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COUNTRY PROFILE 2016

NIGERIA

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Abbreviations and acronyms

ACG	African Centre for Gender of the Economic Commission for Africa
CBN	Central Bank of Nigeria
DHS	Demographic and Health Surveys programme of the United States Agency for International Development
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
GDP	gross domestic product
GNI	gross net income
IDA	International Development Association
IEA	International Energy Agency
IMF	International Monetary Fund
NBS	National Bureau of Statistics
NERC	Nigerian Electricity Regulatory Commission
NESI	Nigerian Electricity Supply Industry
NPC	National Population Commission
OECD	Organization for Economic Cooperation and Development
PHCN	Power Holding Company of Nigeria
UNFPA	United Nations Population Fund
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
VAT	value added tax
WAMA	West African Monetary Agency

Acknowledgements

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The country profile on Nigeria was prepared under the overall coordination and substantive guidance of Giovanie Biha, Deputy Executive Secretary for Knowledge Delivery of ECA, and the direct leadership of Dimitri Sanga, Director of the Subregional Office for West Africa. Technical supervision was provided by Bakary Dosso, Chief of the Subregional Data Centre. The lead author of the Nigeria country profile was Jean Luc Mastaki Namegabe, Economic Affairs Officer at the Subregional Office for West Africa.

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Nigeria at a glance

General information	
Region	West Africa
Official language(s)	English, Hausa, Igbo, Yoruba
Currency	Naira
Capital city	Abuja
Regional economic community membership(s)	ECOWAS, CEN-SAD

Rankings	
Human development index (UNDP)	152/188 (2014)
Gender Inequality Index (UNDP)	not available
Ibrahim Index of African Governance (Mo Ibrahim Foundation)	36/54 (2015)
Ease of doing business (World Bank)	169/190 (2017)
Corruption perception index (Transparency International)	136/168 (2015)

Economic growth

The structure of the economy of Nigeria has been dominated by agriculture, which represented 23 per cent of gross domestic product (GDP) in 2013, and crude petroleum and gas, at 11 per cent of GDP in 2013. The recent re-benchmarking of GDP statistics, known as “GDP rebasing”, however, has highlighted a significant change: manufacturing and services were outperforming other sectors in terms of both growth and contribution to GDP. After the rebasing, nominal GDP was estimated at 81,009 billion naira in 2013 ($515 billion) compared with 42,397 billion naira before the rebasing, making Nigeria the largest economy in Africa.

Fiscal policy

Fiscal policy has been adversely affected by the falling oil price. In 2015, there was a significant shift in the composition of the budget of the Government of Nigeria in favour of recurrent spending (91 per cent). The 2016 budget showed an increase of 21.6 per cent compared with 2015. The budget deficit continued its pattern of growth: from 1.7 per cent in 2015 it grew to 2.1 per cent in 2016. Total debt grew by 5.0 per cent, from $64.5 billion in 2013 to $67.7 billion in 2014, however, it is considered sustainable.In 2015, outstanding total debt stood at 16.1 per cent of GDP, having increased from 13.3 per cent in 2014.

Monetary policy

In the first two quarters of 2016, inflation in Nigeria rose steeply. In June 2016, year-on-year inflation rose to 16.5 per cent, up from 9.2 per cent in 2015. The economy grew between 2013 and 2015, owing to the efficacy of monetary and fiscal policies and increased agricultural production, which in turn resulted from favourable weather conditions. From late 2014, the market came under severe pressure and the exchange rate became volatile. To mitigate this volatility, the Central Bank of Nigeria (CBN) introduced several reforms, which in June 2016 culminated in the liberalization of the foreign exchange market.

Current account

In 2015, Nigeria had a current account deficit of $15.4 billion, or 3.8 per cent of GDP, against a surplus of 0.2 per cent the previous year. The deficit of 2015 is attributable to the trade balance, which stood at a deficit of $6.4 billion. In 2015, the export of oil and natural gas, which accounted for 88.0 per cent of exported goods, decreased by 44.5 per cent compared with the rate in 2014, while imported goods decreased by 15.5 per cent over the same period. Europe and Asia were the main trade partners of Nigeria in 2015. Europe accounted for 39.7 per cent of the total value of exports, Asia for 30.3 per cent, Africa as a whole accounted for 14.4 per cent and ECOWAS countries for 6.2 per cent.

Capital and financial accounts

The net financial accounts of Nigeria were at minus $1.0 billion in 2015, according to the CBN, meaning there was an outflow of funds. Capital inflows decreased across all types of investments. Foreign reserves were depleted from $43.8 billion in 2013 to $28.3 billion in 2015, a decrease of $15.5 billion. From 2005 to 2015, gross external reserves averaged about the equivalent of 12.1 months of import cover, ranging from a high of 22.9 months of imports cover to an abrupt low in 2006 of 6.7 months in 2014 and 6.5 months in 2015.

Demography

The population of Nigeria was estimated at 182.2 million in 2015, with population growth slowing from 3.2 per cent in 2006 to 2.5 per cent in 2014. Almost 70 per cent of the population is aged below 30 years.

Poverty

Nigeria has made some progress in reducing poverty, however, mapped against the high rates of economic growth, progress lags behind the country's potential. Rural poverty incidence is much higher than urban poverty incidence, and the rate of poverty reduction in rural areas is slower. In 2010, 60.9 per cent of the population was living below the poverty line, based on the absolute measure of poverty. In contrast, the poverty incidence in 2004 stood at 54.7 per cent of the population, which indicates that the incidence of poverty increased by 6.2 percentage points between 2004 and 2010.

Employment

A large share of the labour force of Nigeria is employed in the primary sector: 40.1 per cent of the male labour force and 19.9 per cent of the female labour force are employed in agriculture, forestry and fishing. Another important source of employment is the service sector: 24.9 per cent of the labour force is employed in wholesale and retail trade, including repairs. Those sectors are followed by other services (7.1 per cent), accommodation and food services (5.6 per cent), transportation and storage (4.1 per cent) and education (3.2 per cent). Finally, 11 per cent of the labour force is employed in manufacturing and 2.4 per cent in construction.

Health

The health system of Nigeria has undergone improvements in recent years, but there are huge disparities in terms of the access of the public to health services. The mortality rate of children under 5 years improved from about 191 per 1,000 live births in 1990 to 89 per 1,000 live births in 2014, although that still is higher than the regional and global averages. Some states had numbers much higher than the national average. Stunted growth among children under 5 years of age has been stagnant at above 40 per cent since 2000.

Education

Primary school enrolment fell from 84.8 per cent in 2005 to 57.4 per cent in 2014. Secondary net enrolment stagnated at a low level, around 35 per cent. In 2012, only 61 per cent of men and 41 per cent of women in Nigeria could read and write. In 2014, enrolment in tertiary education for both sexes was 16.7 per cent. Most social development indicators show that access to education varies markedly across states and between the north and the south, with a bias against the north and rural zones.

Gender

Data for Nigeria reveal that there is gender equality in key areas such as secondary school enrolment, child health, labour force participation and share of the population without HIV. The labour force participation rate is close to gender parity 10. The percentage of women enrolled in tertiary education (61 per cent) surpasses that of men (39 per cent), giving a gender parity rate of 1.6. There is parity between girls and boys under 5 years in terms of survival rate and the absence of stunted growth.

1

Overview

In 2015, the economy of Nigeria grew by 2.8 per cent, the lowest growth rate in 10 years. The main reason for that was that the oil price fell by 71.6 per cent between 2010 and 2015. While Nigeria's economy has long been dominated by agriculture, crude petroleum and gas, the 2014 GDP rebasing exercise has made visible a shift towards an economy led by manufacturing and services. The economy is now driven by non-oil sectors. In 2015, services accounted for the largest share of real GDP (37.9 per cent), followed by agriculture (20.5 per cent), industry (20.2 per cent), trade (17.5 per cent) and construction (4.4 per cent). The oil sector contributed only 11.7 per cent to real GDP, but it remained the chief contributor to exports (93 per cent) and public revenue (67.4 per cent).

The falling oil price has adversely affected the economy mainly through a decline in public revenue. The effect was made worse by the absence of fiscal buffers, which makes Nigeria more vulnerable to shocks. The Federal Government has responded with spending cuts, trade measures and a sharp devaluation of the naira by over 20 per cent. Public expenditure has been reallocated with only 9 per cent left for capital expenditure. CBN has managed to bring down inflation from a headline rate at 12.2 per cent in 2012 to single-digit inflation of 8.1 per cent in 2014. The outlook for the Nigerian economy remains gloomy, with the current global oil price trend projected to hold low in the medium and long term. After two consecutive decreases of the quarterly GDP (down by 0.4 per cent in the first quarter and by 2.1 per cent in the second quarter), the economy was officially pronounced to be in a recession in 2016 against initial annual projections of a 2.3 per cent decrease in 2016.

In 2015, Nigeria had an estimated 182.2 million inhabitants. The population was young and urbanizing fast, and was expected to reach 229 million by 2025.gross national income (GNI) per capita in 2015 as measured by the Atlas method was estimated at $2,820, making Nigeria a lower middle income country numerically, but one that lagged behind other emerging economies. The Gini coefficient, a measure of income inequality, was 0.447 in 2010, whereas in 2004 it had been 0.430 (0 expresses perfect equality; 1 expresses a maximum inequality). This indicates that inequality increased by 4.1 per cent. In the subregion, between 2005 and 2013, the Gini Index ranged from a low of 0.312 in the Niger to a high of 0.460 in Togo. Existing national poverty statistics indicate that in 2010, 60.9 per cent of the population of Nigeria lived below the poverty line (absolute measure of poverty). Poverty is more severe in rural areas (66.1 per cent in 2010). Based on its human development index score, Nigeria ranked 152nd out of 188 countries in 2014. The under-5 mortality rate has declined by 47 per cent since 1990 to reach 113 deaths per 1,000 live births in 2014. Under the Millennium Development Goals, the target is a decline by two thirds. Child malnourishment is widespread with one quarter of children under five classified as malnourished in 2014. The high population growth has put pressure on an already challenged education system characterized by a high dropout rate. The primary enrolment rate was estimated to be 68.7 per cent in 2014, an increase of only 3.7 percentage points from the level of 2000. Boko Haram remains a threat that targets access to education, especially for women in the northern regions, where social transformation is already lagging behind the rest of the country.

Over the past two decades Nigeria has had limited access to electricity, which has restrained the structural transformation process of its economy. Many firms rely on self-supply, often at a prohibitive cost that affects their competitiveness. One in three Nigerians rely on generators to access electricity. The lack of reliable access to electricity remains a major obstacle to creating a much stronger and more diverse economy and improving the living standard of the population. It is therefore crucial to scale up both private and public investment in the electricity sector. For that to happen, the authorities must attract private investment by establishing a clear regulatory framework and aligning their policies so that the infrastructure for generating and transporting electricity can be developed efficiently. Moreover, raising the productivity of the electricity sector will require the reinforcement of the National Power Training Institute of Nigeria to enable strong investments in human capacity, and the development of public-private partnerships to support the design, implementation, monitoring and evaluation of energy projects.

2

National and subregional context

Nigeria has been developing its economy in an environment of decelerated global growth and low global demand. IMF has estimated the growth of global output at 3.1 per cent in 2015, 0.3 per cent lower than the 3.4 per cent recorded in 2014 (IMF, 2016). The decline is attributed to the general slowdown in economic activity in emerging markets and developing economies.

The estimate for the growth in output of advanced economies in 2015 was revised downward to 1.9 per cent. It had been projected earlier at 2.1 per cent, slightly above the 1.8 per cent recorded in 2014. Growth, however, is accelerating in the United States of America and stabilizing in most emerging markets and developing economies. In 2015, the United States registered 2.4 per cent growth, and that figure is expected to reach 2.6 per cent in 2016, owing mainly to an increase in private consumption. The euro area finally came out of its recession in 2013. It similarly registered a modest increase in growth from 1.4 per cent in 2014 to 1.9 per cent in 2015.

Growth in Africa stood at 3.6 per cent in 2015, down from 3.7 per cent in 2014 (African Development Bank, OECD and UNDP, 2016). The slowdown was attributed largely to the fall in crude oil prices, which negatively affected oil exporting countries such as Nigeria and Angola, and to the impact of the Ebola virus, which affected economic activities in some parts of West Africa.

Growth varied between subregions in Africa. In 2015, East Africa led the other subregions with an average growth rate of 6.2 per cent, down from 7 per cent in 2014. West Africa registered an economic growth rate of 4.4 per cent in 2015, down from 5.7 per cent in 2014. The low growth in West Africa was induced by the weak performance of Nigeria caused by the declining oil price and the war against Boko Haram.

In 2014, the spread of the Ebola virus severely affected public health and economic activity in Guinea, Sierra Leone and Liberia. While the spread of the virus seems to have been contained, the negative effects on growth, while small, are still perceptible in localized zones of West Africa.

Nigeria's growth stood at 2.8 per cent in 2015 (see figure 1). This contrasted with the preceding ten years, when annual growth averaged a strong 6.8 per cent, considerably ahead of the rest of the continent. Data from NBS indicate that the economy went into recession in 2016, with the quarterly GDP decreasing twice in a row. Initially, annual GDP had been projected at 2.3 per cent for 2016 and 3.5 per cent for 2017. The projections were predicated on the expectation that the global oil price stay low in the medium and long term, with attendant implications for Government revenue and foreign exchange earnings.

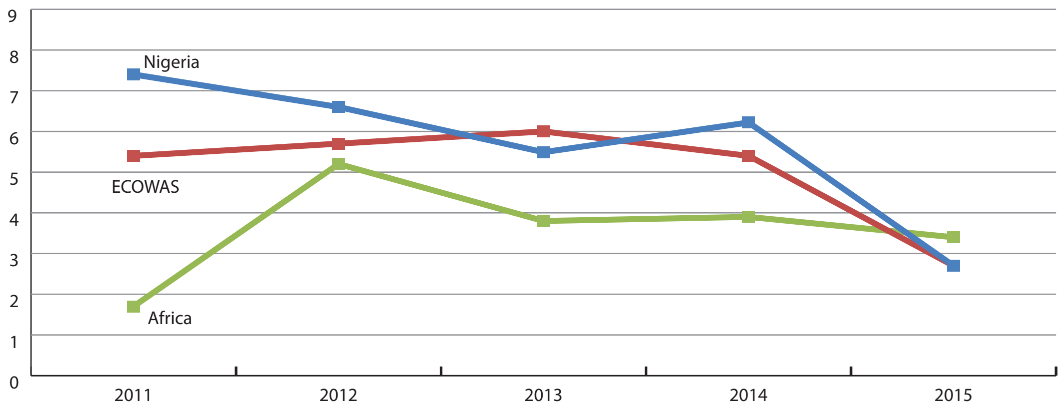
Nigeria's economy remains driven by non-oil sectors. Those sectors grew by 3.7 per cent. The oil sector continued to underperform, contracting by 5.4 per cent in 2015, having already contracted by 1.32 per cent in 2014. Nigeria's economic prospects for 2017 remain centred around movements in the price of oil and around the currency. IMF estimated that in 2016, GDP would shrink by 1.7 per cent in real terms and grow by 0.6 per cent in 2017, which amounts to quasi-stagnation.

The oil and gas sectors contribute a relatively small proportion of the nation's GDP, about 14 per cent. However, they remain the key sources of fiscal revenue, accounting for 93 per cent of Nigeria's total exports, and for over 71 per cent of Government revenue in 2014.

As the leading economy in West Africa, Nigeria has been at the forefront of regional integration, even though the volume of its intraregional trade is low compared with what it could be. Nigeria ranks 48th of 51 countries on the continent in terms of the ratio of their intra-African goods trade to GDP.

According to WAMA, Nigeria has been instrumental in paving the way for a single currency for ECOWAS. In 2015, the country improved its performance with respect to the ECOWAS convergence criteria compared with 2012 and 2013. In 2013, Nigeria met six of the convergence criteria, compared with five in 2012. In January 2016, the technical committee

Figure 1: **Real gross domestic product growth, Nigeria, ECOWAS and Africa**



Sources: NBS and ECA (2016).

Table 1: Nigeria's performance under the ECOWAS convergence criteria (2014-2015)

Criteria	Target	2014	2015
Primary convergence criteria			
Budget deficit, including grants, as a percentage of GDP at current prices	≤ 3%	0.9	1.7
Average annual inflation	≤ 10%	8.1	8.5
Financing of the budget deficit by the Central Bank	≤ 10%	0.0	0.0
Gross external reserves (in months of import)	≥ 3	6.7	6.5
Secondary convergence criteria			
Nominal exchange rate stability	±10%	-1.9	-11.9
Public debt as a percentage of GDP	≤ 70%	8.7	13.2

Sources: Ministry of Finance of Nigeria, CBN and WAMA estimates.

of the West African Monetary Zone confirmed that Nigeria was the only member State that satisfied the four primary criteria. Nigeria also met one of the secondary criteria. The July 2016 WAMA report indicated that Nigeria met five of the six convergence criteria summarized in table 1 (WAMA, 2016).

All primary convergence criteria were met; the budget deficit, the financing of the budget deficit by CBN, gross external reserves and inflation all met the targets set by ECOWAS. However of the secondary convergence criteria, the requirements for fiscal revenue, public investments and the wage bill could still be a challenge for Nigeria, given its current growth.

Box 1: Africa regional integration index - Nigeria

The Africa Regional Integration Index is designed to measure how well each country in Africa is meeting its commitments under the pan-African integration frameworks, including Agenda 2063 and the Abuja Treaty.

The index is a joint project of ECA, the African Development Bank and the African Union Commission (2015). The index covers the following dimensions: free movement of persons, trade integration, productive integration (development of regional value chains), regional interconnections and infrastructure and macroeconomic policy convergence. The following section gives highlights on selected indicators in the index. For more information, the reader may consult the report on the Index and the dedicated website. The table below also gives rankings awarded by CEN-SAD.

Overall rank: Ninth in the ECOWAS ranking (score: 0.5). Best performer in the ECOWAS ranking is Côte d'Ivoire (score: 0.68). Thirteenth in the CEN-SAD ranking (score: 0.39).*.				
Free movement of persons	Trade integration	Productive integration	Infrastructure	Financial integration and macroeconomic policy convergence
First in the ECOWAS ranking (score: 0.8). Tenth in the CEN-SAD ranking (score: 0.61).	First in the ECOWAS ranking (score: 1). Best performer in the ECOWAS ranking is Nigeria (score: 1). Eighth in the CEN-SAD ranking (score: 0.5).	Tenth in the ECOWAS ranking (score: 0.17). Best performer in the ECOWAS ranking is the Gambia (score: 0.52). Twenty-second in the CEN-SAD ranking (score: 0.11).	Seventh in the ECOWAS ranking (score: 0.39). Best performer in the ECOWAS is Cabo Verde (score: 0.68). Seventh in the CEN-SAD ranking (score: 0.33).	Thirteenth in the ECOWAS ranking (score: 0.15). Best performer in the ECOWAS ranking is the Niger (score: 1). Twenty-second in the CEN-SAD ranking (score: 0.29)

Nigeria ranks modestly in the overall ECOWAS ranking, attaining ninth place out of 15, and modestly in the overall CEN-SAD ranking (thirteenth).

Free movement of persons: good score (shared first place in the ECOWAS ranking, tenth in the CEN-SAD ranking). Nigeria allows nationals from all other ECOWAS countries to enter visa-free. Nigeria has also ratified the relevant ECOWAS instruments concerning free movement of persons, rights of establishment and free movement of workers. Citizens of more than half of the other CEN-SAD member States (58 per cent) may enter Nigeria visa-free, and those from the remaining 19 per cent may obtain a visa on arrival. Nigeria has also ratified the relevant CEN-SAD instruments concerning the free movement of persons, rights of establishment and free movement of workers.

Trade integration: good score (first in the ECOWAS ranking, eighth in the CEN-SAD ranking). Nigeria has an average applied tariff of around 0.37 per cent on imports from other ECOWAS countries (based on data for 2014), the seventh-lowest tariff rate applied in the bloc. The country's average applied tariff on imports from other CEN-SAD countries is 26.6 per cent. Nigeria's share of total trade in ECOWAS is 76 per cent (based on data for 2015), the highest in the bloc. During the period 2010-2013, imports from the rest of ECOWAS accounted for only 0.3 per cent of Nigeria's GDP, the lowest among ECOWAS member countries, while imports from the rest of CEN-SAD accounted for around 0.4 per cent, the second-lowest among CEN-SAD member States. Nigeria's exports to ECOWAS as a share of GDP averaged 1.1 per cent during the same period, the ninth-highest level among ECOWAS

* A continent-wide ranking, in which all African countries from all regional economic communities will be compared with one another, is currently under development for the Africa regional integration index and will be added to subsequent updates of the ECA country profiles.

member countries. During the same period, exports to other CEN-SAD countries averaged around 1.1 per cent of GDP, which was the thirteenth-highest level among the 24 CEN-SAD members for which data were available.

Productive integration: poor score (tenth in the ECOWAS ranking, twenty-second in the CEN-SAD ranking). Nigeria appears to be only weakly integrated into regional value chains. Its trade is only weakly complementary to that of its partners. It has a merchandise complementarity index of 0.13 (based on data for 2013), which indicates a weak correlation between Nigeria's export and import structure within ECOWAS. The share of intermediates in its imports from the regional economic communities was 0.07 per cent, while 13.7 per cent of the country's imports from CEN-SAD countries were intermediates (meaning that it ranked eleventh). Nigeria's share of intermediates in total exports within ECOWAS averaged 0.02 per cent (the seventh lowest in the bloc), while 0.7 per cent of its exports to CEN-SAD countries consisted of intermediates (meaning that it ranked second lowest among the CEN-SAD members).

Infrastructure: moderate to good score (seventh in the ECOWAS ranking, seventh in the CEN-SAD ranking). The country ranked fifth among ECOWAS members based on its average performance in the African Development Bank infrastructure development index between 2010 and 2012. Around 83 per cent of international flights to and from Nigeria are intra-ECOWAS, which is the highest such ratio among ECOWAS members, while 86 per cent of its international flights were intra-CEN-SAD (the fourth-highest such ratio among CEN-SAD members). Intra-African mobile phone roaming is relatively inexpensive in Nigeria, as the country has the twentieth-highest cost of roaming among 38 African countries for which data were available.

Financial integration and macroeconomic policy convergence: poor score (thirteenth in the ECOWAS ranking, twenty-second in the CEN-SAD ranking). Nigeria's inflation rate is around 8.5 per cent (the fourth highest in the ECOWAS ranking and sixth highest in the CEN-SAD ranking).

Overall, Nigeria performs moderately well. It has a strong performance in the area of free movement of persons and trade integration, and a moderate to strong performance in the area of infrastructure. However, a moderate to poor score applies in the areas of productive integration, financial integration and macroeconomic policy. Where specific policy measures that could boost its performance are concerned, Nigeria could consider looking into other macroeconomic policy measures to achieve sustained growth of intraregional trade in goods and services.

3

Economic performance

3.1 Economic growth

In early April 2014, Nigeria revised its GDP figures, thereby implementing a long-expected rebasing of its GDP estimates using 2010 as base year rather than 1990. After the revision, nominal GDP was estimated at 81,009 billion naira in 2013 ($484 billion) as compared with 42,397 billion naira before the revision, making Nigeria Africa's largest economy in nominal terms. The revision gave rise to an increase in nominal GDP by 91.1 per cent as a result of the inclusion of sectors such as telecommunications, aviation, e-commerce and the film industry.

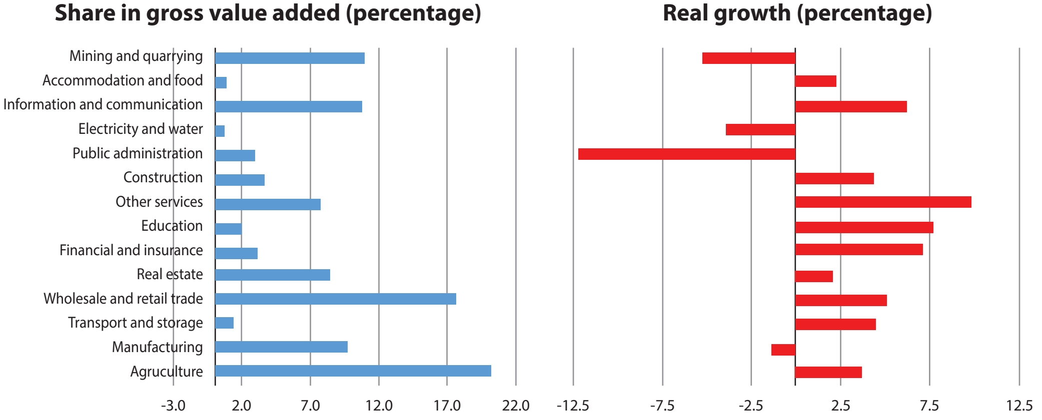
Before the rebasing exercise, Nigeria's real GDP was dominated by agriculture (35 per cent in 2010). Since the rebasing, the biggest contributor to GDP is the services sector, despite the sizeable contribution made by agriculture to employment and livelihood.

In 2015, services accounted for the largest share (53.2 per cent) of GDP followed by industry (23.7 per cent) and agriculture (23.1 per cent). While the oil sector is still an important contributor to GDP (9.5 per cent), its relative importance has decreased in recent years.

In 2015, real GDP in Nigeria declined to 2.8 per cent, as compared with 5.7 per cent in 2014. Non-oil sectors remained the growth drivers, recording a growth of 3.6 per cent in 2015 and 7.2 per cent in 2014. The increase in domestic output was attributed to several factors, including increased agricultural production supported by favourable weather conditions, sustained growth of the telecommunications subsector, and the renewed effort to curb crude oil theft.

The industry sector declined by 2.2 per cent in 2015, compared with 6.7 per cent in 2014. The sector was plagued by the deteriorating operational and macroeconomic backdrop, which was largely the result of the unavailability of foreign exchange for the purchase of raw materials and intermediate inputs. Crude petroleum and manufacturing, which accounted for 9.5 and 9.4 per cent of real GDP in 2015, declined by 5.4 and 1.5 per cent, respectively, in the same year. Between 2005 and 2013, the growth rate of the manufacturing sector hovered between 7.5 to 9.6 per cent.

Figure 2: Share in value added and real growth per sector (2015)

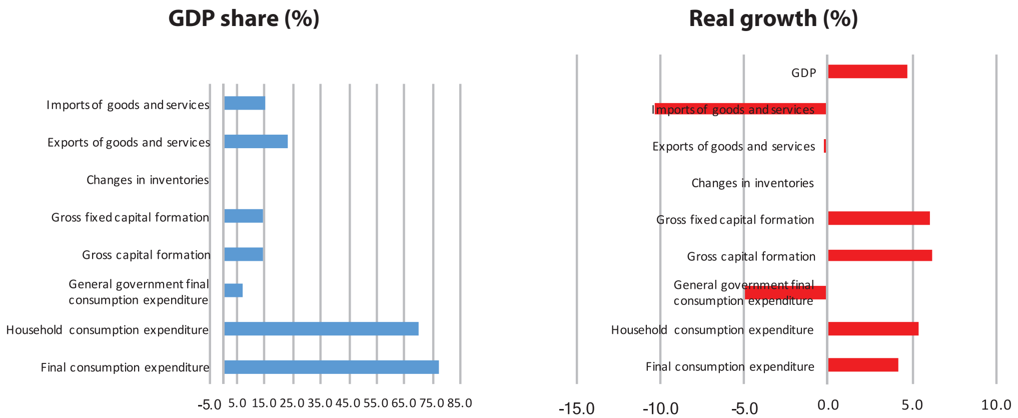


Source: NBS.

The service sector grew by 4.7 per cent in real terms in 2015, slower than the 6.8 per cent recorded in 2014. More recently, the tightness of dollar liquidity in the official market and the sharp weakness in the parallel market exchange rate appear to have increased operating costs as imports have become more expensive.

The telecommunications sector, which accounted for 21 per cent of the service sector and 11.3 per cent of real GDP in 2015, has been one of the fastest growing sectors of the Nigerian economy and has overtaken manufacturing, which used to be the fourth largest contributor. The development confirms the country's slow shift away from its stark reliance on the primary sector. In 2005, the telecommunications sector grew by 9.6 per cent. That growth steadily increased to 34.6 per cent in 2011, before slowing down to 31.8 per cent in 2012 and 24.6 per cent in 2013. Growth in the sector stood at 6.3 per cent in 2015.

Figure 3: Demand: share of gross domestic product and real growth (2013-2015 averages)



Sources: NBS and United Nations Statistical Division.

Nigeria's GDP is relatively diversified compared with other leading oil producers in developing and emerging economies, but indirectly the country remains highly dependent on oil for its trade, revenues and sources of foreign exchange to support imports and earnings for individuals.

On the demand side, during the period under consideration, private consumption has been driving Nigeria's GDP (figure 3). While constituting the largest share of GDP, private consumption has also been affected by the fall in oil revenue in recent years. The share of gross fixed capital formation (investment) has been undergoing negative growth rates from year to year during the period 2009-2012. During the same period, the share in DGP of gross fixed capital formation underwent negative growth by an average 9.4 per cent year to year, compared with negative growth by 5.4 per cent for final government consumption. During the period 2013-2015, investment represented 13.8 per cent of GDP, while private and public consumption stood at 69.8 per cent and 7.3 per cent, respectively. The shares of exports and imports in GDP stood at 23.0 per cent and 15.0 per cent. In terms of expenditure growth, imports and exports declined by 10.4 per cent and 0.3 per cent, respectively, in the period 2013-2015, while investment increased by 6.1 per cent during the same period.

Box 2: Comparing economic forecasts for Nigeria

Economic forecasts provide essential information for decision makers in the public and private sectors. Reliable economic forecasts inform and support a country's decision-making process. A number of organizations currently produce forecasts on economic growth for Nigeria including the African Development Bank, the Economist Intelligence Unit, IMF and the World Bank. Based on our analysis for the period 2008-2016, the forecasts produced by these sources matched in some cases, but diverged by as much as 3.6 percentage points in others (see figure A). On average, IMF and the World Bank provided the most optimistic forecasts for growth during the period in question (6.3 per cent). Looking forward, the most optimistic growth rate forecasts for 2016 came from Economist Intelligence Unit and the World Bank (5.8 per cent), followed by IMF (5 per cent) and the African Development Bank (3.8 per cent).

The degree of accuracy of these forecasts is an important issue. Hence ECA has assessed which forecasts tend to be more reliable, using the root mean square error and the mean absolute error, which are common measures used to evaluate forecasts. Generally, the higher the value of these errors, the less accurate the forecasts*. ECA analysis of the forecasts for Nigeria over the period 2008-2014 indicate that those issued by the World Bank and Economist Intelligence Unit were relatively more accurate, followed by those from African Development Bank. The IMF forecasts had relatively high error rates (see figure B).

Figure A: Forecasts of real growth of gross domestic product, by source (2008-2016)

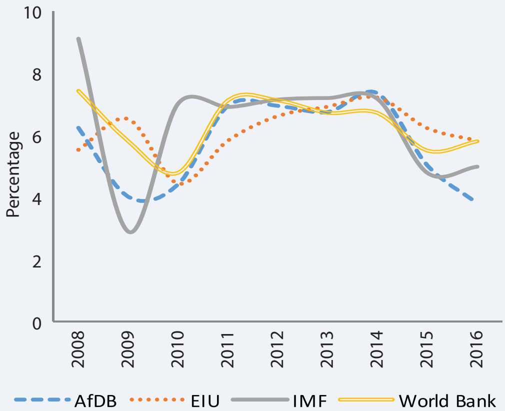


Figure B: Forecast error, by source (2008-2014)

Source: ECA (2015).

* For more information on these terms and the ECA approach to evaluating the accuracy of forecasts, see ECA (2015).

3.2 Fiscal policy

Budgetary policy in Nigeria has been heavily affected by the fall in oil prices. By January 2015, the price of crude oil had returned to its 2005 levels (less than $50). Oil prices, which averaged $148.14 per barrel in 2010, stood at $82.7 in 2014. The production of crude oil has been as unstable as the price. The direct impact of these two factors was that Nigeria's revenue fell by about $5.5 billion between 2011 and 2014 relative to 2011.

The impact of the oil shocks has been worsened by the absence of fiscal buffers because of which the country had less capacity to absorb shocks compared with the 2008-2009 financial crisis.

In response, the 2015 federal budget reflected a significant shift in the composition in favour of a recurrent component (91 per cent) with only 9 per cent left for development expenditure (see table 2).

Aggregate expenditure of the Government declined by 11.5 per cent to 4,587.4 billion naira in the 2014 fiscal year. As a proportion of GDP, aggregate expenditure fell to 5.2 per cent, compared with 6.5 per cent in the 2013 fiscal year. Non-debt expenditure fell by 16.3 per cent compared with 2013, to 3,645.7 billion naira. Total debt service amounted to 914.7 billion naira, or 1.1 per cent of GDP, representing 20.5 per cent of total expenditure and 25.1 per cent of total retained revenue.

Recurrent expenditure shrank to 3.8 per cent of GDP, reflecting a sustained policy of rationalizing recurrent expenditure and optimizing capital spending in the 2014 fiscal year. Capital expenditure declined by 29.3 per cent to 783.1 billion naira and accounted for 17.1 per cent of total expenditure and 0.9 per cent of GDP, respectively.

Table 2: Summary of government finances (percentage of gross domestic product)

Item	2010	2011	2012	2013	2014
Total federal collected revenue	13.47	17.57	14.97	12.17	11.31
Oil revenue	9.96	14.04	11.27	8.49	7.63
Non-oil revenue	3.52	3.54	3.69	3.68	3.68
Federation account	8.83	9.74	9.22	9.33	8.47
Government overnment retained revenue	5.70	5.62	5.10	5.03	4.04
Total expenditure	7.74	7.45	6.47	6.46	5.14
Recurrent expenditure	5.74	5.24	4.67	4.60	3.84
Capital expenditure	1.63	1.45	1.23	1.38	0.88
Transfers	0.37	0.76	0.57	0.48	0.42
Current surplus(+)/deficit(-)	-0.04	0.38	0.43	0.43	0.20
Overall surplus(+)/deficit(-)	-2.04	-1.83	-1.37	-1.44	-1.10

Sources: CBN (2014a) and data from the Federal Ministry of Finance and the Office of the Accountant General of the Federation.

Box 3: On fiscal decentralization and the tiers of government in Nigeria

The Constitution of Nigeria gives the Government exclusive powers to collect levies such as customs and excise, the company tax, the education tax, mining rents and VAT. With the exception of the education tax, all revenue is paid into the federation account for distribution among the three tiers of government. The lion's share of Nigerian revenue is collected and retained by the Government.

The Government is solely responsible for the collection of mining rights and royalties and the petroleum profit tax. It shares responsibility for VAT collection with state governments. As a result, local and state governments together collect less than 7 per cent of the Government's revenue. The bulk of the revenue, more than 70 per cent, comes from the federation account. The subnational governments are entirely dependent on revenue collected at the natinoal level. Funds are disbursed by the Federation Accounts Allocation Committee, made up of the Minister of State for Finance (Chair), the Accountant General of the Federation, the commissioners of finance of the 36 states of the federation and representatives of other institutions. It meets monthly.

Since 1989, when the National Revenue Mobilization, Allocation and Fiscal Commission was established, revenue allocation among states and local government bodies has been based on state equality, population, social development, internally generated revenue, land mass and terrain.

Value added tax was introduced in 1994 to replace the sales tax. It is paid into a special fund named the VAT pool account and shared among the three levels of government. Under the VAT allocation formula the biggest share goes to the Government. Revenue retained by the Government includes a share of the federation account, the VAT pool account, the Government independent revenue account, the excess crude account and other accounts that are retained at the nationall level after funds have been allocated to the lower tiers of government.

The total revenue of state governments decreased by 6.0 per cent to 3,672 billion naira, or 4 per cent of GDP in 2014, compared with 3,905.4 billion naira, or 5 per cent of GDP, in 2013. Analysis of the sources of revenue indicated that allocations from the federation account (including 13 per cent derivation funds) stood at 2,122.9 billion naira or 57.8 per cent, from the VAT pool account at 388.9 billion naira or 10.6 per cent and from the excess crude account at 239.8 billion naira or 6.5 per cent of the total. Also included were allocations from non-oil excess revenue amounting to 75.4 billion naira or 2.1 per cent, while allocations from grants and other sources stood at 43.8 billion naira or 1.2 per cent. In addition, the internally-generated revenue amounted to 801.3 billion naira or 21.8 per cent, an increase of 22 per cent over 2013.

The Government of Nigeria responded to the negative developments in the oil sector with a number of fiscal and monetary adjustments, such as a reduction of the budget and a review of its components, trade measures and a sharp devaluation of the naira in several stages, adding up to over 20 per cent. The various measures have had a negative impact on macroeconomic stability, poverty and living conditions of the population.

The 2016 budget represents an increase of 21.6 per cent over 2015. The budget deficit is expected to be 2.2 per cent of GDP compared with 0.9 per cent for 2014 and 1.7 per cent for 2015.

Gross oil revenue stood at 6,793.8 billion naira or 7.6 per cent of GDP in 2014, representing 67.5 per cent of the total revenue collected at the national level, a decline of 0.2 per cent since 2013. A breakdown of oil revenue showed that revenue from domestic crude oil sales fell by 9.2 per cent to 1,370.6 billion naira and revenue from the petroleum profit tax and royalties fell by 7.5 per cent to 3,439.6 billion naira. The decrease was attributed to the decline in crude oil production and exports during the year. Gross non-oil revenue in 2014 stood at 3,275 billion naira or 3.7 per cent of GDP and accounted for 32.5 per cent of total revenue, an 11 per cent increase since 2013.

Total general government revenue increased from 7,582.55 billion naira in 2010 to 8,486.50 billion naira in 2011 and to 8,928.88 billion naira in 2012.

As the two largest contributors to GDP from the sizeable non-oil economy, the service sector and the agricultural sector need to become sources of revenue for the Government through improved tax collection.

A large share of government expenditure is bound by recurrent expenses and government funds available for capital investments are limited. Similar patterns characterize government expenditure at other levels, leaving little room for capital expenditure.

In absolute terms the total debt of Nigeria decreased from $67.7 billion in 2015 to $65.4 billion in 2014. In relation to GDP, the total debt increased from 11.9 per cent in 2014 to 13.2 per cent in 2015. Despite this increase, Nigeria's debt has remained within sustainable limits according to the external debt sustainability analysis by IMF. That analysis confirmed that the risk of debt distress the country faces is low. However, the IMF analysis also revealed that a persistent oil price slump or a fiscal shortfall could undermine Nigeria's debt sustainability if no timely compensating policy measures were taken.

Domestic debt constituted 85.2 per cent of the debt stock during the period 2013-2015, while external debt accounted for 16.4 per cent of the total in 2015, an increase from the 13.7 per cent recorded in 2014. Domestic debt at the end of December 2014 was $47.0 billion, an increase of 12.1 per cent over 2012. This development reflected significant borrowing through the issuance of additional Government bonds and Nigerian treasury bills. The borrowing limited the exposure of the Nigerian Government to fluctuations in the exchange rate and kept changing perceptions among international creditors within acceptable limits.

Short-term instruments with a maturity of 2 years and less accounted for 61.8 per cent of domestic debt, followed by instruments with a maturity of 5 to 10 years (12.8 per cent), and those with a maturity of over 10 years (10.6 per cent).

At $9.7 billion, Nigeria's external debt grew by 10.1 per cent since the end of December 2014. The rise reflected the drawdown on additional multilateral loans, particularly IDA loans, amounting to $0.6 billion.

3.3 Monetary policy

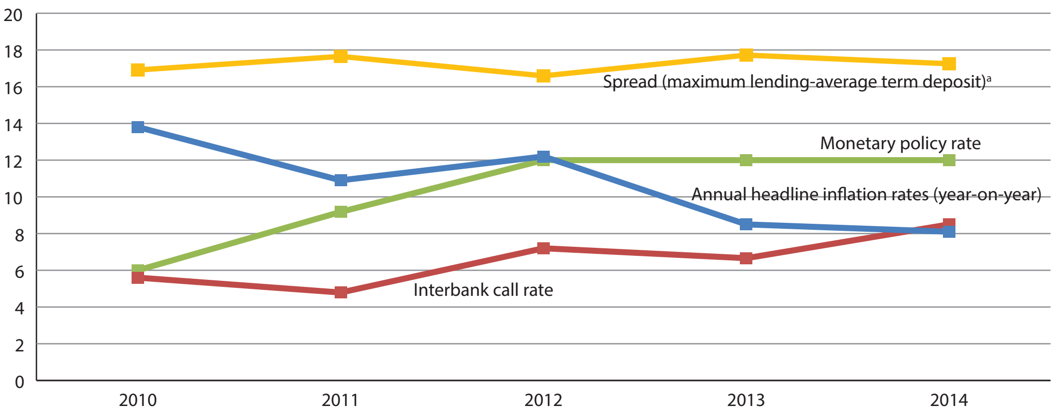
Inflation in Nigeria was contained within the single-digit target between 2013 and 2015. The consumer price index inflation rate dropped from 12.2 per cent in 2012 to 8.5 per cent in 2013, with a further decrease in 2014 to 8.1 per cent. The decrease was largely attributed to the efficacy of monetary and fiscal policies and increased agricultural production due to favourable weather. In 2015, inflation rose to 9.0 per cent. It escalated to double digits in the first six months of 2016, reaching 16.5 per cent year on year in June 2016 compared with 9.2 per cent in June 2015. According to CBN, low industrial activity, the high cost of electricity, transport and inputs, and the higher prices of both domestic and imported food products exacerbated inflationary pressures (CBN, 2016).

The naira-dollar exchange rate was relatively stable from January to October 2014, followed by a period of severe market pressures and volatility. CBN countered with several reforms. On 25 November 2014 it adjusted the mid-point of the official exchange rate band by 200 basis points from 3 per cent to 5 per cent. In February 2015, it closed the official foreign currency auction window and channelled transactions to the interbank market, effectively devaluing the official rate to the interbank rate, i.e. by about 18 per cent. CBN further tightly managed the interbank exchange rate and introduced restrictions on access to foreign currency, which resulted in a wide spread between the rates on the interbank and bureau de change markets.

The annualized naira-dollar average exchange rate depreciated marginally by 0.8 per cent, from 157.3 in 2013 to 158.6 in 2014. It further depreciated by 24.9 per cent to 196.5 in 2015. In June 2016, CBN introduced a flexible exchange rate policy, leaving the exchange rate of the naira to market forces.

The tight monetary policy initiated in 2013 remained in place in 2014. The average prime and maximum lending rates reached 17.25 per cent in 2014 and 26.98 per cent in 2015.

Figure 4: Inflation and interest rates (percentage)



Source: CBN (2014b)

* Interest rate spread equals lending rate spread minus deposit rate.

Consequently, the spread between the average maximum lending rate and the average term deposit rate widened to 19.3 per cent in the second half of 2015.

Foreign assets, domestic credit and total monetary liabilities increased substantially from 2005 to 2012, but the growth rate in money aggregates had slowed down towards the end of that period. The growth rate of monetary liabilities fell from 43.1 per cent in 2005-2006 to 16.4 per cent in 2011-2012 and reached 1.2 per cent in 2012-2013. The slowdown in that growth rate had a dampening effect on inflation.

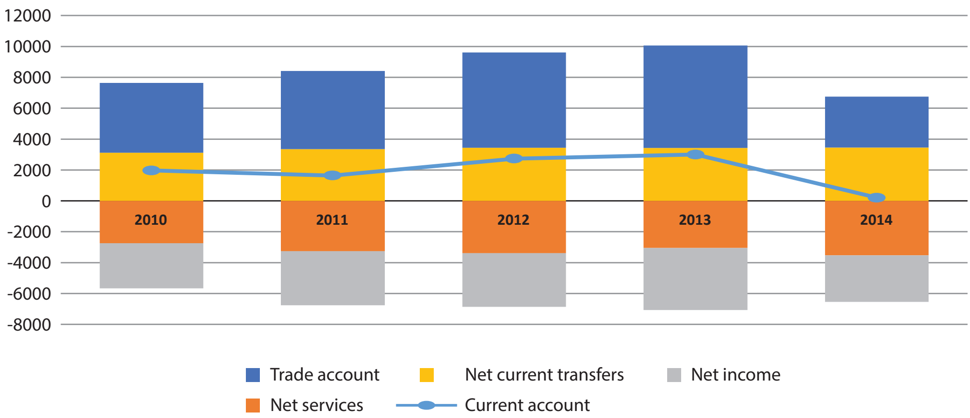
The decrease in monetary liabilities is also due to a fall in foreign assets. Its growth rate decreased from 26.7 per cent in 2011-2012 to -5.9 per cent in 2012-2013. Domestic credit increased between 2011 and 2013, rising from -7.2 per cent in 2011-2012 to 18.5 per cent in 2012-2013.

3.4 Current account

Nigeria had a current account deficit of $15.4 billion (3.8 per cent of GDP) in 2015, the first deficit in ten years. The current account showed a surplus of 0.2 per cent of GDP in 2014, against an average surplus of 3.8 per cent of GDP between 2010 and 2013. The poor performance in 2015 is attributable to the trade balance, which stood at a deficit of $6.4 billion, against a surplus of $21.0 billion in 2014.

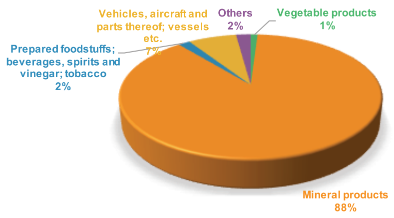
The balance of trade in services in 2015 showed a deficit of $16.4 billion, an increase of $6.4 billion compared with 2014. The primary income account, which includes compensation of employees and investment income flows (interest and dividends), showed a structural deficit. It reached a deficit of $12.7 billion in 2015 compared with $19.1 billion in 2014. The secondary income account, which includes current private and public transfers, decreased by 8.0 per cent, reaching $20.2 billion in 2015. Workers' remittances represented 96.1 per cent of the secondary income account.

Figure 5: **Current account balance**



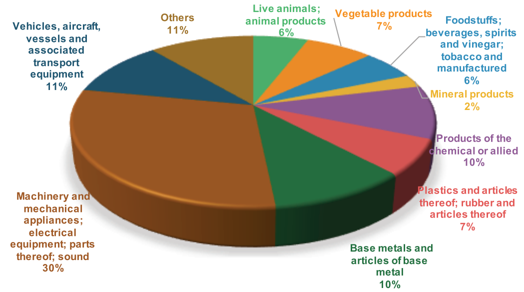
Source: CBN (2014b)

Figure 6: Export composition in 2015 (percentage)



Source: NBS.

Figure 7: Import composition in 2015 (percentage)



Source: NBS.

Remittances are an important and fairly stable source of income for millions of families. They form an equally important source of foreign exchange to Nigeria as a whole. The country was the sixth largest recipient of remittances in 2015 with $21 billion, preceded by India ($72.2 billion), China ($63.9 billion), the Philippines ($29.7 billion), Mexico ($25.7 billion) and France ($24.6 billion) (World Bank, 2016b).

Total merchandise exports from Nigeria stood at $49.6 billion in 2015, representing a drop of $53.2 billion or 51.8 per cent since 2014. Mineral products (crude oil and natural gas) alone accounted for 88.0 per cent of total exports by value in 2015. Other product categories that contributed to Nigeria's exports included vehicles, aircraft, vessels and parts (7.0 per cent in value terms); prepared foodstuffs, beverages, spirits, vinegar and tobacco (1.7 per cent); and vegetable products (1.0 per cent) (see figure 6).

In value terms, merchandise imports decreased by 15.5 per cent in 2015 to $52.3 billion. The structure of Nigeria's imports was dominated by machinery and mechanical appliances (29.7 per cent), vehicles and transport equipment (10.8 per cent) and base metal products (10.4 per cent) in 2015 (see figure 7).

In 2015, Nigeria's main trade partners were Europe and Asia. They accounted for 39.7 per cent and 30.3 per cent of total exports by value, respectively. Africa and, within Africa, ECOWAS accounted for 14.4 per cent and 6.2 per cent, respectively. Asia as a whole maintained its position as the largest exporter to Nigeria (42.3 per cent). Imports from China accounted for 23 per cent of the total in 2015, up from just 10 per cent in 2005. More imports came from Europe (37.3 per cent), the Americas (13.0 per cent) and Africa (6.3 per cent). Imports from ECOWAS represented 2.9 per cent of Nigeria's total imports in 2015.

The prospects for significant trade between Nigeria and other countries in the ECOWAS zone are limited because of parallel or non-complementary production structures across member countries and a widespread infrastructural deficit hampering the expansion of national output and the generation of surpluses for export within the region.

3.5 Capital and financial accounts

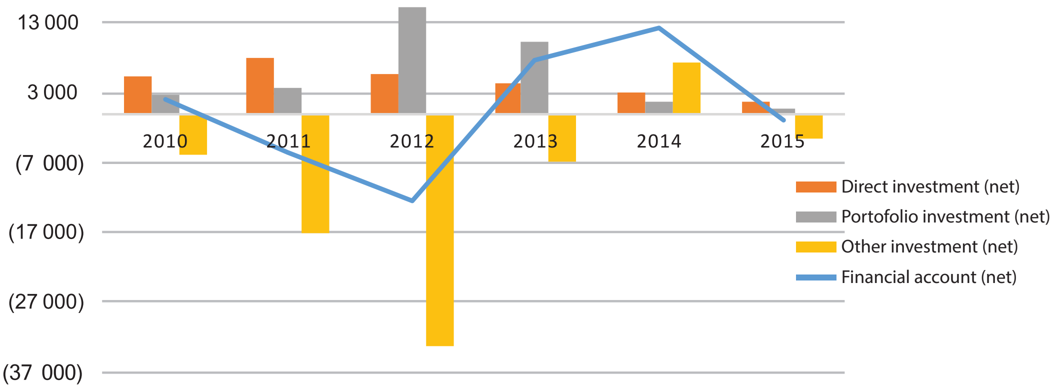
According to CBN, Nigeria's net financial accounts showed a deficit of $1.0 billion in 2015, meaning there was an outflow of funds. Capital inflows decreased for all types of investments.

Nigeria's net direct investments decreased by 47.1 per cent in 2015 to $1.6 billion. The trend had been downward since 2011, when the figure had stood at $8.1 billion (see figure 8). Net foreign direct investment evolved from 1.2 per cent of GDP in 2012 to 0.8 per cent in 2013 to 0.4 per cent in 2014.Direct investment abroad decreased by 11.1 per cent to $1.4 billion and accounted for 18.7 per cent of total financial assets. Equity capital and reinvested earnings accounted for 98.2 per cent and 1.8 per cent of the total, respectively. Portfolio investment increased by 32.2 per cent between 2010 and 2014, before decreasing by 55 per cent in 2015 to $1.7 billion or 21.9 per cent of total external financial assets.

Foreign reserves decreased by 17.4 per cent to $28.3 billion in 2015, in line with the decreasing trend of oil prices. From 2005 to 2015, the value of gross external reserves was sufficient to cover the cost of six months' worth of imports. Foreign reserves covered 22.9 months of imports in 2006, then fell sharply to 6.7 months in 2014 and 6.5 months in 2015.

Foreign direct investments declined by 34.7 per cent in 2015 from $4.7 billion to an estimated $3.1 billion. The share of foreign direct investments in gross fixed capital formation fell from 10.9 per cent in 2012 to 7.7 per cent in 2013 and 5.5 per cent in 2014.

Figure 8: Financial account balance (millions of United States dollars)



Source: CBN (2015).

4

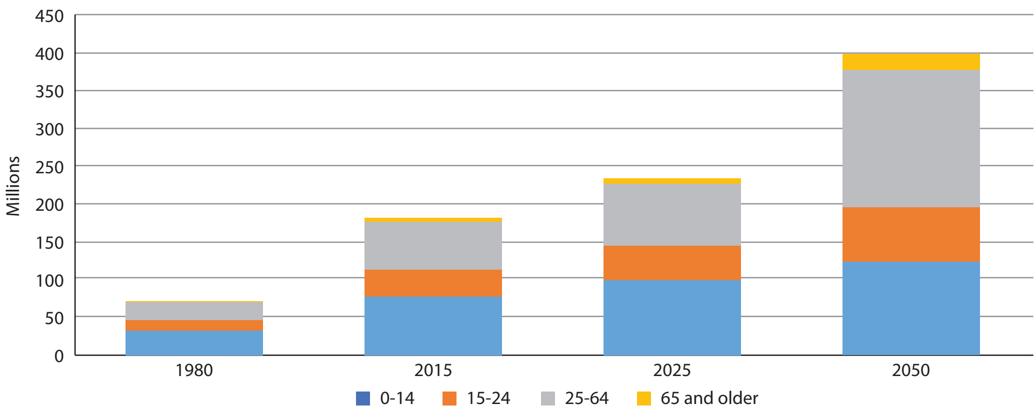
Social development

4.1 Demography

Nigeria is Africa's most populous nation, with an estimated population of 182.2 million in 2015. Population growth remains high but has slowed down considerably from 3.2 per cent in 2006 to 2.5 per cent in 2014. Nigeria is the eighth-most populous country in the world and the United Nations expects the population to continue growing to 239 million by 2025 and further to 440 million by 2050 (United Nations, Department of Economic and Social Affairs, 2012). It is expected that with time, this growth will increase the share of the working-age population (ages 15-64), thus leading to a significant fall in the dependency ratio.

In 2008, approximately 64 pe cent of the population lived in rural areas and only 36 per cent in urban areas (NPC, 2009). However, there have been high rates of rural-urban migration in recent years. Almost 70 per cent of Nigeria's population is younger than 30 years and about 41 per cent of the population is below 15 years of age. The sex ratio was 103.3, the population consisted of about 71 million males and 69 million females, and there were nearly 28 million households (NPC, 2009).

Figure 9: Population by age group



Sources: NPC (2009), ECA (2016) and UNFPA.

4.2 Employment and poverty

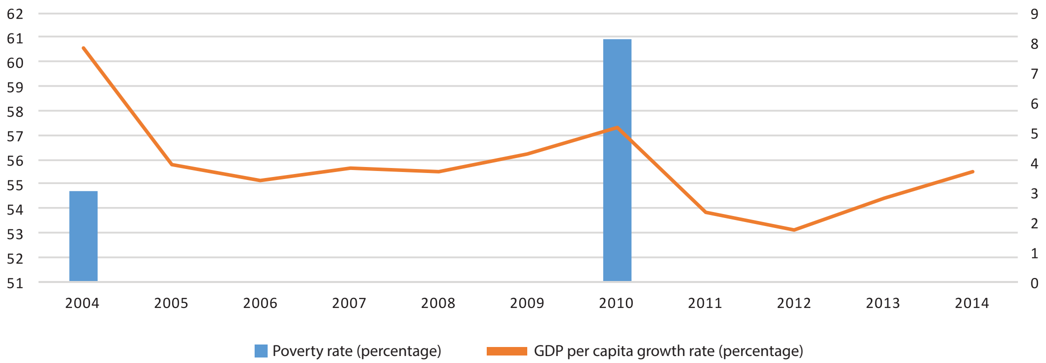
The largest share of Nigeria's labour force is employed in the primary sector. The labour force employed in agriculture, forestry and fishing makes up 40.1 per cent of the male and 19.9 per cent of the female labour force. Employment in the service sector comes second. Wholesale and retail trade (including repairs) employs 24.9 per cent of the labour force, followed by other services (7.1 per cent), accommodation and food services (5.6 per cent), transport and storage (4.1 per cent) and education (3.2 per cent). Finally, manufacturing employs 11 per cent of the labour force and construction 2.4 per cent.

As a result of high population growth and rural-urban migration, unemployment doubled in the previous decade despite high and sustained economic growth. It rose from 12.3 per cent in 2006 to 23.9 per cent in 2011 and 24.3 per cent in 2014. One third of those aged between 15 and 24 are unemployed and the situation is not likely to improve in the immediate future. The high rate of unemployment in a period of rapid economic growth is a worrying trend; it has contributed to high income inequality in the country.

While other rapidly growing countries have successfully converted economic gains into lower poverty rates, the percentage point reduction in poverty for every percentage point of GDP growth between 1999 and 2010 has been low in Nigeria (0.05) compared with Botswana (0.32), Ghana (0.25), South Africa (0.30) and Indonesia (0.52). Poverty rates in the northern regions of Nigeria have increased, while poverty rates in the south have decreased.

According to World Bank data, the GNI per capita of Nigeria of only $2,820 in 2015 lagged behind that of other emerging economies. In 2012, Brazil had a GNI per capita of $11,630, the GNI per capita of South Africa was $7,460 and of China was $5,720. The relatively low GNI per capita of Nigeria reflects its regional disparities and widespread poverty. The Gini coefficient, which measures income inequality, rose from 0.43 in 2004 to 0.447 in 2010, an increase of 4.1 per cent. In the subregion, the Gini Index ranged from 0.312 in the Niger to 0.460 in Togo between 2005 and 2013. In 2010, 60.9 per cent of the population lived

Figure 10: Poverty and economic growth



Source: NBS (2012).

below the poverty line, an increase of 6.2 percentage points since 2004, when 54.7 per cent lived below the poverty line (NBS, 2012). Rural poverty is much more widespread than urban poverty, and the rate of poverty reduction in rural areas is slower. Northern Nigeria is the poorest and less developed part of the country. This has strong implications for peace and stability, as the terrorist group Boko Haram is more active in the north.

A multidimensional measure of poverty is the human development index The human development index of Nigeria in 2012 was 0.471, placing it in the category of low human development, ranking 153 out of 187 countries. Adjusted for inequality, the country's human development index for 2012 fell to 0.276, a loss of 41.4 per cent. This can be considered high; the average inequality adjustment for countries with a low HDI is 33.5 per cent, and for sub-Saharan Africa it is 35 per cent. The human development index ranking of Nigeria in 2015 was 152 out of 187 countries, indicating no progress for the main social indicators. The proportion of Nigerians who live below the poverty line has changed very little over the preceding decade, despite the increasing level of economic activity. This confirms that Nigeria's growth path is non-inclusive.

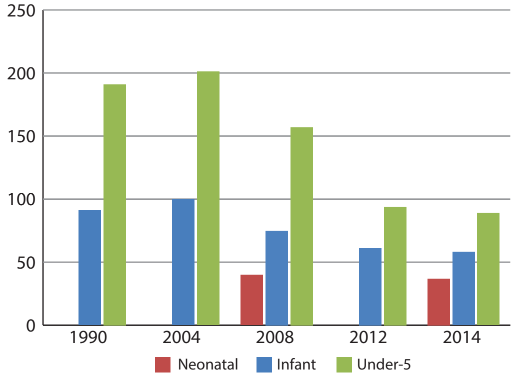
From a dynamic perspective, Nigeria has made some progress in reducing poverty. However, mapped against the high rates of economic growth, progress lags behind the country's potential. Estimates based on Millennium Development Goal monitoring data indicate that Nigeria did not meet the target under Goal 1 relating to halving poverty between 1990 and 2015.

4.3. Health

The health profile of Nigeria has improved in recent years, but it remains worrisome overall. The under-5 mortality rate has improved from more than 191 per 1,000 live births in 1990 to 89 per 1,000 live births in 2014 (see figure 11). However, it remains higher than the regional and global averages. The most frequent causes of child mortality are malaria (20 per cent), pneumonia (17 per cent), other diseases (14 per cent), prematurity (12 per cent) and diarrhoea (11 per cent). Child malnourishment is widespread. The rate of children under five with stunted growth has stagnated above 40 per cent since 2000. For the population as a whole, the most frequent causes of death are communicable diseases (81 per cent), non-communicable diseases (14 per cent) and injuries (5 per cent). Nigeria is one of the few countries worldwide in which polio still persists, although it is limited to the north-eastern states.

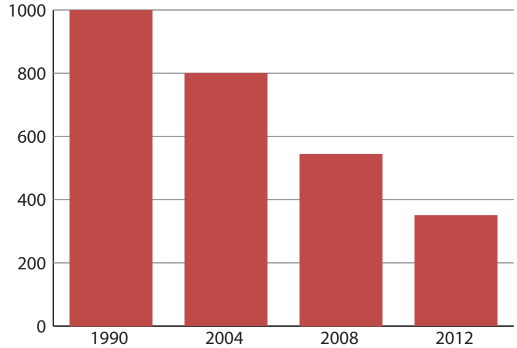
Fertility is at 6 children per woman, which is above the regional average (5 children) and the world average (2.5 children). Maternal mortality was 243 per 100,000 live births in 2014, which was higher than the world average (200 deaths per 100,000 live births) (see figure 12). Life expectancy at birth was 49 years in 2005 and has increased to 52.3 years in 2012 (53.4 years for women and 51.7 years for men).

Figure 11: Child mortality (per 1,000 live births)



Source: NBS (2015).

Figure 12: Maternal mortality (per 100,000 live births)



Source: NBS (2015).

An analysis of survey results by geopolitical zones showed that over 80 per cent of one-year-old children were immunized in the southern regions of Nigeria (south-east: 82.4 per cent; south-west: 81.2 per cent; south: 80.3 per cent) (NBS, 2015). Immunization rates were much lower in the northern regions (north-central: 77.0 per cent; north-east: 42.4 per cent; north-west: 35.4 per cent). One-year-old children were predominantly immunized in the urban areas (urban: 56.2 per cent; rural: 39.95 per cent). High infant and under-5 mortality rates is a rural phenomena.

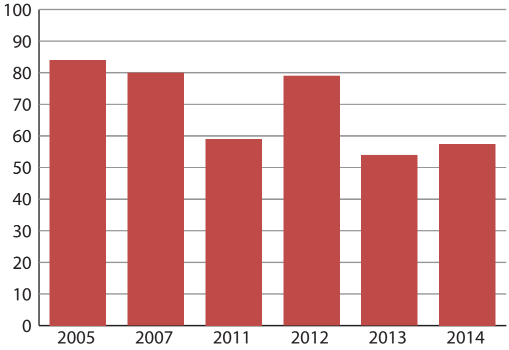
4.4 Education

High population growth has put pressure on an already challenged education system. In 2011, according to UNESCO, children of primary school age accounted for over 16 per cent of the population. Estimates suggest that 10.1 million are nor receiving a formal education and 26 per cent do not complete primary school. Primary school enrolment has fallen from 84.8 per cent in 2005 to 57.4 per cent in 2014 (see figure 13). Secondary school net enrolment has stagnated at a low level, around 35 per cent (see figure 14). In 2008, only 61 per cent of men and 41 per cent of women could read and write. Enrolment in tertiary education was 10.4 per cent for men and 8 per cent for women in 2005. The enrolment in tertiary education overall was 16.7 per cent in 2014.

There are marked variations in access to education between states and between the north and the south. The north-east recorded the highest illiteracy rate. The insurgency compounded the problem (NBS, 2015).

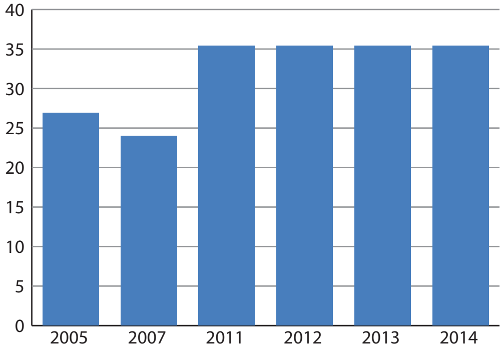
At the national level, the net school attendance ratio was 61 per cent in 2008. It increased to 71 per cent in 2012. In 2014, net attendance for 2014 dropped by 2.3 percentage points to 68.7 per cent. Net attendance in the urban areas (84.3 per cent) was much higher than

Figure 13: Net enrolment in primary school (percentage)



Source: NBS (2015).

Figure 14: Net enrolment in secondary school (percentage)



Source: NBS (2015).

in the rural areas (62.2 per cent). Broken down by geopolitical zones, attendance rates were very encouraging in the south-east (90.5 per cent), south (88.1 per cent), south-west (87 per cent) and the north-central zone (80.2 per cent), but in the north-west (50.5 per cent) and particularly the north-east (42.5 per cent), net attendance was not impressive (NBS, 2015).

The national primary school completion rate in 2004 was 82 per cent. It increased to 87.7 per cent in 2012 and dropped to 74.0 per cent in 2014. In 2014, the completion rate was higher in the urban areas (84.4 per cent) than the rural areas (69.7 per cent). The completion rate was highest in the south-east (98.7 per cent), followed by the south-west (94.1 per cent). Primary school completion rate was poorest in the north-east (49.5 per cent) region (NBS, 2015).

The literacy rate of young women between 2004 and 2014 increased from 60.4 per cent in 2004 to 80 per cent in 2008. In 2012, it declined to 66 per cent, followed by a slight increase in 2014 (66.7 per cent). There were more literate young women in the urban regions (85.3 per cent) than in the rural areas (57.8 per cent). The percentage of literate young women in the south-east (93.5 per cent) was much higher than in the rest of the regions. The north-east (33.0 per cent) and the north-west (35 per cent) had the lowest percentage of literate young women in 2014 (NBS, 2015).

Lately, the terrorist group Boko Haram has been targeting schools in the north-east of the country, making it difficult to provide schooling. In the State of Borno, where more than 200 female pupils were kidnapped by Boko Haram in April 2014, most secondary schools have closed.

4.5 Status of gender equality and women's empowerment

The status of gender equality and women's empowerment is measured in terms of the key areas indicated in the circular chart below. These areas are important for the improvement of women's lives and their contribution to sustainable and inclusive growth in Africa.

To assess the actual extent of gender inequality and to achieve the goal of measuring gender equality and women's empowerment in Africa, ECA has developed a monitoring tool, the African Gender Development Index (AGDI), which allows policymakers to evaluate their own performance in implementing policies and programmes geared towards ending women's marginalization.

The calculation for the scoring is based on Gender Status Index (GSI) data. GSI is one of the components of AGDI. For each key indicator, the score is calculated as an unweighted arithmetic average by taking the female to male ratio of the indicator values, multiplying it by 10 and rounding the result off to the nearest whole number. A score of zero represents the highest level of inequality, five shows middle parity level and 10 represents perfect parity. Parity levels exceeding 10 represent situations in which women have outperformed men, irrespective of the level of development of the area being assessed. Box 4 discusses the extent to which Nigeria has promoted women's empowerment and the achievement of gender equality.

Most data used to calculate scoring are drawn from the latest nationally available data sources. However, for a few indicators where the country has no disaggregated data, international data are used.

Box 4: Gender equality and women's empowerment – Nigeria

Data for Nigeria reveal that there is gender equality in key areas such as secondary school enrolment, child health, labour force participation (with a parity score of 9) and the share of the population without HIV. In tertiary school enrolment the percentage of women (61 per cent) surpasses that of men (39 per cent), with a parity score of 16. Gender equality also exists for children under five in terms of their survival rate and absence of stunted growth.

For access to credit and employment in the non-agricultural sector, the data indicate an above-middle parity score. The parity score for women and men holding accounts in financial institutions and having borrowed from financial institutions is 6. For employment in the non-agricultural sector, the parity score is 7.

Despite significant progress made in the health and education sectors, inequality persists in the attribution of ministerial positions. Women are also largely under-represented in parliament. Of a total 469 members of parliament, only 22 are women. Correspondingly, only 6 women held ministerial positions, compared with 30 men. Finally, the demographic and health survey revealed that the maternal mortality rate for Nigeria is 243 per 100,000 live births, with a fertility rate of 6 children per woman, which is higher than the regional average.

Employment

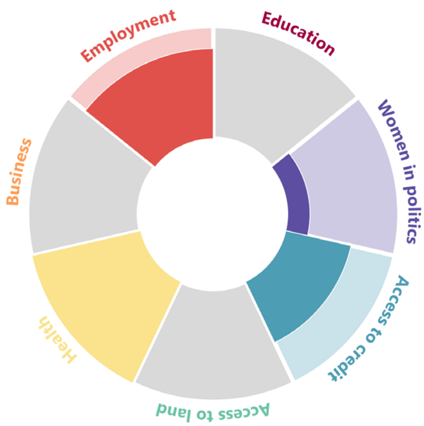
Employment in nonagricultural sector	7
Labour force participation rate	9

Business

Top management in firms	No data
Ownership in firms	No data

Health

Under-five survival rate	10
Children under age five who are not stunted	11
Life expectancy at birth	10
Share of population without HIV	10



Education

Youth literacy rate	No data
Enrolment ratio in secondary education	9
Enrolment ratio in tertiary education	16

Women in politics

Representation in parliament	1
Ministerial positions-cabinet	2

Access to credit

Account at a financial institution	6
Borrowed from a financial institution	6

Access to land

Access to land	No data

Stand-alone indicators

Access to drinking water source within 15 minutes (urban)	54.5
Access to drinking water source within 15 minutes (rural)	54.4
Improved sanitation (urban)	36.6
Improved sanitation (rural)	25.1
Maternal mortality ratio	576

Source : African Union Commission and ECA, 2015.

**Sections in grey of the pie chart indicate that data are insufficient or that no data are available for calculating the average scores per sector.*

5

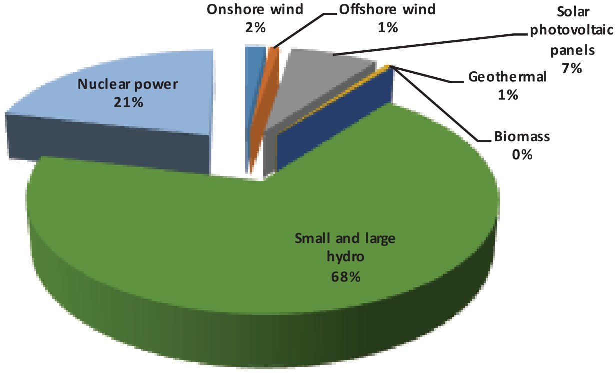
Thematic analysis: addressing the power crisis for structural transformation in Nigeria

5.1 Energy and structural transformation: the Nigerian situation

The critical role of the energy sector in the economic transformation process is well recognized. Access to sustainable and affordable energy is important for value addition to products as they are progressively processed into final consumer goods. Beyond its strategic role in fostering industrial development, an efficient power system is of fundamental importance to social development as it impacts all aspects of human life. Access to reliable power improves communication, sustains innovation in science and technology and enhances people's living standards. Low-quality access to power hinders development in all sectors from education to industrial production and increases the risk of economic stagnation. An efficient power system comprises a set of cost-effective means of providing reliable energy and consists of three main closely connected subsystems: energy generation, transmission and distribution.

Nigeria is, in principle, well endowed with energy resources, but it nonetheless periodically suffers from energy crises. The erratic supply of electricity and the perennial shortage of most petroleum products have constrained Nigeria's development during the past decades.

Figure 15: Estimates of renewable energy potential in Nigeria



Source: Olaoye and others (2016).

The country embarked on a power sector reform with the adoption of the Electric Power Sector Reform Act 2005. The process was further accelerated in 2010 with the *Road Map for Power Sector Reform*.

The efforts to strengthen the power sector are in line with the country's long-term development agenda Nigeria Vision 20:2020, and its strategic plan, the Transformation Agenda. In Nigeria Vision 20:2020 the improvement of the provision of electricity is identified as a key priority and an ambitious national generation capacity target is set at 40,000 MW by the year 2020 (African Development Bank, 2013).

Currently Nigeria has 23 grid-connected electricity plants in operation, with a total installed capacity of 12,522 MW (Advisory Power Team, 2015) and an available current capacity of only about 4,500 MW.[1] Most electricity generation is thermal, with an installed capacity of 8,457.6 MW. Hydropower from three major plants accounts for 1,938.4 MW of total installed capacity and has an available capacity of 1,060 MW. The country is home to enormous energy resources: petroleum, natural gas, coal, nuclear power and tar sands. Other resources include solar, wind, biomass and hydropower. However, development and exploitation of energy sources has been skewed in favour of hydropower, petroleum and natural gas. Nigeria has an untapped potential to produce 93,950 MW from carbon-emission-free energy sources, which include small and large hydroelectric power plants (68 per cent), nuclear power (21 per cent), solar and photovoltaic (7 per cent) and onshore wind (2 per cent) (Olaoye and others, 2016).

Despite such potential, around half of the population depends on traditional biomass for their energy needs. Electricity and petroleum-based fuels provide only a small share of the energy use of the rural poor. In 2014, 76 per cent of Nigeria's population relied on traditional biomass and waste, typically consisting of wood, charcoal, manure and crop residues (IEA, 2016). This high share results from the use of biomass to meet off-grid heating and cooking needs, mainly in rural areas. Only 45 per cent of the population has access to electricity (IEA, 2016).

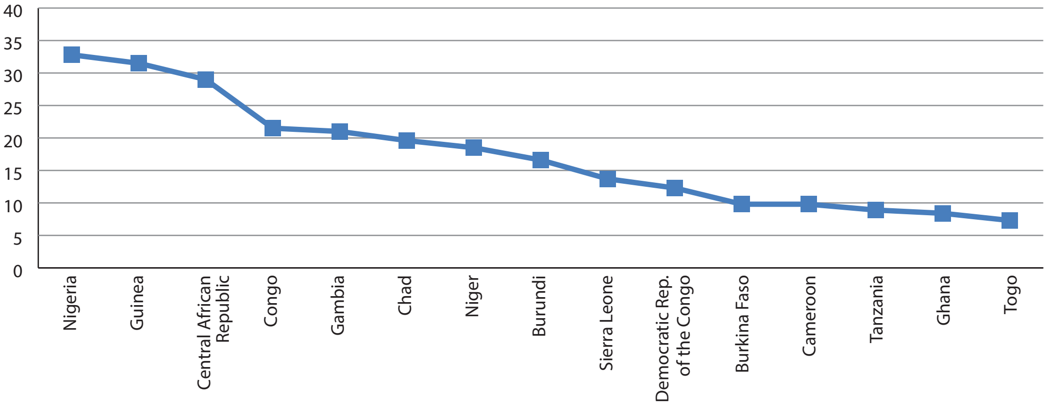
In May 2015, NERC, the government agency responsible for regulating operations in the electricity sector, reported that only 5 of the country's 23 power plants were functional, with the country's dwindling electricity supply reaching an unprecedented low of 1,327 MW. NESI provides electricity for over 180 million people with a per capita power consumption of only 151 kWh annually (PricewaterhouseCoopers, 2016) which is less than half that of Ghana (Olaoye and others, 2016).

5.2 The power sector in Nigeria: issues and challenges

The historically low level of investment in Nigeria's power sector has been a notable barrier to private investment (Latham and Watkins Africa Practice, 2016). For over two decades Nigeria has experienced problems in the area of electricity generation, transmission and

1 Available capacity as at Thursday, 28 January 2016. Official website of the Ministry of Power.

Figure 16: Average number of outages per month in 2015



Source: Tei Mensah (2016).

distribution. This has made Nigeria one of the largest markets for standby generators in the world, with many firms relying on self-supply. The high cost of electric self-sufficiency is lowering competitiveness of Nigerian firms on the global market. Sixty million Nigerians rely on generators, on which they spend an average of 3.5 trillion naira a year ($17.5 billion). Nigerians who can afford generators spend an estimated $0.40/kWh.

According to the World Bank report *Doing Business 2016*, connecting to the electrical grid in Nigeria requires 9 procedures, takes 181.20 days and costs an amount equivalent to 437.7 per cent of income per capita (World Bank, 2016a). Overall, Nigeria ranks 182nd out of 189 economies for ease of getting access to electricity. The country is at the top of the list of African countries with high numbers of power outages (see figure 16).

Issues leading to the current difficulties in meeting the national power demand include ageing plants, mostly developed in the 1960s, which are becoming more and more obsolete, poor maintenance, inadequate funding of the sector's development and poor electricity pricing. These problems have been attacked starting in 2013, when Nigeria's largest power plant, Egbin, was privatized. Since then, the plant has improved its average output capacity and has been planning to increase its capacity in the next five years by more than 2,500 MW (Egbin, 2016). Moreover, in 2015 a new electricity tariff system was introduced to cover the cost of modernizing and upgrading generation and transmission. In Abuja, for example, tariffs were to increase by an average of more than 40 per cent in 2016 and would then slowly decline until 2024, although they would stay about 16 per cent higher than the rate of 2015.

The inefficiency of the system is reportedly high. At least 40 per cent of the revenue from power is lost through ageing infrastructure, outdated technology, power theft, inefficient accounting, poor billing and poor revenue collection due to a lack of commercial orientation. Moreover, more than 45 per cent of the electricity generated is lost in transmission (Tei Mensah, 2016).

Table 3: **Comparison of electricity tariffs between Nigeria and nearby countries for 2009 (United States dollar)**

Tariff category	Chad	Niger	Cameroon	Benin	Ghana	Nigeria
Social tariff (100 kWh/month)	11.7	16.85	17.33	21.60	9.41	1.56
Residential tariff (600 kWh/month)	25.60	16.86	19.10	24.51	12.92	9.68
Commercial tariff (1,800 kWh/month)	26.75	20.52	23.55	24.00	21.92	9.66

Source: Union of Producers, Transporters and Distributors of Electric Power in Africa.

Chronic power shortages have constrained the growth of the manufacturing sector in Nigeria and the World Economic Forum ranks Nigeria among the world's least reliable suppliers of power (Deloitte, 2015). The country has one of the lowest rates of net electricity generation per capita in the world. At the end of January 2016, the estimated demand for electricity in Nigeria was 12,800 MW. This demand is expected to rise from around 33 terawatt hours in 2011 to between 56 and 95 TWh by 2020. This will result in an increase in peak load demand from around 5,000 MW in 2011 to between 9,000 MW and 16,000 MW by 2020 (Latham and Watkins Africa Practice, 2016).

5.3 Government response to energy gaps and challenges: the ongoing power sector reform

Reforms in the Nigerian power sector are among the most renowned national privatization efforts in Africa. Over the past decade they have demonstrated the country's commitment to improving its power supply through investment, increased competitiveness and deregulation (PricewaterhouseCoopers, 2016).

In 2005, the Government launched the Electric Power Sector Reform Act 2005 after amending the laws on electricity and National Electric Power Authority in place since 1998. The amendments were to remove the monopoly held by the National Electric Power Authority and encourage private sector participation. However, this led to no tangible results. The reform was revived in 2010 with the Road Map for Power Sector Reform, which is successfully being implemented.

The Government has embarked on an endeavour to improve the business environment in the electricity sector in order to curb the deficit in the power supply and to attract private investment. In addition to the $2.5 billion privatization of the power-generation sector, the Government has segmented PHCN into six generating companies and 11 distribution firms, which should accelerate the much-needed investment. However, constructing extensive new generation capacity that relies on using Nigeria's abundant national gas reserves should receive additional attention (Deloitte, 2015).

Table 4: Milestones in power sector reform in Nigeria (2005-2015)

Period	Major reforms
2005	• Electric Power Sector Reform Act 2005 • Regulator (NERC) established • Formation of PHCN
2006	• Unbundling of assets (transmission, distribution and generation) • Implementation of 10 national integrated power projects • Establishment of the market operations department of the transmission company of Nigeria
2008	• Appointment of a body to oversee progress of unbundled generation and distribution companies • Approval of a multi-year tariff order
2010	• Introduction of the national power road map established by Nigerian Bulk Electricity Trading plc
2012	• Transmission Company of Nigeria enters into a management contract with a utility and asset management company • Memorandums of understanding on nuclear energy signed
2013	• Improvement in hydroelectric power stations ($1.72 billion for the construction of three stations) • Memorandums of understanding signed for coal power partnerships
2014	• Strengthening of renewable energy programme • Generation asset sales completed for 7 out of 10 national integrated power projects
2015	• Transitional power market established

Source: PricewaterhouseCoopers (2016).

The Nigerian Electricity Market Stabilization Facility, implemented by CBN, is addressing a part of the liquidity and funding challenges faced by the power sector. The Bank will disburse 213 billion naira to different electricity distribution companies, power generating companies, service providers and gas companies in order to overcome the electricity supply challenges. The first disbursement under the scheme was made on 12 February 2015. That intervention resulted in the restoration of 905MW of power into the national grid. The Presidential Task Force on Power was established in 2010 to oversee the reform of Nigeria's power sector and coordinate the activities of the various agencies charged with ensuring the removal of legal and regulatory obstacles to private investment in the power industry in the context of a completely privatized PHCN (Latham and Watkins Africa Practice, 2016).

New measures have been taken to boost growth in the renewable energy sector. Those measures include the legislative framework, licensing arrangements for private sector operators, feed-in tariffs and clarifying market rules for renewable energy services and products. Rural electrification programmes, first launched in March 2006, are to take renewable energy sources into full account in order to meet the Government's targets.

Nigeria plans to increase its hydroelectricity generation capacity to 5,690 MW by 2020, quadrupling the capacity from the level in 2012. The Government would not be able to reach its overall goal of 15,000 MW by 2020 without support from the private sector.

Table 5: **Government targets for renewable energy technologies**

Energy source	Situation in 2015	Targets in 2025
Small hydroelectric	600 MW	2 000 MW
Solar photovoltaic	..	500 MW
Biomass-based power plants	50 MW	400 MW
Wind	..	40MW

Source: Power Sector Reform Road Map.

5.4 Recommendations

Accelerating economic transformation in Nigeria requires boosting competitiveness, increasing productivity and strengthening local production capacities. For this to happen, the country must reverse over two decades' worth of deficiency in the area of electricity generation, transmission and distribution.

To this end, Nigeria should reinforce its effort to establish a market-oriented policy aimed at promoting a secure, competitive, and reasonably priced energy supply and policies that enhance the reliability and sustainability of the power system and encourage equipment and technology acquisition.

A clear regulatory framework needs to be established to attract private investment and align the policy package on the development of the energy supply with other policies, including those on transportation, employment and education, and to keep investing in grid expansion while ensuring routine maintenance.

The country should further invest in a diversified mix of energy sources through incentive policies in favour of non-fossil energy sources including solar, wind and hydropower.

Lastly, the question of power pricing and the related indiscriminate use of subsidies needs to be addressed to reduce the operating cost in the value chain and for the economy as a whole.

6. National data quality evaluation

Methodological note

The quality of national data sources for key indicators in the country profiles was evaluated. The results are presented in colour codes, with green indicating that the data source is "good"; yellow, "satisfactory"; and red, "needs improvement".

The evaluation focused on the transparency and accessibility of the national data sources, while taking into account the periodicity of the published data based on the timeliness and frequency of the data updates in accordance with international standards. It measured the comparability of the data series based on length, definition and standard units of measurement. Also reviewed were the accessibility of the data to the general public, the format of the data and the ease with which the data can be downloaded and shared. In addition, data citations, together with references to primary or secondary sources, were assessed. Lastly, the completeness of metadata for data release and the clarity of documentation and notes were evaluated.

Demography	Value	Evaluation
Population (millions)	183 (2015)	1
Urban population (%)	36 (2008)	3
Child (0-14 years, %)	44 (2015)	1
Adult (15-64 years, %)	53 (2015)	1
Aged (65+ years, %)	2.7 (2015)	1
Population growth rate (%)	2.28 (2015)	1

Key macroeconomic and sectoral performance	Value	Evaluation
Real GDP growth rate (%)	2.80 (2015)	1
GDP, current prices (billions of naira)	95,177.73 (2015)	1
Inflation rate (%)	9.00 (2015)	1
Current account balance (billions of United States dollars)	-15.4 (2015)	1

Economic trends and performance indicators	Value	Evaluation
Inward flows of foreign direct investment (billions of United States dollars)	3.1 (2015) 340.64 (2016)	1

Education, employment and living conditions	Value	Evaluation
Literacy rate (15 years and older, %)	59.57 (2015)	1
Net enrolment rate in primary education (%)	57.4 (2014)	2
Net enrolment rate in secondary education (%)	35.0 (2014)	1
Net enrolment rate in tertiary education (%)	16.7 (2014)	1
Proportion of pupils starting grade 1 who reach last grade of primary	74.00 (2014)	2
Ratio of girls to boys in primary education	1.02 (2014)	2
Ratio of girls to boys in secondary education	1.01 (2014)	2
Ratio of girls to boys in tertiary education	0.72 (2005)	1
Unemployment rate (%)	24.3 (2014)	1
Youth unemployment rate (%)	21.5 (2016)	1

Health	Value	Evaluation
Life expectancy at birth (years)	52.3 (2012)	1
Under-5 mortality rate (per 1,000)	89 (2014)	1
Maternal mortality rate (per 100,000 live births)	243 (2014)	1
Neonatal mortality rate (per 1,000 live births)	34.3 (2015)	1
Infant mortality rate (per 1,000 live births)	58 (2014)	4
Proportion of births attended by skilled health personnel (%)	58.6 (2014)	2
HIV prevalence among population aged 15-24 years	3.17 (2013)	1
Prevalence of underweight children under-5 years of age	25.5 (2014)	2

Data Sources Code Index

1. NBS.
2. NBS (2015).
3. DHS (2008).
4. NBS (2016).

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