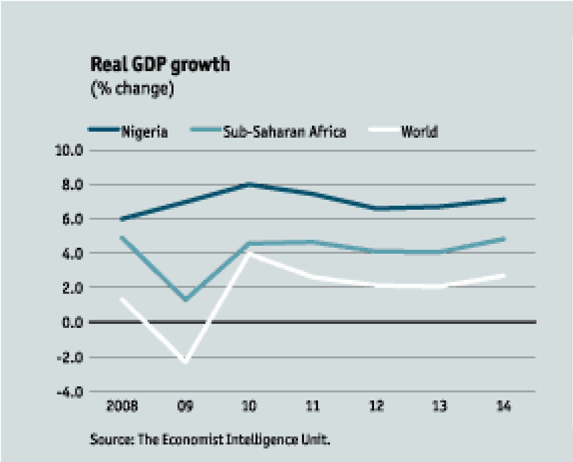
	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012(b)	2013 (c)	2014 (c)	2015 (c)	2016 (c)	2017 (c)
xternal debt										
otal external debt (US$ bn)	11.6	10.4	10.4	13.1	13.6	15.5	17.4	19.0	20.2	21.1
otal external debt (% of GDP)	5.6	6.1	4.5	5.3	5.2	5.3	5.4	5.2	4.9	4.6
ebt/exports ratio (%)	10.6	13.3	10.3	11.2	11.3	12.3	13.1	12.9	12.7	12.5
ebt-service ratio, paid (%)	0.5	0.6	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.7

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecast

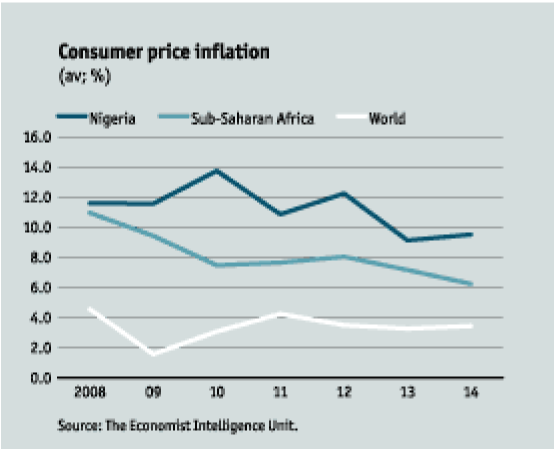
KPMG

3.3 Annual trends

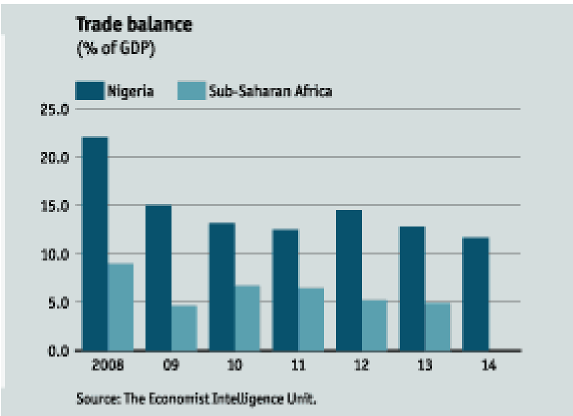
Real GDP growth (% change)



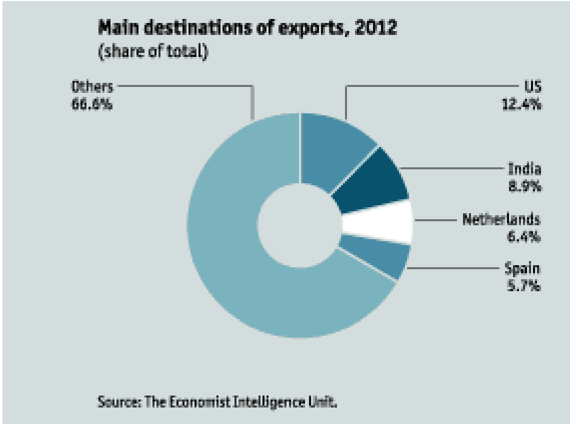
Consumer price inflation (av %)



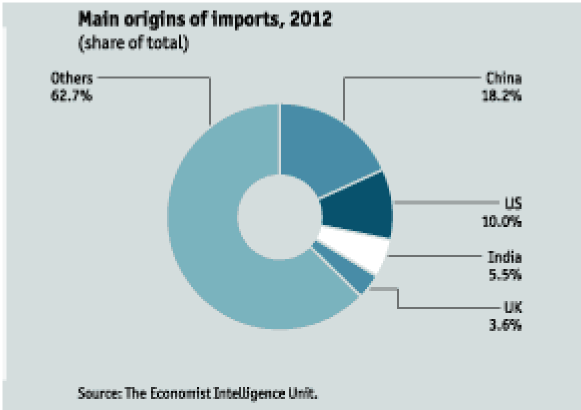
Trade balance (% GDP)



Main destination of exports, 2012 (share of total)



Main origin of imports, 2012 (share of total)



4 Government and Politics

4.1 Political structure

Official name

Federal Republic of Nigeria

Form of state

Federal republic, comprising 36 states and the Federal Capital Territory (FCT, Abuja).

Legal system

The Nigerian legal system is based on English common law.

National legislature

National Assembly, comprising the 109-seat Senate and the 360-seat House of Representatives; both are elected by universal suffrage for four-year terms.

National elections

Most recent legislative and presidential elections were held in April 2011. Goodluck Jonathan was elected to the presidency, and his party, the People's Democratic Party, won a majority of seats in both houses of the National Assembly. The next national elections are scheduled for 2015.

Head of State

The Head of State is the President, elected by universal suffrage to serve a four-year term.

State government

State governors and state houses of assembly.

National government

The Federal Executive Council, which is chaired by the President – appointed 26 July 2007; extensive reshuffle carried out in April 2010.

Main political parties

- People's Democratic Party (PDP)
- All Progressive Grand Alliance (APGA)
- All Progressive Congress (APC)

Key ministers

- President & minister of defence: Goodluck Jonathan
- Vice-president: Namadi Sambo
- Agriculture & natural resources: Akinwunmi Adesina
- Education: Overseeing Minister Mr Nyesom Wike
- Finance: Ngozi Okonjo-Iweala
- Foreign affairs: Overseeing Minister Prof Viola Owuliri
- Health: Christian Otu Onyebuchi
- Information: Labaran Maku
- Interior: Abba Moro
- Justice & attorney-general of the federation: Mohammed Bello Adoke
- Labour: Emeka Wogu
- Mines & steel: Musa Mohammed Sada
- National planning: Overseeing Minister Bashir Yuguda
- Niger Delta affairs: Godsday Orubebe
- Petroleum: Diezani Alison-Madueke
- Power: Chinedu Osita Nebo
- Trade & investment: Olusegun Aganga
- Transport: Idris Umar
- Works: Mike Onolememen
- Youth development: Mr. Inuwa Abdulkadir
- Central Bank governor: Lamido Sanusi

International organisation participation

ACP	AfDB	AU
CD	D-8	ECOWAS
FAO	G-15	G-24
G-77	IAEA	IBRD
ICAO	ICC	ICRM
IDA	IDB	IFAD
IFC	IFRCS	IHO
ILO	IMF	IMO
IMSO	Interpol	IOC
IOM	IPU	ISO
ITSO	ITU	ITUC
MIGA	MINURSO	MONUSCO
NAM	OAS (observer)	OIC
OPCW	OPEC	PCA
UN	UNAMID	UNCTAD
UNESCO	UNHCR	UNIDO
UNIFIL	UNISFA	UNITAR
UNMIL	UNMISS	UNOCI
UNWTO	UPU	WCO
WFTU	WHO	WIPO
WMO	WTO	

5 Transport and Communications

Decaying infrastructure is one of the deficiencies that Nigeria's National Economic Empowerment Development Strategy (NEEDS) seeks to address. The government has begun to repair the country's poorly maintained road network. Because Nigeria's railways are in a parlous condition, the government is trying to rectify the situation by privatising the Nigerian Railway Corporation. Similarly, the government is pursuing a strategy of partial port privatisation by granting concessions to private port operators so that they can improve the quality of port facilities and operations.

5.1 Highways

Nigeria has the largest road network in West Africa and the second largest south of the Sahara, with roughly 108,000 km of surfaced roads in 1990. However they are poorly maintained and are often cited as a cause for the country's high rate of traffic fatalities. In 2004 Nigeria's Federal Roads Maintenance Agency (FERMA) began to patch the 32,000-kilometre federal roads network, and in 2005 FERMA initiated a more substantial rehabilitation. The rainy season and poor equipment pose challenges to road maintenance.

- Total: 193,200 km
- Paved: 28,980 km
- Unpaved: 164,220 km

Nigeria's strategic location and size results in four routes of the Trans-African Highway network using its national road system:

- The Trans-Sahara Highway to Algeria is almost complete but border security issues may hamper its use in the short term.
- The Trans-Sahelian Highway to Dakar is substantially complete.
- The Trans–West African Coastal Highway starts in Nigeria, connecting it westwards to Benin, Togo, Ghana and Côte d'Ivoire with feeder highways to landlocked Burkina Faso and Mali. When construction in Liberia and Sierra Leone is finished, the highway will continue seven other Economic Community of West African States (ECOWAS) nations further west.
- The Lagos-Mombasa Highway has been awaited for many decades to kick-start trade across the continent. It does provide improved highway links to neighbouring Cameroon but its continuation across DR Congo to East Africa is lacking, as are highways from Cameroon to Central Africa and Southern Africa which could boost trade within the continent.

5.2 Ports and harbours

The Nigerian Ports Authority (NPA) is responsible for managing Nigeria's ports, some of which have fallen behind international standards in terms of the quality of facilities and operational efficiency. Recognising that the government lacks the funding and expertise to modernise facilities and run the ports efficiently, the NPA is pursuing partial port privatisation by means of granting concessions to private port operators.

Under the terms of concession agreements, the government would transfer operating rights to private companies for a finite number of years without forgoing ownership of the port land.

Nigeria's principal container port is the port of Lagos, which handles about 5.75 million tons of cargo each year. The port, which consists of separate facilities at Apapa and Tin Can Island, has a rail connection to points inland. Port Harcourt, a trans-shipment port located 66 kilometres from the Gulf of Guinea along the Bonny River in the Niger Delta, handles about 815,000 tons of cargo each year and also has a railway connection. Both ports are not only responsible for Nigeria's seaborne trade but also serve inland countries such as Niger and Chad. A new port is under construction at Onne about 25 kilometers south of Port Harcourt. Relatively modern and efficient terminals managed by multinational oil companies handle most oil and gas exports.

5.3 Airports and airlines

Nigeria's principal airports are Murtala Muhammad Airport in Lagos and Mallam Aminu International in the northern state of Kano. Three other international airports are located in Abuja, Kaduna, and Port Harcourt.

Overall, Nigeria's airports, whether international or regional, suffer from a poor reputation for operational efficiency and safety. Private domestic air carriers began to win business at the expense of Nigeria Airways, the former government-owned national airline which was declared bankrupt in 2004. The subsequent national carrier, Air Nigeria, was shut down in July 2012 and the country is currently without a national airline.

- Airports: 53
- With paved runways: 40
- With unpaved runways: 13

5.4 Merchant marine

The Nigerian Merchant Navy is not a legally recognised body, but the senior officers are represented by the Merchant Navy Officers' and Water Transport Senior Staff Association. The maritime industry is regulated by the Nigerian Maritime Administration and Safety Agency (NIMASA), which is responsible for regulations related to Nigerian shipping, maritime labour and coastal waters. The agency also undertakes inspections and provides search and rescue services.

- Total: 89
- By type: cargo 2, chemical tanker 28, liquefied gas 1, passenger/cargo 1, petroleum tanker 56, specialised tanker 1
- Foreign-owned: 3 (India 1, UK 2)
- Registered in other countries: 33 (Bahamas 2, Bermuda 11, Comoros 1, Italy 1, Liberia 4, North Korea 1, Panama 6, Seychelles 1, unknown 6)

5.5 Communications

Nigeria is one of the biggest and fastest growing telecom markets in Africa, attracting huge amounts of foreign investment, and is yet standing at relatively low levels of market penetration. Far reaching liberalisation has led to hundreds of companies providing virtually all kinds of telecom and value-added services in an independently regulated market. Following a fifth unsuccessful attempt to privatise Nitel, the incumbent national telco, the company is currently in liquidation.

The West African country has overtaken South Africa to become the continent's largest mobile market with now close to 100 million subscribers, and yet market penetration stands at only around 60% in early 2012. However, subscriber growth slowed significantly during the global economic crisis, re-accelerated in 2010 but then slowed again in 2011. Much of the remaining addressable market is in the country's rural areas where network rollouts and operations are expensive. This in combination with declining ARPU levels is forcing the networks to streamline their operations and to develop new revenue streams from services such as third generation (3G) mobile broadband, mobile payments/banking, and others. At the same time the operators are rolling out national fibre backbone networks to support the ever increasing demand for bandwidth. At least two operators are rolling out fourth generation (4G) LTE networks.

Nigeria is also the most competitive fixed-line market in Africa, featuring a second national operator (SNO, Globacom) and over 80 other companies licensed to provide fixed telephony services. The alternative carriers combined now provide over 90% of all fixed connections, the majority of which has been implemented using wireless technologies. This gives the network operators the opportunity to also enter the lucrative mobile market under a new unified licensing regime and has helped them to secure hundreds of millions of US$ in investments from local and foreign investors.

Nitel's monopoly on international fibre bandwidth via the SAT-3/WASC submarine cable system ended in 2009 when Globacom's Glo-1 cable landed in the country, followed by the Main-One cable in 2010. Additional submarine cables are scheduled to go online in 2012, which will deliver a further boost to the country's underdeveloped Internet and broadband sector. New powerful players from the fixed-wireless and mobile network operator camps have entered this market with 3G mobile and advanced wireless broadband services such as WiMAX. The Internet Protocol (IP)-based next generation networks currently being rolled out are enabling converged voice, data/Internet and video services. VoIP is already carrying the bulk of Nigeria's international voice traffic. Applications such as e-commerce, online banking and e-payments, e-health, e-learning and e-government are rapidly evolving.

6 Energy

The oil and gas industry plays a pivotal role in the economy of Nigeria. The sector accounts for about 30% of the country's GDP, 95% of export revenue and around 80% of government revenue (although these figures can fluctuate, depending on global oil prices). Despite vast natural resource reserves and enormous latent demand, Nigeria suffers from chronic undersupply of electricity and frequent power shortages.

Nigeria had 37.2bn barrels of proven oil reserves (2.8% of the world total) and 5.25trn cu metres of proven natural gas reserves (2.8% of the world total) at the end of 2009, according to BP's Statistical Review of World Energy. In terms of production, Nigeria was the world's 13th-largest oil producer and 27th-largest natural gas producer in 2009. Nigeria is a member of OPEC and is the eighth-largest oil exporter in the world, with exports predominantly destined for markets in the US, Europe, South-East Asia and China.

Although Nigeria is a major exporter of oil (and, increasingly, of gas), the provision of oil and gas products to the domestic market has been poor. Domestic fuel prices have been heavily subsidised during the last decade, and the country's four refineries have been poorly managed and maintained. As a result, domestic production has been below demand, and imports of domestic fuel products have been kept high.

Ongoing shortages of many fuel products have created a thriving black market. In addition, the national electricity grid is poorly run and needs major investment and reform.

The Petroleum Industry Bill (PIB) provides for the state-run Nigerian National Petroleum Corporation (NNPC) to be restructured into several autonomous units. The new national company would be able to tap international markets for funding rather than relying on government funding. Existing joint ventures with foreign companies would also be restructured, with old contracts renegotiated to impose higher costs on multinationals. This would involve higher royalties as well as a more exacting tax framework for deepwater exploration and production. Foreign oil companies would also be encouraged to refine more of their crude output in Nigeria, meaning that the country would produce higher-value petroleum products.

6.1 Oil and gas

In recent years growth in aggregate petroleum consumption has been volatile, largely reflecting supply-side issues and subsequent fuel shortages. The continued expansion of the economy and some improvement in the supply of imported and domestically refined oil products will help to maintain growth in petroleum. Consumption of petroleum products is forecast to rise from an estimated 10,858 kilotonnes of oil equivalent (ktoe) in 2009 to 16,051 ktoe in 2020. Growth in car ownership is expected to be pronounced and so transport fuel demand is expected to grow by an average of 5.6% annually between 2010 and 2014.

Almost 90% of all Nigerian oil production is exported. Nigeria is the world's eighth-largest exporter of crude oil, with the US representing by far the largest export market. The US accounted for about 40% of total oil exports in 2009, making Nigeria its fifth-largest foreign oil supplier for the year. The global economic recovery after the recession of 2009 is expected to translate into reasonably strong growth in demand for Nigerian oil and gas exports over the entire forecast period.

Demand from China is expected to grow significantly over the forecast period, with the Chinese government actively targeting Nigeria as a source of oil. In September 2009 it was claimed that China intended to buy 6bn barrels of Nigeria's oil reserves. The offer to acquire what would amount to about one-sixth of the country's current proven oil reserves was a bold move by the oil-hungry Asian economic giant to gain a firm foothold in Nigeria's petroleum industry.

China's interest in acquiring substantial amounts of Nigerian oil reserves has undoubtedly been welcomed by the government, giving it leverage in its current dealings with the Western oil firms that have criticised planned legislation designed to increase Nigeria's benefits from oil and gas production. The government, which holds 50-60% equity in the six oil joint-venture companies in the country, is also likely to face domestic political resistance to any plan that involves relinquishing majority control of these operations.

Domestic demand for gas has been more stable than that for oil, albeit limited by poor infrastructure and a history of erratic supply. Current demand is estimated at 38m cu metres/day, about one-tenth of that in OECD countries on a per capita basis. The consumption of natural gas up to 2014 is expected to grow significantly more rapidly than that of oil, largely on the back of the government's efforts to dedicate a greater share of Nigeria's gas production to domestic power generation.

Refined domestic fuel products are sold at prices that are fixed substantially below production costs. Cheap domestic energy supplies are considered to be a birthright by most Nigerians, whose government has provided little else. The domestic pricing structure has resulted in an underdeveloped and inefficient refining sector, and has also encouraged the smuggling of refined products to neighbouring countries. This has led to supply shortages and the emergence of a large black market for domestic fuel products. The result is that Nigeria remains dependent on imports, but even these are not profitable at the subsidised domestic prices. The significant cost of the subsidy to the government is estimated at more than US$4bn a year, according to the Ministry of Finance.

Although ministers have repeatedly signalled the imminent liberalisation of fuel pricing, the administration has so far not implemented the policy. There is no shortage of prospective investors interested in building new oil refineries in Nigeria to supplement inadequate output from the NNPC's four plants, as well as for export. However, investors are unlikely to go ahead with projects unless private refiners are allowed to charge commercial prices for their products.

Oil and natural gas consumption

	2009	2010	2011	2012	2013	2014	2015	2020
Oil								
Petroleum products: consumption (ktoe)	10,858	11,328	11,833	12,104	12,596	13,134	13,708	16,051
Petroleum products: transport (ktoe)	7,399	7,353	7,377	7,480	7,652	7,871	8,045	8,482
Gasoline: demand ('000 b/d)	129	127	127	128	131	135	137	147
Distillates: demand ('000 b/d)	78	82	86	90	95	100	105	126
Natural gas								
Energy consumption (ktoe)	11,612	12,559	13,626	14,712	15,817	17,182	18,872	31,628
Electricity sector (ktoe)	3,530	3,959	4,558	5,090	5,605	6,329	7,308	15,474
Industry sector (ktoe)	2,062	2,228	2,389	2,577	2,782	3,011	3,280	5,353
Transport sector (ktoe)	0	0	0	0	0	0	0	0
Residential sector (ktoe)	0	0	0	0	0	0	0	0
Commercial and public services (ktoe)	0	0	0	0	0	0	0	0
Other (ktoe)	6,020	6,372	6,679	7,045	7,431	7,842	8,284	10,801

Oil and natural gas supply

	2009	2010	2011	2012	2013	2014	2015	2020
Oil								
Crude oil: production ('000 b/d)	1,825	2,005	2,105	2,245	2,380	2,480	2,604	3,324
Natural gas: production (ktoe)	39,869	43,856	48,241	53,065	58,372	64,209	67,419	86,046

6.2 Electricity

The Nigerian electricity market is undersupplied, considering the actual and potential level of demand. To give an idea of the scale of latent demand, it is estimated that only around 10% of rural households have access to electricity provision. Provision is better in urban areas, where an estimated 40% of the population are connected to the national grid.

Outside the main urban centres most households' domestic energy consumption is met by a combination of wood and charcoal. In urban areas paraffin and kerosene are popular, given the difficulty of obtaining wood. Candles and kerosene lamps are the main sources of lighting. Most wealthy households and nearly all businesses have their own diesel generators to meet their demand for electricity, albeit at a significantly higher cost than the electricity that could be provided by the state-owned monopoly electricity provider, PHCN.

It is expected that electricity consumption will rise by an annual average of 13.7% during 2010-20. Demand is expected to maintain pressure on available electricity supply, which will cause many residential and business customers, including large industrial enterprises, to continue to experience shortages.

Nigeria suffers from a severe undersupply of electricity and power shortages. Over the past five years there has been a steady decline in the power generation and distribution system, which is currently operating at around 50% capacity. There have been complete blackouts in recent years caused by the collapse of the national grid, and supply in most urban areas has been erratic.

The PHCN is the state-owned monopoly electricity provider in Nigeria. It has suffered from a lack of effective government financial support, a low tariff structure that does not cover costs and a hugely inefficient billing system. The last of these means that revenue collection is very low and that there is a high level of illegal tapping of its power supplies.

The Nigerian government spent more than US$10 billion on the power sector between 2000 and 2007, but there was little to show for this expenditure in terms of either building new power stations or developing the national grid.

Successive presidents have come to power promising to find a solution to these chronic power shortages, but despite ambitious targets and various new investment plans, progress has been disappointing. The previous president, Umaru Yar'Adua, announced in his budget statement in November 2009 that the government had increased electricity-generation capacity in Nigeria to 5,000 mw and expected to reach its end-of-year target of 6,000 mw. He maintained that improved gas supply following the Niger Delta peace initiative, as well as the installation of several substations and transformers, was expected to boost supplies of energy to domestic and commercial consumers.

Despite the government's claims, electricity generation at end-November was just 3,023 mw and the end-2009 target was missed, with production barely reaching 4,000 mw. In August 2010 Mr Yar'Adua's successor, Goodluck Jonathan, launched a blueprint for the reform of Nigeria's power sector, which should shift the electricity industry from public to private-sector management. The "Roadmap for the Power Sector" includes the concessioning of the PHCN's three hydrocarbon plants and the sale to private investors of a minimum 51% equity in the three thermal generating stations and the 11 distribution units, while the transmission company will be placed under a private management company. The government is aiming to increase overall power generation capacity to 9,767 mw by end-2011, 14,218 mw by end-2013 and 40,000 mw by 2020. It says that in order to achieve these targets, annual investment of at least US$3.5bn is required over the next 10 years.

The restructuring of the large and unwieldy PHCN to increase efficiency has long been planned. It currently has 18 companies operating its power-generation and -distribution network (six involved in generating, 11 in distribution and one in transmission). There have been plans to separate and privatise these operations, but progress has been slow. This reflects distrust of private – particularly foreign – ownership of important infrastructure and the lack of profitable pricing in the sector owing to government subsidies.

Electricity consumption and supply

	2009	2010	2011	2012	2013	2014	2015	2020
Consumption (gwh)								
Industry	4,080	4,583	5,127	5,694	6,232	6,955	7,910	15,799
Transport	0	0	0	0	0	0	0	0
Residential	9,038	10,559	12,293	14,173	16,058	18,519	21,509	47,193
Commercial & public services	4,745	5,329	5,972	6,758	7,639	8,804	10,269	24,787
Other	554	568	593	627	660	704	756	1,168
Total	18,417	21,038	23,985	27,251	30,588	34,981	40,444	88,947
% change, year on year	10.8	14.2	14	13.6	12.2	14.4	15.6	16.3
Capacity (mwe)								
Combustible fuels	4,060	4,310	4,660	4,860	5,060	5,360	5,760	8,210
Nuclear	0	0	0	0	0	0	0	0
Hydro	1,938	1,938	1,938	1,938	2,188	2,188	2,438	3,438
Non-hydro renewables	0	0	0	0	0	0	0	0
Net maximum	5,998	6,248	6,598	6,798	7,248	7,548	8,198	11,648

7 Doing business in Nigeria

Nigeria, Africa's most populous nation, has an estimated population of over 168 million. The country offers investors abundant natural resources, a low-cost labour pool, and potentially the largest domestic market in sub-Saharan Africa. Much of that market potential remains unrealised because of a number of impediments to investment. These include:

- Inadequate power supply
- Lack of infrastructure
- Delays in the passage of announced legislative reforms and the drafting of related implementing regulations
- An inefficient property registration system
- Restrictive trade policies
- Arbitrary policy changes
- An inconsistent regulatory environment
- A slow and inefficient judicial system
- Unreliable dispute resolution mechanisms
- Corruption

Potential investors should understand the corruption risk involved in the Nigerian business environment and develop anti-bribery compliance programmes that involve local staff and Nigerian partners.

Potential investors should also cope with poorly-maintained power, telephone, water, road, railroad, river, and port infrastructure. Many investors must provide their own power, water, and access roads – which results in costs that undermine local and international competitiveness.

The deterioration in the railroad system has forced companies to rely on more expensive road transport. The deterioration in the state-owned, fixed-line telephone system has become so severe that only an estimated 15,000 landline telephone numbers operate in the country, compared to an estimated 93.5 million cellular telephone numbers. Most entrepreneurs conduct business operations by cellular phone or wireless Internet connections, although high-speed, broad-band connections have begun to become more available in Lagos and Abuja.

Security remains a concern due to high rates of violent crime, kidnappings for ransom, and terrorism. Four bombings of high-profile targets with multiple deaths occurred in Abuja during the 12 months following Nigeria’s Fiftieth Independence Anniversary on 1 October 2010. The bombings targeted the National Parade Ground at Eagle Square on 1 October 2010; a popular fish bar near the Mogadishu Army Barracks on 31 December 2010; the National Police Headquarters on 16 June 2011; and the United Nations Headquarters on 26 August 2011, killing 24 people and injuring more than 120. Attackers carried out the last two bombings using vehicle-borne improvised explosive devices. Other bombings and assassinations have occurred in the cities of Maiduguri, Damaturu, Bauchi, Jos, and Suleja, the majority linked to the extremist Islamic sect, Boko Haram.

An amnesty programme for militants in the restive Niger Delta region and rehabilitation and re-integration training for ex-militants have led to a significant decline in militant violence and the increasing restoration of shut-in oil and gas production. The longer-term impact of the government’s Delta peace efforts, however, remains unclear, and criminal activity in the Delta remains a concern.

Military rule ended with the inauguration of a civilian administration in May 1999. Dr. Goodluck Ebele Jonathan took the oath of office as Nigeria’s fourteenth Head of State on 6 May 2010, following the death of President Umaru Musa Yar’Adua the previous day. Jonathan’s peaceful succession to the presidency ended several months of uncertainty during President Yar’Adua’s prolonged illness and absence from the country for medical treatment. The Nigerian military remained in the barracks, adhering to the principle of civilian rule. National elections occurred in April 2011 for President, national legislators, governors, and state assemblies. Both international and domestic observers judged the elections to be the most free, fair, and credible in decades and arguably in Nigerian history. President Jonathan participated as a candidate of the ruling party and emerged as the winner. He was sworn in on 29 May 2011 for a four-year term ending in 2015.

The Government of Nigeria (GON) seeks to enact economic reforms to achieve the ambitious goal of allowing Nigeria to emerge as one of the top twenty economies in the world by the year 2020. Earlier, the GON had placed savings from crude oil sales above the budget benchmark price into a special reserve account, called the Excess Crude Account (ECA), starting in 2003, rather than using such funds to fuel fiscal expansion during periods of high oil prices. The ECA contained US$20 billion in 2007 but dropped to less than one billion dollars in late 2010 before rising back to three billion dollars in December 2011. Authorities used ECA funds to maintain government spending in 2009 in the face of lower oil revenues and then boost government spending in 2010 in the run-up to the national elections in April 2011.

Nigeria enacted Sovereign Investment Authority legislation in 2011 to establish a Sovereign Wealth Fund (SWF) to replace the ECA. Some state governors, however, have opposed the SWF, arguing that it is unconstitutional in the way that it treats funds allocated to the states. This dispute has delayed the placement of excess oil revenues into the SWF. The government has attempted to make better use of the budget process as an economic policy and management tool. Recurrent expenditure (salaries, wages, overhead, and debt service), however, accounted for 74.4 percent of the budget in 2011, leaving just 25.6 percent for the capital budget (infrastructure). Concerns also exist over the degree of execution of the capital budget (i.e., officials spent only 65 percent of the 2009 capital budget). The government's failure to execute fully an already limited capital budget constitutes an additional drag on infrastructure investment.

The GON also plans to reform the oil and gas sector in Nigeria. The administration had proposed the Petroleum Industry Bill (PIB), omnibus legislation that would replace the existing 16 oil sector laws with one legal framework with clear rules, procedures, and institutions, to bring about transparency and good governance and reduce corruption. Overall, international oil companies supported this reform effort, but expressed concerns over specific provisions of the bill that could undermine the sanctity of contracts, threaten profits, and discourage future investment. The previous National Assembly failed to pass the bill. According to some reports, the administration may withdraw the bill and replace it with three or more smaller bills dealing with regulation, revenues, benefits, and other issues. A delay in passage of the bill or its replacement with smaller bills would delay investment in the oil and gas sector, especially the deep offshore.

Freedom of expression and of the press remains broadly-observed, although most publications practice some self-censorship on sensitive issues.

Nigeria's selected indices and rankings

The following table indicates Nigeria's recent ranking according to various metrics of transparency and good governance:

- Transparency International Corruption Index – 143
- Heritage Economic Freedom Index – 111 (World); 18 (Region)
- World Bank Doing Business Index – 133
- MCC Government Effectiveness – 33%
- MCC Rule of Law – 26%
- MCC Control of Corruption – 37%
- MCC Fiscal Policy – 38%
- MCC Trade Policy – 39%
- MCC Regulatory Quality – 48%
- MCC Business Start-up – 44%
- MCC Land Rights Access – 10%
- MCC Natural Resources Management – 39%

7.1 Openness to foreign investment

The GON solicits foreign investment and has implemented various reforms to attract higher levels of investment. Authorities have loosened controls over foreign investment, and repealed or amended military government decrees inhibiting competition or conferring monopoly powers on public enterprises.

The GON's protectionist tradition remains despite these actions, resulting in inconsistent trade policy – liberalising trade one year and restricting trade the next. The GON also specifically prohibits the importation of some goods, such as cement, to foster domestic production.

The GON enacted the Nigerian Content Act (NCA) in 2010 to support domestic production. The NCA requires oil and gas production and service companies to use local resources for the delivery of some goods and services currently sourced from outside the country. Concerns about the NCA include its restrictive trade practices in violation of WTO agreements as well as technology transfer requirements that violate a company's intellectual property rights.

Many local companies established to respond to the greater demand for local goods and services provided for by the NCA have suffered due to lack of new contracts caused by the delayed passage of the Petroleum Industry Bill (PIB). Laws against the re-export of equipment restrict the development of Nigeria as an oil and gas service centre for the growing African oil and gas industry.

Legal framework:

The Nigerian Investment Promotion Commission (NIPC) Decree of 1995 allows 100-percent foreign ownership of firms outside the oil and gas sector, where investment stays limited to joint ventures or production-sharing agreements. Laws restrict industries to domestic investors if they are considered crucial to national security, such as firearms, ammunition, and military and paramilitary apparel. Foreign investors must register with the NIPC after incorporation under the Companies and Allied Matters Decree of 1990. The decree prohibits the nationalisation or expropriation of foreign enterprises except in cases of national interest.

Nigerian laws apply equally to domestic and foreign investors. These laws include, the Nigerian Content Act of 2010, Nigerian Minerals and Mining Act of 2007, Nigeria Extractive Industries Transparency Initiative (NEITI) Act of 2007, Central Bank of Nigeria Act of 2007, Electric Power Sector Reform Act of 2005, Money Laundering Act of 2003, Securities and Exchange Act of 1999, Foreign Exchange Act of 1995,Banking and Other Financial Institutions Act of 1991, and National Office of Technology Acquisition and Promotion Act of 1979.

Privatisation:

The Privatisation and Commercialisation Act of 1999 established the National Council on Privatisation, the policy-making body overseeing the privatisation of state-owned enterprises (SOEs), and the Bureau of Public Enterprises (BPE), the implementing agency for the designation privatisations. The BPE has focused on the privatisation of key sectors, including telecommunications and power, and calls for core investors to acquire controlling shares in formerly state-owned enterprises.

The BPE has raised over four billion dollars since 1999 by privatising and concessioning more than 140 enterprises, including an aluminium complex, a steel complex, cement manufacturing firms, hotels, a petrochemical plant, aviation cargo handling companies, and vehicle assembly plants. The National Assembly has questioned the propriety of some of these privatisations, with one case related to an aluminium complex recently finding its way to the Supreme Court.

The GON established the Infrastructure Concession Regulatory Commission (ICRC) in 2008 to identify greenfield projects for concessioning. The GON also plans to use a Public-Private-Partnership Framework for future infrastructure provision.

Passage of the Electric Power Sector Reform Act in 2005 created the Nigerian Electricity Regulatory Commission (NERC), a power regulator with responsibility for tariff regulation and economic and technical regulation of the electricity supply industry. The NERC has issued 34 licenses to Independent Power Producers and began implementing a Multi-Year Tariff Order (MYTO) for the determination of tariffs for electricity generation, transmission, and distribution on 1 July 2008. The Electric Power Sector Reform Act of 2005 provides for the deregulation of the power sector and removal of many major roadblocks to the development of the sector have been removed.

The formal power sector reform "road map" establishes: market-based ratemaking; privatisation of power plants and electricity distribution companies; the commercialisation of the national transmission company; the establishment of a bulk electricity purchaser; a partial risk guarantee in the form of a US$500 million sovereign fund; and the creation of the Nigerian Electricity Liability Management Company (NELCOM), which is already taking over the Power Holding Company of Nigeria's (PHCN) stranded assets and liabilities.

President Goodluck Jonathan approved establishment of the Nigeria Bulk Electricity Trading Company (NBETCO) on 16 August 2011. NEBTCO, as the prime purchaser of electricity produced by Nigerian power plants, will serve a critical intermediary role in the successful liberalization of the power sector. The country only produces 3,700 megawatts due to a lack of natural gas pipeline infrastructure, diversified power sources, and transmission capacity. The GON seeks to increase production to 14,000 megawatts by 2013 – an ambitious goal that requires increased private sector participation.

The GON has substantially opened Nigeria's telecommunications sector. The Telecommunications Act of 2001 authorised the Nigerian Communications Commission (NCC) to issue licenses to existing and prospective service providers. Nigeria's state-owned telecommunications operator, Nigerian Telecommunications Limited's (NITEL) mobile subsidiary, MTEL, and four private companies, MTN, Airtel, Globacom, and Etisalat, have mobile licenses. Globacom won mobile, fixed, and international gateway licenses as Nigeria's second national telecommunications operator in mid-2002. According to the NCC, the total number of telephone numbers (both mobile and landline) in Nigeria increased from 81.9 million and a teledensity of 58.52 at the end of August 2010 to 93.5 million with a teledensity of 80.85 at the end of December 2012.

The government cancelled licenses for the 2.3 GHz spectrum, awarded through a competitive bidding process in May 2009, due to alleged administrative procedures not adhered to by the NCC. The NCC will initiate a fresh bidding round, with full details expected soon. The government awarded three carriers in the 800 MHz spectrum band to Visafone Communications in a competitive auction process in July 2007 that included Visafone Communications, GiCell Wireless Limited, Multilinks Telecommunication Limited, and TC Africa Telecoms Network Limited. Officials issued four licenses for a 10 MHz lot in the 2 GHz spectrum to Alheri Engineering Company Limited, Celtel Nigeria Limited, Globacom Limited, and MTN Nigeria Communications Limited in March 2007.

The GON made a third attempt at privatising NITEL and MTEL in February 2010. Both the preferred bidder and the reserve bidder, however, failed to provide the necessary down payments and this privatisation attempt failed. The GON has begun considering an alternative method for privatising NITEL. Such efforts failed in 2001, and again in 2006, when the preferred bidders also failed to provide the necessary down payment or purchase price.

The NCC commenced the unified licensing regime in May 2006, awarding the first batch of unified licenses to four telecommunications service providers. The unified license permits telecommunications companies to offer services across-the-board in telecommunications, including landline, wireless and data services, and so forth. This action marks the end of the five-year exclusivity incentive granted to mobile telephone licensees in 2001. Telecommunications deregulation has led to the issuance of licenses for fixed wireless networks, internet services, and VSAT (very small aperture terminal) satellite telecommunications equipment services. The GON's hefty fees and inadequate power supply, however, slow the impact and implementation of these technologies.

The ICT sector received a boost in 2010 and 2011 when three broad-band cables, from Glo-One, MainOne and the West African Cable System (WACS), landed in Lagos. WACS comprises a consortium of companies led by MTN. Nigeria's previous broad-band capacity was limited to the SAT-3 cable with 350 gigabits. The Glo-One, MainOne, and WACS cables increased Nigeria's broad-band capacity by 2.5 terabits, 1.92 terabits, and 5.12 terabits, respectively, bringing total capacity to 9.89 terabits. All three cables provide broad-band data and internet capacity, which will increase the country's Internet density and capacity. Such actions will likely reduce the cost of broad-band to a fraction of the current cost.

The GON has worked to modernise and open the civil aviation sector.

7.2 Conversion and transfer policies

The Foreign Exchange Monitoring Decree of 1995 opened Nigeria's foreign exchange market. Nigeria adopted a Wholesale Dutch Auction System (WDAS) in February 2006, in accordance with its plan to liberalise the foreign exchange market. The WDAS provides greater control of the foreign exchange market, although the Central Bank still retains its supervisory role over the market.

Foreign companies and individuals can hold non-naira-denominated accounts in domestic banks. Account holders have unlimited use of these funds, and foreign investors may repatriate capital without restrictions. Authorities have established a US$4,000 quarterly Personal Travel Allowance for foreign exchange and a US$5,000 quarterly Business Travel Allowance per individual for naira-denominated accounts. Commercial banks usually issue foreign exchange for travel in cash, while some authorised dealers also issue pre-paid credit cards for use at Automatic Teller Machine (ATM) terminals worldwide.

Purchase of foreign exchange for business purposes, such as for importing equipment and raw materials, and for paying school fees abroad, must be routed through banks, Nigeria's only licensed foreign exchange agents. Such transactions can only occur with proper documentation, such as filling out the "Form M" and presenting copies of the certificate of incorporation of the company.

The NIPC guarantees investors unrestricted transfer of dividends abroad (net a 10-percent withholding tax). Companies must provide evidence of income earned and taxes paid before receiving remittances from Nigeria. Money transfers usually take no more than 48 hours, if individuals provide the necessary documentation. All transfers must occur through banks.

7.3 Expropriation and compensation

The GON has not expropriated or nationalised foreign assets since the late 1970s.

7.4 Dispute settlement

Investment Disputes:

Nigeria's civil courts handle disputes between foreign investors and the GON as well as between foreign investors and Nigerian businesses. The courts occasionally rule against the GON. Plaintiffs in these cases, however, do not always pay settlements expeditiously. Nigerian law allows the enforcement of foreign judgments after proper hearings in Nigerian courts. Plaintiffs receive monetary judgments in the currency specified in their claims.

Legal System:

Nigeria has a complex, three-tiered legal system composed of English common law, Islamic law, and Nigerian customary law. "Common law" governs most business transactions, as modified by statutes to meet local demands and conditions. The Supreme Court sits at the pinnacle of the judicial system and has original and appellate jurisdiction in specific constitutional, civil, and criminal matters as prescribed by Nigeria's constitution. The Federal High Court has jurisdiction over revenue matters, admiralty law, banking, foreign exchange, other currency and monetary or fiscal matters, and lawsuits to which the federal government or any of its agencies are party.

The Nigerian court system does not have enough court facilities, lacks computerised document-processing systems, and poorly remunerates judges and other court officials, all of which encourages corruption and undermines enforcement. Debtors and creditors rarely have recourse to Nigeria's pre-independence bankruptcy law. Entrepreneurs generally do not seek bankruptcy protection in Nigeria's business culture..

The public increasingly resorts to the court system and has become more willing to litigate and seek redress. The World Bank's publication, Doing Business 2012, which surveyed 183 countries, ranked Nigeria 97 out of 183 countries on the enforcement of contracts, compared with its 2011 ranking of 98 out of 183 countries surveyed. In addition, the report revealed that contract enforcement required 40 procedures spanning an average of 457 days averaging 32 percent of the value of the contract. This situation compared with 31 procedures spanning an average of 518 days and averaging 19.7 percent of the cost of the contract in OECD countries and 39 procedures spanning an average of 655 days and averaging 50 percent of the contract in sub-Saharan countries.

Alternative Dispute Resolution:

The Arbitration and Conciliation Act of 1988 provides for a unified and straightforward legal framework for the fair and efficient settlement of commercial disputes by arbitration and conciliation. The Act created internationally competitive arbitration mechanisms, established proceeding schedules, provided for the application of the UNCITRAL (United Nations Commission on International Trade Law) arbitration rules or any other international arbitration rule acceptable to the parties, and made the Convention on the Recognition and Enforcement of Arbitral Awards (New York Convention) applicable to contract enforcement, based on reciprocity.

The Act allows parties to challenge arbitrators, provides that an arbitration tribunal shall ensure that the parties receive equal treatment, and ensures that each party has full opportunity to present its case.

7.5 Performance requirements/incentives

Nigeria regulates investment in line with the World Trade Organisation's Trade-Related Investment Measures (TRIMS) Agreement. Foreign companies operate successfully in Nigeria's service sector, including telecommunications, accounting, insurance, banking, and advertising. The Securities and Exchange Act of 1988, amended and renamed the Investment and Securities Act in 1999, forbids monopolies, insider trading, and unfair practices in securities dealings.

Foreign investors must register with the NIPC, incorporate as a limited liability company (private or public) with the Corporate Affairs Commission, procure appropriate business permits, and register with the Securities and Exchange Commission (when applicable) to conduct business in Nigeria. Manufacturing companies sometimes must meet local content requirements.

Expatriate personnel do not require work permits, but they remain subject to "needs quotas" requiring them to obtain residence permits that allow salary remittances abroad. Authorities permit larger quotas for professions deemed in short supply, such as deepwater oilfield divers. The Domestic Content Act of 2009 (DCA) restricts the number of expatriate managers to five percent of the total number of personnel for companies in the oil and gas sector.

The GON maintains many different and overlapping incentive programmes. The Industrial Development/Income Tax Relief Act Number 22 of 1971, amended in 1988, provides incentives to pioneer industries deemed beneficial to Nigeria's economic development and to labour-intensive industries, such as apparel. Companies that receive pioneer status may benefit from a non-renewable, 100-percent tax holiday of five years (seven years, if the company is located in an economically-disadvantaged area). Industries that use 60 to 80 percent of local raw materials in production may benefit from a 30-percent tax concession for five years, and investments employing labour-intensive modes of production may enjoy a 15-percent tax concession for five years. Additional incentives exist for the natural gas sector, including allowances for capital investments and tax-deductible interest on loans. The GON encourages foreign investment in agriculture, mining and mineral extraction (non-oil), oil and gas, and the export sector. In practice, these incentive programs meet with varying degrees of success.

Technology Transfer Requirements:

The National Office of Industrial Property Act of 1979 established the National Office of Technology Acquisition and Promotion (NOTAP) to facilitate the acquisition, development, and promotion of foreign and indigenous technologies. NOTAP registers commercial contracts and agreements dealing with the transfer of foreign technology and ensures that investors possess licenses to use trademarks and patented inventions and meet other requirements before sending remittances abroad. In cooperation with the Ministry of Finance, NOTAP administers 120-percent tax deductions for research and development carried out in Nigeria and 140-percent tax deductions for research and development using local raw materials. As mentioned earlier, the recently-passed Domestic Content Act of 2010 (DCA) has technology-transfer requirements that appear to violate a company’s intellectual property rights.

NOTAP has shifted its focus from regulatory control and technology transfer to technological promotion and development. With the assistance of the World Intellectual Property Organisation (WIPO), NOTAP has established a patent information and documentation centre for the dissemination of technological information to end-users. The centre has a mandate to commercialise institutional research and development with industry.

Import Policies:

Import tariffs provide the GON its second largest, although much less significant, source of revenue after oil and gas exports. The GON issued the 2008-2012 Common External Tariff (CET) Book in September 2008. The CET harmonises Nigeria's tariffs with its West African neighbours under the Economic Community of West African States (ECOWAS) CET. The 2008 – 2012 CET established five tariff bands that include:

- Zero duty on capital goods, machinery, and essential drugs not produced locally
- 5% on imported raw materials
- 10% on intermediate goods
- 20% on finished goods
- 35% on goods in certain sectors

Authorities reduced import duties on various items, including rice, cigars, and manufactured tobacco. A November 2010 review of the import prohibition list resulted in the removal of textiles, toothpicks, and cassava from the import prohibition list. The age limit on imported used vehicles also increased from 10 years to 15 years.

Items that remain banned include:

- Frozen poultry
- Pork
- Beef
- Pasta
- Fruit juice in retail packs
- Soaps and detergents
- Refined vegetable oil
- Beer
- Non-alcoholic beverages
- Plastics

Nigeria uses non-tariff measures to achieve self-sufficiency in certain commodities under its "backward integration" programme. The government used this strategy in cement production and plans to use it in other identified commodities, such as rice and sugar. President Jonathan mentioned at a 5 September 2011, event that "policies being prepared by the Economic Management Team will have tenure of five years so that investors can plan for the long-term. For instance, only those who are in large-scale rice or sugar production will be allowed to import rice or sugar on a quota to be determined by appropriate authorities similar to the current policy in the cement sector."

President Jonathan announced several new tariff measures during the 13 December 2011 presentation of the proposed 2012 Budget to the National Assembly. These include:

- A ban on imported cassava flour as of March 31, 2012
- The imposition of a 65 percent levy on imported wheat flour and an increase to a 15 percent levy on imported wheat grain as of July 1, 2012
- A rise to a 30 percent levy on imported brown rice as of July 1, 2012
- An increase to a 50 percent levy on imported polished (milled) rice as of 1 July 2012, with a final escalation to 100 percent on 31 December 2012

The Nigerian Customs Service (NCS) and the Nigerian Ports Authority (NPA) exercise exclusive jurisdiction over customs services and port operations. Nigerian law allows importers to clear goods on their own, but most importers employ clearing and forwarding agents. Some importers under-invoice shipments to minimise tariffs and lower their landed costs. Others ship their goods to ports in neighbouring countries, such as Benin and Togo, after which they are transported overland and smuggled into the country.

The GON implements a destination inspection scheme whereby all imports are inspected upon arrival into Nigeria, rather than at the ports of origin. Authorities announced guidelines for the scheme in 2006, and three companies each received seven-year contracts to act as inspection agents at Nigeria's seaports, border posts, and airports. The companies include Cotecna, SGS, and Global Scan. The exclusive contract will expire at the end of 2012, when NCS officials would have completed training on the new scheme and handling of the necessary scanning machines, to be handed over to the NCS at the expiration of the contract.

Shippers report that efforts to modernise and professionalise the NCS and the NPA have reduced port congestion and clearance times. These efforts include an ongoing programme to achieve the stated goal of 48-hour cargo clearance, particularly at Lagos' Apapa Port, which handles over 40 percent of Nigeria's legal trade. Nevertheless, bribery of customs and port officials remains a problem, and smuggled goods do enter Nigeria's seaports and cross its land borders.

Efficient functioning of concessioned container terminals has significantly reduced container ship wait times, but the final release of containers still can take four weeks or longer due to delays in NCS container-processing and clearing. Dr. Ngozi Okonjo-Iweala, the newly-appointed Minister of Finance, ordered in October 2011 that eight agencies, including the National Agency for Food and Drug Administration and Control (NAFDAC) and the Standards Organisation of Nigeria (SON), should vacate the ports within two months to facilitate easier and faster goods clearance. Dr. Okonjo-Iweala described her aim as reducing the cost of doing business in the Nigerian ports by reducing the current number of agencies in the ports from fourteen to six.

Export Incentives:

The GON has abolished most export incentives. The Nigerian Export Promotion Council, however, continues to implement the Export Expansion Grant (EEG) scheme to improve non-oil export performance. The Nigerian Export-Import (NEXIM) Bank provides commercial bank guarantees and direct lending to facilitate export sector growth, although these practices are underused. NEXIM's Foreign Input Facility provides normal commercial terms of three to five years (or longer) for the importation of machinery and raw materials used for generating exports.

Agencies created to promote industrial exports remain burdened by uneven management and vaguely-defined policy guidelines. Nigeria's inadequate power supply and lack of infrastructure and the associated high production costs leave Nigerian exporters at a significant disadvantage. The vast majority of Nigeria's manufacturers remain unable to compete in the international market. Many of these are also unable to compete with low cost imports coming from Asia, especially China. The Dangote Cement Company will likely become a major recipient of the EEG as soon as it completes its domestic capital-expansion projects and implements its plan to export large volumes of domestically-manufactured cement to ECOWAS countries.

Government Procurement

The GON awards contracts under an open-tender system, advertising tenders in Nigerian newspapers and a “tenders” journal, and opening the tenders to domestic and foreign companies. Procurement for capital projects may suffer from over-invoicing, which permits improper payments to private and public sector officials.

The Public Procurement Law of 2007 established the Bureau of Public Procurement (BPP) as the successor agency to the Budget Monitoring and Price Intelligence Unit (BMPIU). The BPP acts as a clearinghouse for government contracts and procurement and monitors the implementation of projects to ensure compliance with contract terms and budgetary restrictions. Procurements above 50 million naira (about US$322,580) undergo full "due process," as the process is called. Some of the 36 states of the federation have also passed public procurement legislation.

Visa Requirements:

Investors sometimes encounter difficulties acquiring entry visas and residency permits. Foreigners must obtain entry visas from Nigerian embassies or consulates abroad, seek expatriate position authorisation from the NIPC, and request residency permits from the Nigerian Immigration Service. Investors report that this cumbersome process can take from two to 24 months and cost from US$1,000 to US$3,000 in facilitation fees. The GON announced a new visa rule in August 2011 to encourage foreign investment, under which legitimate investors can obtain multiple entry visas at the point of entry into Nigeria.

7.6 Right to private ownership and establishment

The GON supports competitive business practices and protects private property in accordance with the NIPC Decree of 1995.

7.7 Protection of property rights

The GON recognises secured interests in property, such as mortgages. The recording of security instruments and their enforcement remain subject to the same inefficiencies as those in the judicial system. In the World Bank publication, Doing Business 2012, Nigeria ranked 180 out of the 183 countries surveyed for registering property, requiring averages of 13 procedures over 82 days at a cost of 20.8 percent of the property value. According to the report, property registration in OECD countries required averages of five procedures over 31 days at a cost of 4.4 percent of property values, while in sub-Saharan African countries this process required averages of 6 procedures over 65 days at a cost of 9.4 percent of property value.

Fee simple property rights remain rare. Owners transfer most property through long-term leases, with certificates of occupancy acting as title deeds. Property transfers are complex and must usually go through state governors' offices. In Abuja, the Federal Capital Territory government cancelled and began a process of reregistering all property allotments, refusing to renew those it deemed not to comply with the city's master plan. Authorities have often compelled owners to demolish buildings on such property allotments, including government buildings, commercial buildings, residences, and churches,, even in the face of court injunctions.

Nigeria is a member of WIPO and a signatory to the Universal Copyright Convention, the Berne Convention, and the Paris Convention (Lisbon text). The Patents and Design Decree of 1970 governs the registration of patents, and the Registry of Trademarks, Patents, and Designs in the Ministry of Commerce and Industry registers patents, trademarks, and designs. Once conferred, a patent conveys exclusive rights to make, import, sell, or use a product or apply a process.

The Trademarks Act of 1965 gives trademark holders exclusive rights to use registered trademarks for a specific product or class of products. The Copyright Act of 2004 is based on WIPO standards and U.S. copyright law, and makes it a crime to export, import, reproduce, exhibit, perform, or sell any work without the permission of the copyright owner. However, copyright owners do not register their works under the Copyright Act. Rather, they notify the Nigerian Copyright Commission (NCC). Nigeria's copyright statutes also include the National Film and Video Censors Board Act and the Nigerian Film Policy Law of 1993.

The Copyright Act incorporates trade-related aspects of intellectual property rights (TRIPS) protection for copyrights, except provisions to protect geographical indications and undisclosed business information. Confusion exists among the various GON agencies regarding proposed legislation expected to put all intellectual property agencies under a single and uniform authority. Concomitantly, the National Assembly has under consideration a private bill that would establish an Industrial Property Commission. This private bill would amend the Patents and Design Decree of 1970 to make comprehensive provisions for the registration and proprietorship of patents and designs, amend the Trademarks Act of 1965 to improve existing legislation relating to the recording, publishing, and enforcement of trademarks, and provide protection for plant varieties (including biotechnology) and animal breeds.

The Ministry of Commerce and Industry and the Ministry of Justice, however, plan to send similar, competing bills to the National Assembly for consideration. This competition has lasted since at least 2006. The GON has signed the WIPO Internet treaties but has yet to ratify them. The Nigerian Copyright Commission (NCC), however, claims to have already implemented the terms of the treaties.

Patent and trademark enforcement remains weak, and judicial procedures as well as application of enforcement measures suffer from delays. Relevant Nigerian institutions lack training and resources. A key deficiency involves inadequate appreciation of the benefits of IPR protection among regulatory officials, distributor networks, and consumers. Over-stretched and under-trained Nigerian police possess little understanding of intellectual property rights.

The tariff policy released in September 2008 empowers the Nigerian Customs Service (NCS) to seize pirated works and prosecute offenders. The NCS has received some WIPO-sponsored and USG-sponsored training, but admits that the technical capacity of its officers needs further enhancement to combat piracy effectively.

Companies do not often seek trademark or patent protection, because they consider the enforcement mechanisms as ineffective. Nonetheless, recent efforts to curtail abuse have yielded some results. The Nigerian Police and the NCC raided the notorious Alaba International Market in Lagos in early 2010 and arrested suspected high-profile music and video pirate Tony Onwujekwe, who currently remains under trial on a three-count charge bordering on large-scale piracy of several musical and audio-visual works belonging to different local and international right owners. Various businesses have also filed high-profile charges against other IPR violators.

Most raids involving copyright, patent, or trademark infringement appear to target small, rather than large and well-connected, pirates. Authorities have successfully prosecuted few cases, with most cases settled out of court. The Federal High Court, whose judges have become generally familiar with intellectual property rights law, primarily handles those cases adjudicated in court.

7.8 Transparency of the regulatory system

Nigeria's legal, accounting, and regulatory systems comply with international norms, but enforcement remains uneven. Opportunities for public comment and input into proposed regulations sometimes occur. Professional organisations set standards for the provision of professional services, e.g., accounting, law, medicine, engineering, and advertising. These standards usually comply with international norms. No legal barriers prevent entry into this sector.

Taxation:

Nigeria’s tax laws generally do not impede investment, but the imposition and administration of taxes remains uneven and lacks transparency. Nigeria has signed double taxation agreements with several countries, including the United Kingdom, France, the Philippines and Japan. The GON imposes a 7.5-percent tax rate on dividends, interest, rent, and royalties when such benefits are paid to a bona-fide beneficiary under a tax treaty. Multiple taxes remain a problem for businesses at state and local levels, with companies within concurrent state and local jurisdictions expected to pay several taxes and levies.

7.9 Efficient capital markets and portfolio investment

The NIPC Decree of 1995 liberalised Nigeria's foreign investment regime, which has facilitated access to credit from domestic financial institutions. Foreign investors who have incorporated their companies in Nigeria have equal access to all financial instruments. Some investors consider the capital market, specifically the Nigerian Stock Exchange (NSE), a financing option, given commercial banks’ high interest rates and the short maturities of local debt instruments.

Trading on the NSE has witnessed declines in value since March 2008 due to many factors, including the freeze on margin loans by local banks, sale of large quantities of shares by bank debtors to pay back margin loans, and exit of foreign portfolio investors and hedge funds due to the global economic crisis and, more recently, the ongoing EU crisis. Market capitalization opened at about eight trillion naira (about US$52.6 billion) at the beginning of 2011, but closed at about seven trillion naira (about US$46.05 billion) on 31 December 2011.

The NSE All Shares Index opened 2011 at about 24,770 points but fell to 20,730 points on 31 December 2011. The NSE operates nine branches nationwide, and the volume of shares listed continues to rise due to new companies listing their shares on the NSE. The listing of Dangote Cement Company in 2010, introduction of the contributory pension system in late 2005, GON divestment of equity in parastatal companies, and initial public offerings (IPOs) and issuances of additional shares by listed companies have contributed to the NSE's overall growth during the last several years.

The NSE continues to expand its membership and investor pool. Currently, the exchange lists 262 securities, comprising 11 government stocks; 49 industrial loan stocks (debenture/preference); and 194 equity/ordinary shares of companies. The GON and the National Assembly have under consideration a proposal that would require oil and gas and telecommunications companies to list their shares on the NSE as a way to encourage greater corporate participation and sectoral balance in the NSE.

The Government employs debt instruments, with the GON issuing bonds of various maturities ranging from two to 20 years since the return to civilian rule in 1999. The GON has issued bonds to restructure the GON domestic debt portfolio from short-term to medium- and long-term instruments. Investors have shown renewed interest in bonds since the decline in the equities market in March 2008. Some state governments have issued bonds to finance development projects; while some domestic banks have used the bond market to raise additional capital. Some companies have begun considering the issuance of bonds.

The Nigerian Securities and Exchange Commission (SEC) has issued stringent guidelines for states wishing to raise funds on capital markets, such as requiring credit assessments conducted by recognised credit rating agencies. The SEC recognises two credit rating agencies: Agusto and Company, and Global Credit Rating (GCR) of South Africa. The GON successfully issued its maiden US$500-million, 10-Year Eurobond on 21 January 2010. The bond became 250-percent subscribed, with investors staking over US$1.25 billion. Investors from 18 countries spanning Europe, the United States, Asia, and Africa took up the offer.

Banking System:

Twenty-four commercial banks operated in Nigeria, as of 31 December 2011. The recapitalisation exercise arising from the special audit of the banking system in 2009 by the Central Bank of Nigeria (CBN) ended on 30 September 2011.

Authorities nationalised and re-named three banks at the end of the recapitalisation deadline, including:

- Enterprise Bank Limited (formerly Spring Bank Plc)
- Keystone Bank Limited (formerly Bank PHB Plc)\
- MainStreet Bank Limited (formerly Afribank Plc)
- Healthier banks also acquired four other weak banks including:
- Oceanic Bank Plc (acquired by Ecobank Nigeria Plc)
- Intercontinental Bank Plc (acquired by Access Bank Plc)
- FinBank Plc (acquired by First City Monument Bank Plc)
- Equitorial Trust Bank Limited (acquired by Sterling Bank Plc)

Completion of these mergers has led to a reduced number of commercial banks. Authorities also planned to allow non-interest banking, with the CBN issuing two Approvals-In-Principle to Jaiz Bank International Plc and Stanbic IBTC Plc to establish Islamic banking operations in Nigeria. As a result of the CBN's 2009 special audit, eight banks had to replace their executive managers, while two additional banks had to raise additional capital. The CBN also provided 620 billion naira (about US$4.1 billion) in long-term loans to the eight banks to boost their liquidity. The CBN audit gave the remaining 14 banks a "clean bill of health," though they had to make further provisions for non-performing loans granted to refined petroleum product importers and capital market operators.

Some banks published their 2009 financial results in line with the CBN's new directive to make full provision for bad loans, showing a loss position. Most of the same banks returned to profitability in 2010. The positive results of some banks in 2010 may be the result of loan loss recoveries.

7.10 Competition from state-owned enterprises (SOEs)

The Government has privatised most State-Owned Enterprises (SOEs) to make them more efficient. The remaining SOEs produce major drains on government finances. The state-owned telecommunications company, NITEL, and its mobile subsidiary, MTEL, have lost considerable market share due to lack of investment and the market entry of privately owned competitors. The GON has sought to privatise both NITEL and MTEL.

The four state-owned oil refineries in Port-Harcourt, Warri, and Kaduna operate far below their original installed capacity. The GON sold the Port-Harcourt and Kaduna refineries to a private consortium during the Obasanjo administration, but then President Umaru Musa Yar'Adua later reversed the transaction. The GON's subsequent management of the refineries has been poor. There is an ongoing drive to encourage private investment in refineries and, in a bid to attract such investment, the GON says it plans to deregulate the downstream sector fully and allow market forces to determine prices of refined petroleum products.

Deregulation of gasoline prices, which would be politically sensitive, could occur in 2012. In another effort to attract investment, the GON abolished the one- million-dollar non-refundable deposit requirement for investors applying to build refineries. The GON also seeks to attract private investment in the railway sector through establishment of public-private partnerships (PPPs).

Sovereign Wealth Fund:

The National Assembly approved the Sovereign Investment Authority legislation in 2011 to establish a Sovereign Wealth Fund (SWF) to replace the ECA. Some state governors, however, have opposed the SWF, arguing that the fund violated the Constitution in the way that it handles funds previously allocated to the states. This dispute has delayed the formal placement of excess oil revenues into the SWF.

7.11 Corporate social responsibility

Both local and foreign enterprises generally follow Corporate Social Responsibility (CSR) principles as a way to identify with the communities in which they operate and display support for GON initiatives. Generally, communities favourably view firms that pursue CSR.

7.12 Political violence

Social unrest, ethnic and religious strife, violent crime, kidnapping, and terrorism affect parts of Nigeria. Decades of neglect, persistent poverty, and environmental damage caused by the oil and gas industry have aggravated unrest in the oil-rich Niger Delta. Sabotage and vandalism of pipelines and other installations and kidnapping of Nigerian and expatriate oil workers are known to occur.

President Yar'Adua's unconditional amnesty for Niger Delta militants in 2009 induced all major militant leaders to put down their arms and join a political reconciliation process. The subsequent rehabilitation and reintegration process for former militants has begun, and the promised massive investment in infrastructure and development in the region has slowly started to materialise.

The Niger Delta Development Commission (NDDC) has a mandate to implement social and economic development projects in the Delta region, but the NDDC has proven largely ineffective. State and local governments offer few social services and Niger Delta residents continue to seek direct payments and other assistance from oil companies, who cannot meet demand. Some oil companies have implemented their own socio-economic development programmes to assist local communities, but many communities consider the company programmes inadequate.

In 2009, the GON established the Ministry for the Niger Delta to oversee development projects in the region. The proposed PIB also would provide for 10 percent of the annual revenues from the new Incorporated Joint Ventures (IJVs) to be allocated to local communities where oil and gas fields and installations exist. Such a development could help provide the resources needed for local social and economic development.

Violent clashes between police and militant members of an Islamic sect, Boko Haram (Hausa for "Western Education Is Anathema"), resulted in over 700 reported deaths and 4,000 people displaced in four northern states between 26 and 29 July 2009. The violence began when Boko Haram followers attacked a police station in retaliation for the arrest of several of the group's leaders. Violence quickly spread, and the police and military allegedly used excessive force, including the alleged extrajudicial execution by police of the Boko Haram leader. Boko Haram members raided a prison in Bauchi in September 2010, killing five members of the security forces and freeing over 750 inmates, including many of their imprisoned comrades. Boko Haram members have engaged in a campaign of targeted violence in Northern and Middle-belt states since mid-2010, with the assassinations of political leaders, their family members, and members of the police, as well as suspected informants. Sect members also robbed banks and burned churches throughout the same region.

7.13 Corruption

Domestic and foreign observers recognise corruption as an obstacle to economic growth and poverty reduction. Nigeria scored 2.4 out of 10 for the last two years, in Transparency International's 2011 Corruption Perception Index (CPI), placing it in the lower third of the 183 countries ranked. The Economic and Financial Crimes Commission (EFCC) Establishment Act of 2004 established the EFCC to prosecute individuals involved in financial crimes and other acts of economic "sabotage." The EFCC has encountered the most success in prosecuting low-level Internet scam operators. Some high-profile convictions have taken place, such as a former governor of Bayelsa State, a former Inspector General of Police, and a former Chair of the Board of the Nigerian Port Authority. However, many other cases languish in the courts without resolution. Concerns about the EFCC's commitment grew after Farida Waziri became EFCC Chair in December 2007 and the GON redeployed some experienced personnel in July 2008. In November 2011, President Goodluck Jonathan sacked Farida Waziri, replacing her on with EFCC Director of Operations Ibrahim Lamorde. Lamorde, who had worked for the EFCC under previous Chair Nuhu Ribadu, has a reputation for diligence and a no-nonsense attitude.

The Corrupt Practices and Other Related Offences Act of 2001 established an Independent Corrupt Practices and Other Related Offences Commission (ICPC) to prosecute individuals, government officials, and businesses for corruption. The Act punishes over 19 offenses, including accepting or giving bribes, fraudulent acquisition of property, and concealment of fraud. Nigerian law stipulates that giving and receiving bribes constitute criminal offences and, as such, are not tax deductible. ICPC investigations have resulted in less than 14 convictions since 2001. At the end of 2011, President Jonathan continued his search for a new Chair of the ICPC. Many insiders have pressed for a more aggressive approach by the agency.

Nigeria gained admittance into the Egmont Group of Financial Intelligence Units (FIUs) in May 2007. The Paris-based Financial Action Task Force removed Nigeria from its list of Non-Cooperative Countries and Territories in June 2006. The Nigeria Extractive Industries Transparency Initiative (NEITI) Act of 2007 provided for the establishment of the NEITI organisation, charged with responsibility to develop a framework for transparency and accountability in the reporting and disclosure by all extractive industry companies of revenue due to or paid to the GON. NEITI is a member of the international Extractive Industries Transparency Initiative (EITI), which provides a global standard for revenue transparency for extractive industries like oil and gas and mining.

7.14 Bilateral investment agreements

The GON signed a Trade and Investment Framework Agreement (TIFA) with the United States in 2000. Nigeria has bilateral investment agreements with:

Algeria	Bulgaria
China	Egypt
France	Finland
Germany	Italy
Jamaica	Montenegro
The Netherlands	North Korea
Romania	Serbia
South Africa	South Korea
Spain	Sweden
Switzerland	Taiwan
Turkey	Uganda
The United Kingdom	

Only four of these treaties (those with France, The Netherlands, South Korea, and The United Kingdom) have been ratified by both parties. GON officials blame treaty partners for the lack of ratification, but the ratification process within the GON has not proven proactive or well-organised.

7.15 Labour

Nigeria's skilled labour pool has declined over the past decade as vocational and university educational standards have fallen, mainly because of poor funding and repeated and prolonged university strikes, as employment opportunities in the formal sector have stagnated, and as educated Nigerians have left for employment in other countries, such as the United Kingdom, the United States, and South Africa.

The low employment capacity of Nigeria's formal sector means that almost three-quarters of all Nigerians work in the informal and agricultural sectors or are unemployed. Companies involved in formal sector businesses such as banking and insurance possess an adequately skilled workforce (often trained abroad in private institutions or at the better-funded universities). Manufacturing sector workers often require additional training and supervision, but too few supervisory personnel exist to ensure that this is done well. The result is that while individual wages are low, individual productivity is low and overall labour costs are high. Labour-management relations have encountered strains in some sectors, especially in the profitable oil and gas and public education sectors.

The Right of Association:

Nigeria's constitution guarantees the rights of free assembly and association and protects workers' rights to form or belong to trade unions. Several statutory laws, nonetheless, restrict the rights of workers to associate or disassociate with labour organisations. The Trade Union Amendment Act of 2005 allowed non-management senior staff to join unions. The Act also gave the Trade Union Congress of Nigeria (TUC) and the Nigeria Labour Congress (NLC), Nigeria's most influential organized labour federations, representation on Nigeria's National Labour Advisory Council (NLAC), which advises the Minister of Labour and Productivity on labour matters.

Nigeria's largest labour federation, the NLC, contains 37 industrial unions, while the second largest, the TUC, includes 18. According to figures provided by the Ministry of Labour and Productivity, total union membership at the end of 2010 was approximately 7 million. About 30 percent of the total work force remains unionised in both the private and public formal sectors. Workers in the agricultural sector, which employs over half the work force, are not organised.

Collective Bargaining:

Collective bargaining occurred throughout the public sector and the organised private sector in 2011. However, public sector employees have become increasingly concerned about the GON and state governments' failure to honour previous agreements from the collective bargaining process. According to the NLC and TUC, the GON's failure to honour agreements threatens to "devalue the enviable record of dialogue, consultation, and mutual trust that has characterised the relationship between the GON and labour unions since 1999." In May 2011, President Jonathan signed legislation amending the Minimum Wage Act to raise the minimum wage to 18,000 naira (about US$120) per month. The Act only covers employers with more than fifty workers. Some state governors have delayed implementation of the Act citing its budget implications, and unions have threatened strikes.

Collective bargaining in the oil and gas industry is relatively efficient compared to other sectors. Issues pertaining to salaries, benefits, health and safety, and working conditions tend to be resolved quickly through negotiations. One exception is a long-standing, unresolved dispute over the industry's use of contract labour. The Ministry of Labour and Productivity in May of 2011 issued its "Guidelines on Labour Administration Issues in Contract Staffing/Outsourcing in the Oil and Gas Sector." The guidelines resulted from tripartite negotiations and affirmed the rights of contract labourers to belong to unions.

Organised labour's efforts in the oil and gas, construction, telecommunications, and banking sectors to address broad political issues have resulted in industrial actions, such as brief general strikes over the minimum wage. These strikes continue to affect industry productivity. The National Industrial Court (NIC) estimated that 564,000 person-days were lost to strikes in 2009.

Workers under collective bargaining agreements cannot participate in strikes unless their unions comply with the requirements of the law, which includes provisions for mandatory mediation and referral of disputes to the GON. The law provides the GON the option of referring matters to a labour conciliator, an arbitration panel, a board of inquiry, or the NIC.

The law forbids employers from granting general wage increases to workers without prior government approval, but the law is not often enforced. Strikes occur in both the private and public sectors. More than a dozen threatened or actual strikes occurred among unions in the education, health, government, entertainment, and transportation sectors in 2010. University professors have been on strike for months in some states and doctors in Lagos state successfully struck for higher wages in late 2010.

The Nigerian Minister of Labour and Productivity may refer unresolved disputes to the Industrial Arbitration Panel (IAP) and the NIC. Union officials question the effectiveness and independence of the NIC in view of its refusal to resolve disputes stemming from GON failure to fulfil contract provisions for public sector employees. Union leaders criticize the arbitration system's dependence on the Minister of Labour and Productivity's referrals to the IAP.

Child Labour:

Nigeria has ratified the International Labour Organization (ILO) Convention on the Elimination of the Worst Forms of Child Labour. The Labour Act of 1974 and the 1999 Constitution prohibit forced or compulsory labour of children and restrict the employment of children under the age of 15 to home-based agricultural or domestic work for no more than eight hours per day.

The Labour Act of 1974 allows the apprenticeship of youths above the age of 12 under specific conditions. However, Nigeria's poor distribution of income has forced many children into commercial activities to enhance family income. The Labour Act of 1974 sets a general minimum age of above 12 years of age for employment, but does not protect children from exploitation in the workplace and is not effectively enforced by the government. The Labour Act of 1974 mandates that children under the age of fifteen who work shall reside with their parents or guardians. The Act also restricts children under the age of fifteen from employment in industrial work.

Child labour remained widespread in practice, however. The Ministry of Labour and Productivity and the National Agency for the Prohibition of Traffic in Persons (NAPTIP) recently estimated that almost 16 million children have become involved in child labour. The Ministry of Education estimated in 2010 that 9.5 million "almajiri" children (itinerant children under Koranic instruction, with many involved in street begging) in the northern part of the country.

The federal government passed the Child Rights Act of 2003, with ratification left up to each state government. Only 24 of the 36 states passed a version of the Child Rights Act of 2003 establishing laws providing the protection of children's rights as of the end of 2011.

The 2005 UNICEF State of the World's Children report estimated that 39 percent of children aged five to 14 in Nigeria had become involved in child labour (not necessarily exploitative). Similarly, a 2003 study conducted by the Nigerian National Bureau of Statistics in conjunction with the ILO estimated that as many as 15 million children worked in Nigeria, with as many as 40 percent of them at risk of being trafficked for forced labour.

The Ministry of Labour and Productivity deals specifically with child labour problems and operates an inspections department to enforce legal provisions on conditions of work and protection of workers. The Ministry of Labour and Productivity Inspections Department conducted over 150 child labour inspections and 50 full investigations with 408 officers in 2009. The Inspections Department employed nearly 150 inspectors for all business sectors. Labour inspections mostly occurred randomly, but occasionally took place when there was suspicion of, rather than actual complaints of, illegal activity.

Acceptable Conditions of Work: Nigeria's Labour Act of 1974 provides for a 40-hour work week, two to four weeks of annual leave, and overtime and holiday pay for all workers except agricultural and domestic workers. No law prohibits compulsory overtime. The Act establishes general health and safety provisions, some of which specifically apply to young or female workers, and requires the Ministry of Labour and Productivity's Factory Division to inspect factories for compliance with health and safety standards. Under-funding and limited resources undermine the Factory Division's oversight capacity, and construction sites and other non-factory work sites are often ignored.

Nigeria's labour law requires employers to compensate injured workers and dependent survivors of workers killed in industrial accidents. The National Assembly enacted in 2010 a new national Workers Compensation Law, which awaits implementation.

7.16 Foreign trade zones/free trade zones

The GON established the Nigerian Export Processing Zone Authority (NEPZA) in 1992 to attract export-oriented investment. NEPZA allows duty-free import of all equipment and raw materials into its export processing zones. Up to 25 percent of production in an export processing zone may be sold domestically upon payment of applicable duties. Investors in the zones are exempt from foreign exchange regulations and taxes and may freely repatriate capital. Only two export processing zones established under NEPZA, those in Calabar and Onne, function properly. In 2001, authorities converted both into free trade zones (FTZ). The Tinapa Free Trade Zone, owned by the Cross River state government, was commissioned during the first quarter of 2007, and several shops and bank branches are operating there. Oil and gas companies use the Onne FTZ as a bonded warehouse for supplies and equipment and for the export of liquefied natural gas.

The GON also encourages private sector participation and partnership with state and local governments under the FTZ programme, resulting in the establishment of the Lekki FTZ (owned by Lagos state), and the Olokola FTZ (owned by the federal government, Ogun state, Ondo state, and private oil companies and straddling Ogun and Ondo states). These zones remain under construction. Workers in FTZs may unionize, but may not strike for an initial ten-year period.

7.17 Foreign direct investment

The United Nations World Investment Report of 2011 estimates that the stock of foreign direct investment (FDI) in Nigeria in 2010 reached US$60.327 billion. Total FDI inflow amounted to US$8.9 billion in 2011, mostly in the oil and gas industry, and representing over 20 percent of total FDI in Africa (including North Africa). This figure places Nigeria as the largest recipient of FDI in Africa, according to the UN Conference on Trade Development.

Some FDI reaches telecommunications and manufacturing, but total investment in the non-oil and gas sector remains small relative to investment in the oil and gas sector.

7.18 Procedures for starting a business in Nigeria

No.	Procedure	Time to complete	Associated costs
1.	Check the availability of company name with the Corporate Affairs Commission	5 days	NGN 200 application form
2.	Prepare the requisite incorporation documents and pay the stamp duty	7 days	0.75% stamp duty paid on capital
3.	Notarise the declaration of compliance (CAC 4)	1 day	NGN 500
4.	Register the company with the Corporate Affairs Commission and pay fees at the bank desk at CAC	11 days	NGN 59,592 legal fees + NGN 500 incorporation forms + NGN 20,000 Incorporation fees (an extra NGN 50,000 for same-day processing) + NGN 500 for each additional copy of Memorandum and NGN 500 for additional copy of the Articles of Association stamped + NGN 3,000 for certified true copy of memorandum and articles of association + NGN 2,000 for certified true copy of particulars of directors +NGN 2,000 for certified true copy of particulars of shareholders
5.	Register with the Federal Board of Inland Revenue; Department of the Ministry of Finance for income tax and VAT	4 days	No charge
6.	Register for personal income tax PAYE at the State Tax Office	2 days (simultaneous with previous procedure)	No charge
7.	Receive inspection from local government	7 days (simultaneous with previous procedure)	No charge
8.	Pay fees at a designated bank	1 day	NGN 18,500

8 Country Risk Ratings

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Eco-nomic structure risk	Country risk
May 2012	B	B	CCC	CC	BB	B

(AAA=least risky, D=most risky)

8.1 Sovereign risk

Stable. The US$1bn July Eurobond issue was heavily oversubscribed, demonstrating continued investor interest in Nigeria. This was despite other emerging markets being adversely affected by hints of monetary tightening in the US.

8.2 Currency risk

Stable. Increasing foreign reserves and tight monetary policy are supporting the Central Bank of Nigeria's management of the naira. However, the perennial threat of lower oil prices having a negative impact on the currency remains.

8.3 Banking sector risk

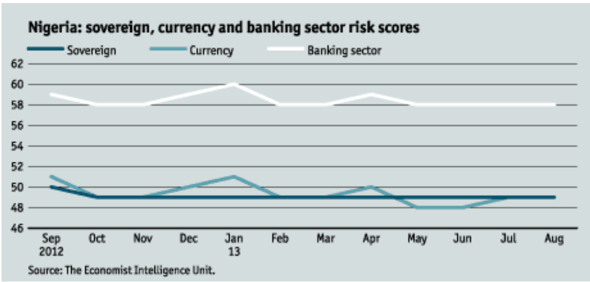
Stable. Nigerian banks continue to recover strongly from the 2009 crisis, with profitability high and capital adequacy improving. Although confidence in the sector is growing, regulation is still below international standards, which could lead to renewed trouble in the future.

8.4 Political risk

Political risk will remain relatively high. The threat of Islamist extremists expanding their campaign of violence into the south of Nigeria is a particular risk to the country's overall stability.

8.5 Economic structure risk

Despite strong growth in the non-oil sector, Nigeria's oil dependency continues to leave it vulnerable to commodity price volatility. A sustained price fall would damage government revenue in particular.



9 Country Outlook for 2012–2016

9.1 Political stability

The president, Goodluck Jonathan, and his party, the People's Democratic Party (PDP), are expected to remain in office at least until the end of their current term in 2015. Nonetheless, Mr. Jonathan faces a variety of challenges that threaten to distract him from the reform agenda required to propel Nigeria's development.

Perhaps the greatest single threat to political stability comes from the Boko Haram group of Islamist fundamentalists, which operates mainly in the north of the country and has waged increasingly daring violent attacks against the authorities. Dealing with Boko Haram, which is seeking ostensibly to overthrow the state and impose Islamic rule on Nigeria, has been complicated by the group's evolution in recent years from a band of zealous, anti-establishment Islamists into a more sophisticated and loosely formed movement containing different elements, including jihadis, political activists and criminals. There are also political aspects; for example, it appears that Boko Haram may well have sympathisers within the northern caucus of the PDP who view the Islamist militants as a means of weakening Mr. Jonathan, a southern Christian, and increasing the chances of one of their own ascending to the presidency.

It also appears that some of the attacks that have been blamed by the authorities and the media on Boko Haram may have been carried out by individuals and groups with little or no direct connection with the sect. As a result of this, the government will struggle to find a lasting solution. The sect's amorphous nature makes an entirely military solution impossible, while talks to establish some kind of basis for a negotiated peace will be very difficult given the numerous grievances involved. Solving the more general malaise in the north of Nigeria will require efforts to tackle the underlying problems of high unemployment, poverty and underdevelopment.

9.2 Election watch

The next national and state-level elections are due in 2015. The issue likely to dominate those elections is whether Mr. Jonathan seeks another term in office. It is too early to say how such a decision would go down in the north, but it is likely that political tensions would once again rise. Were Mr. Jonathan to stand down, the competition to succeed him within the PDP would be fierce. Meanwhile, the opposition will attempt to build on the gains made at the 2011 elections, painting the PDP as underachieving and corrupt.

There are indications that at least some sections of the opposition will attempt to co-operate to defeat the PDP in 2015. This is the opposition's best hope, but key matters such as agreeing on a single presidential candidate will prove difficult. Strong powers of incumbency mean that the PDP and its presidential candidate will be the favourites at the 2015 elections, but the party's domination of Nigerian politics is expected to be eroded again, especially if the opposition work together.

9.3 International relations

Although Mr. Jonathan is less active on the international scene than some of his African peers, owing to the large domestic challenges that he faces, Nigeria will remain a leading power on the continent given its sheer size and resource base. The country is a key supplier of oil to the US, and the latter's administration is therefore keen to improve relations in the face of growing Russian and Asian interest.

Western oil companies are likely to maintain their dominance of the oil sector, given how well established they are, but they will face challenges as China increases its competitive bids for Nigerian hydrocarbons resources and as the government attempts to make changes to oil-sector legislation that could increase taxes and the requirement for local inputs and labour.

Regionally, tensions look set to intensify over the Ghanaian government's moves to expel some Nigerian business people. Business and trade between the two countries may suffer as a result, but the situation is not expected to become serious enough to provoke a breakdown in diplomatic relations.

9.4 Policy trends

Policy will be shaped largely by the government's medium-term expenditure framework for 2012-15, with a focus on infrastructure development and encouraging private-sector-led economic growth. However, poor relations between the presidency and senior economic team on one side and the legislature on the other have historically restricted policy progress; this is expected to remain the case during the forecast period. Therefore, although Mr. Jonathan is expected to try to speed up the pace of reform, progress could be slow.

The implementation of crucial pieces of legislation – in particular the petroleum industry bill (PIB) – may be delayed as a result. Even if policy can be pushed through the National Assembly, there is sometimes further conflict with the powerful state governors.

9.5 Economic growth

Real GDP growth of 7.1% was achieved in 2012, with 6.7% predicted for 2013 – below the recent average (a little under 7% per year) given wider global uncertainty and domestic constraints in infrastructure and the business environment.

The remainder of the forecast period will gradually see a more favourable global and domestic picture, which will allow real GDP growth to average a little over 7% per year in 2014-16. However, this is still below the double-digit levels required if the country is to see any real large-scale improvement in the population's living standards. This is primarily the result of the poor state of Nigeria's infrastructure, notably the electricity supply. Furthermore, continuing flare-ups of political unrest will particularly constrain growth in the north, while violence in the Niger Delta will periodically affect oil and gas production.

There will, however, be some increases in oil and gas production as new deepwater oilfields open or expand. These are less susceptible to action by militias than the onshore fields.

9.6 Inflation

The outlook for inflation in the early part of the forecast period remains unfavourable despite the monetary tightening carried out by the Central Bank of Nigeria (CBN) in 2011. In particular, the reduction of fuel and electricity subsidies caused a spike in inflation in 2012. Meanwhile, although government expenditure will slow, it will remain robust–especially at state level, where fiscal laxity remains a problem.

Inflation is not expected to reach a double digit in 2013 as it currently stand at 8% in September 2013. The pace of growth in the economy is expected to remain robust in 2014.

Exchange rates

The CBN is expected to continue to favour maintaining the value of the local currency, the naira, within a narrow band – to restrict imported inflation – with periodic adjustments to avoid a further significant running-down of foreign-exchange reserves. Relatively strong oil prices in the forecast period should allow the maintenance of this policy, although global jitters are likely to put pressure on emerging-market currencies such as the naira from time to time.

The government is also keen to avoid the further running-down of foreign-exchange reserves, which plummeted in 2009-10 and failed to gain much ground in 2011. As a result, periodic downward adjustments to the currency are expected, although the frequency of these adjustments will lessen as the forecast period progresses, in line with greater global stability and higher oil prices boosting the reserve situation. After depreciating by an average of 6.4% per year in 2012-13 to N172:US$1, the naira is expected to moderate more gently in subsequent years, to N177:US$1 in 2016.

9.7 External sector

The CBN has recently carried out significant revisions to its current-account data for 2010-11, which has had a knock-on effect on our forecast, although the underlying trends remain the same.

Oil prices will remain the single largest determinant of the health of Nigeria's external position, as diversification during the forecast period is expected to be subdued. Although strong by historical standards, the oil price expected in the forecast period will moderate in 2012-13 before recovering over the remainder. Against this, imports will continue to grow at a robust pace, especially in 2012-14, as infrastructure spending increases and strong economic growth attracts higher levels of consumer imports.

The services and income accounts will remain in deficit, related as they are to trade and oil-sector profit repatriation respectively. Private transfers from the large Nigerian diaspora will remain sizeable, but growth will be slow, owing to the impact of global economic uncertainty on Nigerians working in the West. Overall, following a surplus equivalent to 2% of GDP in 2012 (previously 6.5% of GDP), the current account is expected to fall near balance in 2013-14 as oil price moderation is compounded by strong growth in imports. A pick-up in oil prices during 2015-16 will see the surplus rise to an average of 2.4% of GDP (previously 4.4% of GDP).

Appendix 1 Sources of information

- Economist Intelligence Unit
- CIA World Factbook
- Bloomberg
- World Bank
- Wikipedia
- US Department of State

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