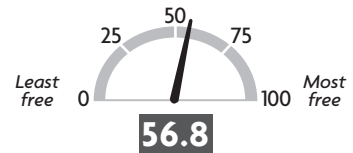


# NIGERIA

## Economic Freedom Score



World Rank: **106**

Regional Rank: **15**

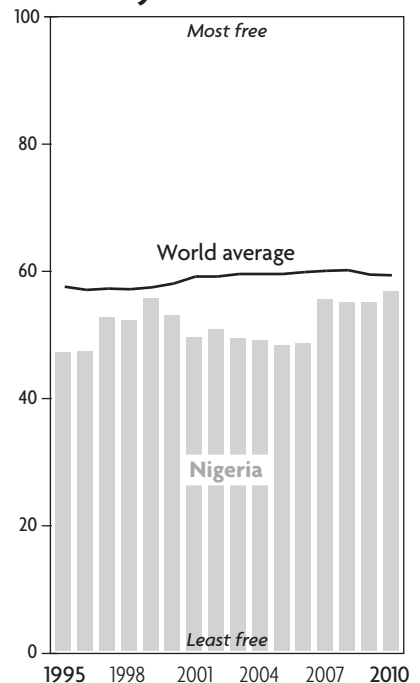
Nigeria's economic freedom score is 56.8, making its economy the 106th freest in the 2010 *Index*. Its score has improved by 1.7 points since last year, reflecting major improvements in trade freedom, investment freedom, and freedom from corruption. Nigeria is ranked 15th out of 46 countries in the Sub-Saharan Africa region, and its overall score is below the world average.

Nigeria has pursued structural reforms to diversify its productive base and stimulate more broad-based growth. These reforms have centered on enhancing management of public finance, improving the entrepreneurial environment, and expanding access to credit through banking and financial reforms. Progress has been mixed, and the economy remains heavily dependent on oil and gas. Public-sector reform has stalled.

Other lingering challenges impede private-sector development and growth of the non-energy sector, hampering long-term development and poverty reduction. The arbitrary application of regulations continues to hinder foreign investment. Nigeria's inefficient judiciary is prone to corruption, and contract enforcement is weak. Despite recent bank consolidations, the financial system remains relatively weak due to bureaucratic regulations and a cash-based economy.

**BACKGROUND:** Former General Olusegun Obasanjo, who oversaw a transition to civilian government in 1979, was elected president in 1999 and re-elected in 2003. His chosen successor, Umaru Yar'Adua, won a widely questioned election in 2007. Nigeria is Africa's leading oil producer, although violent attacks on and kidnappings of foreign oil workers in the Niger Delta impede oil production. Oil and gas accounted for about 18 percent of GDP, 90 percent of foreign exchange earnings, and 80 percent of government revenue in 2008. The informal economy is extensive, and a majority of the population, Africa's largest, is engaged in agriculture. Ethnic, regional, or religious violence has taken a heavy toll, most notably in the southeastern region of Biafra, and imposition of Islamic law in several states has aggravated religious tensions.

## Country's Score Over Time



## Quick Facts

**Population:** 151.3 million

**GDP (PPP):** \$315.0 billion

5.3% growth in 2008

5.8% 5-year compound annual growth

\$2,082 per capita

**Unemployment:** 4.9% (2007)

**Inflation (CPI):** 11.2%

**FDI Inflow:** \$20.3 billion

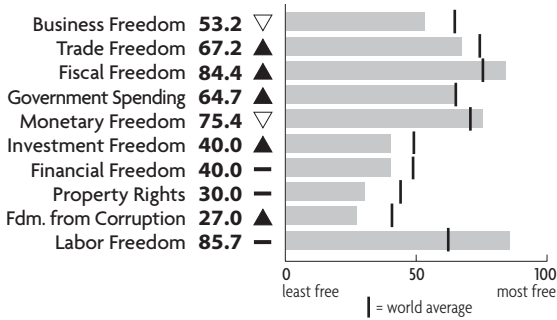
2008 data unless otherwise noted

Data compiled as of September 2009

## How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

## NIGERIA'S TEN ECONOMIC FREEDOMS



### BUSINESS FREEDOM — 53.2

The overall freedom to start, operate, and close a business is limited under Nigeria's regulatory environment. Starting a business takes an average of 31 days, compared to the world average of 35 days. Obtaining a business license takes more than the world average of 218 days.

### TRADE FREEDOM — 67.2

Nigeria's weighted average tariff rate was 8.9 percent in 2008. Trade liberalization has progressed, but prohibitive tariffs, import bans and restrictions, import fees, import and export taxes, arbitrary regulations, some export subsidies, weak enforcement of intellectual property rights, corruption, and inconsistent and non-transparent customs administration add to the cost of trade. Fifteen points were deducted from Nigeria's trade freedom score to account for non-tariff barriers.

### FISCAL FREEDOM — 84.4

Nigeria has moderate tax rates. The top income tax rate is 25 percent, and the flat corporate tax rate is 30 percent. Oil and gas companies are subject to a special tax scheme. Other taxes include a value-added tax (VAT), a tax on interest, and a capital gains tax. Petroleum companies are subject to a profit tax of 85 percent rather than a corporate tax. In the most recent year, overall tax revenue as a percentage of GDP was 5.6 percent.

### GOVERNMENT SPENDING — 64.7

Total government expenditures, including consumption and transfer payments, are moderate. In the most recent year, government spending equaled 34.3 percent of GDP. Government involvement in the economy is considerable. In September 2008, the privatization board outlined plans for more than 100 transactions, including the divestment of major gas and telecommunications companies. As of April 2009, no major divestments had been completed.

### MONETARY FREEDOM — 75.4

Inflation has been high, averaging 9.6 percent between 2006 and 2008. With the exception of petroleum products, prices are set by the market. The government subsidizes agriculture and manufacturing; it also influences prices through state-owned enterprises and utilities. Five points were deducted from Nigeria's monetary freedom score to account for policies that distort domestic prices.

### INVESTMENT FREEDOM — 40

Nigeria treats foreign and domestic investment equally under the law, and most sectors are open to investment. Investors in manufacturing may have to meet local content requirements, and foreign personnel are subject to quotas. Disincentives include inadequate infrastructure, arbitrary application of regulations, corruption, crime, security concerns, burdensome dispute resolution, and weak contract enforcement. Residents and non-residents may hold foreign exchange accounts. Some capital transactions are subject to documentation requirements and restrictions. Most payments and transfers must be conducted through banks. Acquiring and maintaining rights to real property can be difficult.

### FINANCIAL FREEDOM — 40

Although Nigeria's financial system has undergone rapid transformation and consolidation, it remains weak and inefficient. The number of banks has declined from 89 to 24 as a result of a minimum capital decree. Restructuring has substantially reduced the number of non-performing loans. Banking development is still hindered by bureaucracy and a cash-based economy. Banks interact with a very limited portion of the population, and limited access to financing hampers entrepreneurial activity. The government owns six development banks and influences the allocation of credit. Capital markets are not fully developed, but the stock market is increasingly active. Financial stability has been sustained during the global financial turmoil, largely because of Nigeria's limited integration with the global financial system.

### PROPERTY RIGHTS — 30

Nigeria's judiciary suffers from corruption, delays, insufficient funding, a severe lack of available court facilities, a lack of computerized systems for document processing, and unscheduled adjournments of court sessions because of power outages. One of the world's least efficient property registration systems makes acquiring and maintaining rights to real property difficult. Enforcement of copyrights, patents, and trademarks is weak.

### FREEDOM FROM CORRUPTION — 27

Corruption is perceived as pervasive. Nigeria ranks 121st out of 179 countries in Transparency International's Corruption Perceptions Index for 2008, a significant improvement over 2007. Corruption is endemic at all levels of government and society, and the president, vice president, governors, and deputy governors are constitutionally immune from civil and criminal prosecution. Domestic and foreign observers recognize corruption as a serious obstacle to economic growth and poverty reduction.

### LABOR FREEDOM — 85.7

Nigeria's labor regulations are relatively flexible. The non-salary cost of employing a worker is moderate, and dismissing an employee is relatively easy. Regulations on work hours are flexible.