Nigeria

2012

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Nigeria

- Nigeria's growth averaged 7.4% over the past decade and should be 6.9% in 2012.
- The country must tackle dilapidated infrastructure and over-dependence on oil and gas.
- Unemployment is very high— more than 60% of the population lives below the poverty line.

Overview

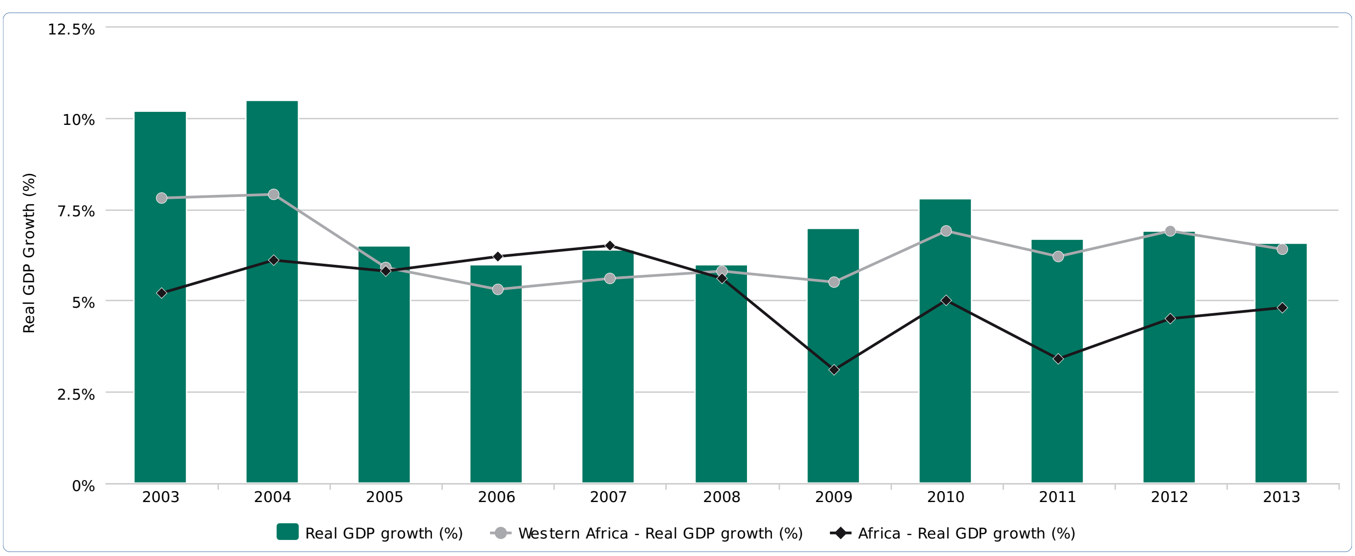
Nigeria's economic growth has averaged about 7.4% annually over the past decade and remained robust in 2011 at 6.9%, driven by the non-oil sector, particularly telecommunications, construction, wholesale and retail trade, hotel and restaurant services, manufacturing and agriculture. Growth is projected at 6.9% and 6.6% in 2012 and 2013, respectively. The government is expected to reach its target of getting inflation under 10% in 2013. The inflation rate fell from 13.7% in 2010 to 10.2% in 2011 following monetary policy tightening and the easing of food prices. Inflation is projected to ease to 10.1% in 2012 and 8.4% in 2013.

The economic growth has not cut poverty nor created necessary jobs. About two thirds of the population lives on less than 1 US dollar (USD) per day and the unemployment rate in 2011 was 23.9%, up from 21.1% in 2010. Unemployment in the 15-24 age group was 37.7%, and for 25-44 years, 22.4%. The government has introduced youth job creation initiatives.

A major challenge for the economy is the dilapidated state of infrastructure and the over-dependence on the oil and gas industry. These are on the government's priority list. The authorities are trying to get the private sector involved in infrastructure development and to develop the non-oil sector.

The results of the African Development Bank's 2011 Country Policy and Institutional Assessment show that Nigeria has undertaken important reforms particularly in public financial management to improve efficiency in resource allocation and project and programme implementation. Corruption, however, is widespread. The government has made concerted efforts to fight corruption, especially through the Economic and Financial Crimes Commission and Independent Corruption Practices and Other Related Offences Commission. The country has a good chance of achieving the Millennium Development Goals (MDGs) on universal primary education, promoting gender equality and women's empowerment, some aspects of environmental sustainability, and developing a global partnership for development. However, the goals on poverty reduction, child mortality, maternal health and disease will be difficult to reach.

Figure 1: Real GDP growth (Western)



Figures for 2010 are estimates; for 2011 and later are projections.

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Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
Real GDP growth	7.8	6.7	6.9	6.6
Real GDP per capita growth	5.3	4.1	4.4	4.1
CPI inflation	13.7	10.2	10.1	8.4
Budget balance % GDP	-7.7	-0.2	0.3	0.2
Current account % GDP	6.2	11.6	10.8	9.8

Figures for 2010 are estimates; for 2011 and later are projections.

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Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2006	2011
Agriculture, forestry, fishing & hunting	32	35.2
Mining and quarrying	37.8	33.5
of which oil	-	-
Manufacturing	2.6	2.2
Electricity, gas and water	0.2	0.2
Construction	1.3	1.3
Wholesale and retail trade, hotels and restaurants	15.1	16.4
of which hotels and restaurants	-	-
Transport, storage and communication	3.3	2.7
Finance, real estate and business services	6	6.3
Financial intermediation, real estate services, business and other service activities	-	-
General government services	0.7	0.8
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Other community, social & personal service activities	-	-
Other services	1.1	1.3
Gross domestic product at basic prices / factor cost	100	100

Figures for 2010 are estimates; for 2011 and later are projections.

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Nigeria's gross domestic product (GDP) growth of 7.8% in 2010 fell to 6.7% in 2011. Growth is now driven by the non-oil sector. The slowdown in 2011 was a reflection of the worsening global economy and an oil production shut-down. For 2012, the economy is projected to grow by 6.9% on the back of stronger oil exports, but it will slow again in 2013 to 6.6%.

Despite oil's dominance, agriculture plays a significant role in the Nigerian economy, accounting for 35.2% of GDP. Sustainable expansion of agriculture should play a key role in unleashing inclusive economic growth, reducing poverty and enhancing food security. The government's Agricultural Transformation Agenda targets these objectives.

Although the oil sector benefited immensely from high international prices, production was cut by a shutdown of facilities. Oil's contribution to GDP declined by 0.57% in 2011. The non-oil sector was a major driver of the economy in 2011. Non-oil growth was led by vibrant wholesale and retail trade and the telecommunications and post, building and construction, hotel and restaurant, business services and other sectors. The telecommunications sector grew 34.7% in 2011. The wholesale/retail trade sector grew considerably, with the hotels and restaurants sub-sector growth at more than 11% and contributing 16.4% to total GDP in 2011. Manufacturing accounted for 2.2% of GDP, mainly in cement production and oil refining activities.

Public investment and private consumption were key drivers of real GDP in 2011. Public investment saw significant growth in 2011 with huge government investment in transport, energy and other infrastructure. Exports are overshadowed by strong import growth. There is an increasing appetite for consumer imports while capital imports for infrastructure development have also increased. The robust contribution of public and private consumption, and to a lesser extent gross fixed capital formation, to real GDP growth is projected to remain the same in 2012 and 2013.

Macroeconomic Policy

Fiscal Policy

The government budgets for 2011 and 2012 were aligned to the long-term policy priorities defined in the Vision 20:2020 and the Government's Transformation Agenda. Government spending up to 2015 will be focused on priority sectors, including security, infrastructure, agriculture, manufacturing, housing and construction, entertainment, education, health, and information technology. The government is also targeting private sector growth.

The government's medium-term expenditure strategy is to keep the fiscal deficit below 3% of GDP, reduce recurrent expenditure from 74.4% in 2011 to 70% in 2015, and increase capital expenditure from 25.6% in 2011 to 30% in 2015.

With the government determined to reduce poverty and reach the UN Millennium Development Goals (MDGs), the share of health spending in the federal budget increased from 4.4% in 2010 to 5.6% in 2011. The share of education increased from 4.3% in 2010 to 6.0% in 2011. Agriculture's share has never exceeded 5%.

The 2010 budget was expansionary, intended to mitigate the negative impacts of the global economic crisis. The 2011 and 2012 budgets aimed for fiscal consolidation. A major component of the consolidation was a government aim to phase out a fuel subsidy during the 2012 fiscal year. This was expected to free about NGN 1.4 trillion (Nigerian naira), or USD 9.3 billion, in savings to be channeled into safety nets for the poor to ameliorate the effects of the subsidy removal. It was also to be spent on infrastructure development through the Subsidy Reinvestment and Empowerment Programme and the Sovereign Wealth Fund (SWF). The SWF was established with initial capital of USD 1 billion from oil sales. Revenue in excess of a benchmark price for oil assumed in the budget are to be put into the SWF.

Nigeria has a very narrow tax base with the oil and gas sector accounting for 75%-80% of total tax receipts and 23%-25% of GDP. The non-oil sector accounts for 20%-25% of tax receipts and 5%-7% of GDP. Such a heavy reliance on oil and gas revenues could make planning and development difficult because of the volatility of oil revenues. In January 2011, the government approved a National Tax Policy with a shift in focus from direct to indirect taxation. It has also introduced reforms to improve the efficiency of tax collection.

Fiscal revenue collection should, therefore, be strong in the medium term. Domestic revenues are expected to increase to 28.2% of GDP in 2011, from 23.3% of GDP in 2010. It is estimated to stabilise at about 27.0% of GDP in 2012 and 2013 respectively. Total expenditure and net lending for 2010 was 31% of GDP and was projected to fall to 28.4% of GDP in 2011, 27% in 2012 and 26.5% in 2013. Accordingly, the budget deficit is expected to narrow to 0.2% of GDP, significantly lower than the deficit of 7.7% of GDP in 2010 (Table 3). Nevertheless, an overall surplus equivalent to 0.3% of GDP is projected for 2012, and 0.2% of GDP for 2013 on the expectation of strong oil revenues and fiscal discipline.

Table 3: Public Finances (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Total revenue and grants	32	33.9	28.4	32	17.8	23.3	28.2	27.3	26.7
Tax revenue	7.1	4.6	5.4	5	6.3	5.8	5.1	5.5	5.5
Oil revenue	24.2	29.1	21.9	25.8	10.6	16.3	21.6	20	20.2
Grants	-	-	-	-	-	-	-	-	-
Total expenditure and net lending (a)	32	26.4	28.7	25.7	27.2	31	28.4	27	26.5
Current expenditure	10.1	8.2	12	10.4	13.4	14.4	14.3	14.5	14.3
Excluding interest	7.4	7.2	11	8.8	12.4	13	13.2	13.5	13.3
Wages and salaries	4.2	3.6	4.2	4.4	4.6	5.1	4.2	4.2	4.1
Interest	2.8	1	1	1.6	1	1.4	1.1	1	1
Primary balance	2.8	8.5	0.7	7.9	-8.4	-6.3	0.9	1.3	1.2
Overall balance	0	7.5	-0.4	6.3	-9.4	-7.7	-0.2	0.3	0.2

Figures for 2010 are estimates; for 2011 and later are projections.

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Monetary Policy

In response to the global economic crises, the Central Bank of Nigeria (CBN) pursued measures in 2009 and 2010 to promote growth and financial stability. However, in 2011, the central bank tightened monetary policy to mop-up excess liquidity in the banking system and ward off inflationary pressures stemming from high fiscal spending, the implementation of a new minimum wage, and the injection of funds into the bank system through the purchase of non-performing loans through bonds issued by the Asset Management Corporation of Nigeria (AMCON).

The Monetary Policy Rate, which was 6.25% in September 2010, increased six times in 2011, to reach 12.0% in December, 2011. Similarly, the Cash Reserve Ratio was increased steadily from 1.0% in March to 8% in December 2011. With these measures, inflation fell from 13.7% in 2010 to 10.2% at the end of 2011 and is expected to decline to 10.1% in 2012 and 8.4% in 2013 due to the central bank monetary policy tightening and easing food prices. The reduction in inflation, however, had only marginal impact on banks' lending rates. The maximum lending and prime rates were 22%-23% and 15%-16%, respectively, in 2011, while the average deposit rate was between 3%-5%. The spread between the maximum lending and prime rates rate and the average deposit rate remained very high.

The central bank successfully used the auction system to stabilize the naira. Despite a periodic upsurge in demand for foreign currency, the exchange rate of the naira against the US dollar at the Wholesale Dutch Auction System was between NGN 152 per US dollar in January 2011 and NGN 156 per US dollar in December 2011. The relatively small depreciation of the naira during the fourth quarter of 2011 was due to the adjustment of the target official exchange rate from NGN 150 to the US dollar to NGN 155 to the US dollar.

Economic Cooperation, Regional Integration & Trade

The government relaxed trade restrictions by replacing its 19-band tariff regime with the Economic Community of West African States (ECOWAS) five-band Common External Tariff (CET) system. This simplified Nigeria's tariff system, bringing down the Most Favoured Nation (MFN) import tariff from 12% to 11.5%. The external position continued to be dominated by the international oil market as crude oil exports and petroleum products import constitute a large chunk of Nigeria's external trade. As indicated in Table 4, merchandise exports were expected to increase from 36.1% of GDP in 2010 to 42.0% of GDP in 2011 thanks to higher oil prices. Merchandise imports were expected to increase over the same period from 17.0% of GDP in 2010 to 22.1% of GDP in 2011 through increased infrastructure spending. In the medium term, the trade balance should be stable as long as imports and exports also remain stable.

Foreign direct investment (FDI) into Nigeria fell from USD 8.65 billion in 2009 to USD 6.09 billion in 2011 as a result of the global economic troubles and uncertainty over a petroleum industry bill which is perceived as unfavourable to trans-national corporations. However Chinese direct investment in non-oil sectors has been successful. Chinese enterprises have invested in manufacturing, telecommunications, power and transport, and Chinese construction companies are active in Nigerian infrastructure projects. The volume of trade between Nigeria and China was estimated at USD 10 billion in 2011.

The current account balance is expected to improve from 6.2% of GDP in 2010 to a 11.6% of GDP for 2011 before moderating to 10.8% of GDP in 2012 and 9.8% in 2013.

Nigeria's foreign reserves were fairly stable at about USD 33 billion through 2011. The stability in the external reserves, despite relatively high international oil prices and crude oil production, was largely due to the increased funding of the Wholesale Dutch Auction System, to stabilise the exchange rate and ease demand pressure. Foreign reserves at the end of 2011 could finance six months of imports of goods and services.

Table 4: Current Account (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Trade balance	11.6	18.6	23	22.2	16.4	19.1	19.9	19.6	18.9
Exports of goods (f.o.b.)	35.4	39.5	40.1	41.4	34.7	36.1	42	37	36.1
Imports of goods (f.o.b.)	23.8	20.9	17.2	19.2	18.3	17	22.1	17.4	17.3
Services	-7.9	-3.3	-7.9	12.6	11.9	-9.6	-7.6	-8	-8
Factor income	-12.4	-4.6	-7.2	-6	-6	-8.3	-10.5	-8.8	-8.7
Current transfers	3.1	7.4	10.9	9.1	10.8	5	9.8	8	7.7
Current account balance	-5.6	18.2	18.7	37.9	33.1	6.2	11.6	10.8	9.8

Figures for 2010 are estimates; for 2011 and later are projections.

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Debt Policy

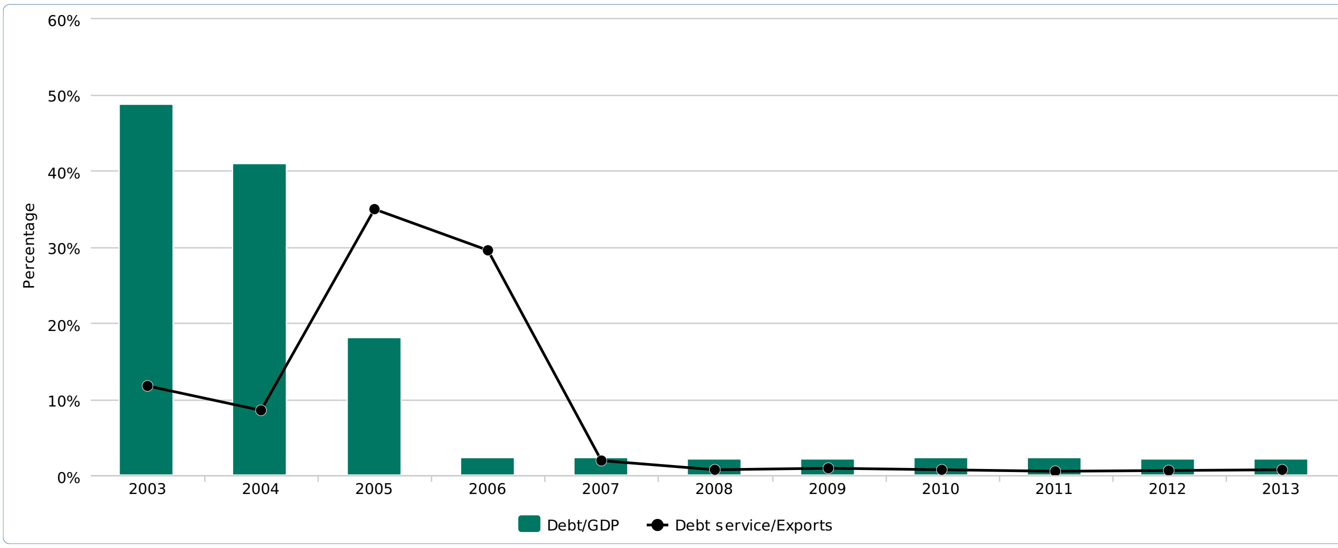
Debt policy is articulated in government Medium Term Public Debt Strategies. They aim to ensure that the national and state governments keep to prudent and sustainable borrowing, and effective use of resources. The strategic focus is to borrow for projects with self-repaying capacity and job creation potential; and to develop and deepen the domestic bond market to support private sector development and provide low cost funding for public projects.

On external borrowing, the policy direction is to mobilise financing through grants and concessional loans targeted at accelerating growth, reducing poverty, and achieving the MDG targets. The External Borrowing Plan is scrutinised and approved by the House of Representatives and the Senate. State governments are requested to seek federal government approval for external borrowing.

The national Debt Management Office exists to implement strong policies and procedures for domestic and external borrowing, and good debt records. The department, with the assistance of the International Monetary Fund, conducts a Debt Sustainability Analysis every year. The next step is to develop appropriate borrowing guidelines for states, to ensure cost effective borrowing and build their capacity for debt management.

Nigeria's total debt stock at the end of 2011 stood at USD 41.9 billion (NGN 6.5 trillion), equivalent to 21.9% of GDP. The domestic component was USD 36.3 billion (NGN 5.6 trillion), 18.9% of GDP, and the external component, USD 5.6 billion (NGN 0.9 trillion), equivalent to 3% of GDP. Nigeria faces a low risk of debt distress as the total debt stock is far below the recommended threshold of 40% of GDP for comparable economies.

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



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Economic & Political Governance

Private Sector

Nigeria's private sector, including its informal sector, employs more than 80% of the country's workforce and is its primary generator of exports. Private sector productivity has suffered from inadequate infrastructure, particularly energy and transport; and under-investment in human resources (despite the relatively large number of professionals). This is a result of the deterioration in quality of tertiary education, poorly conceived and executed development strategies, the inefficacy of public policy and widespread corruption. Government efforts to address these issues include efforts to bolster the private sector environment, reforms in the banking, finance and energy sectors, security reforms and efforts to clampdown on corruption.

Government policies and reforms to improve the business environment have made little headway because of policy inconsistencies and problems with policy implementation. Nigeria's overall ranking in the World Bank's *Doing Business* Report moved from 137th out of 183 economies in 2011 to 133rd in 2012. Nigeria's ranking is, however, better than the average ranking of 137 for sub-Saharan African countries.

Financial Sector

The federal government launched finance sector reforms in 2009 and pursued these through 2011. Through the Nigeria Deposit Insurance Corporation (NDIC), the government has assumed ownership of three banks — Afribank, Bank PHB, and Spring Bank following a revocation of their licenses by the central bank. The licenses were revoked after they could not re-capitalise as instructed by regulatory authorities following stress tests conducted by the central bank and NDIC. Nigerian authorities plan to inject NGN 679 billion (USD 4.5 billion) into the three nationalised banks through AMCON.

To correct weaknesses in the banking sector, the central bank directed that International Financial Reporting Systems be established in all banks. Overall, banking reforms have been effective in putting the banking industry back on a sound footing. For example, the ratio of non-performing loans to total loans declined from 20.1% at the end of 2010 to 10.4% in mid-2011, well below the acceptable contingency threshold of 20%. The capital adequacy ratio, which was below the stipulated minimum of 10% in June 2010, increased to 17.1% by August 2011.[1]

The global financial crisis caused a huge Nigerian stock market crash, but reforms have restored some confidence in the market. A campaign against insider dealing and share price manipulation and the enforcement of penalties have improved compliance with the securities law. Reforms have also been implemented to enhance market rules and regulations, promote collective investment schemes and improve shareholder management.

Public Sector Management, Institutions & Reform

Improved co-ordination between the government and the legislature has led to improved policy formulation and implementation on key issues like the budget, spending guidelines and fiscal strategy.

With the passage of the Fiscal Responsibility Act, the Public Procurement Bill, and tax and permit administration reforms, there is greater transparency and competitiveness in public procurement. The process is also being extended to states. The Economic and Financial Crimes Commission continues efforts to investigate and bring elected leaders accused of fraudulent practices to book. Implementation of the Extractive Industry Transparency Initiative brought greater transparency to the oil industry. A Freedom of Information Bill has been passed and a Monitoring and Evaluation Unit has been established at the National Planning Commission to monitor and evaluate government activities.

The government is also continuing with efforts to improve public financial management. The establishment of the Government Integrated Financial Management Information System is an example of the efforts. The Budget Office of the Federation submits quarterly reports on the annual budget to the Fiscal Responsibility Commission and the National Assembly for review, and it is published. The public administration has undergone changes and restructuring. However, it is still considered inefficient because of over-staffing, corruption and nepotism.

Natural Resource Management & Environment

Nigeria is a party to the Kyoto Protocol on climate change and has adopted an ECOWAS regional action plan to reduce vulnerability to global warming. The government's economic growth plan, Vision 20:2020, and its economic modernisation policy call for the sustainable use of natural resources and environmental protection as a priority in the drive for socio-economic growth. Several environmental and other sectoral policies and plans have been developed applying climate change adaptation policies. These include the National Policy on

Environment on the prevention and containment of natural disasters such as floods, drought, and desertification. Nigeria's agricultural policy aims to protect farmland from drought, desert encroachment, soil erosion, and floods.

Nigeria's progress towards the MDG of halving the proportion of people without access to safe drinking water and improved sanitation facilities has been very slow. World Health Organization statistics indicate that the share of the population with access to improved water sources increased from 47% in 1990 to 58% in 2008. But the proportion of people with access to improved sanitation facilities fell from 37% to 32% in the same period.

Political Context

Nigeria held presidential, gubernatorial and legislative elections in April 2011. Apart from logistical problems and isolated cases of voter intimidation, civil society groups, local and foreign observers concluded overall that the elections were credible and fair. The ruling People's Democratic Party (PDP) candidate, Goodluck Ebele Jonathan, won the presidential election with 59.6% of the vote. However, the two main opposition parties, the Congress for Progressive Change and the Action Congress of Nigeria made significant regional gains. The PDP won an overwhelming majority in most state elections held in 2011. At the end of 2011, the PDP had 23 state governors, while five opposition parties controlled the remaining 13 states.

The second half of 2011 saw a significant security deterioration. Northern Nigeria was hit by regular bomb blasts and shootings blamed on the Islamic sect, Boko Haram. Curfews were imposed in some northern states. Particularly alarming were deadly suicide bomb blasts at the Nigerian Police Headquarters and the United Nations Building in Abuja and a spate of targeted bombings during the end of year holiday season. After this, trade unions called a nationwide strike in January 2012 to protest against the removal of fuel subsidies by the government because of its impact on transport costs and the general cost of living, particularly, on the poor. The strike was called off after the government negotiated a partial removal of the fuel subsidy with unions.

Social Context & Human Development

Building Human Resources

The government has been implementing education reforms since 2006 to improve access to education, especially with the introduction of Universal Basic Education. The government increased the share of education in budget spending from 4% in 2010 to 6% in 2011. There have been some positive results. The literacy rate for the 15-24 age group was 80% in 2008, up from 64.1% in 2000. Education quality is, however, generally low and varies considerably across the country. The West African Examination Council said that in 2010 only 25% of Nigerian candidates obtained credits in English language, mathematics, and at least three other subjects (the minimum requirement to enter a tertiary institution).

Social indicators on health and education remain weak. The 2011 UN Human Development Report ranked Nigeria 156th out of 187 countries. In 2010, Nigeria was 142nd out of 169 countries. The government has sought to improve the health care system. Health spending in the federal budget increased from 4% in 2010 to 6% in 2011. Also, the Federal Government has adopted several policy initiatives to strengthen the health system, including a National Strategic Health Development (HSHD) plan. The government has also bolstered the immunisation programme and scaled up the coverage of the National Health Insurance Scheme.

Despite these efforts, health outcomes remain poor. According to the United Nations' 2010 MDG Report, the infant mortality rate was 75 deaths per 1 000 live births, the under-five mortality rate was 157 per 1 000, the maternal mortality rate was 545 deaths per 100 000 live births and the proportion of births attended by skilled personnel was 39%.

National prevalence of HIV is estimated at 3.6%. This is comparatively low in terms of the proportion of the population with the HIV virus. However, given Nigeria's large population, the country has the second highest number of people with the virus after South Africa. A National Strategic Framework and a National Strategic Plan for HIV/AIDS are being implemented. States have also prepared their own strategic plans linked to the national initiatives.

Poverty Reduction, Social Protection & Labour

There seems to be little prospect that Nigeria will meet the MDG target of cutting the number of people living in extreme poverty by the UN's 2015 deadline. In 2011, 63% of the population lived on less than USD 1 per day, up from 61% in 2010. Furthermore, National Bureau of Statistics reports say that some inequality indicators have also worsened. The widely-used Gini coefficient for measuring inequality increased from 0.43 in 2004 to 0.45 in 2010.

Several agencies and schemes were established to tackle poverty and unemployment, including the National Directorate of Employment, the National Poverty Eradication Programme, the Small and Medium Enterprises Development Agency and the Microcredit and Entrepreneurship Development schemes. The poverty rate remains high and is increasing however. A number of factors have contributed to the failure of these efforts. Mechanisms to help the poor have not been properly targeted, there is policy instability and inconsistent implementation of programmes which prevent continuous progress. Budgetary constraints and lack of accountability and transparency also make the programmes less effective.

Protecting the poor and vulnerable groups features prominently in public documents. The federal and state governments say this is a priority. The federal government earmarked USD 250 million in 2011 for social safety net programmes. These include a scheme that makes monthly cash transfers to extremely poor households, community-based programmes, school feeding and health programmes, a National Emergency Management Programme for communities faced with natural disasters and conflict, and programmes for orphans and vulnerable children.

Nigeria has ratified the International Labour Organization convention on the Worst Forms of Child Labour and other related conventions. A Children's Rights Bill and a law against Child and Women Trafficking have been passed. Anti-child trafficking programmes are being executed in northern Nigeria. Collective bargain is encouraged in resolving labour disputes. Unresolved issues are usually referred to the labour ministry which then refers them to arbitration or adjudication by industrial courts.

Gender Equality

Gender disparity remains significant in education. Women account for more than 56% of Nigerians who cannot read. According to the UN MDG report for 2010, there were 85 girls in primary education for every 100 boys in 2008. The situation was even worse in secondary education with 80 girls per 100 boys. In 2010, women accounted for about 38% of new students in Nigerian universities.[1] The problem extends to the labour market. The unemployment rate for men in urban areas is 16.9% while for women it is 17.2%. In rural areas, the rate is 25.1% for men and 26.1% for women.[2] The 2011 World Economic Forum Global Gender Gap report revealed that about 62% of inequality indicators between women and men were closed between 2009 and 2011.

In spite of efforts by the government and women's organisations to increase female participation in politics, the 2011 elections saw the erosion of progress made between 1999 and 2007. In 2011, only seven female senators (7.6% of the total) and 19 representatives (5.3%) were elected. In 2007, 8.25% of senators were women and 7.2% of representatives. However, the number of women appointed by the President to the federal executive council, or cabinet, in 2011 was unprecedented. Jonathan appointed 13 female ministers, about one third of his cabinet.

Thematic analysis: Promoting Youth Employment

Robust economic growth in Nigeria over the past decade has not created the jobs the country needs. According to National Bureau of Statistics (NBS), the 2011 Annual Socio-Economic Report gave an unemployment rate of 24% compared to 21% in 2010. The unemployment rate for the 15-24 age group was 38%, while it was 22% for 25-44 years and 18% for the 45-59 age group and 21% for those aged between 60 and 64. The unemployment rate was higher in rural areas (26%) than urban areas (17%). An average of 1.8 million people have entered the active labour market every year over the past five years, and the system has not been able to absorb these numbers. The consequences of mass youth unemployment can be seen in the number of cases of armed robbery, hostage-taking for ransom, illicit drug trade and addiction, militancy, and the militant Boko Haram.

The government and private groups tried over many years to create employment opportunities for youth. The National Directorate of Employment and School to Land and Skill Acquisition programmes have youth employment as the primary goal. The National Employment Policy, approved in 2002, aimed at achieving full youth employment and encouraging more private job creation. The policy emphasised linking education to the needs of the labour market. Entrepreneurship was made compulsory on the curriculum of all Nigerian Universities. But youth unemployment continues to rise. There remains a skills-mismatch for the labour market, including for university and college graduates.

The central bank started Entrepreneurship Development Centres (EDCs) in the country’s six main geographical zones. There is entrepreneurship training for unemployed university, polytechnics, college and secondary school leavers. By January 2011, EDCs had trained and counseled over 34 000 graduates, created about 2 800 jobs and enabled about 1 000 graduates to access NGN 171 million (USD 1.1 million) for their activities.[1]

President Jonathan introduced the “Youth Enterprise With Innovation In Nigeria” (YouWin) programme in 2010 aiming to encourage and support youth business ideas. The Nigerian Youth Entrepreneurship Development Programme, launched by the Ministry of Youth Development, also seeks to enhance skills and experience and provide access to finance for youth entrepreneurs. The programme is expected to benefit 10 000 people aged between 18 and 35.

Oil companies have also helped employment efforts. In 2004, Shell Petroleum Development Company (SPDC) launched a youth development programme to provide skills for self-employment. It has trained more than 1 900 people in entrepreneurship, leadership development, conflict management and industrial vocational skills. Nigerian Liquefied Natural Gas (NLNG) launched the Youth Empowerment Scheme (NLNG YES) in 2004 targeted at youths from over 100 rural communities. By 2011, more than 660 people had been trained.

Notes

1. CBN (2011), Economic Report for the First Half of 2011.
2. The Federal Ministry of Education, (2010) Education Digest of Statistics.
3. NBS (2011), 2011 Annual Socio-Economic Report, p. 10.
4. Microfinance Africa, January 19,