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For Comments and Suggestions ONLY

NIGERIA:
National Economic Empowerment and Development Strategy

NEEDS

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List of Acronyms

- ACP-EU: African Caribbean, Pacific, European Union trade pact
- ADR: Alternative Dispute Resolution System
- AIAE: African Institute for Applied Economics
- BMIU: Budget Monitoring and Intelligence Unit
- BOI: Bank of Industry
- BOT: Build, Operate and Transfer
- BOOT: Build, Own, Operate and Transfer
- CBN: Central Bank of Nigeria
- CEDAW: UN Convention on the Elimination off all forms of Discrimination Against Women
- CET: Common External Tariff
- CRF: Consolidated Revenue Fund
- CSO: Civil Society Organization
- DAS: Dutch Auction System
- DFRRI: Directorate of Foods, Roads and Rural Infrastructure
- DMO: Debt Management Office
- DPRS: Department of Planning, Research and Statistics
- EFCC: Economic and Financial Crimes Commission
- ECOMOG: ECOWAS Monitoring Group
- ECOWAS: Economic Community of West African States
- EITI – Extractive Industries Transparency Initiative
- FAAN: Federal Airports Authority of Nigeria
- FDI: Foreign Direct Investment
- FEC: Federal Executive Council
- FGN: Federal Government of Nigeria
- FOS: Federal Office of Statistics
- GDP: Gross Domestic Product
- HIPC: Heavily Indebted Poor Countries
- HIV/AIDS: Human Immune Deficiency Virus/Acquired-Immune Deficiency Syndrome
- ICPC: Independent Corrupt Practices Commission
- ICT: Information and Communications Technology
- IMF: International Monetary Fund
- IPP: Independent Power Plants Programmes
- IPO: Initial Public Offer
- ISO: International Standards Organization
- JPB: Joint Planning Board
- JV/JVC: Joint Venture (Cash) Operations
- MDG: Millennium Development Goals
- MTEF: Medium Term Expenditure Framework
- NAFDAC: National Agency for Food and Drug Administration and Control
- NAPEP: National Poverty Eradication Programme
- NARCDB: Nigeria Agricultural, Rural and Cooperative Development Bank

- NCDP – National Council on Development Planning
- NCS: Nigeria Customs Service
- NDE: National Directorate of Employment
- NEAC: National Economic Advisory Council
- NEC: National Economic Council
- NEEDS: National Economic Empowerment and Development Strategy
- NEIC: National economic Intelligence Council
- NEPAD: New (Economic) Partnership for African Development
- NEPA: National Electric Power Authority
- NERC: Nigerian Electricity Regulatory Commission
- NES: Nigeria Economic Society
- NESG: Nigeria Economic Summit Group
- NEXIM: Nigeria Export Import Bank
- NGOs: Non governmental Organizations
- NISER: Nigeria Institute for Social and Economic Research
- NITEL: Nigeria Telecommunications
- NOA: National Orientation Agency
- NPC: National Planning Commission
- NPI: National Programme on Immunization
- NSITF: Nigeria Social Insurance Trust Fund
- ODA: Official Development Assistance
- OPEC: Organization of Petroleum Exporting Countries
- PPMC: Pipelines and Products Marketing Company
- PPPRA: Petroleum Products and Price Regulatory Agency
- PRSP: Poverty Reduction Strategy Process
- REWAMA – Federation of West African Manufacturers
- RPED: Regional Programme on Enterprise Development
- ROT: Rehabilitate, Operate and Transfer
- SEEDS: State Economic Empowerment and Development Strategy
- SME: Small and Medium Scale Enterprises
- SMEDAN: Small and Medium Scale Enterprise Development Agency of Nigeria
- SMEIES: Small and Medium Enterprise Investment Equity Scheme
- TFP: Total Factor Productivity
- UBE: Universal Basic Education
- UEMOA: Union Economique et Monetaire l'Ouest Afrique
- UNDP: United Nations Development Programme
- UNICEF: United Nations International Children's Emergency Fund
- UNIDO: United Nations Industrial Development Organization
- US-AGOA: United States' African Growth and Opportunity Act
- USAID: United States Agency for International Development
- WAMZ: West African Monetary Zone

EXECUTIVE SUMMARY

NEEDS is Nigeria's home- grown poverty reduction strategy (PRSP). NEEDS builds on the earlier two-year effort to produce the interim PRSP (I-PRSP), and the wide consultative and participatory processes associated with it. NEEDS is not just a plan on paper, it is a plan on the ground and founded on a clear vision, sound values, and enduring principles. It is a medium term strategy (2003- 07) but which derives from the country's long-term goals of poverty reduction, wealth creation, employment generation and value re-orientation. NEEDS is a nationally coordinated framework of action in close collaboration with the State and Local governments (with their State Economic Empowerment and Development Strategy, SEEDS) and other stakeholders to consolidate on the achievements of the last four years (1999- 2003) and build a solid foundation for the attainment of Nigeria's long-term vision of becoming the largest and strongest African economy and a key player in the world economy.

Although NEEDS is essentially a federal government programme, it is fully owned by Nigerians. The President and his cabinet fully endorse the programme; the National Assembly and the National Economic Council (NEC) which comprises all the 36 governors of the states have also endorsed the programme. Various private sector stakeholders, NGOs, and Civil Society Organizations have also endorsed the NEEDS. The Drafting Committee of the NEEDS reflects the wide ownership and participatory nature of the exercise. The 35-member committee comprises Ministers, Representatives of Ministries and Agencies, President of the Manufacturers Association of Nigeria; President of the Nigerian Labour Congress; Chairman of the Coalition of Civil Society Organizations; the Nigerian Economic Summit Group; etc. Further consultations are planned in the near term to get further inputs from major stakeholders that have not yet had a chance to contribute to the NEEDS, and thus ensure a fully participatory approach to the NEEDS design.

NEEDS builds on the progress made during the transitional phase of the new democratic dispensation (1999—2003). Evidently, most people underestimated the extent of social, political and economic decay of the Nigerian society prior to the democratic transition. Despite the challenges, democracy has been consolidated with the first successful civilian-to-civilian democratic transition, and the Government has been able to deliver significant democracy dividends to the people. Nigeria has been successfully re-integrated into the international community and not only provides effective leadership under NEPAD and within ECOWAS but also now chairs the Commonwealth of nations. The size of the police force has been doubled since 1999; electricity generation has more than doubled, the telecommunications revolution with the number of telephone lines increased from about 400,000 in 1999 to about 3 million in 2003. The various initiatives in agriculture have resulted in a boom--- with the groundnut pyramids returning in the North and the FAO in 2003 declaring that Nigerian agriculture grew by an unprecedented 7 percent. Industrial capacity utilization has more than doubled (from about 29 percent in 1999 to more than 60 percent in 2003). Foreign direct investment in the non-oil sector has grown from almost zero in 1999 to no less than US$ 2 billions in 2003. Consequently, the income level has grown by an average of 3.6 percent in the period 1999—2003 (as against the average of 2.8 percent with zero per capita income growth in the 1990s). The rate of unemployment declined from 18 percent in 1999 to 10.8 percent in 2003 (with estimated 3.5 million new jobs created during the period). Real wages have significantly gone up since 1999 thereby reversing the downward spiral in real income of workers that began since the 1980s. This was the consequence of the wage hike in 2000 as well as the efforts to moderate inflation.

Table I: Real Take Home Wages and Salaries in the Public Sector

Period	Naira/Month	Naira/Month	Naira/ Month
	GL 01	GL 08	GL 15
1979 – 1983	244.57	737.22	1947.70
1984 – 1988	164.29	427.64	1064.06
1989 – 1993	149.23	272.64	576.14
1994 – 1998	82.05	189.20	369.74
1999 – 2003	139.38	340.26	728.87

Source: Federal Office of Statistics

Despite the progress so far, the challenges are still daunting, with the result that Nigeria faces a threat of not meeting the Millennium Development Goals if further major steps are not taken. Unemployment is still high (at 10.8% in 2003 meant that about 6.4 million people were actively looking for jobs without getting any). The GDP average growth rate of about 3.6 percent is still lower than the minimum of 5 percent required to prevent poverty from worsening and the 7 percent needed to meet the MDG target of halving the incidence of poverty by 2015. Although a national poverty survey is in progress, projections from the 1996 poverty data suggest that poverty incidence could be as high as 70 percent. The rate of urbanization (5.3%) is one of the highest in developing countries, the HIV/AIDS pandemic is threatening social fabric, and the other social and economic conditions are far from the people's expectations of a modern society. There is still the challenge of reforming the public sector into an efficient and responsive instrument for delivering services to the people; corruption and fraud need to be fought ruthlessly; infrastructure decay needs to be reversed and the private sector empowered to become competitive and lead the growth process; and the weak and vulnerable groups need to be lifted up. Indeed, the general value-orientation of the people need to be reshaped to de-emphasize rent-seeking, over dependence on government for literally everything, and expectations of something from nothing--- and to promote hard work, entrepreneurship, discipline, honesty and respect for traditional values.

The NEEDS, in collaboration with the State SEEDS, constitutes the reasoned response to the challenges of underdevelopment. The people will be mobilized around the core values, principles and programmes of the NEEDS and SEEDS. A coordinated implementation of both programmes is expected to create at least seven million new jobs over the period, reduce poverty, and lay the foundation for sustained development.

The President (in his second and last term) is determined to implement the NEEDS and leave lasting legacies. There are abundant human and natural resources to initiate and sustain high and broad-based growth and development. There is a determination to seriously address the issue of implementation. Already, most aspects of the agenda are being implemented, or the enabling legislation being awaited or arrangements already advanced to commence implementation. The President has constituted a competent team and cabinet to drive the reforms. The National legislature is more responsive. It has a full set of relevant legislations for effective implementation of the NEEDS. NEEDS will also become the basis for annual budgetary allocation.

NEEDS rests on four key strategies: reforming the way government works and its institutions; growing the private sector; implementing a social charter for the people; and re-orientation of the people with an enduring African value system.

Reforming Government and Institutions: The goal is to restructure, right-size, re-professionalize and strengthen government and public institutions to deliver effective services to the people. It also aims to eliminate waste and inefficiency, and free up resources for investment in infrastructure and social services by Government. A key aspect of the institutional reforms is to fight corruption, ensure greater transparency, promote rule of law and stricter enforcement of contracts. An explicit Service Delivery Programme to re-orientate government agencies towards effective delivery of services to the people is being introduced in government for the first time. In a summary, the goal is to make government and public institutions serve the people: to make government play a developmental role rather than a haven for corruption and rent-seeking. Part of the reforms at this level is to ensure a predictable and sustainable macroeconomic framework, especially through a sustainable fiscal policy framework.

Growing the private sector: NEEDS is a development strategy anchored on the private sector as the engine of growth--- for wealth creation, employment generation and poverty reduction. The government is the enabler, the facilitator, and the regulator. The private sector is the executor, the direct investor and manager of businesses. The key elements of this strategy include the renewed privatization, de-regulation and liberalization programme (to shrink the domain of the public sector and buoy up the private sector); infrastructure development especially electricity and transport; explicit sectoral strategies for agriculture, industry/SMEs; services (especially tourism, art and culture, and information/communication technology), oil and gas, and solid minerals. Other elements of this agenda include the mobilization of long-term capital for investment; appropriate regulatory framework; a coherent and consistent trade policy and regional/global integration regime; and specific interventions to encourage the development of some sectors. For instance, in order to enhance rapid industrial growth and efficient exploitation of resources, Government shall encourage strong linkage between Science and Technology Parks (STPs), industry and R&D Institutions. In addition, there shall be deliberate efforts made to promote technology acquisition from within as well as across national boundaries.

In collaboration with the States, a key strategy is to promote the emergence and flourishing of industrial clusters. In a global economy characterized by increasing agglomeration of industries, promotion of clusters to ensure economies of scale is an important element of the strategy. The small and medium enterprises (SMEs) are critical for employment generation, and therefore receive special attention under NEEDS. In addition, NEEDS seeks to promote the emergence of medium and large commercial farms, plantations, and industrial conglomerates that would harness the economies of scale and effectively compete in today's global market.

Implementing a social charter: NEEDS is about people: it is about their welfare, their health, education, employment, poverty-reduction, empowerment, security and participation. This is the overarching ultimate goal of NEEDS. With about 50 percent of the population as children, education is seen under NEEDS as the most important bridge to the future and a powerful instrument of empowerment. The HIV/AIDS epidemic is not just a social problem, it is a major threat to productivity and the economy. Effective health care delivery system, especially aspects directed at combating the scourge of HIV/AIDS and other preventable diseases (malaria and tuberculosis) is a key strategy for preserving a healthy workforce. Explicit programmes are directed at youth re-orientation and employment. The existing pension scheme which is in crisis is being replaced by a contributory pension scheme to give the senior citizens a better retirement life. Under NEEDS, reforms are ongoing to promote the emergence of a vibrant mortgage and housing development system that is led by the private sector. The priority to agriculture (especially to improve the productivity of peasant farmers) is a key element of the poverty reduction strategy since over 50 percent of the poor are in agriculture. The continuing investment in water resources not only provides a key social service --- water to the people—it also provides irrigation for increased agricultural productivity. Industry, especially the SMEs, is expected to provide a boost to employment, particularly to the urban labour force. In collaboration with the States (under SEEDS) and local governments, an integrated rural development programme is a major strategy to stem the rural-urban migration. Another key strategy of the social charter is **inclusiveness and empowerment.** This is not just on the economic front, but deliberate programmes to give voice to the weak and the vulnerable groups through increased participation in decision-making and implementation, and laws and programmes to empower women, children, the handicapped, and the elderly. For example, NEEDS aims for a minimum of 30 percent representation for women in all aspects of national life wherever feasible.

Value Re-Orientation:

The key message of the NEEDS is that 'it is not business as usual'. The privatization programme is designed to shrink the domain of the state and hence the pie of distributable rents which have been the haven of public sector corruption and inefficiency. The act of privatization will release a few thousands of appointed Board members of parastatals to go into productive engagements. Public sector reforms would also aim to emphasize professionalism, selfless service, and efficiency (value-for-money). The anti-corruption measures, fight against the advance fee fraudsters, and strive towards greater transparency in public and private sector financial transactions will help to ensure accountability, and send the message that those who make money through illegal and illegitimate means have no hiding place. Part of the reform agenda is to ensure that hard work is rewarded and that corruption and rent-seeking are punished. The people will be empowered to hold public officials accountable through some Bill of Rights (especially the Right to Information Act). The people will be mobilized to re-emphasize the virtues of honesty, hard work, selfless service, moral rectitude, and patriotism. The National Orientation Agency (NOA) and their state counterparts will be strengthened to actively lead the campaign. Government will also encourage the civil society organizations, Community-based organizations, NGOs, private sector organizations, religious and socio-cultural-traditional organizations, etc to provide leadership in the campaign for a new value system. Agencies and organizations will be encouraged to take specific steps to reward excellence as the demonstration effect could help to motivate imitation of exemplary behaviour by others.

Implementation of the NEEDS

Over the years, ineffective implementation of plans has been a major issue. NEEDS is poised to be different: it is a plan on the ground. Already, a number of the programmes of the current administration are consistent with the major policy thrusts of NEEDS. The coordination of the implementation is headed by the President and there is a systematic process of monitoring and evaluation. At the federal level, commitment to the implementation of NEEDS is total. There will be periodic (quarterly) review of performance----assessment of achievements, constraints and prospects. In addition, there is an Independent Monitoring Committee made up of men and women of sterling qualities most of whom are directly involved in the reform process and will report directly to the President based on targets and objectives set for the various reforms. The National Assembly will also play their constructive and complementary oversight roles.

A key element of the implementation relates to a system of collaboration and coordination between the Federal and State Governments, donor agencies (through more effective donor coordination), the private sector, civil society, NGOs and other stakeholders. Given the federal structure of Nigeria and the fact that the states and local governments will increasingly control more resources than the federal government, only a coordinated approach can produce the intended results. All the statutory institutions for inter-governmental coordination of development programmes such as the National Council of State; National Economic Council; National Council on Development Planning; and the Joint Planning Board will be actively deployed for the coordination function. All the sectoral councils such as the National Council on Education, Health, Agriculture, etc will be more proactive than before in coordinating sectoral strategies.

Financing: NEEDS will require a heavy investment programme to jump start the economy in a manner that is pro-poor and poverty-reducing. Aside from the projected investment by the federal and state governments as well as the private sector, there is still a residual financing gap which requires special efforts to mobilize the required finance. The President has already set up a standing committee on Funds Mobilization to assist in mobilizing some of the funds that are required.

Figure 1: The NEEDS at a Glance

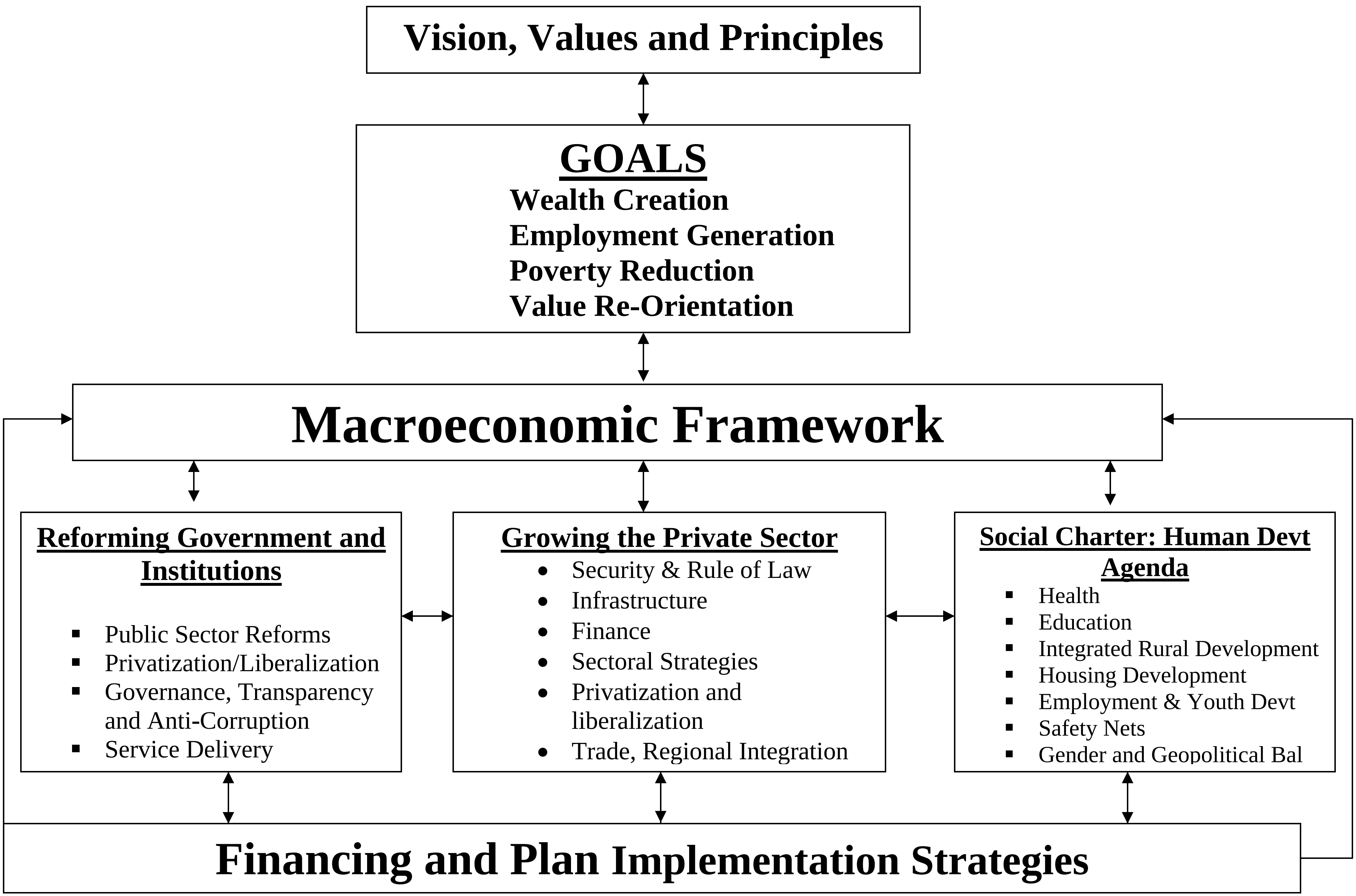
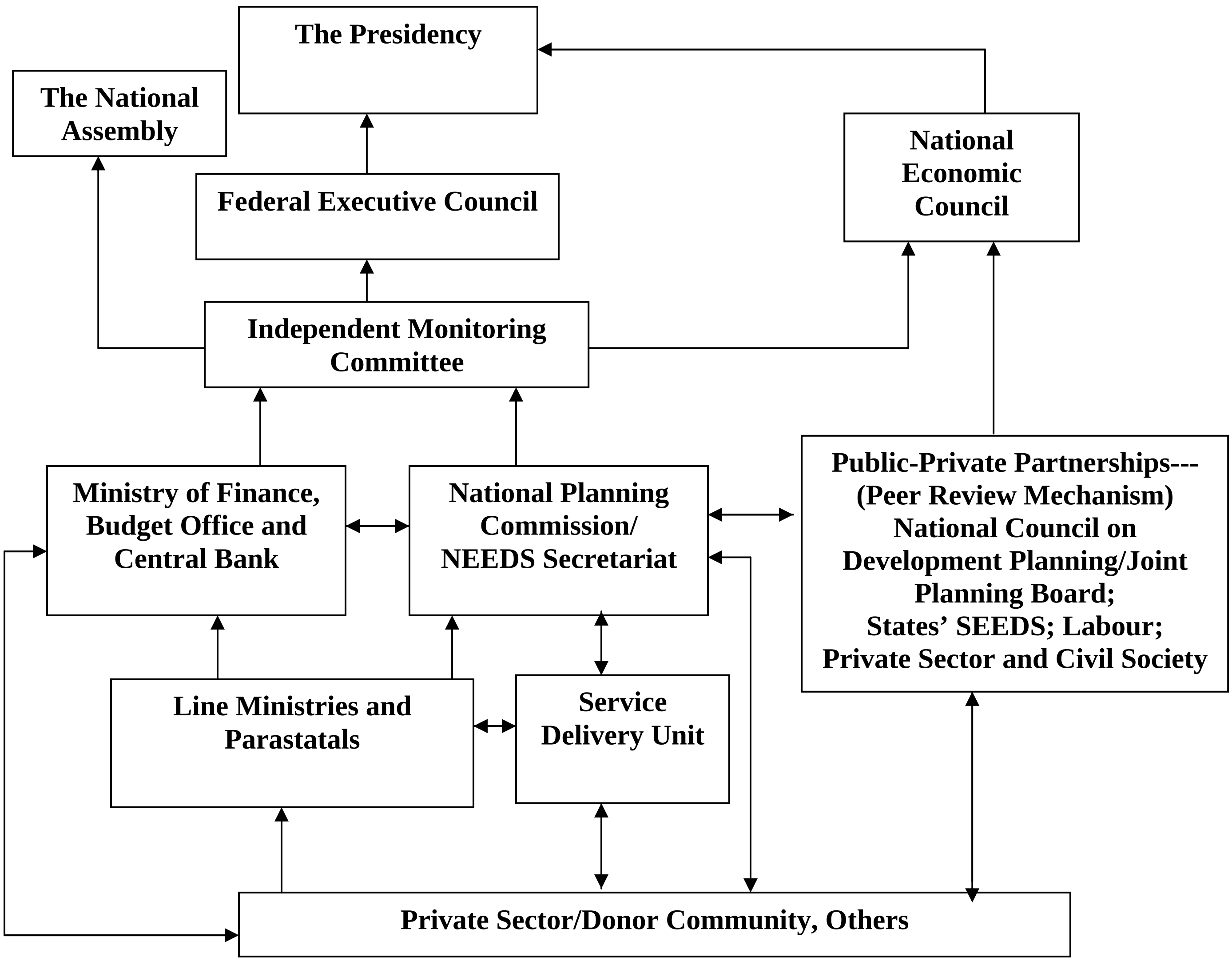


Figure 2: Institutional Framework for the Implementation of Needs



Box 0.1: What's New or Different about NEEDS?

NEEDS is not just another plan on paper. NEEDS is rooted on the lessons of experience of past failed plans, articulation of a clear national purpose or vision, and realistic appraisal of what is feasible within the medium to longer term framework. It is an action plan that is now the basis for budgeting, and several aspects of it are already being implemented. In comparison with some of the earlier plans, NEEDS has several distinguishing features. NEEDS is different in three key areas: **participatory process** (to ensure ownership and sustainability); **scope and coordination** (to reflect federalist planning); and in terms **of content** (more focused, realistic and reform-based**).** On process, this would be the first plan in Nigeria that benefits from a nation-wide participatory process in which all Nigerians and stakeholders are given a chance to contribute to a plan that affects their lives. NEEDS builds on the earlier two-year effort to produce the interim Poverty Reduction Strategy Paper (I-PRSP), and the wide consultative and participatory processes associated with it. Such a process is being deepened further. An inclusive and participatory process is to ensure ownership by the people which is the key to sustainability. It is also different in terms of scope and coordination between states and the federal government. This is the first time that both the state governments (under the state economic empowerment and development strategy--SEEDS) and the federal government (under NEEDS) are coordinating a planning framework with agreed common priorities to agriculture, SMEs, infrastructure, public finance/public sector reforms and emphasis on the social sectors. This coordinated planning approach is new, and will ensure the required synergies and complementarities. In the past, there has been a wrong emphasis on only the activities of the federal government**.** NEEDS recognizes that without a coordinated development agenda by the state and federal governments, it would be difficult to achieve many of the targets set in any plan. This was a key missing link in most earlier plans—which focused only on the federal government.

On content, NEEDS is also different. First, it is a reform based strategy unlike the conventional plans. Its thrust is clear and focused, that is, empowerment, wealth creation, employment generation and poverty reduction as well as value re-orientation, and not just economic growth that trickles down. NEEDS is also based on a clear vision, sound values and enduring principles. Explicit strategies are in place to ensure a truly private sector-led development. Beside privatization and liberalization to transfer the hitherto 'commanding heights' of the economy to the private sector, there are innovative strategies to involve the private sector in all aspects of the economy including infrastructure provision. The strategies for reforming government and institutions, especially in the areas of eliminating waste, effective budgetary system, fighting corruption, promoting accountability and transparency are also new. The targets, and action plans are realistic and properly aligned to the resource base and projected resource mobilization. It avoids the past mistakes of setting unrealistic targets without adequate consideration of the resource constraints. The specific benchmarks and targets as well as the timelines and responsible agencies/individuals have been developed and will be widely circulated and posted on the website for all Nigerians to hold the implementers accountable. The implementation strategy is also better articulated, and the commitment to effective implementation is unprecedented. There is a broad based monitoring framework involving the federal, states and local governments, including the private sector and the civil society. A peer review mechanism will also facilitate effective implementation. The previous Rolling Plans concentrated on ill articulated large portfolio of projects that were hardly implemented. Under NEEDS, projects are dealt with at the sector levels. Also, for the first time and as a necessary complement to NEEDS, Government and stakeholders are developing nationally coordinated sector-wide strategies for key sectors. This will clearly spell out the roles and responsibilities of various tiers of government in the key sectors as well as the private sector and delineate the structure of coordination. The point here is that for the first time, we are developing plans that fully take into account the federal nature of Nigeria, and hence the need to take coordination seriously. Ultimately, the acid test of the NEEDS is the implementation, and the President and his team are determined to make a fundamental difference.

Table II: Selected Targets under NEEDS

	2003	2004	2005	2006	2007
MACROECONOMIC TARGETS					
Real GDP Growth (Growth Rates %)	8.6	5.00	6.00	6.00	7.00
Oil Sector (% growth)	15	0.00	0.00	0.00	0.00
Non-oil Sector (% growth)	5.83	7.27	8.54	8.34	9.52
Percentage reduction in poverty incidence (%)	5	5	5	5	5
Minimum Number of New jobs created (Millions)	-	1	2	2	2
Growth in real private consumption expenditure (%)	-	4.83	4.83	4.83	4.83
Growth in real per capita consumption (%)	-	2	2	2	2
Inflation Rate (%)	11.00	10.00	9.50	9.50	9.00
SECTORAL TARGETS					
Growth in Agriculture (%)	7	6	6	6	6
Manufacturing Sector Growth (%)		7	7	7	7
Manufacturing capacity utilization (%)	53				70
Tourist visitors to Nigeria (annual growth rate %)		10	10	10	10
Communication	Teledensity from 1:40 in 2003 to 1:25 in 2007 and improve access especially in the rural areas				
Solid minerals	To provide self-employment for at least 500,000 Nigerians.				
Agricultural Exports	Earn at least $3 billion from exports of cassava and related products by 2007				
Federal Government Budget					
Maximum public deficits as a ratio of GDP (%)		3	3	3	3
Maximum Ways and means (% of previous revenue)	12.5	10	10	10	10
Total Expenditure (as % of GDP)	25.10	23.54	23.37	22.90	22.33
Recurrent expenditure (% of total budget)	70	65	60	60	60
Capital expenditure (% of total budget)	30	35	40	40	40
EXTERNAL SECTOR (BOP)					
External Reserves (US $ million)	7,186.7	7,686.7	8,686.7	9,686.7	10,686.7
Imports growth rate (%)		15%	18%	25%	30%
Exports growth rate (%)		10	20	25	30
Non-oil exports earnings	To grow from less than 5% of total exports in 2003 to more than 10% in 2007				
Food as a percentage of total imports (%)	14.5				5
Reserves (Months of import cover)					
Unrequited transfers	At least $3 billion a year from remittances				
BANKING AND CREDIT					
Credit to Private Sector (% growth)	30.00	30.00	30.00	30.00	30.00
SOCIAL SERVICES					

EDUCATION	2003	2004	2005	2006	2007
Adult literacy rate (%)	57				65
HEALTH.					
HIV/AIDS Prevalence rate (%)	6.05				5
Immunization coverage %	39				60
Access to safe water (%)	64.1				70
INFRASTRUCTURE					
Power Generation (MW)		4,000	5,000	7,000	10,000
Roads (rehabilitation, maintenance and new roads)	3,000	3,500	3,500	4,000	4,000
PUBLIC SECTOR REFORMS					
• Public sector reform • Economic co-ordination and institutional reforms • Public private sector partnership • Security and administration of justice • Judicial service reforms • Prison Reforms • Eliminating Corruption; Improving Transparency and Accountability • E-Governance • Strengthening of National Statistical System				• See annexes for details of targets • Reviewing the nature and relevance of collected data • Restructuring, strengthening the institutional capacity and professionalization of the statistical system • Ensuring production of timely, reliable and relevant statistics	
MDG Targets Literacy Rate of Girls Primary School Enrolment and/or completion Maternal mortality Infant mortality			(Work still ongoing on determination of the targets)		

Note that the GDP growth projections are very conservative. The growth potentials are huge---not only in terms of the abundant human and material resources, but also for the fact that Nigeria mimics a post-conflict economy with lots of idle resources. With the various targeted presidential initiatives on agriculture, the increased coordination with the states on key priority sectors--- agriculture, SMEs, infrastructure and social sectors--- the growth effects are expected to be substantial. However, the projections are kept low, with clear possibilities that they could be exceeded.

Table III: Proposed Allocation of Federal Government Capital Budget among Key Priority Sectors

Sector	2004	2005	2006	2007
Agriculture and Rural Development	3	4	4	4
Roads (maintenance., rehabilitation, and Construction)	12	15	15	14
Education	8	8	9	10
Health	8	8	9	10
Water Resources	10	10	10	10
Power	16	15	13	12
Share of the Priority Sectors in Total Allocation	57	60	60	60
Others	43	40	40	40
Total	100	100	100	100

Notes:

1) It must be stressed that all sectors and ministries are important in their strategic roles in delivering long term development. The importance of a sector is not necessarily equated with the amount of resources spent by the sector/ministry. Some would be greatly driven by the private sector, or by other stakeholders such as the states and local governments and private sector while the role of the Federal Government would be mostly that of coordination and facilitation. As we transit to a private sector led economy, the importance of some sectors/agencies would be more in terms of the provision of sound regulatory framework rather than as direct intervention. Several other sectors/ministries are cross-cutting themes, and effective coordination of activities of other agencies could provide better value for money. The sectors listed here (aside from security) are ones where Government's direct and heavy dose of investment will be required over the reform period.

2) The essence of this table is to lock-in capital investments in some critical sectors for the purposes of poverty reduction, wealth creation and employment generation. This will assist the Ministries and stakeholders to design and implement medium term Sector-Wide Strategies. The table excludes spending by the State and Local Governments, and does not include the Recurrent expenditures. For most of the sectors --- especially health and education, the recurrent budget often takes a larger proportion of the total expenditures on the sectors. All the sectors are in the Concurrent list of the Constitution (implying that both the Federal and State Governments have responsibilities to provide them). Hardly any state government spends less than 20 percent of its total budget on Education. Thus, in a federation like Nigeria, the actual 'Government' spending on a particular sector can only be analyzed by consolidating all spending by the three tiers of government, that is, an analysis of the 'National' rather than the 'federal' budget.

Part One

Introduction and Macroeconomic Framework

INTRODUCTION/NEXT STEPS

This is the Volume ONE of the preliminary draft--- as a working document--- for comments and suggestions only. It is expected that after the six-week nation-wide consultations and debates on the draft document, it will be substantially revised as comments and contributions are received from stakeholders and Government officials. The Volume will also be subjected to serious editorial work. Volume Two of the NEEDS document is the Implementation Guide. For each reform element, Volume Two details the matrices of objectives, specific targets, implementation timelines, responsible agencies, etc. This is to guide monitoring and evaluation. This Volume One specifies the broad strategic thrusts, targets and instruments. As it were, it charts the overall direction of change, the destination and how to get there.

Work is still ongoing on some technical aspects of the Strategy, especially in regards to the costing of the programme; development of nationally coordinated sectoral strategies for agriculture, health, education, water, and infrastructure (as opposed to previous federal government's policies which were mistaken as 'national' programmes), and the streamlining and rationalizing of implementation agencies and coordination framework. The federal ministries responsible for these issues would collaborate with the National Planning Commission and the respective state government ministries and relevant stakeholders to develop the national sectoral strategies and project plans. The various national sectoral councils will play critical roles in this regard. The output of these sector-wide strategies will further feed into the revisions of the NEEDS document.

Furthermore, NEEDS provides a framework for a nationally coordinated programme of action (including the Federal, state and local governments). Most of what is articulated here refers to the planned actions by the Federal Government. However, given that the Federal Government only controls about half of the consolidated public sector spending, effective coordination among the tiers of government in the federation is the key for success. Federal programmes alone without the states and local governments would amount to attempting to clap with one hand. We need the other hand (states and local governments) to make the desired impacts on the economy.

This need for coordination was recognized very early on in the development of NEEDS. Through the statutory organs for inter-governmental coordination (National Economic Council, National Council for Development Planning, and the Joint Planning Board), the state governments have not only endorsed the thrusts of NEEDS but also committed to developing their respective state economic empowerment and development strategy (SEEDS). The states also agreed on a minimum set of priorities which each state government must reflect in its SEEDS namely, agriculture, small and medium enterprises (SMEs), infrastructure especially roads rehabilitation and maintenance, and public finance reforms and transparency. The National Planning Commission is collaborating with the donor agencies to provide technical assistance to the States in the development of their SEEDS as a necessary complement to the NEEDS. The NPC is organizing training workshops for the states in the six geopolitical zones of the country (using the 'Guidance Manual' it prepared) on the preparation, monitoring and evaluation of state plans.

In addition, work will soon begin on a full Medium Term Expenditure Framework (MTEF) and a clearly articulated 'Project Plan' over the medium term. In addition, a policy matrix (indicating the status of each policy measure) is being prepared.

Some of the major thrusts of NEEDS are already reflected in the 2004 budget proposals currently before the National Assembly. The key sectors to deliver the 'basic needs' (for poverty reduction) --- health, education, electricity, roads, water—have received the highest priority in resource allocation (about 60% of total capital budget).

It is expected that the final draft of the NEEDS will be completed as soon as comments and suggestions are received from Members of the Federal Executive, reviewers, stakeholders, State Governments, Local Governments, private sector, civil society organizations and individuals.

CHAPTER ONE
NIGERIA'S DEVELOPMENT CHALLENGES/ BACKGROUND OF NEEDS

Nigeria is an economic miracle that has already begun to unfold, and a solid foundation is already being laid especially since the new democratic transition in 1999. NEEDS is a development strategy to consolidate on the gains of the past four years, unlock Nigeria's dormant potentials, and provide the base for the sustained development of the country. NEEDS signals a break with the past. The overview below summarizes the key elements of the unsustainable past trends which NEEDS is designed to break.

Nigeria has the potential to become Africa's largest economy and a major player in the global economy by virtue of its rich human and material resource endowment. But much of its potentials (see Box 1.1) have remained untapped, and if previous trends continue, Nigeria runs the risk of not meeting the internationally agreed Millennium Development Goals (MDGs) by 2015 (see Annex 3 for a survey of Nigeria's current status vis-à-vis the attainment of the MDGs and other socio-economic statistics in the Annex tables)[1]. Below is a summary of some of the key development challenges that the NEEDS aims to address. Much of the analysis below refers to the average of the post-independence period. Although significant improvements have been recorded in many areas since 1999, the development challenges are still daunting.

Box 1.1: Summary of Major Social and Economic Developments in Nigeria (1999—2003) *** To be completed with the ongoing work on the Fact Sheet on the Economy ****

- Nigeria has had lost decades of development due to negative-to-slow growth and has been one of the weakest growing economies in the world on a per capita basis especially for the period 1981- 2000. The GDP grew by an average of 2.8 percent in the 1990s (leaving per capital growth rate at zero), but the average growth rate for the 1999—2003 period was about 3.6 percent (with a per capita growth rate of 0.8 percent per annum which is far lower than the 4.2 percent per capita growth rate needed to significantly reduce poverty). Relative to its own history and in comparison with other countries in Africa and Asia, especially Indonesia which is comparable to Nigeria in most respects, its level of economic development over the decades becomes more disappointing. With a GDP of about $45 billion in 2001, and a per capita income of about $300, Nigeria has become one of the poorest countries in the world. As at 2000, Nigeria had earned approximately $300 billion from oil exports since the mid 1970s, but its per capita income was 20% less than the 1975 level, and the country has become so heavily indebted (external and domestic debt amounts to about 70 percent of GDP) that it has serious difficulty servicing existing debt. There is great spatial and sectoral

[1] The quality of socio-economic data in Nigeria is poor. There are ongoing efforts to refine the national accounts data using the best practice methodology, as well as an ongoing household survey to provide up to date quality statistics on basic socio-economic conditions of the country. The analysis in this Section and throughout the document is based on the existing database, and could be revised when new data become available.

unevenness in terms of the share of GDP and growth performance: across regions and geo-political zones of the country. The real sector is still dominated by the primary production sector—agriculture (41%) which is predominantly peasantry with low and declining productivity, and crude oil (13%) while the secondary sector especially manufacturing has been stagnating (about 5 - 7% of GDP) thereby making Nigeria one of the least industrialized countries in Africa. The services sector has been the fastest growing since independence.

- At about 5.3% annual growth rate, urbanization rate is one of the fastest in the world and with a stagnant secondary sector, the urban unemployment is acute with the attendant high level of crimes and socio-political tensions. As at March 1999, 23.2 percent of the rural labour force were unemployed while 12.4 percent of the urban dwellers were without job. In March 2003, rural unemployment rate had dropped to 12.3 percent and urban rate to 7.4 percent (giving a composite unemployment rate of 10.8 percent). These are large numbers given that the labour force is about 61 million in Nigeria.

- Broad macroeconomic aggregates—growth, terms of trade, real exchange rate, government revenue and spending, etc have proved, over the 1975—2000 period, to be some of the most volatile in comparison to over 100 developing countries. Over the last three decades, high macro volatility has become a key determinant as well as consequence of poor economic management. Overall, the economy has been characterized by low savings-investment equilibrium (at less than 20%) and low growth trap. The economy remains at very low levels of industrialization and exporting. With an average annual investment rate of barely 16% of GDP, Nigeria is too far behind the minimum investment rate of about 30% of GDP required to unleash a poverty-reducing growth rate of at least 7-8% per annum.

- Lack of high growth persistence has been a defining feature of the economy such that in over 40 years, it has never had a growth rate of 7% or more for more than three consecutive years. Nigeria is not only poor; it also experiences some forms of de-capitalization (human and financial). Because of perceptions of risks and high costs of doing business, private agents have chosen to keep the bulk of their assets abroad (with independent estimates of the stock of capital flight abroad quite significant), and over two million Nigerians (mostly highly educated) have emigrated to Europe and the U.S. (brain drain). Most of the FDI into the country goes into the oil and extractive sectors. Only since 1999 have FDI in the non-oil sectors begun to rise significantly. The economic structure remains highly undiversified. Oil exports account for 95% of total exports, and manufacturing sector accounts for less than 1 percent. Nigeria has also lost international market shares even in its traditional (agricultural) exports since the 1970s.

- Macro policy has been highly circumscribed by the high/inefficient but highly volatile and unsustainable public sector spending, and atypically high volatility of major macroeconomic aggregates. Fiscal decentralization has proved an enduring challenge to effective macroeconomic stabilization and efficient public finance management in Nigeria. There is also the lack of policy coherence between the states and the federal government, and even among the various agencies of the federal government. The traditional instruments of economic management, the National Plan and Budgeting processes had been rendered ineffective.

- Government finances at all levels of government are not in good shape with domestic debt increasing by over 200 percent between 1999 and 2002 (to about US$9 billion), and an external debt burden, which the government is barely able to service about 50 percent of the contractual service obligations. Government finance is also characterized by pension crisis, arrears of salaries of civil servants, huge debts to government contractors and suppliers of goods and services, a boom and burst cycle of revenue and expenditure, misallocation and mismanagement of resources, etc. At the state government level, a major crisis is looming but goes largely unnoticed. In many states, debts are accumulating at unsustainable levels and weak institutions and economic governance are very acute

- The very low productivity/uncompetitiveness of the private sector and the lack of diversification of the economy are due mainly to the hostile business environment. The constraints to businesses include infrastructure deficiencies, poor security of lives and property, corruption and rent-seeking, low access and high cost of finance, weak institutions, ill-defined property rights and enforcement of contracts, and unstable macro economic policies especially fiscal and trade policy. Although these conditions have begun to improve since 1999, there are significant obstacles to be addressed.

- Nigeria faces the challenge of meeting the Millennium Development Goals (see Appendix table 2). Available statistics from the 1996 survey (although new survey is ongoing) indicates that poverty is deep and pervasive with an estimated 70 percent of the population living in poverty[2]. (See Chapter Ten: <u>The Social Charter</u> for a detailed analysis of the nature, dimensions, and causes of poverty in Nigeria as well as survey of the previous interventions by government to tackle it). Poverty in Nigeria has great regional, sectoral and gender disparities. Other social indicators are also under stress---income inequality in Nigeria is very high; unemployment is threatening social cohesion, security and democracy; and the imminent HIV/AIDS epidemic is a potent time bomb waiting to explode and with potential dire consequences for productivity in the economy. Furthermore, there are persisting cases of social exclusion and discrimination against women and this hampers their ability to fully contribute their potentials to the development of the economy.

- Despite efforts to promote private sector-led, competitive market economy framework, there is still the fundamental challenge of transition from statism and rent-seeking in an economy dominated by the public sector. The deep vested interests which profit from the system have proved resilient. The perception of an over-bloated and inefficient public service has become one of the key problems. Another is the evidence of weak institutions and persistent implementation failures.

[2] A caveat on the level of poverty in Nigeria is in order. Many analysts question the 1996 poverty statistics especially the methodology of estimating such figures. For example, many people are puzzled by the fact that poverty incidence fell during the SAP period, and rose by more than 50% in the four years between 1993- 96 without any fundamental changes in economic policies or shocks to the economy. An ongoing Living Standard Measurement Survey will help to illuminate a more accurate situation.

Why the past failures?

The above features are legacies of decades of corruption and mismanagement especially during the military administrations. The old development models of import substitution industrialization (ISI) and statism--- whereby government assumed the dominant role as producer and controller in the economy--- produced perverse incentives, inefficiencies and waste. In the context of an oil producing economy (with rents from oil as easy source of government revenue), a culture of rent-seeking quickly developed. Government readily became an instrument for instant acquisition of wealth and therefore distorted the incentive to work and to create wealth in the private sector. With government as the major source of patronage and rent-seeking, the fight for public office became a matter of life and death. All these created an incentive framework that did not reward private enterprise, transparency and accountability. Frequent regime changes in governance and frequent changes in policy were defining features of the past. Military dictatorships also meant that weak institutions endured. In summary, inappropriate development frameworks, poor and frequently changing policies and programmes, lack of clear development vision and commitment to the Nigerian project (as well as a citizenry that acquiesced to the patronage culture) were the major causes of Nigeria's failed past.

Prospects for the future

The message from the foregoing diagnostics is that the Nigerian economy faces enormous challenges and a bleak future if fundamental steps are not taken to redress the legacies of the past. Among the many requirements for rejuvenating the economy is rapid and broad based growth. It would require Nigeria doing things in fundamentally different ways than in the past to break away from the low growth- poverty traps. This is because, in the last 25 years or more, the highest average growth performance of about 5 percent per annum was recorded in the late 1980s and this is just the growth rate required to prevent poverty from worsening (and not good enough to reduce it). The average growth performance in the 1990s (2.8%) was just equal to the population growth rate leaving per capita growth rate at zero, while the average performance since the civilian transition in 1999 (1999- 2003) was about 3.6 percent, with per capita growth rate at about 0.8 percent per annum.

Table 1.1 below illustrates the implications of alternative growth scenarios for per capita income and poverty in the medium to long run. The scenarios assume that the respective growth rates are maintained until 2030, with no demographic transition (i.e., constant population growth rate of 2.8%), and also constant urbanization growth rate of about 5% per annum.

- Scenario A considers the implications of Nigeria maintaining the average growth performance recorded in the last four years 1999- 2002 (about 3.5%) until 2030. Assuming that per capita income was $300 in 2000, by 2015 it would have increased by just US$23, and by 2030 by just $48—leaving Nigeria as one of the poorest countries in the world if current trends in the rest of the world continue. Poverty obviously worsens and given the poverty-growth elasticity, the incidence could be as high as 80 percent in 2030.
- Scenario B considers the implications of re-enacting the average growth performance in the late 1980s (5%)--- that is, growth rate required to prevent poverty from escalating but not enough to reduce it. In essence, poverty incidence stays constant at 70 percent even in

2030, while per capita income increases to \$416 in 2015 and \$576 in 2030—still leaving the average Nigerian very poor.

- Scenario C considers the implications of Nigeria fundamentally changing its strategy and achieving an average of 7 percent growth rate per annum—which is the growth rate compatible with the Millennium Development Goal (MDG) of reducing the incidence of poverty by half in 2015. This growth rate leads to the halving of the incidence of poverty in 2015, and leaves less than 20 percent of the population below the poverty line in 2030, provided growth is broad based and pro-poor.

A caveat to these scenarios is that the impact of the 'average growth rate' on poverty would significantly depend on the sources of the growth. Poverty incidence may not significantly come down (even with the 7 percent growth rate) if the growth process is not pro-poor (that is, not broad based or broadly shared). It would make a fundamental difference whether growth is led by agriculture, small and medium scale enterprises and manufactures or by the mining and quarrying sector. It would also make a difference whether or not some of the severely poor states and locations receive targeted attention to jump-start a process of poverty reduction.

Table 1.1: Implications of Alternative Growth Scenarios for Key Development Indicators

		2000 Actual	2015	2030
A	Per capita Income average Growth performance (1999- 2002): <u>3.6% or 0.8% per capita</u> Poverty (assuming 3.6% annual growth)	\$300 70%	\$328 75%	\$352 80%
B	Per capita income assuming 5% annual growth Poverty Incidence (assuming 5% annual Growth)	\$300 70%	\$416 70%	\$576 70%
C	Per capita income assuming MDG-compatible Growth rate of 7% per annum Poverty Incidence (assuming 7% annual Growth)	\$300 70%	\$556 35%	\$1031 17%
D	Nigeria's Population (with 2.8 annual growth rate)	120 million	182 million	275 million
E	Urbanization (with 5% annual rate of growth)	42 million (35%)	87 million (48%)	182 million (66%)

These rather gloomy scenarios A and B, which derive from Nigeria's historical experience, are also in the context of a rather high population growth rate and high urbanization rate. If the population continues to grow at 2.8 percent per annum, there would be 275 million Nigerians by 2030, out of which 182 million or 66 percent of them would be in urban areas. If the secondary sector, especially manufacturing and the services sector do not grow sufficiently to absorb the surge of labor force to the urban areas and/or the rural areas sufficiently transformed to stem the rate of rural-urban migration, the prospective rate of urban unemployment could be chaotic.

Furthermore, all these are in the context of increasing desertification, land use intensification, and rain-fed agriculture with low productivity. If current trends continue, agriculture would increasingly not be able to support the economy both in terms of employment and income. The average age of the labor force in agriculture is about 48-60 years, and the growing food import bill (about 10% of total imports) attests to the potential food security crisis. The natural resource base of the economy is depleting fast, and the process of diversification is very slow. The educational system is rapidly decaying with the result that an increasing proportion of the graduates are unemployable. All these have grave implications for poverty and unemployment, and hence grave consequences for crime, conflict and sustenance of democracy.

The size and strategic importance of Nigeria in Africa (especially in West Africa) is such that the stakes are very high. Nigeria is the source of stability in the West African region--- having led a multilateral peacekeeping force to Liberia and Sierra Leone, and continuing peace-keeping role in the sub-region. On the economic front, Nigeria accounts for about 60 percent of the West African GDP. Thus, a vibrant and growing Nigerian economy will act as a strong growth pole for West and even Central Africa. Sub-Saharan Africa as a region cannot succeed in reducing poverty and it cannot reach the MDGs of 2015 unless Nigeria, with one-fifth of the African population, succeeds in its own economic development.

Potentials for a new and strong beginning under NEEDS

Nigeria has abundant human and material resources to initiate and sustain high and broad-based growth and development. There are also opportunities offered by the globalization process (and prospects for leapfrogging) as well as the preferential and differential trade arrangements and concessions under the ECOWAS Treaty, the US–AGOA, the ACP-EU Cotonou Agreement and impending economic partnership agreement. If appropriate incentives are in place, the brain drain of Nigerians in Diaspora could be turned into brain gain--- through increased remittances, technology transfer, and even return of capital flight (which could be up to $2- 5 billion per annum). In other words, there are ample opportunities to jump-start faster growth—if the right strategy can be crafted and implemented.

There is already some momentum for change since the transition to democracy in 1999, and this momentum can be increased and sustained. For example, foreign direct investment in the non-oil sector has run into billions of dollars since 1999 (from almost zero previously), capacity utilization in industry has doubled, unemployment rates are moderating, and GDP growth has improved moderately. There are now increasing number of Nigerians in Diaspora willing to return and contribute to the economy, and many of the donor agencies which hitherto boycotted Nigeria during the military era have returned.

More fundamentally, the new political leadership at the Federal and State levels as well as consensus among key stakeholders in the economy seems to be committed to a significant change. There are several pointers that NEEDS is a strategy that would likely succeed.

Aggregate policy thrust of the present administration is consistent with the provisions of NEEDS. The 2004 budget signals a fundamental change in strategy. The liberalization of the downstream oil sector has begun with the full elimination of subsidies, and the refineries will soon be privatized. The monetization programme (i.e. the conversion of public servants' perquisites into cash to reduce government expenditure and waste associated with maintaining these facilities) is on course; actions on anti-corruption, transparency and subscription to the Extractive Industries Transparency Initiative (EITI) reinvigorated; pilot cases have begun on public service reforms; privatization programme is on course; infrastructure rehabilitation and maintenance is proceeding; priority to agriculture has led to unprecedented bumper harvest in 2003; etc. Furthermore, there is a broad national consensus around the reform agenda which is very important for the success of the programme.

Second, effective mechanisms for the coordination of the states and federal government programmes and joint monitoring of performance are being instituted. The various statutory organs for such coordination and monitoring are being strengthened (such as the National Economic Council, the National Council on Development Planning, and the Joint Planning Board). As the 36 states develop their respective reform programmes--- (State Economic Empowerment and Development Strategy—SEEDS) -- consistent with the broad thrusts of the federal reforms, the impacts on the national economy will be greater.

The NEEDS signals a change in approach to planning and the subsequent reforms will properly harmonize the planning and budgeting framework and processes. There is also in place a renewed and responsive national legislature with a critical mass of reform minded persons. In addition, the President has constituted a very strong economic team to drive the process of reforms. There is a strong team spirit in government, and this is critical for the implementation and sustenance of the reform effort. Another key success factor is that the NEEDS will become the basis for Government budgets, and the eventual formulation of a medium-term expenditure framework (MTEF). Implementation is a key element for success, and the President is personally leading the efforts at implementation. The President personally chairs a weekly (90 minutes) meeting of the Economic Management Team--- designed to monitor and coordinate implementation among key agencies and ministries. The agenda also is focused and selective, and there are aspects of it to be implemented by the private sector, NGOs and donor agencies.

Furthermore, the National Assembly is poised to enact the relevant legislations for effective implementation of the NEEDS. A sample of these legislations are listed in the Implementation Chapter in this document

Box 1.1 Nigeria's Resource Endowments and Potentials for Sustainable Development

Nigeria has an estimated population of 125 million in 2001— nearly one-quarter of Sub-Saharan Africa's population, and it is estimated that one in every six black persons in the world is a Nigerian. The country is composed of more than 200 ethnic groups, and more than 500 indigenous languages and dialects, with three major tribes--- Igbo (East), Hausa (North), and Yoruba (West).

Nigeria spans an area of 924,000 square kilometers bordering the Gulf of Guinea, Republic of Cameroon, Republic of Benin, Niger and Chad. The topography ranges from mangrove swampland along the coast to tropical rain forest and savannah to the north. The Sahara desert encroaches upon the extreme northern part of the country while gully erosion threatens the carrying capacity of lands in the South. Some 10 percent of the land is covered with forest, and Nigeria's wood resources include large stands of mahogany, walnut, and Obeche. However, rapid deforestation has reduced Nigeria's forest by 50 percent in the last 15 years, and the potential for their future exploitation is extremely limited. The country's fishery resources are fairly small and are concentrated in the coastal area.

The importance of oil in the Nigerian economy notwithstanding, agriculture is the dominant economic activity in terms of employment and linkages with the rest of the economy. Roughly 75 percent (74 million hectares) of Nigeria's total land (98 million hectares) is arable and about 40 percent of this is cultivated--- leaving the remaining 60% of arable land idle. The United Nations Food and Agriculture Organization rates Nigeria's farmland from low to medium in productivity, but notes that most of the country's cultivable land would have medium to good productivity, if properly managed. Despite the existence of two major rivers, the Niger and the Benue, agriculture is predominantly rain fed. Yams, cassava, rice, maize, sorghum, and millet constitute the main food crops. The principal export crops are cocoa and rubber, which together account for nearly 60 percent of non-oil merchandise exports.

The country's proven oil reserves, located mainly in the southeast and south-south coastal area, amount to an estimated proven 32 billion barrels, sufficient to last for about 37 years at the current rate of production. With the production of 2 million barrels per day (mbd), Nigeria is the sixth largest producer in OPEC. Proven natural gas reserves are estimated at 174 trillion cubic feet (equivalent to 30 billion barrels of crude oil), with energy content slightly higher than the country's oil reserves. These reserves are comparable to those of Algeria, and will last for 110 years at current production levels. Nearly 80 percent of the natural gas produced is presently being flared and most of the remaining 20 percent is used for electricity generation. It is expected that the export of gas will be substantial after the year 2004. Nigeria's rivers also constitute a substantial energy resource, providing the country with nearly half of its electricity. Nigeria is also blessed with abundant solid minerals deposits including, coal, tin ore, kaolin, gypsum, columbite, gold, gemstones, barites, graphite, marble, tantalite, uranium, salt, soda, and sulphur. The main non-oil exports include: cocoa, coffee, copra, cotton, ginger, groundnut, groundnut oil, gum Arabic, palm oil, rubber, soya bean, and timber.

Nigeria has over 60 universities and boasts of an educated labour force. Limited information is available on the size and the quality of Nigeria's labour force other than what can be inferred from broad social indicators. Various independent estimates put the unemployment and underemployment figures at over 15 percent of the labour force— with a very high rate of graduate unemployment. The adult illiteracy rate is 49 percent. About 76 percent of children of primary school age attend school; the participation rate falls to 20 percent for children of secondary school age. Average life expectancy at birth is 54 years.

Capacity utilization in industry is about 50 percent. Furthermore, independent estimates of the stock of capital flight are quite significant. This means that if appropriate policies and enabling environment are in place to induce wealth owners to repatriate just the interest earnings on their assets, Nigeria could reap $2-3 billion per annum in return 'FDI'--- an amount which is multiples of current FDI inflow of barely $1 billion per annum. Furthermore, Nigeria has a large domestic market—which could serve as a springboard for entering export markets in Africa and internationally. These and many other national assets could pave the way for seizing the many development opportunities, which exist in the wake of globalization of industry, trade, investment and cross-border cooperation. With skilful management such opportunities could be converted into achievements towards raising income per capita, creating employment and fighting poverty. These opportunities, however, have as yet largely remained unrealized.

CHAPTER TWO
STATEMENT OF VISION, VALUES, AND PRINCIPLES

NEEDS is not just a plan, it defines a process of development anchored on a clear vision, sound values, and enduring principles.

Statement of Vision and Mission:

The vision for Nigeria's development derives from her history, endowments, experience, and aspirations. The visioning process has drawn inspiration from the views of a cross section of stakeholders and the provisions of the constitution regarding the overall thrust of the aspirations of Nigerians. The vision underscores the necessity and urgency to build a modern Nigeria that maximizes the potentials of every citizen to become the largest and strongest African economy, and a force to be reckoned with in the world before the mid 21^{st} century. Nigeria envisions a 21^{st} century that is Africa's century, and with Nigeria among the leading nations.

The most recent articulation of this vision as embodied in the 2001 Kuru Declaration is as follows:

> *To build a truly great African democratic country, politically united, integrated and stable, economically prosperous, socially organized, with equal opportunity for all, and responsibility from all, to become the catalyst of (African) Renaissance, and making adequate all-embracing contributions, sub-regionally, regionally and globally.*

The Mission of President Obasanjo's Government is to use the instrumentality of the National Economic Empowerment and Development Strategy (NEEDS) as a nationally coordinated framework of action in close collaboration with the State governments and other stakeholders to consolidate the achievements of the last four years, 1999- 2003 and build a solid foundation for the attainment of Nigeria's long-term vision. Over the medium term, the NEEDS will lay the foundation and achieve significant progress in the areas of wealth creation, employment generation, and poverty reduction.

Core Values

NEEDS is anchored on the imperative to restore the fundamental values of Nigeria which have weakened over the years. According to the Vision 2010 Main Report, "Nigeria is a multi-ethnic society, with a value system that derives from the diversity of its people, religion and cultures. The elements of this value system include respect for elders, honesty and accountability, cooperation, industry, discipline, self-confidence and moral courage". President Obasanjo captures the essence of the new value system as one that puts Nigeria, selfless service to the country and love of fellow citizen above all else. According to him: "Always ask what is in it for Nigeria. I see a new Nigeria in the hands of the Lord. Our Mission is the creation of a New Nigeria where all the negative values in our society are reversed and in their place are established enabling values of a caring, well governed society where justice and equity reign".

These are the fundamental values upon which NEEDS rests. More specifically, the Strategy hopes to lay a solid foundation for a national self rediscovery and strong values based upon:

- Enterprise, competition and efficiency at all levels
- Equity and care for the weak and vulnerable
- Moral rectitude, respect for traditional values, and extolling of our culture
- A value system for public service that makes efficient and effective Service delivery to the citizens
- Discipline at all levels of leadership

According to the 2001 Kuru Declaration (see Box 2.1), all public officials (elected and appointed) swear to abide by certain codes of values embodying the development objectives and human capital improvement needs of the country. NEEDS as a development strategy recognizes that these values cannot take root and be sustained unless conscious efforts are made to mobilize the people around them. Without paradigm shifts, fundamental changes in mindset and acceptance that it cannot be business as usual, especially by the elite, the change which NEEDS seeks to bring about will be difficult to attain and sustain.

Fundamental Principles

Under the "Fundamental Objectives and Directive Principles of State Policy", the 1999 Constitution of the Federal Republic of Nigeria mandates as follows:

- The security and welfare of the people shall be the primary purpose of government;
- The State shall, within the context of the ideals and objectives for which provisions are made in this Constitution -
  a) harness the resources of the nation, promote national prosperity and an efficient, dynamic and self-reliant economy;
  b) Control of national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity
- The state shall direct its policy towards ensuring-----
  a) The promotion of a planned and balanced economic development;
  b) That the material resources of the nation are harnessed and distributed as best as possible to serve the common good;
  c) That the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of few individuals or of a group; and
  d) That suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, and unemployment, sick benefits and welfare of the disabled are provided for all citizens
- Government shall direct its policy towards ensuring that there are equal and adequate educational opportunities at all levels
- The national ethics shall be Discipline, Integrity, Dignity of Labour, Social Justice, Religious Tolerance, Self-Reliance and Patriotism.

In other words, the Constitution clearly stipulates that public policy must be directed to balance the objectives of efficiency, effectiveness, and equity in order to ensure a broad-based poverty-reducing growth and development strategy, the dividends of which will be distributed fairly among all classes. The NEEDS is based upon these principles. It is the strategy aimed at achieving the directive principles of state policy. Its focus is wealth creation, employment generation, poverty reduction, corruption elimination and general value re-orientation.

Three other principles that underpin the NEEDS are:

- An incentive structure that rewards and celebrates private enterprise, entrepreneurial spirit and excellence; and
- New forms of Partnership among all stakeholders in the economy to promote prosperity--- among all arms of government; Federal-state-and Local; public-private; civil society and the International Community; and indeed all stakeholders.
- A public service that delivers prompt and quality service to the people.

Box 2.1: The Kuru Declaration

01 ***We adopt the New Orientation as an agenda for dealing with immediate and future issues of governance in Nigeria; Removing impediments to efficiency and effective implementation and execution of programs initiated by the Federal Government; Expeditious actualization of government objectives and vision of national renewal and re-construction***

02 ***We rededicate ourselves and those who serve under us to the values of patriotism, honesty, hard work and diligence, merit and excellence, trustworthiness, personal discipline, tolerance and mutual respect, justice en fairness, love, care and compassion;***

03 ***We pledge to eschew corruption, slothfulness, nepotism, indiscipline, bitterness, prejudice and other manifestations of anti-social behaviors;***

04 ***We shall undertake a critical review of practices and procedures in every ministry and department of government, with the aim of introducing and inculcating modern management techniques and procedures in every department of government, so as to rapidly increase their productivity and service delivery to the public***

05 ***We shall foster a culture of efficiency in the management of funds and other resources; maintaining high standards of resource management, and reducing waste at all times;***

06 ***We shall effectively supervise all government departments and agencies, ensuring timely reports and returns, and undertaking regular spot-checks;***

07 ***We shall abide by the terms of the code of conduct which we all have signed, as expression of our commitment to the crusade against corruption, and working closely with all relevant agencies such as the independent corrupt practices and other related offences commission, the code of conduct Bureau, and the Public Complaints Commission;***

08 ***We undertake to strengthen the partnership in working with the private sector, since this partnership translates to a better appreciation of the wealth-creating and job-creating capacity of this sector, and the need for government, through its various ministries and legislative processes to create an enabling environment for the sector to function efficiently as the major driver of the economy;***

09 ***We shall strive to strengthen and inculcate the culture of working closely and in consultation with the leadership of Labor and Civil Society Organisations;***

10 ***We shall mobilize, involve and promote the interest of all stakeholders, namely, the society in general; since, in the ultimate, all decisions and actions of government are primarily concerned with promoting the security and general well-being of the people, there is also the need for a new attitude that has that concern permanently in focus, as the only goal, and that the economic well-being of all citizens in a truly democratic environment, is of cardinal importance;***

11 ***We shall design strategies and techniques of implementation for the New Orientation so as to ensure that the values being inculcated permeate all levels of management and staff***

CHAPTER THREE
THE MACROECONOMIC FRAMEWORK

Current Challenges of the Macroeconomic Framework
Some of the problems identified as inhibiting growth in the Nigerian economy include macroeconomic policy inconsistency, instability and policy reversals, conflicts of macroeconomic policy goals, public sector dominance in production and consumption, pervasive rent-seeking and corruption facilitated by government being the hub of economic activities. Others are infrastructure inadequacy and decay, high volatility of major macroeconomic aggregates, weak institutional capacity for economic policy management and coordination, unsustainability of public finance at all levels of government, lack of effective coordination among the tiers of government, and large debt overhang, among others. A number of these problems are institutional while others are results of disharmony between goals and means.

NEEDS aims to redress these imbalances. This however has to be based on an overall consistent macro framework, the summary of which is provided in this chapter and in the tables in the appendix. The analyses and projections are based on the four basic macroeconomic accounts – the real sector, the fiscal account, the balance of payments accounts and the monetary sector accounts. Internal consistency of the four accounts is necessary to ensure a workable programme.

The overall goal of a consistent macroeconomic framework is to ensure predictability and sustainability of the macro economy, and high but broadly shared, pro-poor growth.

*** Table Below is provisional as it is still being revised *****

Table 3.1: Selected Macroeconomic Indicators, 2003-2007

	2003 1/	2004	2005	2006	2007
Domestic Output and Prices					
Real GDP Growth (Growth Rates %)	8.6	5	6	6	7
Oil Sector	15	0	0	0	0
Non-oil Sector	5.83	7.27	8.54	8.34	9.52
Oil Production (mbd) Including condensates	2.21	2.21	2.21	2.21	2.21
Gross National Savings (% of GDP)	12.42	14.14	17.24	23.9	28.96
Inflation Rate (%)	11	10	9.5	9.5	9
Federal Government Finance (% of GDP)					
Overall Fiscal Balance	-3.25	-1.89	-3.16	-3.18	-3.17
Primary Balance	-1.35	0.07	-1.68	-1.45	-1.41
Retained Revenue	9.71	9.72	7.82	7.61	7.34
Total Expenditure	25.1	23.54	23.37	22.9	22.33
Money and Credit (Growth Rate %)					
Net Domestic Credit	28.29	24.51	24.62	22.53	21.82
Net Credit to Government	44.37	29.92	29.92	23.54	21.48

Credit to Private Sector	30	30	30	30	30
Narrow Money (M1)	10.28	10.77	8.34	16.71	19.76
Broad Money (M2)	15	15	15.5	15.5	16
External Sector					
Overall Balance (% of GDP)	-7.69	-10.76	-9.17	-4.43	-1.33
Current Account Balance (% of GDP)	2.69	-2.89	-2.27	-0.45	0.32
External Reserves (US $ million)	7,186.70	7,686.70	8,686.70	9,686.70	10,686.70
1/ Provisional					

a. The Real Sector

Context

The history of growth in Nigeria has been generally disappointing. The country tottered on an average growth rate of less than 3% per annum for most of the three decades following the discovery and exploitation of oil up till 1999. This era was bedeviled by waste, an over-bloated public sector, high public expenditure pattern, distorted budgeting system, and a weak private sector. Changes occurred but only in trickles. Coming at a time when some of the world's fastest growing economies were posting average growth rate of over 10% per annum, a 3% real GDP growth and a population growth rate of 2.8% is sad news and therefore call for efforts to be stepped up to improve the performance of the economy.

With the return to democracy in May 1999, hopes were rekindled about the prospects of jump starting the economy. However, everyone underestimated the magnitude of the decay and hence the challenges for a new beginning. Not only has aggregate growth rate been low, the sectoral distribution of growth has been uneven. While some sectors like telecommunications recorded very high growth rates, others like mining were decelerating. A number of the sectors that recorded very high growth rates in 2001 slumped again in 2002. For example, oil refining grew by 191% in 2001 but decelerated to about 8% in 2002. Also, indications are that the high average growth of about 21% achieved in the electricity sub-sector between 2001 and 2002 may be threatened. This instability in pattern of growth has been a major characteristic of Nigerian sectoral growth performance and presents enormous challenge. Putting the economy back on the path of sustainable growth requires systematic and consistent framework. NEEDS is therefore a bold step to plug sources of leakages, and achieve macro stability and support a more efficient use of resources to grow the economy.

Policy Direction and Targets

Major Policy Thrust

- Sustenance of a high, but broad-based non-oil GDP growth rate; consistent with poverty reduction and employment generation
- Diversification of the production structure away from oil/mineral resources
- Ensuring international competitiveness of the productive sector

- Systematic reduction of the role of government in direct production of goods and strengthen its facilitating and regulatory functions

Key Instruments

- Privatization, de-regulation and liberalization
- Coordinated national sectoral development strategies for agriculture, industry (especially SMEs) and services (especially tourism).
- Infrastructural development especially electricity, transport and water
- Addressing problems of financing the real sector and mobilizing long-term savings and investment
- Effective regulatory regimes
- Targeted programmes to promote the private sector growth and development

In the current reform effort, a major target is the reduction of poverty. However, it is to be expected that there will be a lag in the effects of some structural changes expected to take place in the macro economy. A medium term growth performance is projected based on the assumption that given the reform efforts, almost every sector will do better in the coming years than currently obtains. Specifically, a stronger growth performance led by the private sector is expected as the private sector takes advantage of the different strategies and policies contained in the Reform programmes and as reduction in government's role in the economy redresses the perverse incentive structure facing investors. Growth projections also attach weights to different informal sector activities in order to capture the overall share of the sector in the projected economic growth. Changes in agriculture will generally drive improvements in growth.

Critical to the growth performance is improvement in power and other infrastructure, general reduction in the cost of doing business and more conducive investment environment, including security of life and property. High growth is expected in the primary and secondary sectors, particularly agriculture, manufacturing and solid minerals. The manufacturing sector for example is expected to grow by at least 7% over the 2004 to 2007 period, while agriculture is expected to grow consistently by about 6% between 2004 and 2007. Owing to the reordering of priorities, the growth in a number of sectors may not be as spectacular as the growth in the primary sector. Overall, projections of the framework for the growth of aggregate output for the four years of NEEDS are 5% for 2004, 6% for 2005, 6% for 2006 and 7% for 2007. Output in the oil and gas sector is expected to remain unchanged in medium. Expected fall in oil production as Nigeria keeps faith with its OPEC quota is expected to be offset by increases in gas production leaving net output in the sector unchanged. On the other hand, the non-oil sector which is the major target of the diversification effort of government will be boosted and growth in the sector is expected to improve from 6.8% in 2003 to over 9% in 2007.

To be consistent with the poverty reduction strategy, private consumption is expected to grow by 4.83% in real terms per annum. With projected population growth rate of 2.8%, this will mean a 2% growth in real per capita consumption per annum. At the same time, public consumption expenditure is expected to steadily decline. Part of the implications of projected aggregate growth pattern is the resultant reallocation of investible resources and restructuring of investment pattern by both government and the private investors. For example, with agriculture as a priority area in the medium term, government will disproportionately boost incentives for investment in the sector.

b. Fiscal Operations and Policy: Budget, Tax Reforms and Public Expenditure Management

In Nigeria, fiscal policy is the most important instrument of macroeconomic management. Therefore, reforms at this level are critical for overall macroeconomic consistency.

Despite previous plans to diversify the revenue base of government, Nigeria's fiscal and budget landscape has been dominated by oil income; which in turn is a major source of instability in the domestic economy. Oil revenue accounts for no less than 70% of total government revenues. Thus, following swings in the international oil price and production, government revenue is volatile. In many cases, expenditure is patterned after oil income such that in periods of boom, expenditure is ratcheted up while periods of oil price dip are treated as temporary. Through the federation account system, the same pattern is repeated in the states and local governments.

Other problems of fiscal policy in Nigeria include inefficiency in resource use, waste and misplaced priorities in government expenditure, high fiscal deficits at all tiers of government, weak institutional structure, a fiscal federalism structure that places little or no premium on inter-temporal fiscal solvency, and poor institutional mechanism for regulating actions of the different tiers of government and their agencies. These have led to high debt burden, huge recurrent expenditure burden at all tiers of government, inefficient public delivery of services and distortion in the incentive structure for both the private and public sectors. Currently, all tiers of government spend far more than they earn and cumulatively, deficits over the past five years alone stand at over N1 trillion. This does not include arrears of pensions and gratuities and debt to local contractors. With a foreign debt of about $31 billion as at 2001/02 fiscal year (for a $45 billion economy), all tiers of government spend huge proportion of current revenue in debt servicing and interest payments.

The budgeting process is facing numerous challenges and had come to near collapse before the present democratic government came into being. The main problems have to do with lack of political will and commitment to abide by stipulated rules and budget guidelines. This has led to high incidence of extra-budgetary expenditures (arbitrariness), break down of medium to long term plans to guide the budgeting process as projects are implemented haphazardly without proper evaluation and coordination. Consequently, there are hundreds of uncompleted/abandoned projects – which would cost over N100 billion to complete. Faced with so many abandoned/ongoing projects, allocation to projects had become ineffective and quite often arbitrary, spread thinly over numerous projects without significant impact on most of them. A high and expansive level of recurrent expenditures which the budgeting process is unable to cope with, and lack of or inadequate cooperation between various tiers of government/ line Ministries with the apex coordinating agencies such as the National Planning Commission and the Ministry of Finance undermined the coordination of the budget process. The lack of a formal mechanism for dealing with budget surpluses or shortfalls and aligning warrants with cash flow, has led to the emergence of the "warrant without cash backing" phenomenon.

Policy Direction and Targets
Some of the key policy thrusts include

- Predictability of macroeconomic environment and efficiency of resource use predicated on a Medium Term Expenditure Framework (MTEF) to ensure predictable and sustainable public finance situation at all levels of government.
- Pursuit of policies consistent with raising domestic savings and increasing private investments.
- Public debt sustainability

Policy Strategies and Instruments

- Reformed budget process with early involvement of stakeholders
- Tax reforms aimed at raising more revenues and diversifying the revenue base
- Strengthening of the budget office
- Medium Term Expenditure Framework
- Intergovernmental fiscal coordination based on a Fiscal Responsibility Act or any similar initiative
- Reformed and strengthened procurement process
- Fiscal rule – Oil price based fiscal rule and establishment of a stabilization fund for excess revenue from crude oil sales with specific conditions to be determined.
- Public Expenditure Rule with a deficit of no more than 3% of GDP

Projections on the fiscal account are based on consolidated public sector revenue and expenditure profile (see the Fiscal Account table in the appendix for the projections over the 2004- 07 and the underlying assumptions). The international price of oil is expected to dampen over the period. However, the framework also incorporates expected positive changes in the gas sub sector where it is expected that production and earnings would rise significantly to offset negative oil price movements if they occur.

A basic assumption made in the fiscal account is that both the state and local governments will balance their budgets i.e. the imposition of a balanced budget constraint such that expenditure over and above known revenue sources has to also elicit extra internally generated revenue. However, provisions are made in line with the Central Bank Act which stipulates that the Federal Government can borrow money from the Central Bank (Ways and Means) to the tune of 12.5% of its previous year’s retained revenue to finance its deficits. The implementation of this provision is expected to lapse in fiscal year 2004. Projections in the fiscal account reflects the provisions of the West African Monetary Zone which stipulates no more than 10% of previous year’s retained revenue to be financed by the Central bank. This applies from fiscal year 2005. An oil price based rule using projections of oil price lower than the expected international price of oil over the timeframe is also adopted. Public sector (consolidated) deficits are constrained not to exceed 3% of GDP. While it must be acknowledged that the reform plan has a long term component, the current framework is designed principally with a medium term focus.

Given the proposed public sector reforms, overall recurrent expenditure as a proportion of total expenditure is expected to continue to fall. Currently, recurrent expenditure gulps about 70% of total revenues at both the Federal and other tiers of government. However, given the planned improvement in efficiency of government, recurrent expenditure is expected to fall gradually over the reform period. For example, it is assumed that the state governments could maintain previous levels of recurrent expenditure (about 80% of total revenue) in 2004. However, the ratio of recurrent to capital expenditure is expected to improve to 70-30 in 2005, 60-40 in 2006 and 2007.

Beyond distribution, there is also the problem of volatility of revenue and expenditure for all tiers of government. The States and Local Governments account for about 50% of consolidated public sector spending. This could increase with the proposed new revenue allocation formula. Over time, it has been difficult to control the inter-temporal distribution of expenditure of the lower tiers of government using the formal instruments of monetary and fiscal policies, as the constitution grants each State full autonomy over its fiscal actions. However, the success or otherwise of the reform programme is largely hinged on greater fiscal coordination. The Fiscal Responsibility Bill which is expected to come into effect not later than 2005 will help to achieve this. Under the provisions of the bill, executive office holders are expected to structure their expenditures in line with the provisions of the capital-recurrent expenditure provisions of the reform programme. Besides, the Central Bank is currently discouraging bank lending to all tiers of government. According to the new rule, any bank is free to lend to any government agency provided it provisions 50% of the said loan value to the CBN if the loan is considered performing or 100% if the loan is considered non-performing. This unarguably raises the stakes for the banks and discourages indiscriminate lending to governments. The Securities and Exchange Commission is also revising the conditions for borrowing, lending and floating of bonds by all tiers of government to maintain consistency in the pattern of capital market access and usage by all tiers of government. Co-ordination shall be improved by the active use of the formal organs of government like the National Council on Development Planning (NCDP), Joint Planning Board (JPB) and the National Economic Council (NEC).

While the key challenge is to rein in government and get all tiers of government to spend no more than what they earn, such spending has also got to be in line with predetermined priorities and to get value for money for all expenditures. Thus, part of the strategy of the present reform effort is to strengthen the Due process mechanism and institutions set up by the present administration. Furthermore, the government will set expenditure ceilings through lump sum allocations to parastatals and government agencies based on the laid down sectoral priorities and monitor the performance of these agencies. The overall aim is to gradually but consistently reduce government deficit from the current 5% to no more than 3% of GDP over the lifespan of NEEDS. This calls for a roll back of recurrent expenditures at all three organs of government – executive, legislature, and judiciary as well as at all tiers of government primarily through efficiency gains.

The framework for budgeting will adopt a mandatory budget calendar which ensures early involvement of the Legislature and finalization of the budget at least three months before the beginning of a new budget year. Besides, the Budget Office in collaboration with the National Planning Commission will produce and disseminate quarterly monitoring/evaluation reports to the general public. The budget process will also be reformed to reduce/eliminate arbitrariness. Essentially, the budget will be in line with the policies and priorities of NEEDS subject to more detailing of programmes and projects by line Ministries/ Parastatals.

In the immediate term (i.e. for the 2004 and on to 2005 fiscal year), the aim will be to introduce a more orderly and disciplined budget formulation process that tries to corral the numerous sources of extra budgetary expenditures, a process that involves input upfront on priorities from both the executive as well as the legislative arm. The lack of ownership by the legislature of the priorities set forth by the government in previous budgets, as well as attempts to add other priorities regardless of the impact on the overall fiscal position brought the situation to an impasse and virtually derailed the budget process in the 1999 – 2003 administration. Part of the strategy will be to introduce a more collaborative approach between the two arms of government so as to enhance the effectiveness of the budget process.

The over-bloated federal recurrent budget is unsustainable, so also is the unwieldy capital programmes, a substantial part of which is made up of abandoned and under-funded projects. The state governments also have over-bloated recurrent expenditures and have only little room for capital programmes. The challenge is to design appropriate strategies and action plans that will redress the situation.

The public sector capital programme will be rationalized to give priority to health, education, agriculture, power supply and the maintenance of infrastructure projects that have high linkage effects with other projects and those that will generate employment at minimal cost. A sunk cost technique will be introduced in examining the economics of ongoing/abandoned projects while rigorous project selection criteria will be imposed on new projects including the need to ensure funding of such projects to completion. The cleaning up of the budget will produce a more concise capital programme in Fiscal Year 2005.

Pruning Waste

NEEDS seeks to support the newly introduced procurement procedures by strengthening the due process mechanism and seeking to develop a catalogue of commonly procured equipment, supplies, and services which will serve as reference for ministries and agencies. Tender procedures will be enforced while the scope of value for money checks will be expanded.

Procedures for competitive bidding, contract review and award of various levels of contracts have been introduced and the Budget Monitoring and Price Intelligence Unit (BMPIU) has been created in the Presidency to oversee the procurement reforms and push the implementation of the due process review and contract certification process. The mechanism will be strengthened and upgraded into the Federal Procurement Commission.

Revenue Generation/Tax Reforms:

The Reforms also aim at strengthening the machinery for tax collection, tracking all government revenues paid into different bank accounts, as well as recovering debts, misappropriated and looted funds and payments for work not executed. The states and local governments are expected to gear up their internal revenue generation effort rather than depend on statutory allocation from the federation account or borrowing from the capital market.

There are six areas that will be addressed under the Strategy in the short to medium term. These are:

- Structure of the tax system
- Revenue generation consideration
- Efficiency of collection
- Tracking/responding to comparative/international standards
- Promoting investment
- Coordination of tax administration.

The structure of the tax system is overwhelmingly in favour of indirect taxes. Although this generally tends to be regressive, the high rate of avoidance/evasion of direct taxes, attributed mainly to poor data/information on persons and sources of income (the result of a large informal sector) makes it more attractive to resort to indirect taxes. This structure will continue over the NEEDS period. The main sources of non-oil revenue therefore include Customs tariffs, Value Added Tax and sales taxes. Governments at all levels will continue to explore the possibilities of collecting user charges on infrastructure and aspects of Social Services.

On direct income taxes (individual and corporate including with-holding taxes), it is clear that Government is collecting far less revenues than it should. The tax collection machinery will therefore be revamped, restructured and strengthened for more effective collection.

A new phenomenon is the loss of revenues arising from the system of remittance of tax revenues paid through banks to the appropriate authority. Some significant amount of revenue is being lost through diversion and inadequate monitoring of the process. Such leakages will be blocked and defaulting banks will not only be de-listed but will be made to face a more substantial penalty.

In addressing the level and structure of taxes, due attention will be paid to competitiveness. Taxation and fiscal policy generally will be pro-poor, and used as an instrument for reducing high income disparities, as well as provide incentives for investment and productivity growth. In this regard, while direct taxes on the lower income group will be reduced, those of the highest groups will be appropriately adjusted. However, the structure will pay attention to the relative competitiveness of Nigeria with countries at similar level of development with whom Nigeria has to compete for FDI. The tax structure will therefore provide for a level playing field, adjustment for cost of doing business due to poor infrastructure and generally stimulate private investment in the real sector.

A major nuisance to businesses operating in the country is the multiplicity of taxes imposed at federal, state and local government levels. While NEEDS will not encourage the pooling of all taxes in a federal system, agreement will be reached among all tiers of government on who should collect what tax and how, in order to avoid multiplicity of taxes and conflicting methods of collection. The Joint Tax Board and the “Peer Review Mechanism” to be established under this Strategy will help in achieving a more harmonized tax system and ensuring coordination and compliance.

Efforts will also be intensified to increase the contributions of major government parastatals like the Nigeria Maritime Authority, Nigeria Ports Authority, Federal Airports Authority of Nigeria (FAAN), the Shippers’ Council, National Civil Aviation Authority (NCAA), the Securities and

Exchange Commission, NICON Insurance, etc into the public sector financing. Over time, these parastatals have made minimal contributions to the development budget.

c. Balance of Payments

Context

Historically, the Nigerian external sector account could simply be referred to as an oil account. Poor structural diversification, swings in OPEC quota and large changes in the international price of oil have continued to dictate the direction and pace of shifts in the external account. With the increases in OPEC quota especially since 2000, the country's current account balance and reserves all showed remarkable improvements with the latter reaching a decade-long high of $10.4 billion in 2001. There are little assurances that the present efforts by government to secure further increases in the country's OPEC quota will be successful in the short term. In any case, even in the event that it is, so much has already been said about the difficulty associated with the dependence on one export commodity.

On the other hand, imports volume is high and diversified. Import items range from capital goods and machinery to unprocessed food and other primary items. This high propensity to import food items and the associated health hazards they pose has been a source of concern to government and it has elicited the imposition of temporary bans on such items.

Nigeria's tariff and trade policy has been characterized by uncertainty, highly varying rates of protection, inefficiency of the customs/ports clearance system, and generally out of tune with the trends in ECOWAS and other developing countries. External reserves are volatile, capital flight persists (albeit at reduced rate than under the military regimes), and inflows of portfolio and foreign direct investments into the non-oil sectors remain weak relative to the size of the economy. The external debt overhang remains precarious as the total debt service payment is about equal to the total federal government's capital budget (that is even when the government is not fully servicing all the service payments due). This is not sustainable.

Very predictably however, the Balance of payments situation is not sustainable. Oil prices cannot continue on an upwards trend indefinitely. Likewise, and as noted earlier, increases in the OPEC quota are also not assured. An aggressive export diversification and expansion as well as gradual import liberalization should be the winning strategy for moving forward.

Policy Direction/Targets

- Export promotion and diversification of exports away from oil
- Gradual liberalization of imports – harmonization with the ECOWAS common external tariffs and using special levies and import prohibitions to protect local industries.
- Market-determined nominal exchange rate regime and avoidance of overvaluation of the real exchange rate
- Seek debt reduction to make Nigeria's debt service sustainable

The country's trade balance position has been in the surplus in recent years owing to the influence of oil. Projections in the balance of payments however, assume no change in Nigeria's quota from OPEC. Oil prices are projected to be stable in the range of $22 – $23 between in

2004 and 2007. The cautious posture is mainly due to the expected re-entry of Iraq into the oil market and the unpredictable structure of Russian oil supply behavior. However, negative changes in the international oil market may not fully reflect on the balance of trade on account of expected positive changes in the gas sub sector where production and earnings are expected to rise.

Besides, diversification of export earnings would be pursued with specific reference to the export of food and other primary products in the short run but with further value added to the domestic output for exports over time. Specific incentives will be given to domestic producers both in the manufacturing and agricultural sub sectors to exploit opportunities provided by the numerous bilateral and multilateral trade concessions to which Nigeria is a signatory and a potential beneficiary. In the short run however, not many changes are expected in the volume of imports into the country. Although Nigeria has banned the importation of some products, the share of these products in total imports is not very significant. Furthermore, the lowering of tariffs in tandem with the UEMOA rates is likely to increase the import bill, perhaps offsetting the effects of the import bans on total import bill. Besides, factor payments arising from industrialization programmes and the imports of industrial raw materials will continue, at least in the short run, to put some pressure on the current account. Thus, current account deficits to the tune of 0.52% of GDP per annum on the average are expected between 2004 and 2007.

With modest deficits, net reserves will grow slowly but steadily from $7.7 billion (approximately 5 months imports cover) in 2004 to $10.7 billion (over 6 months of imports cover) in 2007. This growth is expected to arise from increased export base and slower growth of imports vis-à-vis exports over the timeframe. The above projection for reserves is also within the minimum stipulations of the West African Monetary Zone thus leaving the country able to keep comfortable pace with the regional integration process while pursuing its domestic reform programmes.

Assumptions on the debt service payment are optimistic. Only 53% of the $12.282 billion debt service due between 2004 and 2007 is expected to be paid in full. Out of this the states will account for 25% while the federal government takes up the other 75%. If the reforms stay on course, with policy consistency and increased prudence in the management of public resources, expectations are that the country will be able to get debt. This will reduce external debt service payment (principal and interest) substantially during and after the reform period.

The debt stock itself is also expected to fall if the country gets debt relief consideration. That will significantly impact on the overall balance. Additional resources from the debt relief are expected to show up in increased spending on the social sectors – health, education, water and infrastructure. This will increase the impact of the reform programme on human capital development – a major policy goal of the present reform effort. In addition, the current efforts by the Debt Management Office to sensitize the State Governments of the implications of their fiscal actions will be sustained and improved upon. In this regard, the civil society also has a responsibility to demand accountability from public office holders.

Domestic Public Debt

Securitized domestic public debt grew rapidly from about ₦0.343 trillion at end-December, 1996 to about ₦1.3 trillion at end-December, 2003. Besides the rapid growth trend, the domestic debt stock and its underlying operations is characterized by a number of deficiencies. One is that in terms of composition, the stock is concentrated at the short end of the market. 91-day treasury bills constitute about 60% while longer term stock constitutes less than 25%. This implies asset – liability mismatch as much of the items of government expenditure are long term in nature. Another defect is that non-bank public holding of the securities is abysmally low – only 6% whereas the Central Bank and deposit money banks hold about 94%. The large holding of government securities by the banking system has adverse implications for the growth of money supply and for the effectiveness of monetary policy. Although reliable figures on non-securitized public debt are not available, indications are that these run into trillions of naira for all tiers of government.

Policy Direction

The direction of policy during the medium-term plan period is to:

- ✓ Restructure existing securities into longer term bonds;
- ✓ Reduce Central Bank holding of the government debt so that CBN has wider room for efficient and non-constrained monetary policy;
- ✓ Finance government deficits through floatation of bonds in the capital market.
- ✓ Develop an efficient capital market.

A recent initiative in this regard was the re-launching of the Federal Government Bonds in August, 2003 after about 17 years of disuse. The amount of the Bond issuance was ₦150 billion, in tenors of 3, 5, 7 and 10 years. A major goal of domestic debt management during the programme period will be to sustain this effort at long-termization and increasing non-bank public holding of the government debts. This will among other benefits, bring the government borrowing under the discipline of the capital market.

In addition, domestic borrowing guidelines will be developed and applied to all tiers of government and their agencies. This will help ensure that the already unsustainable and defective domestic debt portfolio of the various governments does not get worse.

d. Monetary and Exchange Rate Policies

An overview

Monetary policy in Nigeria has been mainly short term in perspective and thrust, but the Central Bank of Nigeria has recently moved to a medium term framework for the conduct of monetary policy. Given the fiscal posture for the Reform period, monetary policy outcomes will largely depend on the fiscal stance of government. Wide disparity between monetary targets and outcomes arises largely out of the statutory financing of budget deficit and the inability of the apex bank to sterilize liquidity effects of government expenditures. Thus, monetary policy intervention has been basically reactionary and short term, leading to missed targets and ineffectiveness in performance. Despite the fact that the basic goal of monetary policy has been price stability, inflation has been relatively high and above the WAMZ targets.

Policy Direction and Targets

- Strive to meet the second West African Monetary Zone's (WAMZ) convergence criteria
- Low (real) lending interest rate regime
- Competitive but stable exchange rate regime
- Restructure composition of credit to private sector to boost production
- More credit to the private sector – especially long term credit for real sector development
- Effective regulatory and supervisory mechanisms to ensure orderly development of the financial system
- Continue with the retail Dutch Auction System (DAS) in the determination of the nominal exchange rate regime and adopt a wholesale Dutch Auction in the medium to long term.

The conduct of the monetary, credit and exchange rate policies will continue to be guided by the Central Bank's Monetary, Credit, Foreign Trade and Exchange Policy Guidelines which are now issued for two year periods. The current one is the Monetary Policy Circular No. 37, and covers the policy guidelines for the Fiscal Years 2004 and 2005 (see the Circular for the full details of the Guidelines and policy thrusts). The overall goal of monetary policy remains price and exchange rate stability, and the instruments are those consistent with a deregulated financial system.

Given that governments are committed to tighter fiscal stance, inflation rate is expected to drop progressively over the four year time horizon reaching single digit (9%) by 2007. This is expected to improve the macroeconomic environment for planning, reduce pressure on domestic costs and real interest rates. Interest rate will remain deregulated and market-determined but policy will aim at rates that are above inflation rate in order to mobilize savings. The reform programme will aim to reduce the spread between lending and deposit rates of interest.

Historically, the structure of credit allocation has been an issue. It is widely believed that huge public sector demand for credit led to crowding out of private sector. Further indications are that credit to the private sector is also affected by low absorptive capacity. However, monetary projections for the reform period envisage lower public sector deficits leading to availability of more funds for lending to the private sector. It is also understood that banks need additional inducements to lend to the private sector – rather than trading in government instruments, foreign exchange transactions and financing short-term (commercial) activities. Credit by deposit money banks to the private sector will be encouraged through a structure of incentives that reward such credit provisioning by the banks. Already, the Central Bank has introduced a credit (risk) guarantee scheme for commercial bank lending to the small and medium enterprises and the agricultural sector. Other incentives like the rediscounting and refinancing schemes of commercial banks' debts for SMEs will be intensified. The aim is to alter the current structure of banking from being deposit-driven to credit-giving through a combination of incentives. With such and related incentive system, it is projected that credit to the private sector will grow progressively by at least 30% per annum. The framework also provides for steady but slow average annual changes in broad money over the reform period. With substantial decrease in government borrowing owing to the commitment to tight fiscal policy, and less of government deficits financed by the Central bank, less dependence of foreign exchange earnings on oil income, changes in broad money are expected to be less volatile.

Part Two

Reforming Government and Institutions

CHAPTER FOUR
TOWARDS A MORE EFFICIENT AND RESPONSIVE PUBLIC SECTOR

1. Public Sector Reform

INTRODUCTION:

The public service has grown tremendously over the years as a result of several factors among which are: a) inappropriate response to increased leverages from oil, b) assumption of the commanding heights of the economy by government in the 70s and 80s, c) rapid expansion of development programmes under various pressures–bureaucratic/political/international, d) movement towards a unitary type of government with the FGN attempting to cover all areas of exclusive and concurrent legislation, often resulting in duplication of efforts, e) impact of democratic governance – with serious cost implication (a large democratic apparatus and retinue of aids at Federal, State, and LG levels), f) the1988 civil service reforms that expanded the number of departments in many existing ministries, and created several others.

The share of government in the economy is unduly large. For example, consolidated Government expenditures rose from 29% of GDP in 1997 to 50% in 2001. Government is still involved in many production and service delivery activities which it cannot do well, whilst performing poorly on those activities that should be at the core of its mandate. Compounding this is the fact that in Nigeria's decentralized governance structure, the three tiers of government often step on each other's toes in some areas of economic activity and basic service provision. Government in Nigeria is perceived as a provider of contracts and a big employer even though this is in the context of a civil service that has been largely de-professionalized and appears to be bottom heavy.

The result of developments in the last decade has been a weakened public service with an over-expanded public expenditure profile, persistent deficits financed by domestic and external borrowing with resultant high debt service burden, breakdown of the traditional instruments of control leading to corruption and misappropriation of funds, incidence of ghost workers, poor costing of programmes and projects, a large portfolio of abandoned/ongoing projects and mushrooming of institutions, especially inefficient and wasteful parastatals. Currently not only has the system accumulated pension arrears, some states and agencies of the federal government are beginning to accumulate salary arrears and payments due to contractors and suppliers. A country that used to have a fairly decent civil service, and well-functioning judiciary, and rule of law, saw these institutions severely undermined. An important aspect of the reform programme will therefore focus on reprofessionalizing the public service.

Besides, the traditional instrumentality of the Rolling Plan has become discredited and hardly informs the preparation of the budget, and indeed major policies. The era of comprehensive planning detailing every public sector project and programme had become unmanageable and resource scarcity and political intervention in priority setting had rendered the plans impotent. The annual budget had not been spared either as expenditure priorities and fund releases hardly respected the provisions of the approved budget. The challenge of free enterprise, private sector-led growth also poses challenges for planning. As such, NEEDS seeks to refocus the traditional planning process and strengthen the budget process as instruments of development management and control.

Until 1999, corruption was practically institutionalized as the foundation of governance. Societal institutions had decayed to an unprecedented extent as opportunities were colonized by the powerful. As could be expected, this process was accompanied by the intimidation of the judiciary, the subversion of due process, the manipulation of existing laws and regulations, the suffocation of civil society, and the containment of democratic values and institutions. Power became nothing but a means of accumulation and subversion as productive initiatives were abandoned for purely administrative and transactional activities. The legitimacy and stability of the state became compromised as citizens began to devise extra-legal and informal ways to survive.

The corruption quagmire in Nigeria was rooted in the failure and virtual collapse of governance; the contamination of democratic values; the erosion of procedures for accountability; the prevalence of bad leadership. Waning public confidence in the country's political and economic institutions promoted a culture of contempt for the rule of law and ultimately, a societal tolerance for behaviour previously considered abominable.

Neither today nor in the future can Nigeria afford the social, political or economic costs that systemic corruption has inflicted. Reforms aimed at providing greater transparency and accountability of public institutions and government operations are still urgently needed to redress our circumstances.

POLICY THRUST

Reform Agenda

- Right-size the sector and eliminate ghost workers
- Re-professionalize the public service
- Rationalize, re-structure and strengthen institutions
- Privatization and liberalization programme
- Tackling corruption and improving transparency in government accounts
- Reduce waste and improve the efficiency of government expenditure.

Since coming into office, the Administration has established a number of institutional and structural measures aimed at redressing the situation. These measures include:

- Open and competitive tender arrangements for government contracts

- The establishment of a "due process" mechanism to vet and eliminate excess "fat" from government contracts;

- Massive anti-corruption campaigns involving all public officials as well as the President

- Public sector reforms to reduce, if not completely eliminate, the opportunity for corruption, especially through the comprehensive monetization of benefits to public officers;

- A committed focus on privatisation and auctions for government licences, leading, for example, to the liberalisation of the telecommunications sector.

- The establishment of an independent anti-corruption agency and an Economic and Financial Crimes Commission.

- The establishment in the president's office of a Policy and Programmes Monitoring Unit to build a comprehensive policy data-base, to follow up on all decisions of the president, and to monitor programmes in ministries and parastatals.

Enforcing anti-corruption laws

In order to enforce existing anti-corruption laws, the Government established the Independent Corrupt Practices and Other Related Crimes Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). The leadership of the Commission has shown strong commitment to tackling the financial crime, money laundering and other economic misconducts that have created difficulties for the country with the OECD-Financial Action Task Force (FATF).

The work of the ICPC and EFCC is fully complemented by ongoing reforms in the system of justice administration and the police. These range from an anti-corruption campaign, recruitment and training, the provision of equipment, increased wages and allowances, and general improvement in conditions of service.

Reforming and Strengthening Public Procurement

Historically, it is in the award of contracts by various governments in Nigeria that the poor transparency image of the country is mostly ascribed. The process of award and the cost of contracts represented major contributors to the governance challenges inherited by the Administration. Inflated contract costs and processes that were at best closed, discretionary and well-designed conduits for abuse of public power were systemic.

The Administration recognized that a piece-meal policy for remedying the broken down process of competition for government contracts would be too incremental and therefore not far-reaching. It therefore set up the Budget Monitoring and Price Intelligence Unit (BMPIU) that commenced a process of contract award review, oversight and certification now commonly referred to as the "Due Process". It is a simple mechanism that certifies for public funding, only those projects that have passed the test of proper project implementation packaging. Through the instrument of certification, value for money is once again returning as the fundamental premise for public expenditure.

In the two years of the implementation of the Due Process, reasonable progress has been made in bringing competition and therefore comparative cost to the Federal Government contracts. Huge savings (estimated at hundreds of millions of dollars) have been made through reduction in contract sums in a number of contracts reviewed by the BMPIU. There have also been a number of cancellations of contracts awarded by spending units that failed to comply with laid down open, competitive bid parameters.

Whilst noting concerns expressed about the time-frame for contract review, oversight and certification, the reasonable success of the Due Process Mechanism has strengthened the resolve of the Government to push forward a Public Procurement Commission with a broader mandate of over-sight of all Federal procurements. The Executive recently withdrew a Bill for the establishment of the Commission from the National Assembly (legislature) for comprehensive review through broader stakeholders' consultation. Target is that by end June 2004, the revised Bill would be approved by the Federal Executive Council and resubmitted to the National Assembly.

Reform of the Bureaucracy

The government has begun implementing a range of administrative reforms that reduce the incentive for corrupt behaviour. Through strategies like the monetization of benefits (cars, housing, utilities, domestic assistance and drivers), redefining and redesigning processes to reduce delays, rotating officers and increasing supervision. In addition the strive to reduce the size of the bureaucracy will free up resources that will be directed further to reduce corrupt incentives by giving civil servants high wages, bonuses and favorable working conditions.

Information and Transparency in Government

Government is a signatory to the Extractive Industry Transparency Initiative (EITI) and a committee has been set up to pursue its implementation. The privatization and liberalization of key economic sectors has been a deliberate action to entrench transparency and accountability, and to build consensus in support of reforms.

The Administration has also embarked on a number of initiatives designed to complement its anti-corruption drive. Government's emphasis on efficiency, civil service reform, and service delivery and the campaigns for quality leadership at the local level, democratization of political parties, empowerment of civil society, and the transformation of institutions, has unleashed a new energy directed at building accountability movements in the country. The local government reform initiated by the government is designed to check disobedience, waste, disorganization, inefficiency and corruption.

Successfully weaning some sections of the private sector from the old guarantees of profit from little productivity through failures and distortions in public sector operations and policies is a Herculean task. It will, in the short to medium term, result in social dislocations. That, though, is a price that might have to be paid to enthrone a more durable, productive and sustainable system for the country.

Other reforms involve properly redefining and streamlining the role or form of planning bringing the capital and recurrent budgets together in a manner consistent with the plan. The strengthened Budget Office will collaborate effectively with the National Planning Commission and the Ministry of Finance to ensure proper synergy between capital programmes and recurrent expenditures.

The Administration will seek to encourage private sector and civil society check on exercise of power by government, by providing information about its actions. The Administration will in addition to publishing budgets, records of revenue collection, statutes and rules encourage the NNPC and the oil companies to make full disclosure of revenue and cost of operation. The Offices of the Accountant General of the Federation and Auditor General of the Federation will both be strengthened to perform their statutory functions as effectively as possible to improve transparency and reduce corruption.

Transparency in the Privatization and Market Liberalization Processes

The implementation of the privatization and liberalization of key economic sectors has been deliberate and timely to entrench transparency and accountability, and build consensus in support of reforms. The sale of government-held equity stakes in cement, petroleum marketing and banking companies in 2000 and 2001 was by open, competitive bidding – the first time this level of transparency has been displayed in recent history.

The televised auction of digital mobile licenses, carried out with the technical assistance and support of UK consultants in 2001, was hailed as one of the most transparent license auctions in the world. The second and third phases of the privatization and market liberalization program have been implemented from 2001 to date with the same degree of transparency – advertisement of all advisory services being procured, assets and shares being sold, and televised auctions on live national TV of all divestiture transactions.

Economic Coordination and Institutional Reforms

The NEEDS will provide a strong economic coordination platform for federal, state and local government programmes.

The budget process at all levels and tiers of government will be strengthened and made more transparent and cohesive. Efforts will be made to establish the annual budget framework and guidelines which will be followed by all tiers of government.

A Fiscal Responsibility Bill will be enacted into law early in the life of the NEEDS as an essential component of the Reform programme. The "Peer Review Mechanism" to be established under the strategy will enable executive heads of government exchange views on how well counterparts are performing and who is violating the agreed principles and guidelines. These principles and guidelines will include pursuit of balanced budgets stabilization strategy to encourage, "saving for the rainy day", internal revenue generation effort, implementation of agreed priority programmes, budget discipline, (incidences of arbitrariness in the selection of projects and use of public funds), application of cost effective methods in project execution, etc. The codified guidelines will be discussed with all levels and tiers of government and democratically agreed. The instrumentality of the Joint Planning Board, the Joint Tax Board and the National Economic Council will work towards achieving a more effective and cohesive economic management system.

At the federal level ongoing studies to rationalize institutions to streamline/strengthen economic coordination will be completed early in 2004. The roles of various arms of the Presidency, the National Planning Commission, the Federal Ministry of Finance etc will be redefined to promote harmony and an effective framework for economic coordination.

The issue of the role of the legislature in the budget process will be properly addressed to reduce/eliminate conflicts and delays in enacting Appropriation Bills into law. The NEEDS period should witness more timely release of the annual budget.

Regular press releases and Special Reports will be published and widely disseminated to keep stakeholders abreast of the performance of the budget. Room for discretionary application of funds will be discouraged; only the process of virement will be permitted under appropriate circumstance.

Redefining the Role of Government: Public-Private Partnership

Big size government has been a barrier to the growth of the economy, not only has it promoted inefficient use of resources, it has distorted market signals and stifled private investment through its impact on inflation, interest rate movement, exchange rate and borrowing level/pattern of credit expansion. Rightsizing government, reducing budget deficits and properly structuring the entry of all governments (especially the federal and state governments) into the capital market will enhance macro stability and stimulate private investment.

Government has begun to withdraw from the commanding heights of the economy through privatization, liberalization and deregulation. That process will be accelerated. The Government will withdraw from direct production of goods, except in oil and gas while the production of services will be in the key areas of education, health, water supply, science and technology and capacity building. Infrastructural services will be a shared responsibility between the public and private sectors, the donor community and users. The adoption of BOT, ROT, BOOT and such innovations to attract private capital will be intensified in areas such as power generation and distribution, roads, railways, water supply, ports, prison infrastructure, courts, etc. The present administration has already started the process in the power sector (Sapele and Afam) and the Niger Bridge. More concerted efforts will be made in such directions.

The role of government will become that of a facilitator providing the enabling environment for the private sector to invest and operate in a free market system. In order to play this role effectively there has to be significant paradigm shift in the public service from the former orientation towards control/checkmating, avoiding risks, personalizing governance, patronage, etc, to that of efficient and timely delivery of services. The service delivery framework and guidelines will be set up by 2004/05 and implementation will commence immediately thereafter. Efforts will be made to streamline role definition among different agencies and tiers of government to avoid duplication of efforts. E-governance and subscription to ISO standards will be pursued as part of the Reform. There has to be real and productive partnership between the public and private sector with the former facilitating at every bend while the latter commits to playing by the rule and delivering quality and competitively priced goods and services. Less bureaucracy, less paper work and less hurdles will open the way to increased private investment.

Regulation

The free enterprise market-driven, private sector led growth strategy does not imply the absence of regulation. Regulation will however be aimed at enhancing competition, breaking monopolies, improving the functioning of the market and protecting the weak and vulnerable groups. Nigeria at its stage of development needs to stimulate those industries/activities where the nation has medium to long term comparative advantage. NEEDS will attempt to explore these areas under special incentive schemes and measures that will not jeopardize investment flows. The economy will brace up for globalization armed with the appropriate weapons and responses. The competition law will be enacted in 2004 supported by anti-monopoly/anti-trust and consumer protection laws.

6. Service Delivery

Increasing efficiency of service delivery will form a major thrust of the efforts to reposition government for better use to the citizens. Specific thrusts of the service delivery improvement mechanism include

- developing a service delivery charter
- increased monitoring of input/output and processes of government agencies
- regular bulletins and publications to inform the public on the activities and benchmarks of each government agency

Reform Programme

Efforts will be increased to refocus government policies/programmes towards the enhancement of the provision of basic social services and support for the sources of growth in the economy such as agriculture, small and medium enterprises, oil and gas, solid minerals manufacturing and improvements in debt management coupled with the development of proposals for debt relief and genuine debt reduction.

These reforms will be accompanied by a modest/rudimentary programme of measurement and monitoring of inputs, outputs, processes, and outcomes. The idea is to make policymakers, ministers and program managers more aware of the need for accountability for resources used and for results obtained. There will also be a need for an accompanying Economic Development and Reform Consensus Building and Communications Program to reach out to the legislature, and the grassroots to explain the rationale for the reforms, get inputs, and keep stakeholders abreast of progress.

As part of a deliberate policy to engender improved service quality, every government agency will also be encouraged to implement a Service Delivery Charter which clearly spells out checklists, processing deadlines and other benchmarks for delivery of public services. This will mainstream service delivery at national, state and local government levels.

Monetization of Fringe Benefits in the Federal Public Service

Over the years, the cost of governance has continued to rise, partly because of the benefits-in-kind that the various tiers of Government had to provide to public servants. These benefits-in-kind, largely a carry over from the colonial era, include highly subsidized residential accommodation, transport facilities, chauffeur-driven motor vehicles (for the senior echelon of the service), free medical services and highly subsidized utilities such as electricity, potable water and telephone. The cost of providing these amenities to public servants has become so huge vis-à-vis other provisions in the annual appropriations that little was left for funding capital projects by government. The problem was compounded by the fact that these benefits were largely not provided in the most cost-effective manner.

In order to check the spiraling cost of providing these benefits, which were gulping enormous resources that could have been available for the funding of social capital projects for the wider population, just for public sector employees, the Federal Government decided to adopt the policy of monetizing fringe benefits for all category of its public servants. Therefore, the policy of monetization of fringe benefits is designed to stem the ever-rising annual expenditure outlay on the benefits provided for public servants, thus reducing waste and releasing resources for the provision of social and economic capital assets for the wider populace.

In point of fact, the provision of these benefits hardly helped public servants to prepare adequately for life after retirement from service. On the contrary, it made quite a number of them to develop a dependency syndrome ill-suited to post retirement life. It was not uncommon for many public servants, used to living in furnished government quarters, for instance, to move their personal effects either to rented apartments or move in with relatives on retirement.

Thus, among other benefits, monetization would help prepare public servants for life after retirement by preventing a sharp drop in their standard of living following their retirement compared to when they were in active service. It would also encourage public servants to be more flexible in the use of their resources, choosing whether to live in their own or rented houses, for example. The policy is also bound to affect the real estate market in the larger cities, especially Abuja, seat of the Federal Government, where the rent on leased properties is expected to fall as government stops leasing houses for its workers. In fact, government itself would release a number of houses owned by it into the market, thereby putting a downward pressure on prices in the real estate market, if not in the short term, at least in the medium to long term.

The monetization policy was given legal teeth with the passage and coming into effect of the Certain Political, Public and Judicial Office Holders (Salaries and Allowances etc) Act, 2002 which has now been extended by circular to cover all Federal Civil Servants. The law took effect from 1st July, 2003 for the designated Political, Public and Judicial Office Holders contained therein, while it was extended, with somewhat modified rates of benefits, to Federal Civil Servants with effect from 1st October, 2003. The monetized fringe benefits and allowances for Federal Civil Servants are as follows:

Table 4.1: Structure of Monetized Fringe Benefits for Federal Civil Servants

S/N	Type of Allowance	Grade Level	Rate Per Annum
1	Accommodation	01 – 06 07 – 14 15 & above	50% 60% 75%
2	Transport	01 – 17	25%
3	Meal Subsidy	01 – 06 07 – 10 12 – 14 15 – 17 Perm Sec. etc.	N6,000.00 N8,400.00 N9,600.00 N10,800.00 N16,200.00
4	Utility	01 – 16 17 & above	15% 20%
5	Domestic Servant	15 16 – 17 PS above	1 GL 3 Step 8 2 GL 3 Step 8 3 GL 3 Step 8
6	Leave Grant	01 & above	10%
7	Medical	01 & above	10% (to be paid to NHIS)
8	Furniture Allowance	01-06 07 & above	Nil 200% in 5 years (i.e. 40%)
9	Vehicle Loan	01-05 06 – 07 08 & above	100% 150% 200%
10	Driver	17 & above	1 GL 3 Step 8
(Vehicle loan is to be facilitated through the bank on a single digit interest rate subject to repayment capability in accordance with financial regulation).			

Challenges and implementation

A number of challenges face the implementation of the policy. These include:

- The mobilization of the sizeable amount of resources required to fund the terminal benefits and entitlements of the cadres of staff that would be phased out of the Service as a result of the monetization policy.
- The need to develop equitable criteria for the disposal of the assets, for example, government-owned houses that would become available for sale as a result of the policy. Here, there is the challenge of balancing the requirement to get market value on the affected public assets and the need to give some consideration to public servants, whose emoluments have not always been market-driven over the years, equal opportunity to bid for these assets.
- There is also the challenge of re-orientation, ie, getting public officers to realize that it is “no longer business as usual” as far as the enjoyment of the benefits-in-kind that they were used to is concerned.

The monetization policy is being undertaken in phases. At the Federal level, the State House has been designated the pilot by the President as a show of his personal commitment to the success of the scheme. Accordingly, the State House has implemented monetization in full. Service wide, all hitherto government-owned vehicles have either been pooled or sold and the proceeds paid into the Treasury.

It is expected that the passage and implementation of the fiscal 2004 Budget would give additional impetus to the implementation of the monetization scheme by all arms and agencies of the Federal Government (especially within the civil service). It will gradually be extended to all aspects of the federal public service. It is expected to save cost, and engender a new orientation and attitude towards public resources and public service. It is the hope that the best practices that are bound to emerge as a result would have a positive demonstration effect thereby encouraging the State and Local Governments to adopt their own version of the policy for the benefit of the country as a whole.

CHAPTER FIVE
SECURITY AND ADMINISTRATION OF JUSTICE

a. Background:

Security of life and property is a fundamental human right guaranteed under the constitution. Efforts have been made by successive administrations, especially since 1999 to provide this. However, growing poverty, wide income disparities, high level of unemployment, social dislocation caused by massive rural –urban migration and the breakdown of societal values leading to business frauds (419, drug abuse etc), and community unrest account for the growing concern about the level of uncertainty and security in parts of the country. The institutions that were established to guarantee security to the ordinary citizen are incapacitated by limited manpower and skills relative to society’s demand, poor funding, poor equipment and general lack of proper orientation and commitment by some operatives. A weak economy can only aggravate the situation.

In its effort to improve on the situation, the Government has taken several measures among which are the establishment of the Independent Corrupt Practices Court, the Economic and Financial Crimes Commission (EFCC), the implementation of the recommendations of the Justice Kayode Esho Commission of Inquiry, strengthening of institutions such as NAFDAC and substantially raising the manpower strength, equipment and mobility of the Police. However, a lot still remains to be done to attain the level of security and the administration of justice, which Nigerians deserve.

b. Policy Thrust:

The NEEDS seeks to increase the level of security of life and property, reduce uncertainty and improve the level of confidence that the average Nigerian and investors have on the country. In this regard, the Strategy recognizes the role which society must play to enhance security by imbibing the right values and attitudes towards safeguarding life and property, and focuses on growing the economy to reduce unemployment, provide safety nets for vulnerable groups including children and fight corruption and drug abuse. It also pays attention to training and equipping security institutions/agencies (judiciary, police, prisons, immigration, customs, and other organs) charged with the responsibility for guaranteeing internal security. An important dimension of policy is to achieve paradigm shift and change of attitude of some of those involved in security matters to see themselves as public servants that should deliver quality services to their customers. Corrupt practices among security operatives will also be fought vigorously and corrupt officials will not only be weeded out but severely punished. Importantly, the quality of services delivered will be closely monitored as part of the ongoing Reforms.

Society, schools, religious institutions and families all have key roles to play in growing a disciplined and law abiding citizenry with the right values. In this regard, teachers, parents and those in position of authority must appreciate that children and youths see them as role models. They are therefore obliged to give the youths the right orientation and advice, especially with respect to using violence to pursue their rights or seeking redress.

Aspects of Social Security

Police
With a total police force of about 110,000 in 1999, the number of the force has almost tripled in the last four years to about 310,000 in 2003. The challenge now is to make the police effective. To enable the Nigeria Police meet the challenges of modern policing and crowd control, as well as eliminate the incidence of corrupt tendencies, a major thrust of policy will be to build capacity through training of police personnel, pursue paradigm shift in orientation of the police force and better equip the force to improve its image, responsiveness to distress calls and adopting a more proactive approach to crime prevention and detection. Specific initiatives will include:

- Re-orientation to improve the quality of service;
- Increased use of scientific methods in policing – to enhance the quality of evidence and investigation;
- Introduction of appropriate equipment and development of an exclusive communication system - to improve police effectiveness; and
- Capacity Building, Training and Re-training as well as involvement of communities in policing

The police will be properly trained and equipped to enhance their effectiveness in combating crimes. The level of entry into the force will be raised to a minimum of OND, gradually rising to HND and degree level. With the advent of the GSM telephony, sophisticated gadgets and improved fleet of vehicles, the performance of the police should increase.

Prisons
The prison system faces great challenges, among which are:

- ❖ Congestion and the percentage of inmates awaiting trial - ATPs.
- ❖ Decaying infrastructure in the face of political and cost constraints on government.
- ❖ Welfare of inmates and the burden of imprisonment – disease exposure, social ostracization,etc.
- ❖ Quality of prison personnel

The prisons system will be reformed to emphasize reformation rather than punishment. In this regard, the number of inmates per square meter of room space will be improved. A parole system and house arrest/imprisonment will be introduced for offenders that show remorse and good conduct.

Decongestion of Prisons

The Federal Government in collaboration with relevant agencies at the different levels of government and with other stakeholders will work towards a quick decongestion of the prisons. As an immediate step, Government is committed to:

- ❖ Exposing the root causes of the problem such as missing case files, lack of sureties, transfer of IPOs, provision of functional escort vehicles, etc.

- Strengthening the capacity of the Legal Aid Council to render legal services to the poor.
- Encouraging and recognizing private practitioners who show evidence of reasonable involvement in pro bono work. Aspirants for the title of Senior Advocate of Nigeria (SAN) may be required to show evidence of having rendered free legal service in aid of indigent persons.
- Encouraging NGOs and other groups working on prison reforms.
- Conducting an up-to-date audit and developing a database on Awaiting Trial Inmates (ATI) in all Nigeria's prisons.

The welfare of inmates will be improved through better medicare, feeding and access to sporting activities. Prisoners will be given greater access to training and skill acquisition opportunities, and encouraged to engage in productive activities such as agriculture, arts and crafts, small scale industries, etc to enable them run small businesses on discharge. Such activities should also assist in providing food and clothing for prison inmates.

Prison warders will be trained, equipped and properly oriented to handle prisoners even-handedly. The private sector will be encouraged to build prison infrastructure for letting to government. Voluntary organizations and religious bodies will also be given opportunity to render assistance to prisoners and improve their living environment.

The Judicial System
"Justice is the ligament, which holds civilized society together. Any threat to the administration of justice is a threat to the corporate existence of the society. The essence of democracy is justice. Every democracy ought therefore to strive to provide access to justice for all and protect the rights of the citizenry. The destiny of the country lies in making the system of justice work smoothly and efficiently.

The congestion in prisons is partly due to the judicial system that is beset by pending cases, frequent adjournments, ineffective dispensation of justice, and pure perversion of justice in some instances. An unjust judicial system cannot invoke confidence and does often promote self-defense, aggressiveness and abandonment of the rule of law. NEEDS provides for the upliftment and strengthening of the judicial process.

Partnering with the Private Sector

Aware of the need to involve and carry along the private sector in designing and implementing reform measures, the Government will initiate a sustained dialogue with that sector. A 'Law and Economy Group' will be set up to articulate necessary reforms in the commercial laws with a view to promoting economic development. A key component will be to create conducive legal environment for inflow of capital, engendering competition and generally improve level of trust and confidence.

Access to Justice

Nigeria as a democratic country has a duty to ensure that people, both rich and poor can easily use the institutions and processes of law to resolve their disputes. This requires that people should be able to use the law or the courts with or without the intervention of lawyers for less complicated matters. Efforts will therefore be made to simplify proceedings and the law itself and also encourage the use of alternative dispute resolution mechanisms which is closer to the African method of resolving disputes. In order to widen access to justice, NEEDS will encourage the provision of greater state and private funded legal assistance to the poor.

The rules and procedures of Nigeria's civil courts will be reviewed to:

- Reduce the cost of litigation and broaden access to justice.
- Reduce delays so that cases can be decided speedily.
- Ensure that litigants have an equal opportunity regardless of their resources, to assert or defend their legal rights.
- Make the legal system understandable to those who use it.

A More Effective Criminal Justice System

The criminal justice system seems to have lost its capacity to respond quickly to the needs of the society to check the rising waves of crime and bring criminals to book. During the NEEDS period vigorous efforts will be made towards improving the efficiency of criminal justice administration. This entails an urgent elimination of unacceptable delays in disposing of criminal cases. The possibility of stipulating what would be regarded as 'reasonable duration' for hearing and determination of criminal cases will be explored.

The Promotion and Protection of Human Rights in Nigeria

There is no gainsaying the fact that one of the dividends of democracy in the last four years of this Administration is the prevailing atmosphere of freedom. Human Rights, especially civil and political rights guaranteed by the Nigerian Constitution have been accorded due respect. However, the pursuit of human rights in all ramifications has now become one of the hallmarks of modern democracies. The National Action Plan on Human Rights is intended to be the response of the government to the violations of human rights that characterized successive military regimes of the past. The Federal Ministry of Justice will soon formally present the National Action Plan on Human Rights to the President in order that necessary agencies might be directed to commence implementation. The Ministry is also seeking amendments to the constitutive instrument of the National Human Rights Commission. This will further enhance the work of the Commission while strengthening its capacity to play its envisaged role in implementing the NAPHR.

Government will ensure fairness in dealing with citizens and other residents to boost confidence to investors and contractual partners. The principle of sanctity of contracts will continue to be upheld and enforced. A juvenile justice system in line with the provision of the Child Rights Act 2003 will be instituted. The judiciary will constantly be reviewed to eliminate corrupt personnel and reward uprightness, efficiency, fairness and impartial delivery of justice. The courts will be better equipped with needed personnel and equipment to enable them function effectively. The use of arbitration and other Alternative Dispute Resolution (ADR) mechanisms will also be encouraged and strengthened to provide speedy resolution of disputes brought before it. A definite strategy for computerizing court processes/proceedings will be embarked upon.

The prerogative of mercy and reviewing of pending cases will be done on a regular basis such that no one is detained in custody beyond the length of sentence he would have served were his case heard expeditiously. Abuse of the court process will not be condoned, including frivolous adjournment of cases. The rule on bailable offences will be rigorously applied while innovative processes and mechanisms for dispute resolution will be developed or strengthened through the establishment of 'small claims' courts, mobile courts for traffic offences and expansion of the multi-door court system. The number of commercial courts will be increased while civil society will be encouraged to set up mechanisms for counseling and peaceful resolution of disputes in the effort to create a more harmonious society. The states and local governments will be encouraged to facilitate the process and establish such mechanisms. Generally, access to justice will be widened through the provision of greater state funded legal assistance to the poor and through the involvement of non-state legal aid service providers.

Women's Rights Issues

Substantive and procedural laws that affect women would be identified and reviewed. This would be done in collaboration with the Women Affairs Ministry and relevant Committees of the National Assembly.

Human Rights of PLWHAs

In line with the recently launched National Policy on HIV/AIDs, the Ministry of Justice will produce a clear statement on the rights of persons living with HIV/AIDS. It will work with the relevant agencies to create awareness amongst lawyers and judges about the appropriate legal responses to the issues of HIV/AIDS.

CHAPTER SIX
TACKLING CORRUPTION AND PROMOTING TRANSPARENCY AND ACCOUNTABILITY

"Our goal is to fight corruption to a standstill"--- Obasanjo.

Background

Corruption and abuse of positions and privileges have long been features of Nigeria's economic and political landscape. For several years, inflation of government contracts and the whole challenge of systemic corruption, low levels of transparency and accountability have been major sources of development failure. Illicit activities like Advance Fee Fraud (a.k.a. 419), money laundering and other forms of economic and financial crimes have equally brought great harm to the fabric of our society.

Other forms of corruption include, but are not limited to unconventional and fraudulent trade practices, misappropriation or diversion of funds, kickbacks, under and over-invoicing, bribery, false declarations, abuse of office, and collection of illegal tolls. Indeed, the country is rated as one of the most corrupt countries on earth. Given the adverse implication of such negative values of a relatively few on the nation's image, its growth and development, the country can neither condone nor ignore them, more so as experience has shown that the successful pursuit of national vision has often been engendered by the inculcation of correct moral and ethical values.

Policy Thrust

Against the foregoing background, a strong and effective anti-corruption policy has been made a priority of the government, to herald a new transparent, accountable and low corruption Nigeria. Under NEEDS, we envision a prosperous country that is not only developed economically, but infused with strong moral and ethical values. Without these key elements it would be difficult, if not impossible to achieve the desired level of growth and development of the country. Even where the country is able to break away from the vicious cycle of poverty and underdevelopment, it could be a developed society, without character. Some of the values on which attention must be focused include:

- Integrity and Good Citizenship at individual and corporate levels.
- Discipline and a strong work Ethic.
- Strive for Excellence, Competitiveness, Creativity and Innovation in Service Delivery.
- Perseverance and Longer Term Thinking as opposed to Short-Term Expediency.
- Culture of Enterprise, Thrift and Savings, and curbing waste
- Thirst for Knowledge, Information and Know-how.
- Commitment to the welfare of vulnerable groups.
- Pride in the spirit of Nigeria.

Strategies/Interventions

Whilst the personal commitment of the President is regarded as a basic take-off point in the program, it will be the responsibility of all stakeholders – (the family, the media, educational system, the government and its agencies, and private institutions alike), to ensure that these values are consciously and constantly inculcated in all and sundry in the society.

As a testimony to its determination to tackle corruption, as well as improve transparency and accountability, the government has signaled commitment through a number of initiatives. Some of these include:

a) The establishment of the Budget Monitoring and Price Intelligence Unit (BMPIU)- a new institution with specific mandates on promoting transparency in financial transactions in the government, as well as open and competitive tender arrangements for government contracts through the "Due Process" mechanism. Through a process of contracts award review, oversight and certification, huge savings (estimated at hundreds of millions of dollars) have been made. There have also been a number of cancellations of contracts awarded by spending units that failed to comply with laid down open, competitive bid parameters.
b) The Independent Corrupt Practices and Other Related Crimes Commission (ICPC) which has also recorded some degree of success in the primary objective of being a deterrent-promoting institutions, and commencing prosecution of erring senior public officers.
c) With auction for government licences such as happened in the telecommunication sector liberalization, and the reasonable success of the Due Process, government is pushing forward a Public Procurement Commission Bill which will soon be submitted to the National Assembly for consideration.
d) Establishment of the Economic and Financial Crimes Commission (EFCC) which has begun a vigorous campaign to arrest known fraudsters. The leadership of the commission has shown strong commitment to tackling financial crimes, money-laundering and other economic misconducts that had created difficulties for the country with the OECD - Financial Action Task Force (FATF).
e) The Extractive Industries Transparency Initiative (EITI) – aimed at encouraging the NNPC and other oil companies to make full disclosure of revenue and cost of operations.

Other Strategies

Strengthened by the relative success of these nascent efforts and in furtherance of its reforms to: curb corruption, reduce waste and inefficiency, to enthrone the right set of values and conversely, discourage rent-seeking and other unproductive values, the following measures are to be adopted:

(i) Institutions whose duty it is to foster and/or engender compliance: ICPC, EFCC, NOA, Police, Customs, Judiciary, Prisons, NAFDAC, Immigrations, etc. will be reformed, strengthened and modernized. Similarly, laws aimed at combating corruption and promoting law and order will be strengthened.

(ii) Step up measures to check economic and financial crimes, including the legal provisions for the exposure of dispensation of punishment for unethical behaviour and infractions.

(iii) Adoption of a formal code of ethics for all organizations and all sectors as well as publication of a statement of Code of Ethics by all public and private sector institutions to engender transparency in the conduct of government affairs, and disclosure of information by companies.

(iv) Institutionalize the process of training on ethical behaviour, and launch a programme of Fostering Leadership by Example.

(v) Fast-track the process of reform in governance codes at corporate level and at all tiers of government and subscription to international standards in civil society.

Fiscal Responsibility/Right to Information Bills

In order to improve transparency and accountability in government fiscal operations and check unproductive public expenditures by all tiers of government, a Fiscal Responsibility Bill and the Right to Information Bill will be enacted within the first half of 2004. Amongst other provisions, the Fiscal Responsibility Act would enact fiscal policy rules requiring: a) Publication of annual audited accounts for all governments and their parastatals within six months of their financial year end– in promotion of good governance and institutional accountability. b) The establishment of a Revenue Stabilization Fund into which windfall revenues will be transferred;

The Right to Information Act will engender openness and feedback through a process of streamlining and rationalizing the system for information collection, collation, storage and dissemination on a timely basis.

Part Three

Growing the Private Sector

CHAPTER SEVEN
TOWARDS A COMPETITIVE PRIVATE SECTOR

a. Background

Over the past decades, we have run an economy characterized by: growing dominance of the public sector, over reliance on a single commodity (oil) and the pursuit of a highly import-dependent industrial strategy. While these policy thrusts were justified at their inception, our experience has shown that growth based on expansionary public expenditure, import-substitution industrialization and reliance on the export of a few primary commodities is neither efficient nor sustainable. This is evident from the several indices of sub-optimal performance: low per capita GDP, low growth rate, weak industrial base with declining industrial output and capacity utilization; large budget deficits and deterioration in the state of social and infrastructural facilities; as well as low productivity in the real sector and an unacceptable level of unemployment.

Moreover, the private sector has been dogged by weaknesses inherent in its skewed structure, indicated by:

a) A few huge multinationals that are heavily import-dependent and mostly operating as enclaves; and a large segment of essentially, informal sector SMEs with very little, if any linkage to the huge multinationals; and

b) A rent-seeking and unproductive culture of over-dependence on government patronage and contracts, with very little vale-added

As a result, we have become essentially, a nation of traders, with a very weak and stagnant domestic private sector. Other frequently cited problems in efforts at growing the private sector include: the state of physical infrastructure, access to appropriate financing, insufficient demand and low level of patronage by public sector institutions, cost of imported raw materials, equipment and spares as well as lack of skilled labour. Growing the private sector also hinges crucially on key factors such as domestic policies, environmental factors and investment flows.

b. General Policies towards Enhancing Private Sector Growth and Competitiveness

NEEDS sees the rapid growth of a resilient and competitive private sector as a key component of a sustainable reform programme. Every effort is being made, as part of the transformation agenda, to: diversify the economic base and reduce the relative dominance of the oil sector; mainstream the informal sector while their linkages to the rest of the real sector is strengthened; drive for increased local value addition and beneficiation, increase the share of manufactured goods in total exports and generally, create a vibrant private sector that can respond to the rigors of market forces, as its engine of growth. Government has already taken a number of steps in this direction, including: Establishment of the Nigeria Investment Promotion Commission; Establishment of Technology Business Incubation centres – to provide conducive environment for nurturing the start-up of and growth of new SMEs that are engaged in value-added and technology related manufacturing, etc.

NEEDS aims to alter the strategy for industrial development, to make it less import-dependent, more local resource-based and more related to local research and development strategy, particularly in the area of SMEs. This strategy will lead to the promotion and development of science and technology based SMEs, to ensure that process technologies, design and manufacture of machinery and equipment for SMEs are developed through endogenous capacity building processes. These science and technology-based SMEs shall be nutured in Science and Technology Parks (STPs) and Technology Incubation Centres (TICs), targeting the following priority areas: Food Processing, Industrial Chemicals, Information and Communication Technologies, Biotechnology, Electronics and Space Technology, as well as Energy, Oil and Gas.

NEEDS will also seek to further the growing partnership between the private and public sectors, while advancing the policy of private sector-led growth. Enterprising Nigerians, irrespective of their geographical location, will be encouraged to participate in the transformation of Nigeria into an economy that is robust, stable, dynamic, competitive and export-led. Here, the role of government will be redefined to be more of a facilitator/catalyst, rather than competitor and/or barrier. Deregulation will be vigorously pursued, where it is in the over-riding public interest, with the government playing a supervisory/regulatory role. The tremendous achievements recorded in the telecommunications sector, with the National Communications Commission as a pivotal agency for regulation and consumer protection, clearly illustrate the possibilities inherent in a successful deregulation programme. A law to give effect to the country's Competition Policy, a key component of the private sector growth strategy is being finalized. The major aspiration is to grow a private sector that can utilize the opportunities that abound in the domestic, regional and global markets

Role of Government - Targets

The above policy thrusts are not only realistic, but also realizable and all stakeholders in the Nigerian project would be better served if the concept of a symbiotic relationship between the public sector as enabler, and the private sector as the primary engine of growth of the nation's economy is fully established as the driving force. In this context of "partners-in-progress", public investment in economic activities that compete directly with the private sector will be drastically reduced. The public sector's emphasis will be on reforms that lay a solid foundation for a prosperous and globally competitive private sector. This includes (i) policy and regulation (ii) public services and (iii) facilitation and intervention to support other actors by targeting and addressing specific key drivers that will improve firm-level efficiency. Specifically, Government commits to systematically work towards:

(a) Mobilization of national resources to facilitate the development of strategic economic infrastructure that improves the general attractiveness of Nigeria as a preferred investment destination.

(b) Strengthening the social, legal and regulatory regime to engender security of life and property, good governance, the rule of law and respect for the sanctity of contracts and rights of others as well as eliminate bottlenecks and "red tape";

(c) Creating greater opportunities for access to appropriate financial resources and strengthening and/or supporting other assistance initiatives, e.g. SMEDAN, SMIEIS, etc. aimed at improving efficiency and productivity, reducing production costs, nurturing entrepreneurship and enhancing the attractiveness of our products, and our SMEs in an intensely competitive market place;

(d) Adoption and implementation of a coherent and consistent trade policy regime, as well as an Action Plan on rapid and focused commercialization of results of viable scientific research that engender linkages and enhance productivity;

(e) Progressive reduction of its direct role in economic and business activities. Specifically, the process of accelerated privatization of major utilities, liberalization, and deregulation of key sectors will be vigorously pursued, accompanied with appropriate competition and consumer protection policies;

(f) Implementation of the comprehensive Tax Reform Bill in order to ensure the elimination of multiple taxation and fiscal harassment and enforcing jurisdictions, improving collections and removing barriers to the growth of a virile private sector;

(g) Holding regular dialogue with private sector operators and playing an active role in economic planning, based on market principles.

(h) Providing a robust fiscal and monetary policy regime for the smooth functioning of the economy; and adopting financing strategies that do not crowd out the private sector; and

(i) Improving the process of granting land use rights, and providing appropriate structures for regulation and propelling the private sector to develop in a socially and environmentally responsible direction;

(j) Economic empowerment of indigenous SME businesses through patronage of their products by improved tendering and procurement processes that stipulate minimum levels of local content

In supporting free enterprise and the drive for efficiency, competitiveness and private sector-led growth, government is fully aware of its duty towards vulnerable groups – the poor, women, aged, etc in terms of protecting and/or expanding their access to basic social and infrastructural services. There is also the need to guard against the exploitation of consumers. Government will therefore remain committed to its over-arching responsibility of: ensuring access to basic services for all, and will enact consumer protection laws aimed at protecting consumers from monopolistic and unfair trade practices that are direct consequences of market deregulation/privatization. The strategies will be regularly fine tuned on the basis of feed backs – to ensure that the benefits to all stakeholders are maximized at all times.

Role of the Private Sector

The private sector will be expected to take a more pro-active stance in terms of creating productive jobs, enhancing productivity levels and generally improving the quality of life of people, by:

(i) Utilizing opportunities provided for rapid and sustainable growth of a diversified economy, with a modern agricultural sector, an export-led industrial sector and an efficient and competitive services sector in line with the country's comparative advantages;

(ii) Actively working to expand the export base and be internationally competitive by improving the quality of products and services, using the skills and professionalism of local human resource;

(iii) Transforming the structure of the economy, through support for R&D in focal economic sectors and significantly enhance the potentials of Nigeria to meet the demands for domestic production and consumption, as well as adapt to changing pattern of supply, demand and competition and engender the development of strong linkages across the economy;

(iv) Stimulating the rapid implementation of the Local Content Policy especially in the extractive and construction industries sub-sector, by forming business partnerships/linkages that engender the learning and transfer of technology process. According to the National Committee on Local Content, this is "the quantum of composite value added to or created in the Nigerian economy through a deliberate utilization of Nigerian Human and material resources in the exploration, development, exploitation, transformation and sale of Nigerian Crude oil and gas resources without compromising quality, health, safety and environmental standards"; and

(v) Taking steps to preserve the environmental resources (air, water, land, etc.), and maintaining environmental balance.

Some of the specific steps to stimulate private sector growth are as follows:

(a) Streamline Corporate Affairs Commission (CAC) processes, through reduction of forms, review of stamp-duty procedures and tie-in of name registration with other Intellectual Property Rights (IPR) protection procedures. Enhance Staff Capabilities through adequate training, and ensure improved investor information/service delivery.

(b) Make Nigerian Investment Promotion Commission (NIPC) promoter/facilitator/advocate, but not a regulator, by providing improved investor information and eliminating Foreign Direct Investment (FDI) Registration process.

(c) Streamline Federal Inland Revenue Service (FIRS)/Ministry of Commerce (MoC) processes through, form simplification, elimination of site visit, institution of an automatic declarative process, and reduction of the overall number of incentives schemes.

(d) Streamline the process for Land Access and Transfer as well as for Site Development and Environmental Clearance through: reduced documentary requirements, fees and steps, site visit protocol, processing deadlines, review of Stamp Duty, as well as institution of committee-based single-step decision-making, clearly-defined processing deadlines, and dissemination of information and gazetted regulations.

(e) Consolidation of Immigration Matters: visas, Expatriate Position (EP), work permits and 'Permanent until Revoked' (PUR) status, as well as information dissemination, and coordinated/focused training of consular officials on immigration matters.

(f) Import Procedures/Port Reforms: Rationalize the number of agencies with responsibility for goods clearance at port facilities, institute simultaneous document verification, Increase diligence in ASYCUDA programme application, and ensure that Nigeria Custom Service (NCS) remains the only focal point for cargo clearance and ensure that the provision that goods should be cleared within 72 hours is enforced.

(g) Export Incentives: Institute an 'information clearing house' at NIPC, or NEPC; Rationalize and simplify the incentives and incentives acquisition schemes; Fully open the incentives regime to services exports.

(h) Improve the process for Rights' Protection and contracts Enforcement: through training of judges and lawyers in specialized areas, wider dissemination of decisions, improving the facilities and equipment in courthouses, Launch of an Alternative Dispute Resolution (ADR) system, public awareness campaign and creation of commercial courts.

(i) Strengthen Regulatory Institutions and Enforce Competition Policy: As government withdraws from active business engagements, regulatory institutions will be strengthened to ensure a level playing ground for individual businesses, especially through more effective enforcement of competition and anti-trust laws. The anti-trust laws will seek to protect consumer rights as well as prevent unfair trade practices that may hinder growth of weaker firms in any industry.

c. Infrastructural Development

Infrastructure needs cut across sectors and is central to economic development. The state of infrastructure for economic development in the country is far from meeting the expectations of the average investor in the Nigerian economy. This inhibits investment and increases the cost of doing business. Thus, infrastructure development is one of the key areas that NEEDS intends to make some difference. Given active partnership with the private sector, government intends to hands off routine management of businesses and to commit itself to the provision of adequate infrastructure and regulatory framework for conducive business.

Policy Thrust

Government's policy thrust is to develop and maintain adequate/appropriate infrastructure conducive to private sector driven economic growth and development ensuring in the process, private sector participation (PPP) and creation of a competitive business environment in Nigeria. Some elements of this thrust include

- Rapid privatization of key infrastructural services to ensure effectiveness in provision
- Enhancing and enforcing relevant laws to improve competition and protect consumer welfare in the industries providing infrastructural services.
- Providing targeted intervention in the provision of infrastructure especially to rural areas and vulnerable groups
- Encouraging private sector initiation and participation in the provision of infrastructure using such methods as Build-operate-and-transfer (BOT), build-own-operate-and-transfer (BOOT), etc in the provision of infrastructural services
- Providing counterpart funding for major infrastructural projects for which either the resource involvement is too high or the incentive too low for private sector participation

The Transport Sector - Targets

Infrastructural reforms in the transport sector will aim to

- Complete ongoing construction of 3,000 km network of roads, and embark on any new construction if and when fund- specific assistance or finance is available to facilitate economic growth and development across the geo-political zones of the nation.
- Strengthen the newly created roads maintenance agency and involve the private sector in the management of roads
- Make Nigerian sea ports play a prominent role in the shipping sector within the ECOWAS sub-region with a strong indigenous Nigeria private sector participation in the coastal shipping activities
- Develop a sea-port with capacity to handle modern shipping activities and establish inland\dry ports and incentivise the use of other seaports
- Make our ports more efficient and competitive, with capacity to handle modern shipping activities. Also implement policies targeted at indigenous human capital development.
- Rehabilitate and upgrade the railways with a view to restoring the relevance of the railways in the national transportation (bulk/haulage and human) system
- Ensure the achievement and sustenance of world class standards in all aspects of aviation operations, including the development of indigenous manpower and maintenance capacity.
- Achieve total radar coverage of Nigeria airspace and establish an effective and efficient emergency rescue unit under FAAN.

Strategies

- Review existing legislation and institutional framework and provide incentives for private sector participation in inland waterways and other sectors
- Create a window for funding the aviation industry to ensure modernization and safety standards through the Bank of Industry
- Transform the Nigerian Railways through rehabilitation and modernization
- Commercialize the non-real assets of the railways as a source of raising funds to finance a viable and efficient railway transportation network with private participation
- Provide Road Maintenance Agency sufficient capacity to undertake rehabilitation and maintenance of federal roads.

The Power Sector (Electricity Supply)

Introduction

Power is a strategic sector—and indeed the most important infrastructure requirement for moving the private sector forward. NEEDS therefore places key attention on the power sector. Unfortunately, the power system in the country is so inadequate that it has been a clog in the wheel of economic progress and social well being. The system is epileptic, unreliable and clearly incapable of meeting the demands placed on it. The situation prior to 1999 was almost chaotic. The following facts underscore the neglect of the sector for years:

- No new power stations were built between 1990 and 1999
- No major overhaul was carried out on existing plants between 1990 and 1999
- Only 19 out of 79 generating units were in operation in 1999
- Actual daily generation fell to less than 2000MW by 1999
- The last transmission line built was in 1987
- Federal Government funding to the sector was on a continual decrease from 1980 to 2000

Between 1999 and 2003 however, some improvement took place such that generation rose to about 4000 MW but problems of adequacy, transmission and distribution remain. The improvement was mainly on account of the President's mandate and the new funds/capacity injected into NEPA. Some of the highlights of the mandate include:

- Expeditious implementation of the electric power sector reform programme
- Generation of 10,000MW by year 2007 – from existing plants, new host generation as well as reasonably priced independent power plants (IPPs):
- Development of capacity to transmit and distribute the improved generation
- Exploration of alternative energy sources e.g. coal, solar energy, wind energy and hydros
- Renewed attention to the question of customer tariffs
- Deregulation of the power sector to allow increased private sector participation.

These imply increased system capacities (generation, transmission and distribution/marketing) and reform of the electricity industry through deregulation to encourage private sector participation and facilitate additional investment. Alternative energy sources will also have to be explored as deregulation and subsequent liberalisation of electricity industry will encourage development and utilisation of alternative energy sources. The achievement of these goals will necessarily affect electricity tariffs but with the regulator playing assigned roles.

Policy Thrust

- Increase generation capacity from 4200MW to 10,000MW (an increase of 138%)
- Increase transmission capacity from the present 5838MVA to 9,340MVA (an increase of 60%)
- Increase distribution capacity from present level 8,425MVA to 15,165MVA (an increase of 80%)
- Increase collection efficiency of revenue from 70% to 95%
- Reduce transmission and distribution losses from 44.5% to 15%
- Reduce present levels of controllable cost by at least 30%
- Right size to reduce staff strength by about 15%
- Create 11 semi-autonomous business units (profit centres). This was successfully achieved in January 2004.
- Transmission company to become a semi-autonomous unit by April 2004
- Generation to be unbundled by 4th Quarter of 2004

Reforms

The Electricity Supply Industry (ESI) is capital intensive, the federal government alone, with plethora of social responsibilities, cannot adequately fund its development. Thus, there is need to reform the sector so as to:

– Attract and encourage private sector participation
– Attract capital to fund the sector and
– Ensure a level playing ground for all investors

However, necessary reform of the electricity industry cannot take place without the passage and enactment of the Electric Power Sector Reform Bill (EPSR). It is clear that competition (facilitated by unbundling of NEPA and private sector investment) will not take place without an appropriate legal and regulatory framework, clearly defined market rules and adequate trading arrangement, cost-reflective tariffs, and improvement in tariff collection efficiency. The reform of the industry is therefore predicated on the Federal Government's National Electric Power Policy and the enabling legislation. The proposed Electric Power sector Act will entail

– Unbundling of NEPA into distinct business units
– Establishment of a regulatory agency for the electricity industry
– Establishment of a rural electrification agency and setting up of a fund to increase rural access to electricity and
– Privatisation of business units that will emerge from unbundling of NEPA

It is to be appreciated that the unbundled entities can only be incorporated into separate legal entities when the EPSR bill is enacted. Nonetheless, actions are being taken to operationalize the unbundling programme and to carry out other transitional initiatives that are consistent with the overall reform process and have the potential of fast tracking the restructuring & privatisation of the sector.

Revenue Enhancement Measures

–The Commercial Re-Orientation of Electricity Sector Toolkit (CREST) initiative has commenced in some NEPA Business Units.

–An extensive metering programme has commenced with a view to metering all customers within the next 24-36 months. Particular attention will be given to Industrial & high demand customers. Particularly, efforts are underway to put all government establishments on pre-paid meters by the end of 2004. Outsourced revenue collection contracts shall be strengthened while measures to be introduced to discourage late payment of bills.

Distribution/Customer Service

Some short term external managerial/technical support will be provided to the unbundled entities while expansion & reinforcement of the distribution network will be carried out to improve quantity/quality of supply as well as reduce losses. The proposed expansion & reinforcement will be largely funded from internally generated revenue since the unbundled distribution companies will be the first to be divested to the private sector.

Transmission

The major transmission company (TransysCo) will largely remain government owned but could be operated under a Management Contract. The company will be responsible for despatch of Electricity and Market and System Operations. Meanwhile, all on-going and some new projects to close the grid loop as well as decongest identified bottlenecks in the network will continue. The on-going World Bank-assisted TDP will be concluded. Up to $500 million will be sourced from multilaterals for development of additional transmission capacity required to wheel the enhanced generation.

Generation

There is already private sector participation in electricity generation. The Federal Government is funding four (4) new stations with a total capacity of about 1,400MW. Most of the anticipated new capacity will come from the private sector. Generation will be unbundled by 4th Quarter of 2004 ahead of its ultimate privatization. Coal Fired generation will be developed as a strategic alternative source of electricity mainly through Private/Public Partnership (PPP), a proven viable option for this sort of activity. An initial integrated coal utilization project proposed for Enugu will incorporate a 500-1,000MW power station. Prior to its implementation however, comprehensive studies will be undertaken to ascertain actual levels of coal reserves. Other proposed programmes include:

- Development of the Mambilla and Zungeru hydro stations on PPP basis (project development studies for Mambilla to be concluded in 2004)
- Commencement of the second phase of major rehabilitation of units at some power stations (Jebba, Kainji, Egbin) to avoid decline in existing capacity.

Appropriate Gas Pricing
The gas and electricity industries in Nigeria are presently very interdependent and so reform in both sectors is imperative. Gas Producers will need to make gas gathering investments while the Nigeria Gas Company (NGC) will need to expand/upgrade its transportation infrastructure. A consensus has been reached between NGC and NEPA for a gradual increase in Gas Prices compatible with the NEEDS economic empowerment and rural development priorities

Vandalisation
Vandalisation of distribution and transmission infrastructure is a major challenge, for example, the timely completion of the Abuja-Shiroro line was threatened by vandalisation. The high cost of emergency repairs of the affected power infrastructure as well as lost revenue during periods of repairs are issues of grave concern and pose threats to the reform process. Therefore, consideration will be given to the formation of a special security outfit for policing power installations

Conclusion
It is envisioned that on completion of the reforms in the power sector, electricity industry in Nigeria will be private sector-led and the role of government will primarily be in policy formulation and provision of appropriate legal and regulatory framework. When the programme is fully implemented, there will be no more generation deficits, transmission and distribution networks would have been rehabilitated/reinforced and expanded while payment and collection discipline would be fully established and grid and off-grid approaches to increase rural access to electricity would be achieved.

Water Resources

Arising from years of neglect, a large proportion of the water infrastructure in Nigeria was in a terrible state of disrepair at the inception of this Administration and would require colossal sums of resources for their rehabilitation and reactivation. As a result of this situation, some of the issues of concern in the sector include:

- Portable water as a basic necessity is not available to vast majority of the populace.
- Only about 30% of rural dwellers and 50% of urban dwellers have access to potable water.
- Water supply situation for irrigation remains critical.
- High cost of materials such as drilling equipment and cost of chemicals

Policy Thrust

Government's policy direction is predicated on its commitment to eradicate the scourge of water-borne diseases and improve the supply and management for other productive economic activities. The recent launching of a National Water Supply and Sanitation Policy further defines the thrust, which includes among other things:

- Access to safe drinking water for at least, 60% of the populace;
- Implementation of a coordinated national water policy that delineates the roles of the different tiers of government ; and
- Facilitates the participation of the private sector.

Strategies

To achieve government's policy objectives, the following strategies would be adopted:

- Develop and implement a system of quality assurance consistent with WHO standards especially the completion of hydro geological mapping of the country and the establishment of water quality laboratories;
- Intensify the rehabilitation and reactivation of the River Basin Development Authority and existing urban water development schemes;
- Encourage private sector participation in the development and supply of water;
- Expand and improve rural water supply across the country.

Environmental Protection and Conservation

A number of human activities and/or natural disasters have the effect of degrading fragile or critical ecosystems, with clearly adverse effects on the nation's economy. The Ministry of Environment was created in 1999 to underscore the importance that this Government attaches to the integration of environmental considerations into our national development efforts. The critical issues in this sector include:

- Geometric production of waste by the populace especially in our cities;
- Lack of proper management of wastes including industrial waste;
- Uncontrolled development without regard for waste management and pollution control;
- Absence of significant private sector involvement in the sector;
- Desertification, erosion, and deforestation;
- Impact of oil and gas development on the environment and unsustainable use of land;
- Poor enforcement of environmental laws;
- Urban decay, pollution and Biodiversity loss.

Policy Thrust

The focus of NEEDS on the environment is to ensure a safe and healthy environment that secures the economic and social well being of Nigerians on a sustainable basis. The specifics of the agenda are enunciated in the "Environmental Renewal and Development Initiative" the primary objectives of which are: "to take full inventory of Nigeria's natural resources, assess the level of environmental damage. as well as design and implement restoration and rejuvenation measures; aimed at halting further degradation of our environment"

Targets

- Bring environment and waste pollution in our cities and urban centers under control;
- Foster private sector participation in environmental protection;
- Achieve international standards in the process of control and monitoring of our environment;
- Promote local manufacture of equipment and raw materials for environmental protection and conservation;
- Comply with international safety and health and environmental standards as they relate to specific industries and sectors of the economy.

Strategies

Government's strategic intent is defined by the following:

- Establishment of a central self-sustaining regulatory agency responsible for environmental enforcement, compliance monitoring, environmental auditing, impact assessment and setting of standards;
- Strengthen the machinery of desertification and erosion control agency;
- Promotion of synergy in the implementation of environmental conventions;
- Utilize space-base research for environmental management;
- Evolve a private public sector partnership scheme to address increasing waste management;
- Promote a programme for private sector investment in waste-to-wealth management in our cities and urban centers.

CHAPTER EIGHT
SPECIFIC SECTORAL STRATEGIES

Introduction

This Chapter presents some broad thrusts of the reforms in the key sectors. The Federal Government ministries, their state counterparts and the private sector stakeholders are in the process of developing sector-wide strategies for each of the sectors. These sector strategies will emphasise national coordination--- with clearly delineated roles and responsibilities for each of the tiers of government, the private sector and other stakeholders. These sector strategies, together with the sector projects, will form a necessary annex to the NEEDS document.

The strategic intent of government is to diversify the productive base of the economy away from oil and foster a market-oriented private sector driven economic development with strong local participation. The overarching goal is to develop, in the process, an indigenous entrepreneurial class capable of competing in a global market where technology and skills play dominant role.

As government continues to redefine its role, resources will be freed up and hence government is better focused to take up its primary role of providing basic infrastructure, security, defense, and other social services, which are necessary for creating a competitive environment and for private-sector driven wealth creation and employment generation, on a sustainable basis.

The private sector on its part will be encouraged to commit to genuine and responsible investment, good corporate governance and citizenship, subscribing to internationally acceptable standards of quality, business ethics and practices. It must also commit to transparent partnership with the public sector especially in the promotion and development of Small and Medium Enterprises.

It is in this context that the various sector strategies are couched, first by identifying some of the peculiar sector specific issues, policy imperatives and then the selected strategies. Given the self-reinforcing and interdependent nature of the different sectors of the economy, it is obvious that for each priority sector, achieving the objective of creating a responsive, modern and globally competitive economy, will address the following cross-cutting issues which are restated for emphasis as they are considered critical to the effective growth and development of the private sector:

- Infrastructure inadequacy
- Finance/Funding gap
- Inappropriate and inadequate technology
- Unfair competition
- Inadequate institutional and legal framework, including bureaucratic and tedious procedures and practices.
- Policy inconsistency and lack of commitment and political will to implement accepted policies
- Inadequate human capital development
- Security, law and order as well as sanctity of contracts

- Sustained favorable environment for responsible private sector investment

1. Agriculture and Food Security

In spite of the dominant role of the petroleum sector as the major foreign exchange earner, agriculture remains the mainstay of the economy. Apart from contributing the largest share of GDP, it is the largest non-oil export earner, the largest employer of labor and a key contributor to wealth creation and poverty alleviation, as a large percentage of the population derive their income from agriculture and related activities.

However, over the years, the rate of growth in agricultural production has stagnated, and failed to keep pace with the needs of a rapidly growing population, resulting in a progressive rise in import bills for food and industrial raw materials. The potentials of the agri-business sector as a major employer of the growing labour force and earner of foreign exchange have also been undermined. As a result, a large majority of the population, many of whom live in the rural areas remain poor. Hence, under the NEEDS programme agricultural development shall be pursued vigorously with the aim of achieving food security and poverty reduction.

Major constraints inhibiting private sector participation in the transformation of agricultural production include

a. The rapid shift of population from rural to urban areas and the perceptible shift in consumption patterns from local to imported food items – rice, poultry, etc

b. Lack of funds, Inadequate processing and storage facilities as well as inefficiencies in input supply and distribution

c. Oil boom, policy inconsistency and decline in political commitment to agricultural and rural development

d. Inadequate incentive framework and pervasive distortions in the macro economy

e. Absence of price support mechanism and pervasive distortions in macroeconomic and sectoral policies including misaligned exchange rates, heavy explicit taxation of agricultural exports.

f. Continued dependence on rain-fed agriculture and the absence of economies of scale.

g. Land tenure system that inhibits the acquisition of land for mechanized farming.

h. Inadequate Agricultural Extension Services and lack of indigenous capacity or technologies responsive to local conditions.

Policy Thrust:

Given the dominant role of agriculture in the economy, prospects for food security, supply of industrial raw materials and overall economic growth are critically dependent on what happens in this sector. Accordingly, Government is committed to increased investment in food and agricultural production with the following as its policy thrust:

a. Providing the right policy environment and vigorously targeted incentives for private sector investment in the sector: Government will implement a new agricultural and rural development policy aimed at addressing the foregoing constraints,
b. Fostering effective linkage with industry to achieve maximum value addition/processing for export
c. Creation of more agricultural and rural employment opportunities to increase the income of farmers and rural dwellers through the modernization of production and creation of an agricultural sector that is responsive to the demands and realities of the Nigerian economy.
d. Reverse the trend in import of food, (which stood at 14.5% of total imports at end 2001), through a progressive programme for agricultural expansion. Government is committed to reducing the growing food import bill to stem the rising trade imbalance as well as diversify the foreign exchange earning base of the economy.
e. Strive towards food security and generate surplus for the export market.

Targets

The objective of NEEDS is to restore Agriculture to its former status as a leading sector in the economy in terms of its contribution to GDP, supply of raw materials, employment generation, source of export, local consumption and hence food security.

In specific terms therefore, agricultural polices under NEEDS will target the following:

1 Achieving minimum annual growth rate of 6% per annum in agriculture
2 Achieving $3 billion in agricultural exports, a major component of which will be cassava by 2007
3 Drastically reduce food imports from 14.5% of total imports to 5% by 2007
4 Developing and implementing a scheme of land preparation services to increase cultivable arable land by 10% annually and foster private sector participation through incentive schemes.

Strategies

To achieve these targets, the following strategies will be employed

1 Vigorous implementation of the Presidential Initiatives on Cassava, Rice, Vegetable oil, sugar, livestock, tree crops and cereals. Under this initiative, Nigeria hopes to generate as much as N3 billion annually from the export of agricultural products.

2 Taking advantage of the various concessionary arrangements within the WTO, EU-ACP, and the AGOA, NEPAD and the huge market in the West African Region sub region
3 Strengthening of agricultural research and revitalization of the agricultural training and streamlining the extension delivery system including the involvement of non-governmental organizations (NGOs) and opinion leaders in extension delivery though capacity building and promotion of improved technologies that are appropriate to the needs of farmers
4 A review of the agricultural input supply and distribution system with a view to developing effective and sustainable private sector-led input supply and distribution system.
5 Promotion of integrated rural development involving agricultural and non-agricultural activities and including the provision of physical infrastructure such as feeder roads, rural water supply, rural communications etc.
6 Encouraging states to develop projects of model rural communities and farm settlement adequately provided with feeder roads, boreholes, vocational training, simple farm tools and equipment, alternative energy source and communication centers for a wholesome life to reduce rural-urban drift
7 Adequate capitalization of the Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB) to provide soft agricultural credit and rural finance; the NACRDB has been restructured and its mandate expanded to include full financial intermediation
8 Refurbishment of the eight functional silo complexes and phased completion of the remaining ones to improve and increase the capacity of the food reserve programme as a step to food security. These would be leased out to farmers either on individual or group basis
9 Promotion of joint-venture private sector managed multi-commodity development and marketing companies to guarantee remunerative prices for farmers, stabilize consumer prices and provide alternative market for farm produce through buyer-of-last-resort mechanism
10 Promotion of all season farming through rain-fed and irrigated farming with emphasis on fadama agriculture as well as implementation of the programme for the massive production of tree crop seedlings.

2. Manufacturing, Including Micro, Small and Medium Enterprises

The Manufacturing (including Micro, Small and Medium Enterprises) sector is acknowledged to have huge potential for employment generation and wealth creation in any economy. Yet in Nigeria, the sector has stagnated and remains relatively small in terms of its contribution to GDP or to gainful employment. Activity mix in the sector is also quite limited – dominated by import dependent processes and factors. Although there is no reliable data, imprecise indicators show that capacity utilization in the sector has improved perceptibly in the period since 1999, but the sector is still faced with a number of constraints:

- Lack of patronage of SMEs' products and services and ineffective linkages between industry (SMEs and the larger enterprises) and the research institutes/universities.
- Lack of political will to implement local content and technical know-how policies
- Lack of engineering capacity to translate scientific research results into finished goods and maintain existing machinery as well as low level of entrepreneurial capacity, non-existent institutional mentoring and technological support and paucity of trained artisanal skills.

- Unfair competition from dumped and second-hand goods, fakes, counterfeit and smuggled or sub-standard products
- Weak legal framework, as well as, business, financial and information management systems and practices and undeveloped payment system
- Large scale manufacturing companies face systemic and operational constraints that impede their competitive capacities.

Policy Thrust

The overriding objective of industrial policy is to accelerate the pace of industrial development by radically increasing value-added at every stage of the value-chain. Nigeria's resources will no longer, in the main, be traded in their primary state. Government will emphasize increases in Total Factor Productivity (TFP) by pursuing knowledge and skill intensive production on the basis of available best practices. Nigeria's Industrial Development Strategy will encourage forward and backward linkages within a few chosen niches. Government will continue to provide the enabling environment for private sector leadership, facilitate renewal for sunset industries, and encourage innovators. It will specifically promote small and medium enterprises and consists of the following:

a. Establishment of structured and efficient micro, small and medium enterprises sector to enhance sustainable economic development, contribute to employment generation and wealth creation.

b. Facilitation of the development of an industrial sector that is internationally competitive and can take advantage of existing preferential arrangements as well as give priority to the processing of abundant resource endowments into intermediate raw materials and/or finished goods for local consumption and for export.

c. Development of science and engineering infrastructure. Infrastructure in this context means the sum total of the relevant qualified and well trained technical and managerial manpower, as well as the physical plants, materials and other facilities required to respond to the needs of the productive sector. This includes the provision of appropriate tools, spare parts and materials needed for efficient and profitable operations.

Targets

The targets are:

- Increase the annual growth of the manufacturing sector by at least 7% per annum
- Increase capacity utilization to about 70% by 2007
- Contribute 70% of total investment in industries by the private sector by 2007

Strategies

In order to turnaround the dwindling fortunes of the manufacturing (including SMEs) sector, government's focus in this sector would be guided by the following measures:

(i) Removal of infrastructural constraints on SMEs and expedite action on establishment of the clusters and industrial parks. These critical ingredients to increasing the participation of the private sector will be targeted at "growth poles."

(ii) Provision of appropriate institutional support: undertaking studies aimed at attracting foreign investors, scanning, overseas markets and monitoring developments that have implications for the sector. SMEDAN will be provided with appropriate infrastructure and executive capacity, and in collaboration with the relevant agencies at the State and Local Government levels, play the role of promoter, facilitator and coordinator of all SME policies of government.

(iii) Strengthen the Bank of Industry and other such special purpose finance institutions NEXIM, NARCDB, etc to perform their statutory roles (especially the provision of concessional loans, credit guarantee schemes) and enlarge scope to include large manufacturing companies

(iv) Strengthening the legal and institutional framework for the operation of micro-finance institutions including streamlining of the operational guidelines and tax incentives for SMEs. This will include explicit recognition of the informal sector and the resolution of the constraints to implementation of the SMIEIS and design of special incentives targeted at investors who would wholly specialize in exporting to foreign markets.

(v) Review and implement a codified tax and incentives structure reform (including providing for necessary trade-offs) that supports an export oriented manufacturing sector and encourages large businesses to foster growth of SMEs in their value and supply chain.

(vi) Provide targeted incentives (like tax deductibility) for science, technology, and research and development spending.

(vii) Coordinate and Facilitate, in collaboration with the relevant agencies of the other tiers of government, the implementation of an effective competitive industrialization strategy

(viii) Promotion of joint ventures and provision of incentives to facilitate flow of FDI in partnership with existing SMEs

(ix) Implementation of a Government procurement policy that patronizes locally produced goods and services, especially of SMEs

(x) Promote the production of quality goods and services in Nigeria to facilitate a competitive export oriented manufacturing sector.

(xi)

3. Services

The service sector – information and communication Technology, tourism and entertainment and banking and other financial services sector – has witnessed a boom in activities in recent years. The liberalization of the financial sector led to substantial increase in the volume of activities in the banking and other financial service industries. Also the recent liberalization of the communication industry has led to huge improvements in the telephone service per capita, increased job opportunities etc. The support provided by such increases in the service industry is expected to show in improved performance of the real sector.

Information and Communication Technology

The following issues are considered critical to improved information and communication services.

- High cost of private provision of power
- Absence of local manufacture and maintenance of information and telecommunication equipment including development of a software development capacity
- Absence of an effective and efficient postal communication
- Inadequate human capacity and indigenous technical known-how.

Policy Thrust

The policy focus of NEEDS is defined by the following:

- Develop and sustain a modern information and communication technology capacity that is conducive to private sector driven growth and economic development, improve quality of life and impact the level of poverty significantly.
- Improve access to Internet connectivity and raise the level of computer usage and literacy
- Facilitate the development of a national multimedia super corridor including provision of appropriate incentives for private sector involvement
- Aggressively promote ICT as an instrument of mass education, growth and development.

Targets

Under NEEDS, the following targets will be pursued:

- To achieve a teledensity of 1:25
- Increase the accessibility of telecommunication to a wider range of Nigerians despite location
- Develop a national communication and telecommunication backbone, satellite including a national multimedia super corridor

Strategies

NEEDS strategically aims at fostering the development of ICT infrastructure, enterprise and business in Nigeria by:

- The use of a combination of fiscal and financial incentives to encourage private sector investment in service provision in the industry
- Enforce existing intellectual property rights and promote entrepreneurship, training and partnerships.
- Pursue a local content policy in the manufacture of communication, telecommunication, electrical and electronic equipment, handsets, accessories, and components.

- Facilitate access to special financial support, (through existing financial institutions-NEXIM, BOI, SMIEIS etc.) for private sector driven rural wireless telephony and Internet connectivity development.
- Foster an enabling environment for software development capacity.
- Provide incentives for the development of industrial parks in ICT

Tourism

The tourism industry in Nigeria has great potentials for attracting foreign investment, generating employment and earning foreign exchange for Nigeria. However, the industry is constrained by

- Inadequate facilities at the established tourist centers in Nigeria
- Low level of awareness of tourist attractions in Nigeria
- Undeveloped tourist infrastructure
- Security to life and property
- Low level of investment in the Tourism sector.
- Poor attitude and disposition to recreation and vacation by Nigerians.

Policy Thrust

- The primary focus of NEEDS is to make Nigeria the preferred tourist destination in West Africa.

Targets

The key target of NEEDS in the immediate term is to increase tourist arrivals into the country by 10% per annum

Strategies

The strategies include:

- Concession existing tourist attractions and provide support infrastructure for tourism in Nigeria;
- Encourage private sector investment in the tourism sector and participation in the management of national parks;
- Focus on improved level of security of life and property to encourage foreign tourists;
- Carry out awareness campaign within and outside of the country on the benefits and potentials in the sector;
- re-orientation of Visa officials
- Establishment of a tourism data-base;
- Establishment of private sector oriented institute for hospitality and tourism with regulation by government;
- Pursue an aggressive environment policy to promote the tourism industry.

Nigerian Film Industry

The Nigerian film industry has a significant foreign exchange earning capacity waiting to be tapped. Recent reports indicate that in the USA for example about 2,000 home video films were rented and sold per month in one shop alone. However the industry is constrained by the following:

- The low level of technological input in the industry
- Problem of intellectual and proprietary rights
- Access to adequate financing
- Professionalisation and inadequate human capacity
- The sector is largely dominant by the informal sector

Policy Thrust

Government's policy thrust is to facilitate the development of a technologically competitive private sector led film industry in Nigeria, generating employment, wealth creation and with net foreign exchange earning capacity.

Targets

The following targets would guide government's action in this regard:

- Facilitate high technological input into the production process;
- Foster the development of a Nigerian version of 'Hollywood' for film production;
- Encourage the development of local manufacture of film production inputs and support services clusters;
- Develop a formal export market for the Nigerian home video to raise foreign exchange earnings to US$250million by 2007;
- Focus on the development of standards and Provide further incentives for private sector investment in the industry to a plan time high of N5.0 billion.

Strategies

- Strengthen the regulatory agency for the industry to facilitate healthy competition upgrade quality ensure appropriate controls, monitor standards effectively and promote standardization of production of quality films in Nigeria.
- Create a window of special funding for the industry through the Bank of Industry and other such existing institutions.
- Design, develop and implement a fast-track formal export scheme to bring the export transactions in this industry under the formal sector.
- Provide incentives for further private sector investment in the sector.

Banking and Other Financial Services Sector

Over the last decade and a half, the financial sector (banks, insurance companies, development finance institutions, etc) has witnessed substantial fluctuations in fortunes. These developments have highlighted the strategic role of these institutions in the country's development process. Apart from their importance in the mobilization and efficient allocation of resources, they also play a key role in the pricing and trading of risks as well as in the successful implementation of monetary and fiscal policies of government.

The shift in emphasis to private sector-led economy deepens the significance of the financial sector in the overall development of the country. There is therefore a strong case to ensure the efficiency of the financial system and reduce the contradiction as represented by the continuing high levels of profit in the sector with no proven catalytic role in development of industries. Other concerns include:

- Absence of depth in the capital market and non existence of long term funds
- Banking system that is dependent largely on public sector funds as significant source of liability creation and foreign exchange trading
- Lack of transparency in the information rendition to the monetary authorities
- Lack of harmony between fiscal and monetary policies

Policy Thrust
In order to build and foster the development of a competitive and healthy financial system supportive of the development process, and to forestall the incidence of systemic distress, it would be necessary to

a) Deepen the financial system both in terms of the volume of assets and diversity of the financial instruments;
b) Change the existing situation of government and their agencies as the main recipients of domestic credit, with private firms crowded out of the market.
c) Revisit the issue of quality of assets and capitalization of financial institutions in the system

Strategies:
Given that the success of NEEDS will depend, in part, on the ability of financial intermediaries to play their roles, financial regulatory authorities and monetary policy framework will

- Embark on a comprehensive reform process aimed at substantially improving the financial infrastructure – legal codes, information systems, etc
- Restructure, strengthen and rationalize the regulatory and supervisory framework in the financial sector
- Address the issue of low capitalization, poor governance practices and of financial intermediaries that render inaccurate returns to the regulatory authorities; and the consequent enormous costs of distress to the financial system

6. Oil, Gas and Solid Minerals Sector

The Nigerian oil and gas sector is regarded as external to the Nigerian economy as there is no proper linkage between it and the other sectors of the economy. The key issues requiring government attention include:

- Low local content level and community unrest in locations of proven reserves deposit;
- Absence of an indigenous technical known-how and a deficient capacity building programme;
- Multiplicity of legislation governing operations in these sectors;
- Absence of a national gas infrastructure (national gas grid system);
- Price and quota volatility;

- Absence of an independent industry regulator for the various sub-sectors.
- Inefficiency and large scale malpractices;
- Safety and regulation and fraudulent leakages;
- Inadequate financing arrangement including especially cash call obligations ;
- Petroleum products supply constraints including local refining and distribution capacity;
- Huge and untapped solid minerals reserves deposits.
- Limited value adding activities/processes (complete absence of integrated petrochemicals capacity)

Policy Thrust

Government's policy thrust is defined by the need to

- Increase level of crude oil reserves;
- Ensure regular supply and distribution of petroleum products through a liberalized and deregulated supply, distribution and refining system;
- Increase the drive for investments to establish integrated petrochemicals based on the gas stream with majority private sector interest
- Increase local content and thus improve linkage of the sector to the rest of the economy;
- Sustain existing focus on terminal date to discontinue gas flaring;
- Hedge national economy against volatility in the crude oil market and OPEC quota;
- Harness and exploit the huge gas reserve to increase utilization of gas in power generation and boost national foreign exchange earnings;
- Foster healthy, orderly and competitive development of the various sub sectors through effective and efficient regulatory and standards/quality control agencies;
- Develop a solid minerals development policy with an incentive structure for private sector participation.

Targets

- Achieve a reserve level of 40 billion barrels by the year 2007 and an OPEC quota of 7% - 10% by 2004;

- Design and facilitate the implementation of a national gas grid by 2007;
- Completely deregulate the downstream petroleum sector including the distribution network;
- Unbundle the NNPC and privatize its downstream subsidiaries, enable NPDC and a professionalized NNPC to compete as any other oil companies;
- Achieve significant increases in the local content in the oil and gas service sector to 70% by 2007;
- Develop and codify existing fiscal incentives (especially on gas);
- Attract participation of the private sector in the solid minerals development.

Strategies

- Design and facilitate, in collaboration with the private sector, the implementation of a national oil and gas policy as well as a national gas grid system
- Explore the use of alternative funding schemes in the sector and in particular set up long term financing arrangements in support of local content.
- Develop a Nigerian domiciled database on Nigerian oil and gas and Nigerian professionals
- Streamline and codify existing incentives in the gas sector.
- Facilitate projects that have spin-offs in technology transfer and employment in the non-oil sector especially the petrochemical industry
- Complete deregulation of the down stream sector with the privatization of the refineries and product haulage facilities/distribution network (PPMC)
- Improve security (against vandalisation of facilities), and strengthen the DPR to perform its regulatory functions properly.
- Encourage transparency in the management of oil revenue through the implementation of the EITI protocol to which the country is signatory
- Promote the development of the petrochemical sector to facilitate private sector investment in the development of support industries that use its products as primary raw materials.
- Implement existing legal framework for small and artisan operators in the solid minerals sector.
- Complete the upgrading and empower the Geological Survey Agency to become the industry regulator and provide a comprehensive database of all known Nigerian solid minerals both the location and mineable reserves.
- Promote and ensure a systematic and orderly allocation of Bitumen/Tarsands Blocks in the Nigerian vast Bitumen Belt which stretches from Edo State to Lagos State
- Compilation of modern Cadastral Register of all available mining rights, licenses and leases of known minerals
- Codify a system of incentives to attract private sector investment into the solid minerals sector.
- Complete the geological mapping of the entire country and simplify the process of issuing licenses.
- Oil companies should compete in involving domestic value adding industry and their track record in this respect will determine their eligibility to bid for future oil and gas blocks.
- Where capacity exists specific jobs should be reserved for domestic value adding industry and thus strengthen the domestic base of the sector.
- Review the Land Use Act to facilitate entry into the Solid Minerals Sector.

Solid Minerals Development

The existing constraints to solid mineral development include lack of enough proven deposits, lack of adequate capacities in mining and processing, lack of infrastructural facilities, unfavourable fiscal regime, and uncompetitive legal and regulatory framework. An immediate/short term program to address these constraints will be put in place especially for minerals that are vital for local industries, such as barytes, limestone, gypsum and kaolin that are currently on the import restriction list.

Policy Thrust
In the short run, government will invest in geological surveys to provide and disseminate information on minerals. NEEDS will encourage the formalization of small scale mining as it is a potent source for employment generation. The government will also initiate sustained development of minerals for consumption by local industries in the short to medium term with the aim of achieving self-sufficiency by 2010. Informal sector mining activities shall also be formalized and supported for sustainable production and to create opportunities for self-employment.

Minerals for Export
The driving force, behind a country's ability to attract foreign investment in mineral exploration and development, is the availability of geological data and information. Superb mineral endowment can overcome many other investment obstacles. Government in the quest for attracting mining investment should make geological information available. Private/public sector partnering will be promoted.

It is important that key projects for industrial, metallic and Energy minerals be taken to exploration confidence level. A program for the execution of this would be carried out by the Nigerian Mining Corporation (NMC), Nigerian Coal Corporation (NCC) and BPIC. These public mining institutions would hold Government shares in resultant joint ventures.

Criteria for Project Selection

- Needs of the local industries
- Import substitution
- Potential for value added component

The Principle
The guiding principle underlying the strategy for solid minerals development is that Nigeria must seek to provide raw materials to meet local industrial demand as a priority and to export as the external environment and local cost structure will permit. The action plan will vigorously support exploration of base metals, precious and semi-precious stones.

Action Plan

Geological Survey of Nigeria
Landsat/Radarsat (remote sensing) coverage of the whole country will be undertaken immediately. This will be complemented by Aero magnetic, Electromagnetic (EM) and radiometric survey. The Geological Survey Department will carry out ground truthing surveys using the remote sensing results to achieve the objective of attracting private investments. It will also immediately commence digitization of existing maps immediately.

Informal Mining Activities:

The preponderance on illegal and small scale mining has led to:

- Environmental degradation – shallow ponds, abandoned pits, pollution of river systems, high exposure of radio active and hazardous minerals and river silting
- Social problems including child labour with poor working and living conditions at mine sites
- National security risk due to infiltration and migration of other nationals from one site to another, working on both registered and unregistered titles
- Low productivity and wastage of minerals due to poor ore and mineral recovery during mining as well as inefficient production and processing technique
- Mining operations are carried out on an informal basis without regards to health and safety
- Lack of access to financial assistance inhibiting growth of the industry
- Haphazard sale of mineral products and attendant loss of revenue to government
- High level of smuggling

Formalization of Informal mining activities

All over the world, informal mining operations have been formalized into economically viable and environmentally friendly ventures. These programmes are extensively used as vehicles of poverty eradication as they provide massive employment in the rural areas. Apart from making the mines-field conducive for investments, the products from artisanal and small-scale mining contribute appreciably to the solid mineral export of the nation.

Other benefits include:

- Payment of revenue due to Government
- Provision of sustainable self-employment for at least 500,000 Nigerians
- Minimizing environmental degradation
- Minimizing social and health problems such as child labour, and spread of Aids.

Programme Thrust

- Review of the current legislation with emphasis on consultation and interactive discussion with mining communities where both government (social, economic and environment) and community (cultural, social, economic, traditional, ethnicity, and religious) interests are preserved.
- Inventory of the real situation (number of miners, environmental degradation status, market structure, licensing, etc) of the artisanal small-scale mining in Nigeria
- Promotion of mining co-operatives and associations of miners in order to simplify the control and assistance (financial and technical and guarantee the sustainability of the activity in active collaboration with a the Local Government, States and community leaders
- Promote the establishment of central processing units in order to enhance the value of the minerals
- Promote environment awareness and environmental rehabilitation of sites after mining
- Promote training on mining and processing methods that are environmentally acceptable in order to improve skills and competence, and reduce health risks of the miners and their dependents.

- Develop basic infrastructure services in the mining communities (such as electricity, water, schools, hospitals, and access roads).
- Stimulate and enhance access to financial assistance for artisanal and small-scale miners.
- Promote transparency and participatory principle at all levels of Government and management of small-scale mining activity
- Promote interaction and consultation between different organs exploiting natural resources (land, forest, and minerals).

Establishment of buying centers

Licensed buying centers shall form the procurement interface between the mining co-operative/licensed miners, local users and export markets. They are designed to ease the problems associated with marketing of products for miners so that miners can earn premium returns on products near their operational sites. They will also help government to minimize mineral smuggling and ensure the collection of revenue.

Creation of Extension Services

Technical assistance and support services shall be rendered to the artisanal and small-scale miners in order to enhance and sustain and sustain their operations. Provision of these services will be in the areas of prospecting and Exploration

CHAPTER NINE
TRADE AND REGIONAL INTEGRATION POLICIES

Regional Integration

With globalization, two major trends are noticeable: first is the emergence of multinational firms with strong presence in different, strategically located markets; and secondly, convergence of consumer tastes for the most competitive products, irrespective of where they are made. In this context of the world as a "global village", regional integration constitutes an effective means of not only improving the level of participation of countries in the sub-region in world trade, but also their integration into the borderless and interlinked global economy.

In the spirit of subsisting treaties, Nigeria is committed to the full and complete implementation of the ECOWAS Free Trade Zone agreements, the creation of a single monetary zone and the unification of West Africa into a common custom territory. In this regard, we shall aggressively work towards the realisation of the following objectives.

- Adoption of a common trade and competition policy.
- Adoption of a common currency under the WAMZ Protocol
- Removal of all non-tariff barriers to trade; and introduction of a common external tariff regime

Policy Thrust

- Organisation of macro-economic convergence as well as the harmonisation of financial and economic policies that are expected to lead ultimately to monetary integration; and

- Strengthening of infrastructures, particulary those that play a key role in building the regional markets (road, electricity, communication, infrastructure, etc.) and re-invigorating intra-African trade.

In the same spirit of addressing together major challenges such as reducing poverty, conflicts and wars, environmental threats, risks of technological and economic marginalisation, access to productive resources as well as governance issues, Nigeria is committed to the New Partnership for African Development (NEPAD) which focuses on the provision of essential public goods as well as the promotion of intra-African trade and investments. We shall make all possible efforts to ensure that the spirit, the objectives and the letter of this new development initiative as a key ingredient for Africa's development are realised.

Strategies

The strategies include:

(k) Regular hosting of Trade Fair in the sub-region where Nigerian business community will be assisted to participate.

(ii) Establishment of Nigeria Trade Promotion desks in Nigeria's Missions in specified countries.

(iii) Facilitate the establishment of regional Stock Exchange that will be private sector driven.

(iv) Promotion of regional trade associations, such as Federation of West African Manufacturers Association (REWAMA).

(v) Promoting direct investment in some sectors of the economy of other African States, such as, cement, plastic, food and beverages etc. by the Nigerian private sector.

(vi) Encourage the building of refineries in some of the countries under the proposed deregulation of downstream sector.

(vii) Promote the concept of regional security integration as distinct from the regular peacekeeping force of ECOMOG, to provide security and facilitate conducive business linkage.

(viii) Encourage the learning of a second language (French or Portuguese) through compulsory courses at the Primary and Secondary School levels.

(ix) Stipulation of minimum domestic value – added for commodities/manufactures to be traded within ECOWAS under existing protocols.

Trade Development

A major thrust of NEEDS is to promote an export led growth strategy that will take advantage of globalization and the external trade opportunities which regional and international trade/economic integration arrangements offer. This will encourage the growth of industries whose growth had hitherto been hampered by narrow domestic market opportunities, promote technological innovation and diversify the sources of foreign exchange earning.

Key Issues

Currently, the growth of the economy is constrained by the inability of domestic producers to compete effectively in foreign markets and even in the domestic market.

Broad Objective of Trade Policy

To develop an external trade regime where exports will constitute an important engine of growth for the domestic economy. Through this process, the sector will contribute to job creation on a sustained basis.

Current Constraints:

(i) Unfavourable international trade rules.

(ii) High cost of domestic production due to weak infrastructural base (cost of alternative power, water, etc.)

(iii) Absence of adequate incentives, and leakages in the implementation of fiscal and tariff laws.

(iv) Massive smuggling, faking/counter-feting and dumping of products

Policy Thrust:
Nigeria is geographically well-situated to play a pivotal role in meeting the challenges faced by sub-Saharan Africa in an interlinked global economy. Accordingly, the strategy will include

(i) Aggressive export promotion drive and economic diplomacy. Nigerian Missions abroad would be evaluated on the basis of what export deals they help to facilitate.

(ii) Harmonization of tariffs with ECOWAS CET, but using taxes and import prohibitions to protect local industries

(iii) Rationalization and enforcement of tariffs to achieve fiscal policy targets.

(iv) Setting up of specific task forces on harnessing the potential benefits of specific concessionary trade arrangements, such as AGOA etc.

(v) Exploitation of cultural affinities with the African Diaspora to penetrate markets in textiles, food and cultural artefacts exports.

(vi) Active participation in the negotiations of a new WTO on terms conducive to Nigeria and Africa

Finally, the development of a deep-sea port, inland container depots, Free Trade Zones and development of shipbuilding facility will be vigorously pursued as part of the strategy for enhancing coastal shipping, international trade and regional integration. Nigeria has a favourable and advantageous geographical location to serve as a major hub for regional trade and distribution network in a fast expanding global market. In order to take advantage of these opportunities, the private sector will be encouraged to take a proactive stance and develop new and creative production arrangements with foreign partners, develop entrepreneurial skills as well as significantly increase indigenous capacity in ship-building and maritime services.

Part Four

The Social Charter and Implementation Strategy

CHAPTER TEN
THE SOCIAL CHARTER: HUMAN DEVELOPMENT AGENDA

Human Development:

Too often, we attempt to measure progress by statistical aggregates and technical prowess, we thereby tend to overlook that the main goal of life is to ensure survival and to enable everyone realize his full potential for well-being, fulfillment and accomplishment in happiness, joy, love, and contentment. National income figures neither reveal the real beneficiaries nor the composition of that income. They do not value the things that human beings consider important for themselves but have little or no market value for others or those beholden to statistical aggregates – freedom of choice, better nutrition and healthcare, security against crime and physical violence, better working condition, access to knowledge and information, closeness of family life and community life, satisfying leisure and recreational facilities and time, a sense of participation in the economic, cultural, religious and political activities of their communities. People also want higher incomes but income is never the sum total of human life. For most people, health, security, freedom, love, recognition and fulfillment through active participation and accomplishment are some of the important things in life.

We must not continue to stress the pursuit of high growth rate in statistical terms and fail to reduce the social and economic deprivation of a substantial number and group of our people. We must not absolutely pursue wealth and growth at the expense of inner well-being, joy, satisfaction, fulfillment and contentment of human being. This, to me, is human development. The human development idea pioneered by Mahbub ul Hag, former Pakistan's Minister of Finance, and under the UNDP, is distinctive from other concepts of growth and development. Economic growth is surely necessary but not sufficient for human development. For this purpose and to ease the complexity of measurement, UNDP concentrates on only three yardsticks of well-being which are regarded as the essentials of human life- longevity, knowledge and a decent standard of living. I will add security, participation and choice.

With relative poverty, a careful judicious and equitable use of available resources can achieve wonders. There is no reason why most of the essential goals of human endeavor should not be achieved for nearly all Nigerians in the first decade of the twenty-first century. We have the knowledge and enough resources for this purpose. We only need the political will to break the mould and to remain resolutely consistent and undiverted. Our reform policies which must be doggedly pursued are fundamental, life-giving and indispensable to human development. With sound and laudable reform policies resolutely and successfully implemented, there must, of necessity, be improved incomes. There can be no sustained momentum over the period without a rise in revenue and income at the national, state, community, family and individual levels. This will entail some element of income re-distribution. National economic growth must be pursued relentlessly but at the same time we must ensure fair and reasonable distribution of its fruits. Eradication of corruption will certainly enhance human development.

For evenness of human development nationwide, our reform policies must impact on the urban population as well and as much as on rural population. Progress in provision of electricity, water, roads, health and sanitation in urban and rural areas must continue to be accelerated. The rural areas, in particular, must be made more livable and worth living in. Along with physical aspect of village and rural renewal and development must be access to education which will include adult education and distance learning.

Human development will be grossly undermined and impaired without employment. Agriculture and small and medium enterprises (SMEs) are the areas that can and must provide reliable employment opportunities. Attention and direction must be turned to this. Human development may not necessarily mean uniform human progress, but it must indicate discernible and reasonable progress, fulfillment and satisfaction for almost all

President Olusegun Obasanjo (September 2003)

A. Overview of the Issues/Current Challenges

The Social Charter refers to that contract between the individual and his government, which recognizes his rights and responsibilities and promises to deliver to him the basic necessities for a decent human existence. These include potable water, food, clothing, shelter and access to adequate nutrition, basic education, primary healthcare, productive assets, security and protection from shocks and risks.

The social conditions in Nigeria present a startling paradox; in spite of a robust endowment in natural and human resources, the level of poverty of her people stands in contrast to the country's vast wealth. For decades, the country has struggled with the issue of socio-economic development, which has remained in decline in the face of increasing revenue from crude oil.

The deepening incidence and dynamics of poverty in Nigeria have stratified and polarized the Nigerian society between the haves and have-nots, between the north and the south, between the educated and uneducated; poor parents beget poor off-springs (creating a kind of dynasty of the poor). The resulting tensions and social conflicts have eroded the fabric that held society together. The resulting challenge of development is not only the need to reform the economy for enhanced economic growth, but also how to empower the citizenry as a means of revitalizing the weakened social pillar. This calls for the human rights approach to development planning, which places human beings at the center of development efforts. The added value provided by this approach is that the norms and values enshrined in it have the potential to empower the poor, since it is now widely recognized that effective poverty reduction is not possible without empowerment of the poor.

Poverty reduction is the most difficult challenge facing Nigeria and its citizens. It is also the major hurdle that must be overcome in the pursuit of sustainable socio-economic growth. Available statistics indicate that the poverty rate of the population increased from 27% in 1980 to about 70% by 1996. By 1999, it was estimated that more than 70% of Nigerians lived in poverty. Among other indicators, the gender composition of primary school enrolment in Nigeria showed little or no change during the decade of the 1990s, with the female share being consistently below 50% though a modest improvement emerged in the year 2000. Life expectancy is unsatisfactorily low at 54 years. Infant mortality at 77 per 1000 and maternal mortality at 704 per 100,000 live births are among the highest in the world. Other available indicators show the following unsatisfactory picture;

- Only about 10 % of Nigerians in 1999 had access to essential drugs;
- Physicians per 100,000 people were fewer than 30
- Over 5 million adult Nigerians have been estimated to be living with HIV/AIDS, a number that may be currently exceeded;
- Of the children under 5 years of age in 1999, close to 30% were classified as under weight
- The proportion of children fully immunized had dropped from 30% in 1990 to 17% in 1999 and almost 40 % of the children in the later year had never received any vaccination

- Access to safe drinking water in 1999 was limited to about 50% of the population, and less than 40% of the rural population had access to safe drinking water, as against about 80% in urban areas
- Some 29% of the total population live at risk from annual floods,
- Over 90% of the rural population depends on the forest for livelihood and domestic energy
- Up to 1.5 hours a day on average are spent by rural households to collect water and fuel wood, with household members working an average of one kilometer a day to collect water and fuel wood

Qualitatively, poverty in Nigeria has many manifestations and dimensions, including joblessness, over-indebtedness, economic dependence at adult age, lack of freedom, and inability to provide the basic needs of life for self and family. Other characteristics include lack of access to land and credit, and inability to save or own assets. The poor tend to live in dirty localities that exert significant pressures on the physical environment, thereby contributing, however inadvertently, to environmental degradation. The poor, especially peasants, perceive their general economic circumstances to be excessively fraught with uncertainty, including those relating to the behaviour of primary commodity prices the volume of rainfall, pest attacks, fire outbreaks, changes in soil conditions and social conflicts. However, lack of food is the most critical dimension of poverty, which is reflected in the popular saying that "when hunger is excised from poverty, the burden of poverty is light".

Table 10.1: Nigeria - Poverty Incidence Indicators, 1980-96[3]
(The poor as a percentage of the total in the specified groups)

	1980	1985	1992	1996
National	28.1	46.3	42.7	65.6
Geo-Political Zones				
(i) North East	35.6	54.9	54	70.1
(ii) North West	37.7	52.1	36.5	77.2
(iii) North Central	32.2	50.8	46	64.3
(iv) South East	12.9	30.4	41	53.5
(v) South West	13.4	38.6	43.1	60.9
(vi) South South	13.2	45.7	40.8	58.2
Sector				
Urban	17.2	37.8	37.5	58.2
Rural	28.3	51.4	46	69.3
Gender of Head of Household				
Male	29.2	47.3	45.1	66.4
Female	26.9	38.6	39.9	58.5
Size of Household				

[3] As stated earlier, there is an ongoing nation-wide household survey by the Federal Office of Statistics. This will provide up to date statistics on the state of poverty in Nigeria.

1 Person	2	7	29	13.1
2-4 Persons	8.8	19.3	19.3	59.3
5-9 Persons	30	50.5	51.5	74.8
10-20 Persons	51	71.3	66.1	88.5
20+	80.9	74.9	93.3	93.6
Education of Head of Household				
No Education	30.2	51.3	46.4	72.6
Primary	21.3	40.6	43.3	54.4
Secondary	7.6	27.2	30.3	52
Post-Secondary	24.3	24.4	25.8	49.2
Age of Head of Household				
15-24 Years	16.2	25.3	28.7	37.4
25-34 Years	17.8	33.4	28.5	52.7
35-44 Years	26.7	46	42.1	64.6
45-54 Years	27.1	49.7	45.7	71.3
55-64 Years	39.7	55.7	48.2	69.9
65+ Years	28.8	49.1	49.5	68
Source: Federal Office of Statistics				

Note: As is evident from tables 10.1 above and 10.2 below, the data are somewhat obsolete. The Federal Office of Statistics is conducting a new household survey, and an up to date data will be published soon.

Table 10.2: Primary School Enrolment by Gender, 1991 – 2002

Calendar Years	Percentage Share of Specified Gender in Total Enrolment	
	Female	Male
1991	43.2	56.8
1992	42.4	57.6
1993	44.6	55.4
1994	47	53
1995	47.8	52.2
1996	47.2	52.8
1997	48.2	51.8
1998	47.3	52.7
1999	45.9	54.1
2000	50.1	49.9

Source: Federal Office of Statistics

B. Causes of Poverty

Overall, inadequate growth rate of the Gross Domestic Product (GDP, which averaged 2.9 per cent between 1993 and 2001 vis-à-vis a population growth rate of 2.8 per cent a year) accounts for the high level of poverty in the country, a situation compounded by volatility of the oil sector, which impacts a whole range of activities in the economy. There has grown over time high unemployment rate which continually enlarges the size of the poor. Other factors that have contributed to the level and evolution of poverty in the country are as follows:

(i) Production Factors

The limited growth of investments and technological innovations has constrained the labour absorption capacity of the non-agricultural sector, especially manufacturing, thereby aggravating the poverty situation, especially in the urban areas. In addition, transitional problems related to difficulties in managing transformation from high cost industries heavily dependent on imports and the impact of globalization on domestic industries that are unable to compete with imported substitutes appear to have contributed to the limited growth of domestic production and employment, thereby constraining the options for exit from poverty. International evidence from countries in roughly comparable circumstances also suggests that the savings propensity in Nigeria is on the low side, providing weak underpinning for the sustained domestic investment growth needed as an essential weapon in the fight against poverty in the country.

(ii) Income Distribution

The growing income inequality has contributed significantly to the deterioration of the poverty situation in Nigeria. Economic growth in the country has been far from being inclusive, and that those within the nexus of public sector management nationwide have tended generally to benefit more from economic growth than those on the outside. Fiscal policies (taxation, expenditure etc) have not helped in encouraging income redistribution. In sum, economic governance problems in Nigeria have contributed to the deterioration of both absolute and relative poverty. A related problem is the decline in the living standards of a growing number of pensioners (including retired members of the Nigerian middle class in general), due to under-funding and management problems in pension arrangements in public and private sector institutions.

(iii) Economic Governance Problems (including Corruption)

In its various dimensions, unhealthy economic governance (including corruption) is generally believed to have contributed significantly to the poverty in Nigeria. For example, governance problems are widely thought to have been among the major reasons for the limited effectiveness of past poverty alleviation programmes. The capacity of individuals and businesses to exploit the well-known potentials of the Nigerian economy for their own economic betterment has also been generally hampered by the several informal costs associated with corruption in the society.

(iv) The Social Conflicts Factor

The economic and social dislocations caused by internal conflicts have also impacted negatively on the economic well-being of individuals and businesses in various ways. Such conflicts often lead to loss of lives for principal income earners in many a family, or destruction and loss of major assets such as houses or land. Those not displaced from conflict areas often thereafter face reduced and inadequate infrastructure and other facilities needed for decent living. A study by the Institute for Peace and Conflict Resolution shows that the unfortunate occurrence and in several cases reoccurrence of social conflicts in various localities in Nigeria have contributed undoubtedly to the deterioration of the poverty situation, not only in the directly affected areas but also in areas affected by inflows of internally displaced people. The uncertainties associated with actual or potential conflict situations also tend to discourage serious in-country commitment of investments, domestic as well as foreign.

(v) The Gender Factor

Traditional gender practices and institutions in Nigeria are generally such that the economic situation tends to impact less favourably on females than on males. Partly due to traditional property rights and inheritance practices, widows are more poverty-vulnerable than widowers. Partly because they are proportionally with less formal education than their male counterparts, females also generally benefit less from using employment as a means of fighting poverty. In short, being of one gender or the other is unfortunately still in Nigeria an important determinant of one's poverty situation or one's poverty-escaping opportunities, as in most other developing countries. Detailed information on the problems, progress, and possibilities in regard to the status of women and children in Nigeria is provided in a comprehensive study published in the year 2001 jointly by the National Planning Commission and UNICEF, entitled Children's and Women's Rights in Nigeria: A Wake-Up Call. This publication provides valuable information base for addressing viable options in gender development policy in Nigeria as the implementation of NEEDS proceeds.

(vi) Inter-Sectoral Factors

Some evidence suggests that the rural sector (which contains about 70 per cent of the total population) has been facing a relatively more serious poverty situation than the urban, due to a variety of factors, including:

- Sharp seasonality in the flow of production, income, and employment opportunities in the rural sector.
- Relative shortage of social and economic infrastructure in the rural areas, as compared to the urban.
- Migration of the (educated) workforce to the urban areas and the consequent ageing of the rural population.
- Low productivity of rural (and especially agricultural) production, due partly to limited access to credit, pesticides, extension services support, and modern technology for agricultural production, processing, and preservation.

At the same time, with partly rural-fed increases in population putting pressures on limited resources in the urban areas, the latter centers continue to face serious problems of unemployment, under-employment, housing and other environment-related problems, which contribute to persistent seriousness of the urban poverty situation.

(vii) Other Factors

Other factors affecting the poverty situation in Nigeria include the following:

- Historically inconsistent and unstable policy environment facing actual or potential participants in economic activity in the country, thereby hindering sustained pursuit of personal or corporate economic improvement plans.
- Infrastructural deterioration, due to poor maintenance, which increases the cost of production and limits opportunities for employment growth and other means of exit from poverty.
- Significant debt service payments, which pre-empt resources that could have been used for the expansion of social services and other anti-poverty programmes.
- The relatively high population growth rate of 2.83 per cent per year, which constitutes a significant drag on increases in income per capita as an anti-poverty instrument.

C. Overview of Anti-Poverty Initiatives

The response of various administrations to the poverty problems appears to have been ad-hoc, uncoordinated and more or less a fire-brigade approach. A recent survey of such policies and interventions chronicle about 28 projects and programmes with poverty reduction thrusts (see Annex 4 between 1975 and 2001, spanning virtually all the sectors of the national economy. Apart from the Federal Government, several state governments have also put in place a number of poverty reduction schemes.

Programmes such as community banks, DFRRI, NDE, Peoples Bank, Better Life for Rural Women, Family Support Programmes, etc were established by different governments, to address various manifestations of poverty such as unemployment, lack of access to credit, rural and gender dimensions of poverty, etc. While none of these programmes was completely without merit, the truth is that they did not have a significant, lasting and sustainable positive effect.

The following were identified as major reasons hindering the success of government efforts to reduce the level of poverty in the land:

i) Poor coordination
ii) Absence of a comprehensive policy framework;
iii) Undue political interference;
iv) Ineffective targeting of the poor, leading to high level leakage of benefits to unintended beneficiaries;
v) Unwieldy scope of programmes resulting in resources being thinly spread among too many projects;
vi) Overlapping functions, which ultimately led to institutional rivalry and conflicts;
vii) Absence of sustainability mechanisms in programmes/projects;
viii) Lack of involvement of beneficiaries in project design, implementation, monitoring and evaluation.

With the advent of democratic government in 1999, measures have been adopted to streamline poverty-related institutions, review past poverty alleviation programmes, and harmonise sectoral efforts.

D. Policy Thrust

The policy thrust is to improve the quality of life of Nigerians significantly and create social safety nets for the vulnerable section of the populace as well as to cater for those displaced by the dynamics of the reform process. Economic Empowerment is the main focus of the new strategy for development. Given that overall economic growth by itself may not necessarily generate poverty reduction at the desired pace, the need for direct and specific steps to facilitate individual economic empowerment, particularly among the poor and other vulnerable groups, becomes imperative.

E. Targets

Towards an effective reduction of poverty, NEEDS will ensure the attainment of the following broad targets:

- Average per capita consumption growth of at least 2% per annum
- Creation of about 7 million jobs over the period 2004-2007
- Increase in immunization coverage to 60% by 2007
- Access to safe drinking water to an average of at least 70% (urban and rural)
- Adult literacy rate of at least 65% by 2007

F. Specific Sectoral Strategies

(i) Education

Under NEEDS, education (especially basic education) is considered the key bridge to the future. Half of Nigeria's population are children. Thus, education is a key instrument to empower the children to take charge of their lives in the future. In this regard, the strategy will aim at the empowerment of the citizenry to acquire skills and knowledge that would prepare them for the world of work. In order to achieve this, it will address the following crucial issues:

- Faithful implementation of the free, compulsory Universal Basic Education law to among others
    - Improve education infrastructure
    - Expand institutional capacity to produce quality manpower
    - Expand total school enrolment to increase the literacy level
- Review of school curricula from primary to tertiary to incorporate vocational and entrepreneurial skills
- Re-tooling and repositioning of technical schools to be able to address the technical manpower needs of the economy
- Establishment of more vocational centers to encourage Nigerians to embrace vocational education
- Review of school curricula at all levels to incorporate the study of Information and Communication Technology (ICT)

- In view of Nigeria's position in, and vision of, ECOWAS sub region, review school curricula to make study of French compulsory from primary through secondary schools
- Expand existing Special Education Programmes including the Virtual Library Project, the distance Learning Programme and the Nomadic Education Programme.
- Sustain existing vocational/on-the-job training programmes of the Federal Government and encourage the States to do the same
- The National Youth Service Corps will be reviewed with a view to using a good part of the service year to develop entrepreneurial and basic business skills in the corps members. The orientation period will be extended to include a one-month period for formal training on entrepreneurship. Following the training, corps members will be posted mainly to industrial (including small scale enterprises) and agricultural concerns so that the exposure will encourage them to consider the possibilities of post service self-employment.

University and Tertiary Institutions:

Under NEEDS, government recognizes the critical importance of Universities and tertiary institutions for high quality manpower development, especially in the context of increasingly technologically driven world economy. Government also recognizes the challenges facing these institutions which range from inadequate funding and facilities, some curricula that are ill-structured to meet the challenges of national need, inadequate and inappropriate staffing (especially at the lecturership cadres), cultism and lower moral and academic standards among students. Currently, higher institutions in Nigeria depend almost exclusively on subventions from government. The bulk of the Federal Government spending on education goes to the tertiary institutions, while state governments spend at least 20 percent of their budget on education--- mostly primary and secondary education. Almost total dependence on the Government for funding higher education is neither practical nor sustainable. There is therefore a need for fundamental reforms of the higher education system in Nigeria. The strategy for reforms include:

- Strict adherence to the provisions of the University Autonomy Act.
- Diversification of funding, including the attraction of private sector funding and consideration of more appropriate pricing of facilities and services (including hostel accommodation).
- Update and restructure the curricula to meet the demands of the national economy, and mainstream science and technology especially ICT.
- Ensure effective monitoring of the public and private universities to ensure strict adherence to standards.
- Develop innovative approaches to ensure continuing re-tooling and capacity-building of lecturers in order to operate at the cutting edge of their disciplines.
- Increasingly move towards decentralized and competitive wage bargaining system among the tertiary institutions, thereby promoting performance-based reward system.

- Mass mobilization and value re-orientation among students to emphasize hardwork, discipline, and selfless service.

(ii) Health

Overall, the health sector development strategy will continue to emphasize the strengthening of preventive and curative primary health care services. The goal of the health sector's component of the NEEDS is to improve the health status of Nigerians as a significant co-factor in the country's poverty reduction strategy. The initiative will involve the undertaking of a comprehensive health sector reform largely aimed at strengthening the national health system, and enhancing the delivery of effective, efficient, quality and affordable health services to Nigerians.

Policy Thrusts

1. To improve government's performance of its stewardship role of policy formulation, health legislation, regulation, resource mobilization, coordination, monitoring and evaluation.
2. To strengthen the national health system and improve its management.
3. To improve the availability and management of health resources (financial, human, infrastructure, etc.)
4. To reduce the 'disease burden' attributable to priority diseases and health problems, including malaria, tuberculosis, HIV/AIDS, and reproductive ill-health.
5. To improve the population's physical and financial access to quality health services.
6. To increase consumers' awareness of their health rights and obligations.
7. To foster effective collaboration and partnership with all health actors.

Major Strategies/Interventions

- Redefinition of the roles and responsibilities of FMOH and other federal public health structures and institutions in the provision and financing of quality health services to Nigerians.
- Reorganization and restructuring of FMOH and other public health structures within the context of the redefined roles and responsibilities
- Review of existing health policies and strategies as well as health legislations culminating in the publication of a new National Health Policy and the enactment of a National Health Act that defines the national health system and the health functions of each of the three levels of government.
- Strengthening the capacity of FMOH in policy formulation and implementation.
- Improving the existing and/or setting up of new mechanisms to generate and use evidence and information for health policy/programme/plan development and implementation.
- Strengthening Local Governments' capacity in PHC management.
- Refurbishing of primary health care facilities and making them operational.
- Implementation of the Vamed Engineering Project for the refurbishing of teaching hospitals and the standardization of their equipment.

- Establishment of a National Hospital Services Commission to enhance better management of tertiary health institutions.
- Establishment of systems for efficient management of health resources, including finance, human resources and physical infrastructure.
- Construction and institutionalization of National Health Account (NHA).
- Development and implementation of a comprehensive health care financing strategy, including the fast-tracking of the National Health Insurance Scheme (NHIS).
- Undertaking strong advocacy for increased budgetary allocation to health at all levels.
- Rehabilitation and refurbishment of the National Drug Production Laboratory.
- Full operationalization of the National Institute for Production of Vaccines and Biologicals.
- Establishment of the National Blood Transfusion System.
- Creation of the enabling environment for the local manufacturing of about 70% of Nigeria's needs for essential drugs/supplies and ARV drugs/reagents.
- Determination of the burden of disease in Nigeria.
- Development and implementation of a well-costed strategic plan for combating each of malaria, TB, Reproductive Health, etc.
- Development and implementation of an appropriate health sector's response to the HIV and AIDS pandemic.
- Creation and/or strengthening mechanisms for:
  - (i) Checking the transmission of polio virus by end of 2004;
  - (ii) the early detection, diagnosis and response to epidemics;
  - (iii) rapid and sustainable increase in routine immunization coverage.
- Strengthening existing programmes/initiatives for the elimination/eradication of specific diseases, e.g., Guinea worm.
- Provision of a minimum package of health services to all Nigerians as an integral part of the poverty reduction strategy.
- Development and implementation of a mechanism for measuring the performance of tertiary health institutions.
- Development and implementation of a strategy to improve health workers' attitude, morale and commitment.
- Establishment of a reliable system for the supply of quality drugs and medical materials to health facilities.
- Strengthening NAFDAC to perform its regulatory functions.
- Development and implementation of a strategy to increase consumers' knowledge and awareness of their personal obligations and rights to better health.
- Development and implementation of a strategy to enhance community participation in the provision and financing of health services.
- Using the results of the study on private health sector as evidence for formulating policy for the promotion of public-private partnership in health care provision and financing.
- Development and implementation of a framework for enhancing effective coordination of development partners.

In addition to the foregoing, other elements of the health sector reform program will include:

- Increase in antenatal, postnatal and family planning services and outlets to reduce maternal and infant mortality from the present 704/100,000 and 77/1000 respectively
- Intensification of the campaign for the eradication of harmful traditional practices such as female genital mutilation and child marriage. Already, several State governments have passed the necessary legislations, and many more are in the process of doing the same.

iii. Housing

The housing strategy is aimed at developing affordable houses for the masses. The Land Use Act will be reviewed in order to make the acquisition of land cheaper for developers with a view to making houses more affordable. The review of the act will also be aimed at expediting the acquisition of title by individual land allotees to facilitate access to mortgage finance.

Efforts will be intensified at popularizing the use of local raw materials e.g. cement stabilized laterite and burnt bricks etc as a way of reducing the cost of housing construction. Furthermore the curricula of faculties of architecture and building in tertiary institutions will be revised with a view to encouraging their graduates to design and build with these materials. Public buildings such as schools, hospitals, post offices, barracks and markets will lead in the adoption of these local materials. As matter of policy the production of houses will be the responsibility of the private sector, local governments and state government. Apart from the FCT, the FGN will only assist house producers with matching grants for the development of site and services.

iv. Employment Generation

At about 5.3% annual growth rate, urbanization in Nigeria is one of the fastest in the world and with a stagnant secondary sector, the urban unemployment is estimated at about 10.8%. If the secondary sector, especially manufacturing and the services sector do not grow sufficiently to absorb the surge of labour force to the urban areas and/or the rural areas sufficiently transformed to stem the rate of rural –urban drift, the prospective rate of urban unemployment could become really unmanageable. All these have grave implications for poverty, and hence for crime, conflict and sustenance of democracy. NEEDS recognises not only the urgency of the unemployment situation but also that there will be a lag in the expected job creation effects of the reform programme. It also recognises the need for direct and specific steps to facilitate individual empowerment particularly among the youths and other vulnerable groups through the creation of new jobs.

The Policy Thrust

Since the private sector is expected to generate most of the jobs, the policy thrust is aimed at:

- Creating the enabling environment using the specific sectoral programmes for the private sector to prosper
- Empowering people by providing for the acquisition of relevant skills to prepare them for the world of work
- In collaboration with the States (SEEDS), promote the programme of integrated rural development

Targets
To drastically reduce the incidence of poverty, and hence put people at the centre of development efforts, the coordinated implementation of the NEEDS at the Federal level and SEEDS at the State level is expected to lead to about 7 million new jobs.

Table 10.3: Projected Sources and Means of Employment Generation under NEEDS

Sources of growth	Projected means of employment generation
Agriculture and Rural Development	• Productivity enhancement for peasant farmers • New jobs in the rural areas arising from improved rural infrastructure • Increased employment from commercial agriculture
Manufacturing and SMEs	• Increased production through co-ordinated programme between the Federal and State Governments • Federal/State collaboration in the Development of industrial clusters and parks
Solid Minerals	• Prospective new investments will result in increased mining and exploration activities • Improvement of infrastructure at mining sites
Information and Communications Telecommunication	• Expansion of telecom industry and the coming on board of the second national carrier will generate more direct and indirect employment
Services (especially tourism)	• Increases in distributive trade as a consequence of growth in the productive sectors and services • The new focus on tourism will also lead to more direct and indirect employment e.g. the Obudu Cattle Ranch • Growth in the entertainment industry especially export of home video is expected to lead to increased employment in the sector
Oil and Gas	• The enforcement of the local content policy will lead to more jobs in the sector • Envisaged growth in the gas sector
Power	• Increased participation of Independent Power Providers (IPPs) will expand productivity and lead to greater demand for both skilled and unskilled workers in the sector
The Social Services (Education)	• The commencement of UBE and the increasing growth of private provision of education and skill training
Works and housing construction	• Use of public works in the construction of roads and other public utilities especially by State and Local governments • New and continuing boom in housing construction all over the country will continue to generate huge employment
Intervention Schemes	• Micro-credit and concessional credit to provide start-up capital for new businesses will generate new jobs

<u>Note</u>:
The above are by no means exhaustive. The traditional lead sectors in terms of modern employment such as the financial sector (particularly banks), information/telecommunication technology, hotels and hospitality industry, etc are not discussed. Furthermore, the informal sector, especially the distributive trade is the largest employer of the non-agricultural, mid-to-low skilled labour force.

Also, specific measures will be taken to provide specialized skill development, re-training programmes for the youth, and preferences to the employment of women and disabled persons.

v. Women and Youth Empowerment

Women

The thrust of NEEDS in respect of women is to fully integrate them through enhancing their capacity to participate in the economic, social, political and cultural life of the country. This objective will be achieved by means of the following measures:-

- Ensuring equitable representation of women all over the country in all aspect of our national life, the affirmative action of proportionate representation of not less than 30% representation will be pursued, where feasible
- Domestication of the UN Convention on the Elimination off all forms of Discrimination Against Women (CEDAW)
- Pursuing legislation for the abolition of all forms of harmful traditional practices against women.
- Mainstreaming women concerns and perspectives in all policies and programmes
- Promotion of women access to micro finance and all poverty alleviation strategies with a view to reducing feminized poverty.
- Empowerment of women through sustained advocacy, education and mobilization to reduce women's vulnerability to HIV/AIDS and other STDs.
- Establishing scholarship schemes at the secondary and tertiary levels in order to expand educational opportunities for female students where necessary and expanding, a programme on non-formal education e.g. adult and vocational education to cater for women beyond formal school age.

Youth

Youth joblessness has resulted in increasing incidence of social ills among the youths. Policies will be specifically targeted at youth empowerment and development in order to reverse the negative consequences associated with the past pattern of development. Specific interventions in this regard shall include the following:

- Expansion of opportunities for vocational training and entrepreneurial development
- Provision of facilities for sports and recreation (public sports facilities and parks)
- Promotion of arts and culture
- Sustained campaign against drug use and abuse, cultism, prostitution and women trafficking.
- Increased awareness about the dangers of HIV/AIDS and other STDS

- Use of public works such as road maintenance schemes, agricultural based schemes to alleviate youth unemployment.
- Inculcating in the Nigerian youth the virtue of patriotism, discipline, selfless service, honesty and integrity through revitalization of youth organizations like Boys Scout, Girls Guide, and Boys Brigade.
- Promotion of targeted youth employment to deal with the short-run consequences of the reform process.

The Nigerian Child

The welfare of the child will be protected by strict enforcement of the Child Rights Act 2003 through the instrumentality of the Child Rights Implementation Committees at the federal, state and the local government levels. The committees will be required to strictly enforce the provisions of the following:

- Protection of children form communal and armed conflict as specified in the Child Rights Act
- Protection of children from all forms of abuse, neglect and exploitation such as
    - economic exploitation
    - sexual exploitation
    - use of children in the production and trafficking of narcotic drugs, psychotropic substances and criminal activities.
- Protection from child trafficking
- Protection of children from all forms of violence
- Protection of children from all forms of hazardous work
- Recognition of the Child's right to participate in recreation, leisure, association and matters affecting their lives through promotion of representation, association and participation opportunities e.g. Children's Parliament

vii. Safety Nets

Social Protection consists of Interventions aimed at safe guiding the poor from becoming poorer and the non-poor from becoming poor. Accordingly, NEEDS seeks to protect women and other vulnerable groups from various risks as detailed below:

Table 10.4: Risk, Key-At-Risk Groups and Formal Responses

Sources of Risks	Key Risk Group	Formal Response
NATURAL -Drought, Flood, erosion, rainstorms, and food loses due to pests.	Well-to-do, poor, rural male, rural female, rural male youth, rural female youth	Irrigation, Agric. extension services, aforestation/agro- forestry, Agricultural insurance.
ENVIRONMENTAL - Deforestation, desertification, oil spillage.	Poor, rural male, rural female, rural male youth and rural female youth	Environmental measures to stem pollution, tree-planting campaigns. Agro-forestry, incentives to convert to alternative energy, use, enforcement of standard oil field practices.

LABOUR -loss of job, drop in income etc	Poor, urban male youth, urban female youth.	Institutionalization of unemployment Insurance.
SOCIAL-HIV/AIDs, Infant and maternal mortality,	Well-to-do, poor rural male, rural female, urban male, urban female, urban female youth, rural male youth and rural female youth.	Comprehensive health centers, government immunization and inoculation programme (NPI), health insurance scheme, HIV/AIDS programme. Universal Basic Education (UBE).
GENDER-unwanted pregnancies and sexually transmitted diseases. Job discrimination, harmful traditional practices.	Poor, rural female, rural female youth, urban female youth.	Timely sex education at appropriate stage in school. Social welfare counseling. Enforcement of rights and appropriate legislation; advocacy
LIFE EVENTS – death of spouse, old age	Well- to- do, poor, urban male, urban female, rural female youth	Pensions and reform of inheritance laws.
CONFLICT-ethnic conflicts, armed robbery and child abuse.	Well-to-do, poor, rural female, urban male, urban female, urban male youth, urban female youth.	Police, Social welfare counseling. National Refugee omission Criminal Justice System.
MACROECONOMIC: macroeconomic instability, unemployment.	Poor, urban male, urban female, urban male youth, urban female youth	Stable macroeconomic policy Social safety nets.

Furthermore, NEEDS will ensure that the most vulnerable groups in the society are protected using the following targeted instruments:

Table 10.5: Targeted instruments for the empowerment of the most vulnerable

Vulnerable Group	**Instruments/Interventions**
a) Rural Poor	Access to credit and land; participation in decision making; Agric Extension services; -Improved seed, farm inputs, and implements. Strengthening of the traditional thrift/savings/insurance schemes (Esusu)
b) Urban Poor	Labour- intensive public works schemes; Affordable housing, water and sanitation skill Acquisition/entrepreneurial development; Access to credit. Scholarships and adult education.
c) Women	Affirmative Action (proportionate or 30% representation) in all programmes; Education, Adult education; scholarships; Access to credit and land; Maternal and child health
d) Youth	Education; Entrepreneurial development; skill acquisition and access to credit; Prevention and control of HIV/AIDS and other STDs
e) Children	Children’s Parliament; Juvenile Justice Administration; UBE; Girl Child Education; Care of orphans & vulnerable Children (HIV/AIDS affected Children); Prevention and treatment of childhood diseases.
f) Rural Communities	Social Infrastructure; water; Rural Roads; Electricity; Schools; Health facilities; Communications

vii. Strengthening Peace and Internal Security

The Institute for Peace and Conflict Resolution charged with the in-depth study of peace and internal security issues has been established within the Presidency. A Strategic Conflict Assessment (SCA) carried out by the institution in 2002, in collaboration with civil society, the World Bank and other development partners reached a number of notable conclusions, including a consensus that:

- Political corruption stemming from inter-ethnic groups rivalry and aimed at the control of the state machinery for private or sectarian interests is at the root of pervasive social conflicts in Nigeria.

- While nurturing the growth of democratic institutions over time, policy authorities and other well-meaning stakeholders need to undertake deliberate interventions from time to time, in the interest of peace, security, and poverty alleviation in general.

- Though logically, democracy may make it relatively easier for internal social conflicts to surface from time to time, it nevertheless provides the most conducive long-term mechanism for resolving such conflicts.

The findings have led to the development of a national action plan the elements of which include:

- **Security sector reform,** to address, inter alia, the retraining of personnel in the security sector as their welfare, logistics and effective supervision and control of personnel
- Vigorous reorientation programmes will be instituted to promote a people friendly Nigerian Police.

- **Early warning and early response** aimed at reinvigorating old structures and creating new ones from the grassroots to the highest level, to analyze, transmit data, and intervene as necessary.

- **Political reform,** including review of the imbalance in the allocation of revenues and responsibilities between the federal and state governments, and of the conduct of the relevant persons and institutions, with the aim of achieving a political process free from the excesses of the past or present.

- **Mainstreaming conflict prevention** to put in place structures and processes that encourage a culture of peace, in which conflicts are addressed before degenerating into violence and in which public officers as well as civil society members have the opportunity to be trained in the prevention, management and resolution of conflicts.

CHAPTER ELEVEN
IMPLEMENTATION AND FINANCING

I. Institutional Framework and Strategy

Introduction

The effective implementation of policies and programmes is key to the success of the NEEDS. Implementation defines the process/institutional framework and instruments for translating aspirations, goals and programmes of the Strategy into real action and the production of concrete results. The experience of Nigeria had been that of "formulating good plans, good policies, programmes and projects which fail to achieve their objectives due to poor/ineffective or indeed non-implementation". The NEEDS project is poised to have a different experience based on the fact that Nigerians have reached a consensus on the problems of the country and the need to turn things around.

Implementation Imperative

The implementation of NEEDS calls for commitment, discipline and a strong will to stay the course of reforms. This will be at all levels, from the President and Federal Executive down to the grassroots. Implementation will be holistic, consistent and persistent as half measures do not yield half results but often failure.

Institutional Framework

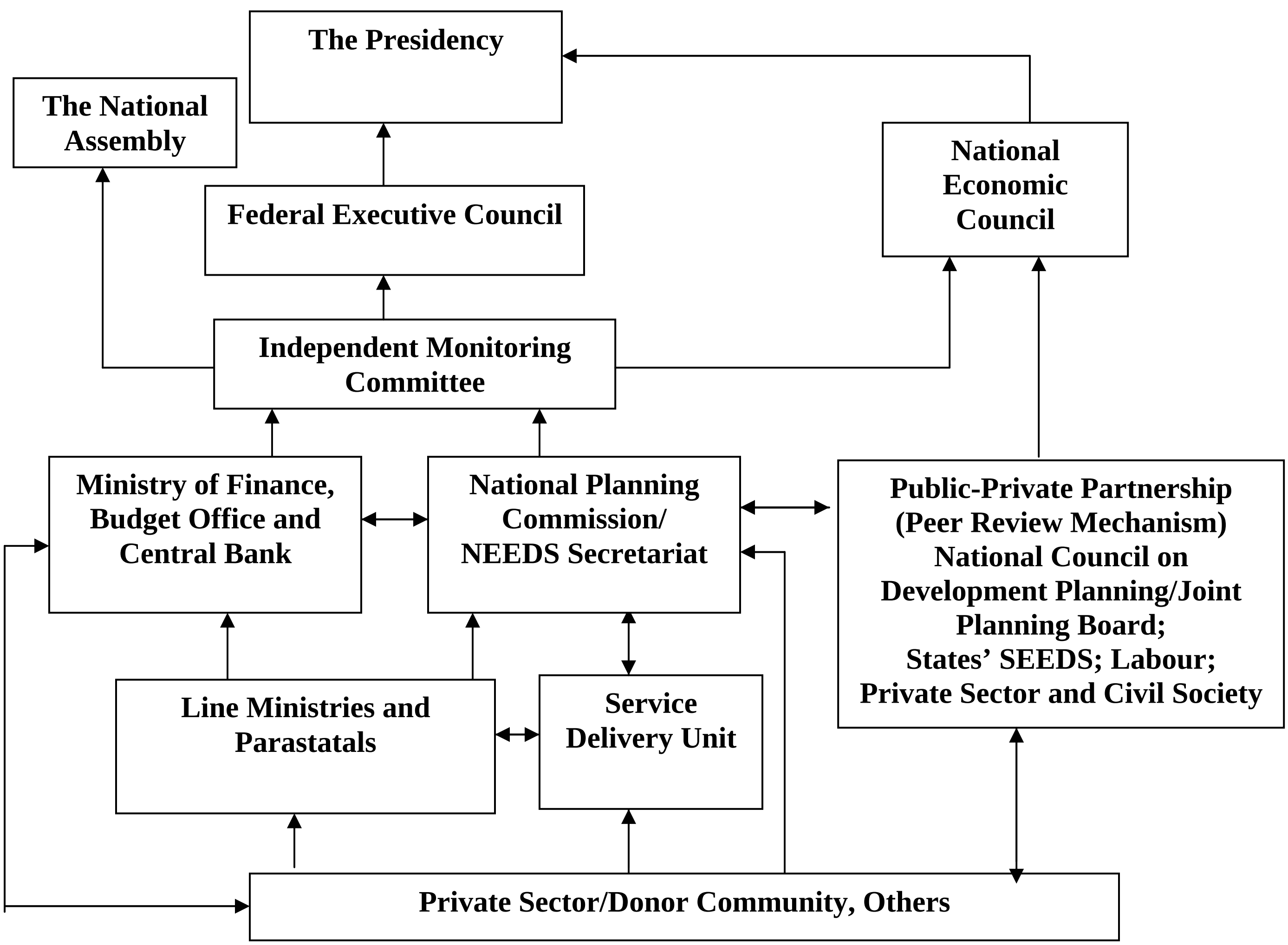
Figure 11.1 highlights the institutional framework for the implementation of NEEDS. The Secretariat of NEEDS is the NPC which shall provide effective coordination of the implementation framework. It is the Secretariat of the Joint Planning Board (JPB), the National Council on Development Planning (NCDP), the National Economic Council (NEC), and the Independent Monitoring Committee (IMC).

The system is cohesive and provides for interaction with all stakeholders. At the apex is the President and the National Assembly. The Federal Executive Council and National Economic Council consider all matters pertaining to NEEDS and SEEDS respectively and feed the President. A key institution to be established is the Independent Monitoring Committee to be composed of government officials, and representatives of the Privates Sector, the Press and Civil Society to undertake periodic monitoring, evaluation of the implementation of the NEEDS/SEEDS policies, programmes and projects and report directly to the National Assembly (for information) and the President through the National Economic Council for appropriate action. The NEC will use the materials generated to carry out peer review among members. The Reports of the NEC Review will also be forwarded to the National Assembly and the President.

The National Council on Development Planning shall play the roles of central coordination and broad consultation on NEEDS providing opportunity for public/private sector dialogue. The

NCDP will therefore be made up of Ministers/Commissioners responsible for economic planning, the federal Minister of Finance, the Governor of the Central Bank of Nigeria, the Minister of Information, four representatives of the private sector, two members of civil society, one member of NLC and any other three persons or organizations that the president may appoint provided that the total number shall not exceed fifty persons including a broad spectrum of the Private sector. The former National Economic Advisory Council shall be phased out and its functions absorbed by the National Council on Development Planning. The line ministries and parastatals will necessarily interface with the Planning Commission. The service delivery coordinating unit will be responsible for advising on guidelines to be followed by Ministries/Agencies and parastatals in the pursuit of efficient delivery of services to government and the public. Units will be set up at each level with an ombudsman to monitor compliance at each level. The NPC will issue periodic reports based on submissions of the ombudsman.

Figure 11.1: Institutional Framework for the Implementation of Needs



Instruments

The implementation of NEEDS at public sector level will be through the instrumentality of the Plan/Budget, the MTEF, Presidential directives, appropriate legislation and decisions of the Executive Council which Ministries and Parastatals must respect and implement faithfully and expeditiously within specified time frames.

The Reforms hinge specifically on changes that must occur at administrative and legal levels. Therefore actions will be required at legislative level to reform some existing laws and enact new ones to support the Strategy. Some of these have been reflected in the relevant sections of the Strategy document and listed later in this section. Others will be identified as implementation progresses.

Under NEEDS areas of responsibility are specified with appropriate devolution of responsibility among the three tiers of government, consistent with the constitution, the revenue mobilization formula and the principles of a federal system of government. The target areas are agriculture, primary and secondary education, potable water supply, primary health care, intra-state roads and housing.

Federal

The disharmony and incoherence in policy and programme coordination are resolved in the NEEDS implementation arrangement. Clearly the President and the Vice President are in charge. The Federal Executive Council is the main consultative organ working with the President and the Vice President. The Economic Team will be responsible for economic policy and programme coordination. The roles of the Planning Commission, Budget Office, the Federal Ministry of Finance, the NAPEP, the BMPIU and other apex coordinating institutions will be properly delineated and harmonized for clarity and avoidance of unnecessary duplication of efforts. A coordinated framework will promote harmony and efficient execution of the reform programme.

With regard to the private sector, the donor community and civil society, partnership is critical. The avenues for dialogue will be expanded and deepened to reflect a renewed and invigorated spirit of partnership. The National Planning Commission and other line Ministries will establish sectoral consultative meetings to formulate and implement policies and priority programmes in the selected priority sectors of agriculture, industry/SMEs, solid minerals, culture and tourism and such other sectors as the President may specify.

Committee on Devolution

An ad hoc committee will be set up to take census of Federal Government Projects in the States, determine which can be passed on to communities, Local Governments or States or sold outright as is. This committee will also determine areas for direct intervention and areas for facilitation and matching grants. The overall aim is to reduce the duplication of efforts due to ill-defined boundaries of intervention by different tiers of government. The report of the committee on failed projects will provide input for the committee's work.

Matching Grants

The existing system of execution of programmes at the Federal States and Local governments in areas of concurrent jurisdiction in the constitution is duplicative, non-efficient and indeed wasteful. Programmes on portable water supply, primary health, primary education, agriculture are replete with such duplication. A way to resolve this is through the instrumentality of matching grants through which projects and programmes in national priority areas are co-financed by the States and Local Governments. NEEDS has therefore established a matching grant scheme to support priority national priority programmes which the Federal Government wishes to promote in the States. States that perform will be rewarded through this mechanism. The modalities of the scheme will be worked out in FY2004/2005.

Partnership with Federal, States and Local Governments

NEEDS is a national strategy and as such embraces the activities of all arms and tiers of government. Through the instrumentality of SEEDS, States and Local Government Strategies are linked to the overall NEEDS. In order to enhance synergy, harmonization and complementarity, NEEDS provides for greater coordination than had been the case. The objective of coordination is not to decree unitarism in a federal state but to design strategies, policy guidelines and programmes that are properly coordinated to avoid duplication of effort and wastage of scarce resources. The institutional framework shall be the regular meetings of the National Economic Council, meetings of the Economic Adviser/Commissioners of Planning, the Joint Planning Board, the Meetings of NPC Directors and Directors of Planning, Research and Statistics of all line Ministries, with representatives also drawn from the Federal Ministry of Finance, CBN, NISER and FOS.

The Fiscal Responsibility Pact will be enacted into law early in the life of the NEEDS as an essential component of the Reform. A “Peer Review Mechanism” will be put in place to enable Executive Heads of Government exchange views on how well counterparts are performing with regard to the agreed principles and priorities. The principles, guidelines and indices to be covered will include pursuit of balanced budgets, “saving for the rainy day”, internal revenue generation effort, implementation of agreed priority programmes, employment generation, budget discipline, (that is, incidences of arbitrariness in the selection of projects and the use of funds), application of cost effective methods in project execution, contribution towards the achievement of the Millennium Development Goals etc will be among the indices to be monitored. The codified guidelines will be discussed with all levels and tiers of government and democratically agreed upon prior to the commencement to the peer review process.

Forging Partnerships with the Private Sector

NEEDS is being implemented under a changed economic environment. The era of government assuming the commanding heights of the economy and pursuing a public sector led economic development strategy is being replaced by a market-driven private sector led growth and development strategy. This transition will be well managed through the implementation of the right policies, especially fiscal and monetary as well as a systematic right sizing of government, privatization, deregulation and liberalization. NEEDS heralds a new dawn in which partnership between the public and private sectors is critical. The advantages of such partnership includes promotion of greater understanding among the parties thereby helping government to stay the path of reform and integrity, helping businesses to stay the track of high standard of corporate governance, supporting total mobilization of resources in pursuance of agreed common national goals and generally promoting mutual trust and confidence.

The vehicle for achieving this will be intensive advocacy, close interaction among stakeholders, all of whom will be expected to buy-in into the NEEDS and SEEDS. The scope of the regular dialogue with captains of industry and other stakeholders which the administration has embarked upon will be deepened and expanded. There will also be greater participation of the private sector in the statutory coordinating meeting of NEEDS especially the Independent Monitoring Committee at the National Council on Development Planning.

An extension of the project "Nigeria Incorporated" will be the involvement of the private sector in the provision of services previously reserved for the public domain, particularly in the areas of delivery of infrastructure and social services. Through various strategies and schemes such as BOT, MOT, ROT, Asset Management etc the private sector will be encouraged to invest in infrastructure development, management and maintenance under conditions that will assure appropriate reward for investment and managerial effort; the acid test being efficiency in the delivery of services. In order to avoid monopoly pricing and supply manipulation, appropriate regulations will be put in place to ensure consumer protection.

Partnership between Nigeria and the Donor Community

As clearly indicated in the chapter on "Financing the Plan" ODA by way of grants, soft loans and technical assistance are needed to implement the Strategy. Under the aegis of the Planning Commission, the Ministry of Foreign Affairs and the Federal Ministry of Finance, regular joint meetings of donors will be held to harmonize donor inputs into various federal, state, local government and community projects. Such projects will be those that are consistent with the approved priority programmes and budget framework.

Data Generation

Several of the benchmarks in the Strategy are quantitative (see annex). This imposes an obligation for timely generation of data to monitor progress of implementation and report thereon. The FOS will be strengthened to deliver timely statistics for programme monitoring. The Departments of Planning, Research and Statistics shall henceforth give emphasis to the generation of data to strengthen the monitoring process. The donor community and the private sector will be actively involved in the production and funding of statistical data production and analyses to meet the demands of NEEDS.

Monitoring and Evaluation

The basic measure of success of NEEDS is welfare improvement for all based on employment and productivity growth, positive changes in income per capita, narrowing of disparities between low and high income groups and moving the core poor up the poverty ladder. Therefore growth in income per capita, changes in consumer price indices, magnitude and structure of investment, income distribution pattern, human development indices etc shall all be monitored. In addition, public expenditure levels and structure as well as project implementation status and value for money checks will also be monitored. The policies and benchmarks to be monitored include public sector reform packages, socio-economic indices adherence and faithful implementation of agreed programmes, and contribution to the attainment of the millennium goals etc. The administration is instituting a performance review mechanism through the Independent Monitoring Committee which will publish timely and accurate documents about the basic operations of government and thus boost its efficiency.

At the heart of the implementation process therefore, is monitoring and evaluation. The erstwhile-uncoordinated monitoring and evaluation process will be streamlined. The National Planning Commission will coordinate and provide the focal point for the national monitoring effort. The focus of monitoring shall be developments in the economy relative to the goals and benchmarks contained in the NEEDS or other elaborations (budget and policy pronouncements) related thereto; budget performance and the evaluation of key programmes and projects. For effectiveness, about 15 – 20 large projects will be selected for intensive monitoring by the presidency in collaboration with National Planning Commission.

The critical institutions that will oversee the implementation are reflected in the diagram in figure 11.1. The primary ones include the National Council on Development Planning, The Independent Monitoring Committee and the National Planning Commission which will provide the technical support for the various institutions in collaboration with the Ministry of Finance and the departments of planning, research and statistics.

Sect oral consultative Councils for key sectors will meet more frequently to articulate programmes and monitor implementation. These include the National Council on

(1) Agriculture
(2) Works.
(3) Industry.
(4) Health.
(5) Education.
(6) Others

Detailed monitoring of capital projects of Ministries and Parastatals shall be assigned to the Departments of Planning, Research and Statistics of the various Ministries/Agencies. The Presidency, the Federal Ministry of Finance and the Budget Office shall also undertake monitoring functions. The results of such monitoring shall however form part of the Monitoring and Review Mechanism of NEEDS. Quarterly meetings of the various apex monitoring outfits, and involving the CBN and FOS shall be held to review reports for submission to the Federal government. A similar structure, appropriately modified shall apply at the States and Local government levels.

In order to have a fair view of the totality of progress and challenges of NEEDS, an annual Joint Monitoring tour of all the States will be undertaken by representatives of the Federal Government including the Legislature, the States and the Local Governments, organized Private Sector, Labor, Civil Society Organisations, and International Organisations. A progress report emanating from the exercise will be placed before the NEC for peer review and the National

Assembly for information. Monitoring Reports shall be published for public information. Civil Society shall also be encouraged to undertake monitoring as they may wish, however such monitoring shall be coordinated in order not to impose undue burden on project personnel.

Mass Mobilization

NEEDS is a peoples programme and their ownership is key to its success. Therefore an intensive sensitization programme will be embarked upon to obtain the views of stakeholders and achieve buy-in. The NEEDS document when adopted shall be made available to stakeholders for information and to achieve ownership and even wider buy-in. Indeed the success of the Strategy hinges on such support, commitment and faithful implementation by all stakeholders. There will be regular enlightenment campaign, workshops, publication of tracts and use of other avenues to reach the masses. More importantly, all stakeholders that have understood the message of NEEDS are expected to sow the seed.

III. Service Delivery

The quality of services delivered by Ministries and government agencies will also be monitored. The prescription that no correspondence should stay unattended for more than 72 hours will be enforced and monitored by heads of Ministries, Agencies and Parastatals. All Ministries/Parastatals shall subscribe to ISO standards. The National Planning Commission will be required to supervise and report on progress in this area.

A complaints point shall be established in each Ministry/Parastatal as well as the Planning Commission where those who receive less than warm reception and poor service delivery in government offices, shall drop their complaints. The services to be targeted are the investment promotion activities of government, data/information dissemination, (other than personal or security information) service delivered by health, telecoms, police, prisons, ports, customs, immigration and such other institutions which provide customers services. The monitoring by the NPC shall be done in collaboration with the relevant supervisory authorities and the Public Complaints Commission. Over time governance shall be de-personalized as much as possible so that the bulk of communication shall be through internet rather than hand delivered mails and queuing up in government offices. E-governance is the ultimate goal.

Legislative Agenda

NEEDs requires that some existing laws be reviewed or repealed while new ones are enacted speedily to engineer the process of change. Underneath is a list of bills currently with the National Assembly and others expected to be initiated which shall serve to facilitate the implementation of NEEDS.

Table 11.1: Pending Bills Relevant to National Economic Empowerment and Development Strategy (NEEDS)

Title	Target Institutions/Sectors	Reform Component
A. Bills about to be Initiated		
The Fiscal Responsibility Bill	All Government Agencies	Fiscal discipline
The Competition and Anti-trust Bill	Ministry of Commerce	Domestic trade and production
Energy/Electricity Reform Bill	NEPA	Power provision and consumption
The Finance Bill	Ministry of Finance	Budget
Pension Reforms Bill	Head of Service	Pension and long term funds
Tax Reform Bills • Revision of Company Tax • Personal Income and VAT Bill	Taxable individuals and firms operating in the country	Tax policy
Local Government Reform	All Local Governments	Effective grassroot administration
Public Procurement Bill	All Government agencies	Due Process and accountability
B. Bills Currently being Reviewed by the House		
HB.4 Corrupt Practices and other related offences (amendment) Bill, 2003		Presidential initiative on fighting corruption
HB.7 National Institute of Tourism and Hospitality Bill 2003	Tourism Sub Sector	Presidential initiative on Tourism development
HB.6 Right to Information Bill, 2003	Information Sub sector	Transparency in Government Business
HB.16 Niger-Delta Commission (Amendment) Bill, 2003		Infrastructural Development
HB.10 Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially women and Children, Supplementing the United Nations Convention against Transnational organized Crimes (Ratification and Enforcement) Bill, 2003	Women and Youth Affairs	Women and Youth Development
HB.11 Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (ratification and Enforcement) Bill, 2003	Judicial System	Social Charter
HB.15 Convention of the African Telecommunications Union (Ratification & enforcement) Bill, 2003	Ministry of Communications	Infrastructural Development
HB.21 Agriculture Input (Provision of		Agricultural

subsidy) Bill, 2003	Ministry of Agriculture	development and Food Security.
HB.22 Shelter Belt Project Bill, 2003	Housing and Urban Development	Housing Development
HB.24 Guaranteed Minimum Price for Farmers Authority Bill, 2003	Ministry of Agriculture	Agricultural Development and food Security
HB.38 Privatization and Commercialization (Public enterprises) Bill, 2003	Private Sector	Growing the Private Sector
HB.30 Palm Oil Development Fund Bill, 2003	Ministry of Agriculture	Agricultural Development and food Security
HB.37 Allocation of Revenue (Federation Account) Bill, 2003		Budgetary and Fiscal Reform
HB.25 Agriculture (Provision of Budget Allocation) Bill, 2003	Ministry of Agriculture	Agricultural Development and food Security
HB.40 Pension Reform Bill, 2003	The Pension Board	Presidential initiative on Pension Reforms
HB.41 Nigerian National Volunteer Service (establishment, etc) Bill, 2003	Youth and Social Development	Reorienting Social Service
HB.35 Agricultural Credit Guarantee Amendment Bill, 2003	Ministry of Agriculture	Presidential initiative on food security
HB>31 Handicapped persons (Public Buildings) special Facilities Bill, 2003	Sport and Social Development	Social Charter
HB.32 National Social Security Board Bill, 2003	Ministry of Sports and Social Development	Social Charter
HB.42 Nigerian Solid Minerals Development Bill, 2003	Ministry of Solid Minerals Development	Presidential Initiative on the Development of Solid Mineral Sector
HB.49 Economic and Finance Crimes Commission (Establishment, etc) Bill, 2003		Fighting Corruption
HB.50 Money Laundering (Prohibition) Bill, 2003		Fighting Corruption

II. Financing the Plan

NEEDS targets minimum GDP growth rates of 5, 6, 6, 7 per cent per annum over the period 2004 – 2007. Relative to recent history, the investment target of NEEDS is ambitious (see Table 10.1 below), yet it is the minimum needed to achieve some perceptible increase in income per capita and welfare improvement. The financing options are limited but efforts shall be made to increase efficiency of resource use. Specifically Government is determined to curb wasteful expenditures by plugging all the loopholes in public expenditure and sources of revenue leakages, increase the efficiency of resource utilization, mobilize domestic savings and attract Foreign Direct Investment (FDI) as well as Overseas Development Assistance (ODA) resources. It will also seek debt relief from its creditors. Sources of financing include

- Savings through elimination of waste
- Institutional Reforms
- Sale of Assets
- Tax Reforms
- External Financing
- Others

Table 11.2: Aggregate Demand and Investment Projections

Investment/Year	2003	2004	2005	2006	2007
Gross Investment	1155	1972.2	2672	3456.4	4663.7
Private Fixed Investment	776.7	1497.3	1814.4	2454.9	3272.3
Govt fixed investment	378.3	474.9	857.6	1001.5	1391.4
FGN	188	250	433	511	634
States	190.3	224.9	424.6	490.5	757.4

Savings through Elimination of Waste

- **Expenditure Reduction Imperatives**

The Federal government share of the Federation Account has decreased from about 60% to 46%, but this is yet to reflect in the devolution of responsibilities among the three tiers of government. The rationalization envisaged in this strategy will involve clearer delineation of roles among the Federal, States and Local government in line with the changes in the revenue allocation formula. The FGN will withdraw from programmes and projects best left to the states and local governments to implement, not only in order to avoid duplication of efforts but to enhance efficiency in programme/projects execution and monitoring. There will be instituted a Federal Matching Grant Scheme to promote national programmes and projects

- **Fiscal Regime**

Currently, the payroll and overhead expenditure of government consumes about two-thirds of government revenues, excluding the cost of running government hidden in the capital budget. This impairs the ability of government to generate enough funds needed to service its debts and pay for capital programme required for growth. The reform strategy addresses this by seeking to drastically reduce the payroll and overhead expenditures as well as prescription of extra-budgetary expenditures. The policy also ensures that only personnel that are on the payroll are paid, thereby eliminating ghost workers. The target is to ultimately ensure that the cost of running government does not exceed 40% of total government revenues. The capital budget will also be rationalized to eliminate projects that cannot be funded to completion. Privatization of uncompleted projects through “sale as is” or handing over of some of them to the states, local governments and communities will be part of the strategy to trim FGN’s capital budget.

- **Civil Service Reforms:**

The Civil Service Reforms envisaged in the NEEDS when completed will lead to more openness, transparency and accountability in the operation of government. This will release/conserve/generate resources and lead to more efficient use of what is collected.

- **Monetization Policy:**

In the short run the monetization policy is not likely to lead to substantial reduction in the cost of running government, but in the long run it will reduce such cost.

- **Management of Treasury Accounts**

Government has decided to have a single account with the Central Bank of Nigeria in order to avoid cash management problems, especially the situation whereby government owns several balances in Ministries’ accounts, yet borrows from the CBN at a cost.

- **Setting up of the Due Process/Procurement Mechanism**:

Work has reached an advanced stage on the establishment of a Public Procurement Commission, the bill for which has been sent to the National Assembly. This and the reform of the Accountant General’s office will result in savings for government.

- **University autonomy**

The policy to grant autonomy to universities will be implemented. The universities will be free to charge fees and generate income from research and semi-commercial ventures. This will reduce expenditure in that sector. Under NEEDS, government will continue to give subvention to the universities and leave them to source for additional funds.

Institutional Reforms

- **Fiscal Responsibility Pac*t***

A fiscal responsibility pact or similar initiative, is expected to be passed into law in 2004; this will lead to increased level of transparency and accountability and better management and efficiency in the use of public resources,.

- **Banking and Financial Sector Reforms**

As part of the initiatives to meet the financing requirements, the machinery for tracking and monitoring the collection of government revenues will be strengthened, especially the Presidential Committee on Revenue Monitoring and Reconciliation as it relates to payment of taxes and duties, collected through the banks. The financial services regulatory framework will be reformed to engender better supervision of the activities of banks/financial institutions that currently abuse the system for revenue collection and remittance. The number of banks approved to receive government deposits will be rationalized and banks that default will be delisted

- **Solid Minerals**

With growing investment in solid minerals exploitation, government expects increased revenue from rents and royalties derivable from this activity sector. Substantial revenues are already being earned from gem stones and bitumen.

- **Long Term Funds**

Government will encourage the deepening of the capital market by encouraging investment in insurance and pension schemes. Increased listing of companies on the capital market will also be encouraged. An effective public enlightenment programme will be embarked upon to create awareness of the opportunities offered by the capital market. In order to increase the pool of investible funds, the banking sector would be expected to encourage small savers by making the process of opening accounts more customer friendly, and the interest rates sufficiently attractive. A National Savings Certificate scheme has been launched to provide an attractive alternative to small savings in commercial banks. This will be structured and incentivised to encourage lowest interest in them.

Sale of Assets

- **Privatization Proceeds**

It is expected that substantial revenue will accrue from the privatization programme, such as those of the refineries, the steel mills, the sale of shares in the automotive industries, the power supply companies arising from the unbundling of NEPA as well as the expected Initial Public Offer (IPO) of NITEL shares, and so on. However, these would appear to be one off items and may not be as high as expected as a number of these corporations have liabilities that have to be cleared. However, the net figure can be used to finance infrastructures development under NEEDS. The law setting up the NCP stipulates that all proceeds from privatization should be placed in the Privatization Proceeds Account which is automatically transferable into the Consolidated Revenue Fund (CRF). It is expected that the privatization programme will attract inflow of private capital to beef up working capital, equipment replacement or rehabilitation.

- **Sale of Government Assets**

With the monetization of fringe benefits Government will dispose of its assets especially buildings and cars. Some funds will be realized from this exercise to augment the budget.

Tax Reforms

- **Strengthening the Tax Collection Mechanism**

Generally, there is scope to increase revenue yield by aggressively pursuing tax collection in all sectors of the economy. This is especially the case in the oil and gas sector, personal and property taxes as well as in the area of indirect taxes. Also the current practice of most revenue-generating parastatals to spend revenues collected on behalf of the central Government, in breach of financial regulation, will be checked.

- **Oil and Gas**

Substantial saving is likely to accrue from reducing costs of operations in the upstream oil and gas sector. Similarly, several taxes that are collectible are probably not being collected due to the special nature of the industry and the obvious lack of indigenous capacity to adequately capture the various potential sources of revenues. Government has subscribed to the Extractive Industries Transparency Initiative (EITI) and government will explore avenues for reducing its contribution to joint venture cash calls (JVC) to free resources to finance the programme. It will also engage the services of world class oil and gas industry tax consultants with a mandate to design a framework for capturing/monitoring costs of JV operations and collecting taxes due to government from the oil sector generally. For success in this endeavour, revenue targets will be set using benchmarks being developed for the purpose.

- **Increase in Taxes**

The NEEDS will generally move in the direction of low, stable, simplified tax/tariff regime. However, a few new taxes may be imposed and some existing ones marginally increased in order to raise revenue.

In addition to the foregoing, other initiatives to increase the financial base available to the real sector include:

- Return to the use of market-based development stocks, with appropriate tenure, to meet government's medium to long term financing needs. This will check the current trend of 'crowding-out' of the real sector by government, in terms of borrowing from the banking system.
- Review and strengthen the enabling laws to ensure that institutions of the enabling laws to ensure that institutions like NSITF, pensions funds and life insurance companies etc adhere to guidelines which require that they utilize most of their funds for the financing of real sector activities
- Support for programmes aimed at the mobilization and effective management of long-term funds, especially the comprehensive review of public sector pensions schemes
- Adoption of appropriate regulatory and enforcement machinery to ensure that development finance institutions are well funded; and that their funds reach intended beneficiaries, especially those operating in the priority sectors
- Mainstreaming of micro, small and medium enterprises especially those operating in the priority sectors – to broaden the real sector and enhance their access to funds available in the banking industry.

External Financing

The macro framework for NEEDS points to the need for a financing facility that would bridge the financing gap and support the balance of payments position. The external financing for the programme is derived from the balance of payments accounts, whose key ingredients are as follows: Nigeria's main non-oil exports would rise by an average of 10 percent annually over the next four years, while the non-oil imports would rise by 4.5 percent. Oil exports would decline initially in 2004 and 2005, thereafter; it would remain the same during 2006-2007. Therefore, the trade account would decline from a positive balance of US$1511.75 million in 2004 to US$305.1 million in 2007. Services would record a deficit of US$2185.6 million in 2004 and then US$2341.6 million in 2007. Therefore, the current account deficit would be US$2173.7 million or 2.89 percent of GDP by the end of the programme. The average financing requirement is estimated at US$4.5 billion, during the period.

- **Foreign Direct Investment (FDI)**

With better management of the economy, restoration of investor confidence, a higher level of investment inflow is expected especially in view of the high returns that investment in Nigeria offers. It is expected that about $1.5 billion will be attracted into the areas of manufacturing, steel mills, construction, solid minerals, and large-scale farming annually over the period. Efforts will be made to attract wealthy Nigerians at home and abroad to invest in the economy. Specific strategies will be developed for attracting Africans in the Diaspora to invest in the country.

- **Official Development Assistance:**

The cooperation of the country's development partners will be canvassed. With the endorsement of the MEESS as a poverty reduction strategy, it is expected that support for programmes such as HIV/AIDS, capacity building and other technical assistance schemes will be offered by the international community in support of the programme. The expectation is that ODA flows will grow by at least 15% per annum during the per

Debt Relief

The debt service projections based on the existing rescheduling agreements with the Paris Club creditors (see Annex 6 b) show that from 2004 to 2010 and beyond, the debt service due for each year is high, indeed unsustainable. The annual debt service due averages more than US $2.5 billion per annum. Indeed, if the arrears of about US $3.47 billion incurred as at end-December 2003 is taken into account, the annual debt service due rises to US$3 billion per annum and given the cash flow constraint, makes the case of debt relief more pronounced. Also, beyond the direct cash flow impact, debt relief would facilitate the restoration of insurance cover on exports to Nigeria (including foreign direct investment) by helping to clear arrears and making current the status of the debt. In this way, there could be substantial resource inflows which would form part of the financing required over the programme period.

Actual debt service payments have been at great opportunity cost to pressing social services. For example, external debt service payments made between 2001 and 2003 (See Annex 6) translated to about 5 times Federal Government recurrent budgetary allocation to education and about 6 times the recurrent budgetary allocation to health. In effect, only a substantial debt relief will give room for the economy to pursue meaningful development programme. This conclusion is corroborated by a study by the IMF in 2002 which revealed that, even with a good policy environment, only 67% NPV flow rescheduling followed with a concessional stock-of-debt reduction of up to 67% NPV would provide a comprehensive solution to Nigeria's debt problem. With the recent change in posture by the G8, expressing willingness to be more flexible and pragmatic about granting debt relief to non-HIPC countries, it is hoped that with convincing progress in implementing the reform programme, Nigeria would be granted debt relief. Resources generated from such relief would be used to fund poverty alleviation and employment generation programmes especially in education, health care (HIV/AIDS) and other social infrastructure.

Others

- **Payment of Interest on Delayed Payments**

Government will consider the imposition of penalty interest on payments which are not promptly made to the governments and its agencies. Similarly, the issue of delayed payments by government to its contractors and suppliers will be studied after settling existing arrears and "cleaning the budget".

- **Recovery of Looted/Misappropriated Funds**

The amount already recovered (about $600 million dollars) will be used to augment the revenue for FY2004. It is however, recognized that as a one off revenue item it cannot be relied upon to cushion the budget beyond FY 2005. Effort will therefore continue to be made to track all misappropriated funds, including payments made to contractors that fail to perform.

- **Partnership with the Private Sector**

NEEDS is about partnering for accelerated growth and development. The success or otherwise of NEEDS depends critically on private investment. As highlighted earlier, the private sector is expected to invest thrice as much as all the governments of the federation put together. This is a great challenge. Government is committed to providing an enabling environment to promote such private investment even in areas that were traditionally reserved for government.

- **Private Sector Investment in Infrastructure**

In the spirit of partnership the private sector will be granted incentives to invest to improve the infrastructure base of the country, especially in the areas of power generation (IPPs), telecommunications, power supply, road/rail and ports, etc. Accordingly, new strategies for increasing private sector participation such as Build-Operate-and-Transfer (BOT), Build-Own-Operate-and-Transfer (BOOT), and Rehabilitate-Operate-and-Transfer (ROT) schemes will be pursued.

- **SMIEIS**

The accrued funds under the SMIEIS will be expeditiously but efficiently disbursed during the NEEDS period. The disbursement of the funds, whose rate is expected to increase by June 2004, will be tied to the identification of bankable projects. The CBN is to facilitate the process by opening a website giving information on potential areas of profitable investment.

- **Workers Remittances:**

An increasingly important source of capital for Nigeria is workers remittances. In recent times there has been an increase in home remittances by Nigerians abroad, it is expected that this will rise during the period of NEEDS.