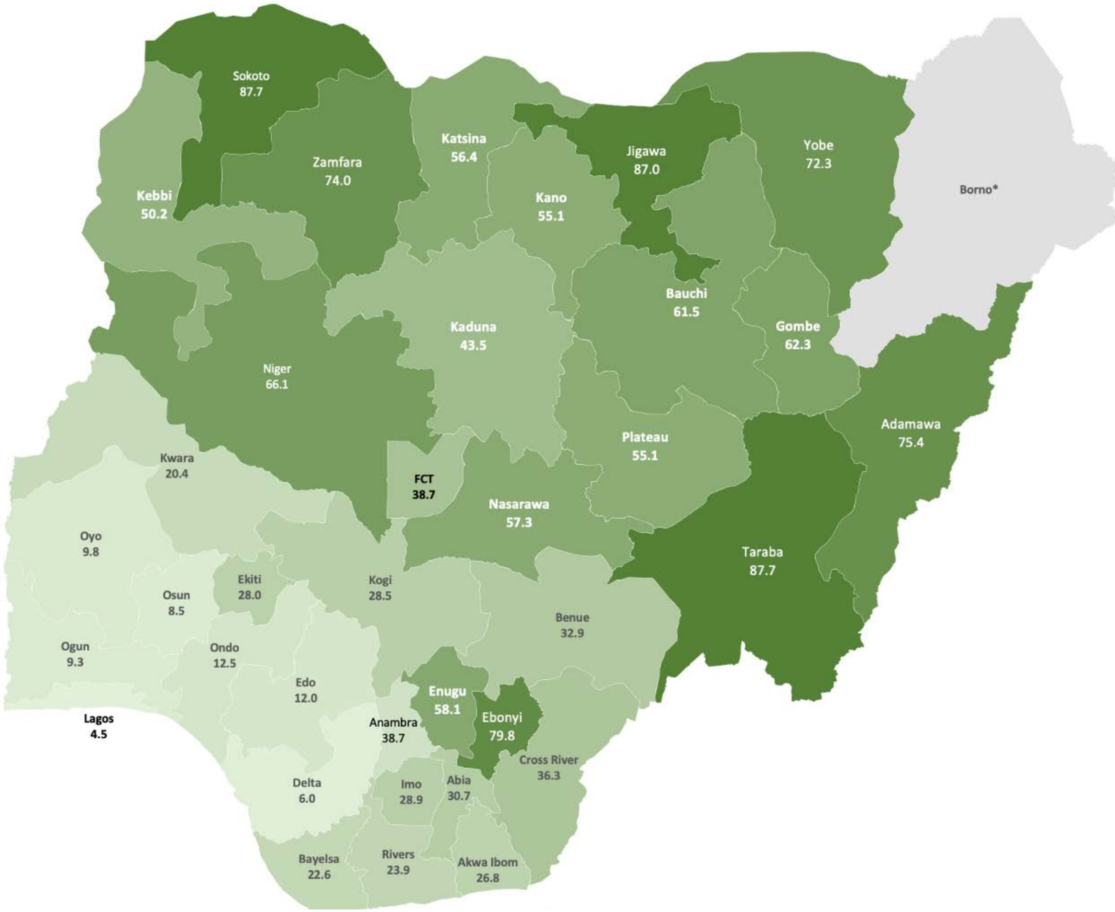

The National Poverty Reduction with Growth Strategy

A strategy for accelerated reduction in poverty through economic growth, redistributive programs and shared prosperity.

By
Presidential Economic Advisory Council

MARCH, 2021

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TABLE OF ABBREVIATIONS

AfCFTA	Africa Continental Free Trade Area
AGOA	Africa Growth and Opportunity Act
BLRW	Better Life for Rural Women
CoS	Chief of Staff to the President
CSOs	Civil Society Organizations
DFRRI	Directorate of Food, Roads, and Rural Infrastructure
EC	Economic Corridor
ECOWAS	Economic Community of West Africa States
ERGP	Economic Recovery and Growth Plan
FDI	Foreign Direct Investment
FIRS	Federal Inland Revenue Service
FEAP	Family Economic Advancement Programme
FSP	Family Support Programme
GDP	Gross Domestic Product
ITF	Industrial Training Fund
M&E	Monitoring and Evaluation
MDAs	Ministries, Extra-Ministerial Departments and Agencies
MHA	Ministry of Humanitarian Affairs, Disaster Management and Social Development
MIS	Management Information System (MIS)
MSME	Micro, Small and Medium Enterprises
MTEF	Medium-Term Expenditure Framework
NAFDAC	National Agency for Food and Drug Administration and Control
NBS	National Bureau of Statistics
NDE	National Directorate of Employment
NEEDS	National Economic Empowerment Development Strategy
NGF	Nigerian Governors' Forum
NGOs	Non-Governmental Organizations
NIRP	Nigeria Industrial Revolution Plan
NPC	National Planning Commission
NPRGS	National Poverty Reduction with Growth Strategy
NSC	National Steering Committee
PEAC	Presidential Economic Advisory Council
PPCO	Public Policy Coordination Office
PPRI	Presidential Poverty Reduction Initiative
SDGs	Sustainable Development Goals
SEZs	Special Economic Zones
SGF	Secretary to the Federal Government
STEM	Science, Technology, Engineering, and Mathematics
SON	Standards Organization of Nigeria
TVET	Technical and Vocation Education and Training
UNSDGN	United Nations Sustainable Development Goals Network

Executive Summary

The Buhari administration's renewed and deepened focus on poverty reduction as a central concern of development is timely and appropriate. Over 80 million Nigerians are classified as poor, with more than 50 percent multi-dimensionally poor, because of their limited access to education, health, electricity and other basic services. Poverty has a structural character: Seventy two percent of the extremely poor live in Northern Nigeria where the predominant economic activity is low productivity subsistence agriculture and population growth, driven by higher than national average fertility rates, outpaces output growth. Poverty in the North is further worsened by the region's poor education outcomes.

The journey towards poverty reduction is therefore even more challenging than in June 2019, when Mr. President made the audacious pledge to lift 100 million Nigerians out of poverty within a decade. Following a thorough analysis of the country's poverty profile, economic conditions, and different development paradigms, the Presidential Economic Advisory Council (PEAC) is of the view that President Buhari's goal of lifting 100 million people out of poverty in a space of 10 years is achievable.

The National Poverty Reduction with Growth Strategy (NPRGS) herein proposed by PEAC to support Mr. President's aspiration is anchored on four pillars namely:

a. ***Macroeconomic stabilization*** policies to improve the capacity of the economy to absorb shocks and avoid disruptive adjustment;

b. ***Industrialization for Economic Growth and transformation*** of the economy from commodity dependent growth path to a diversified, industrialized, knowledge intensive and job creating economy;

c. ***Structural policies and institutional reforms*** to engender efficiency in service delivery, promote transparency and accountability in the management of fiscal resources, bridge the infrastructure gap, improve private sector development and mainstream gender; and

d. ***Redistributive Policies and Programmes*** to reduce levels of risk, vulnerability, shocks and deprivation. The latter include programmes aimed at enhancing incomes, job opportunities and wealth creation through vocational skills training, micro-credit and micro-enterprise development and livelihood diversification in the agricultural sector.

The economic programme assumes a gradual annual growth of GDP from 2.3 percent to 4.4 percent during 2019-2024, and 6 percent per annum during 2025 to 2030. During the period, the annual average reduction in poverty is projected to be around 11.2 million per annum, 80 percent of which will be in self-employment, and 20 percent in wage paying jobs. Redistributive and transfer programmes, which target the ultra-poor, include vocational skills, MSMEs support and livelihood diversification programmes. The education and skills embedded in these programmes, are expected to provide the exit routes for the extreme poor into the mainstream economy by 2023. In addition, the poverty gap between the North and the South is expected to narrow, as access to education, health, and qualitative standard of living is ramped up nationally and in the North in particular.

Over the 10-year programme period (2021-2031), the total cost of the execution/implementation of the policies and programmes underpinning this strategy is estimated at US$1.6 trillion, giving an annual average of about US$161 billion. This estimated cost covers the dual objective of lifting 100 million Nigerians out of poverty as well as of achieving all the country's development objectives in line with the Sustainable Development Goals 2030. As a middle-income country, around 50-60% ($80b - $97b) of financing needs is expected to be covered by government. The challenge, however, is that in the recent past, specifically in 2020, the total consolidated national budgetary resources (federal and state governments) was only around US$54 billion.

The PEAC is thus conscious of the fact that in the current situation, public sector financial resources are inadequate to fund the programme on a scale required to achieve the goals of poverty reduction and the SDGs. The capacity of the Nigerian governments to increase investment and thereby spur post-COVID recovery and job creation is significantly impaired. Further debt accumulation is not an option as the government is already over-burdened with debt service obligations. It becomes imperative, therefore, to create a vehicle to facilitate enhanced private capital investment in the country. In light of this, it is proposed to set up a Nigeria Investment and Growth Fund, to be promoted by the government but resourced from local and international private sector as an independent corporate institution. In addition to the Fund, a more immediate source of funding the programme will be the reduction in the size and cost of government that will free resources to priority expenditures in education, health, and human development.

The NPRGS emphasizes the principle of shared responsibility between the stakeholders that include the three tiers of government, the private sector, the civil society organisations and development partners. Such mutual ownership and the resulting collaboration in the design, resourcing, implementation and monitoring of the programme will ensure effectiveness, efficiency and dynamism in poverty reduction.

The institutional framework for delivery reflects the national focus of the strategy. A National Steering Committee (NSC), chaired by the Vice President, shall be the overarching body for anchoring collaborative efforts across Federal Ministries, Extra-Ministerial Departments and Agencies (MDAs), state and local governments, development partners, Civil Society Organisations (CSOs) and the private sector actors. The NSC shall provide oversight for the implementation of the NPRGS, which is expected to ensure policy coherence and consistency, promote efficiency and more effective delivery of projects, programmes and interventions. Members of the NSC shall include the Secretary to the Government of the Federation, Chief of Staff to the President, six governors to represent the geo-political zones and eight federal ministers. The Federal Ministry of Finance, Budget and National Planning shall serve as the Secretariat of the Steering Committee and shall monitor the implementation of the decisions of the Council. A Technical Working Group of the NSC to be Co-Chaired by the Minister of State Budget and National Planning and One State Governor, working with State Planning Commissioners as members, will improve horizontal and vertical coordination.

Foreword

At the beginning of the second term of my administration, I made a pledge that the APC led government can, "with leadership and sense of purpose, lift 100 million Nigerians out of poverty in 10 years". At that time, the economy had come out of the 2016-2017 recession, and the outlook was relatively bright.

Nothing prepared my government for the developments of the past year, during which Covid-19 pandemic ravaged the world, global oil prices collapsed again and our economy went into a second recession in the life of this administration. Our National Bureau of Statistics estimates that an additional 4.9 million Nigerians will slip into poverty by 2022, on account of Covid-19 pandemic alone. Our policies and programmes, including the Economic Sustainability Plan, contributed to stabilizing the economy, which has now rebounded from two consecutive quarters of contraction in 2020. The outlook for 2021 is bright, though still challenging.

My government did not allow the burden of development that we inherited, and the challenging economic environment, to define us. We continue to make progress in addressing some of the structural impediments to growth and development of the economy. We have consistently focused on bridging our infrastructure deficit in roads, rail and energy, as manifested in our ambitious capital investment in transportation and energy. As we progress in addressing energy supply constraints, we expect to eventually double our current electricity generation capacity to 25,000 Megawatts with its associated trickledown effect on various sectors of the economy.

This administration's determination to move the Nigerian economy from a commodity dependent growth path to an industrialised, knowledge intensive and job creating economy underscores our various efforts at diversification. These efforts are already showing signs of progress as Nigeria will officially export gold for the first time in 2021, agricultural production is improving with rice pyramids beginning to spring up and local mining and beneficiation of steel will hasten our objective to increase industrialization and produce complex goods for export to the global market.

These investments in physical infrastructure and production cannot be sustained without a commensurate reform in governance, which constitutes the greater bulk of the legacy this administration will leave behind. In this regard, reforms of public finance management and the budgetary process have been broadly progressive. This has resulted in the publication of the Audited Financial Statements of NNPC for the first time in its 43-year history; support for a speedy passage of the Petroleum Industry Bill; financial oversight of ministries and agencies through the Treasury Single Account; concurrently publishing a Finance Bill with an Appropriation Bill; and improved performance of the FIRS in revenue collection. and improved

To further enhance the transparency and accountability framework of governance, the FMFBNP has institutionalized a technology-based M&E which is underpinned by Key Performance Indicators and targets for each ministry. MDAs now use performance matrix to track and measure Presidential deliverables to ensure improved service delivery. This is supported by a number of innovative M&E systems including the Eye Mark, the Geo-Referenced Infrastructure and Demographic Data for Development (GRID3) and a Fiscal Transparency portal, opentreasury.gov, where citizens can monitor how resources are being utilized.

I should also acknowledge the role that our private sector is playing in our economic recovery efforts through investments in Agriculture, Petrochemicals, Fintech, Health, Mineral mining, and logistics. My government recognizes that efficient market signals are important to increase the capacity of the private sector to drive consumption and investment decisions. Therefore, we will continue to provide the enabling environment including through sustainable macroeconomic policies as well as business and regulatory reforms that empower the citizens and care for the most vulnerable. This is essential because 40.1 percent of our population live below the poverty line.

It is therefore my pleasure to present to you the National Poverty Reduction with Growth Strategy (NPRGS) as a framework for actualizing the goal of poverty reduction within a decade. It is an ambitious yet achievable strategy that will contribute to our Medium-Term Plan, and our long-term development aspirations. This document is the culmination of a long process during which wide ranging consultations were made at all levels of government as well as the private sector and non-governmental stakeholders.

The strategy stands on four main pillars. The first pillar restates our commitment to the pursuit of stable macroeconomic policies, which is the foundation of any durable growth efforts. The second pillar, on industrialization, diversification and trade, presents a framework for our goal of gradually increasing the economy's regional and global competitiveness through reforms of industrial and trade policies. The third pillar relies on a strong redistributive programme that aims to correct the imperfections of the market system which contributed to extreme poverty in the first place. The final pillar is focused on structural reforms to improve the transmission mechanism of economic policy through investments in education, health, governance and public sector reforms.

I am optimistic that with dogged implementation of this strategy, we will achieve our goal of lifting 100 million Nigerians out of poverty in record time. We will also grow the economy into a global industrial powerhouse that creates millions of high-income jobs for its citizens. A growing economy means higher government revenue and foreign reserves, which would be used to provide higher quality education, health and infrastructure.

As this is a national, not just a federal strategy, I enjoin our public sectors, state and local governments to treat it as a live document that shapes their day-to-day policy choices. The private sector will also discover that this strategy provides better opportunities to grow more rapidly than at any time in the recent past. Therefore, I enjoin our private sector stakeholders to partner with us in the realization of the objectives of the Strategy.

The National Steering Committee, which is chaired by the Vice President, will from time to time brief our citizens on the progress of this journey.

Muhammadu Buhari
Abuja, Nigeria

Preface

President Buhari's audacious goal

President Muhammadu Buhari pledged to Nigerians that the All Progressives Congress (APC)-led government can, "with leadership and purpose, lift 100 million Nigerians out of poverty in ten years". Since the pledge was made in 2019, there has been further weakening of the economy, partly due to slow economic recovery in 2019-2020. The adverse impact of COVID-19 on public health and the economy did not help matters. Achieving the President's goal is therefore even more challenging than at the time it was set.

> "With leadership and sense of purpose, we can lift 100 million Nigerians out of poverty in 10 years"
>
> **President Muhammadu Buhari**
>
> ***Democracy Day Speech Wednesday June 12, 2019***
>
> ***Eagle Square, Abuja.***

Getting there

Available data clearly shows regional and rural biases in the distribution of the poor. This poverty profile speaks more to the spending priorities of the constituent authorities across our country, than to the differences in resource endowment. To make a fundamental, sustained and sustainable positive impact on poverty in Nigeria, serious conversations are needed about the spatial distribution and persistence of poverty and what state and local governments in these areas must do differently with respect to policy, programme and project choices.

A reprioritization of spending towards human capital development and welfare at all levels of government is required if we are not to leave large population segments mired in poverty. In addition, for too long we have, as a nation, confused inputs with outcomes, resulting in significant expenditures which have made little difference to the conditions of the poor and vulnerable in Nigeria. Fundamental to any form of development, be it social, economic, and political, is the challenge of insecurity in all dimensions which needs to be addressed as a crosscutting issue.

Based on our consideration of the 2019 poverty profile produced by the National Bureau of Statistics (NBS), PEAC is of the view that while President Buhari's goal is ambitious, the proposed scale of reduction in poverty within a decade is achievable through:

a. National ownership of the poverty reduction strategy, by all sections of society in Nigeria.
b. Consistent implementation of credible and coherent policies which promote macro-economic stability and rapid, inclusive growth.
c. An economic growth agenda focused on deepening industrialization in specific regional economic corridors, increased diversification of production and exports, and capturing increasing shares of trade in goods and services in the continent, especially considering opportunities offered by the Africa Continental Free Trade Area (AfCFTA).

d. The implementation of targeted interventions through redistributive programmes to reach deeper pockets of poverty, especially those not sufficiently responsive to market signals.

e. Improvement in the governance of delivery structures – ensuring that they are both practical and reflective of federal arrangements – needed to enhance the quality of life of the poor and vulnerable.

PEAC is working with the federal and state governments to ensure integration of this plan into the medium term national and state development plans. Particular focus will be given to specific aspects of the Strategy that merit discussion in longer term perspectives.

DR. ADEDOYIN SALAMI
Chairman, PEAC

The Presidential Economic Advisory Council

1.	Dr. Adedoyin Salami	Chairman
2.	Dr. Muhammad Sagagi	Vice-Chairman
3.	Prof. Ode Ojowu	Member
4.	Dr. Shehu Yahaya	Member
5.	Dr. Iyabo Masha	Member
6.	Prof. Chukwuma Soludo	Member
7.	Mr. Bismark Rewane	Member
8.	Dr. Mohammed Adaya Salisu	Member/Secretary (Senior Special Assistant to the President, Development Policy)

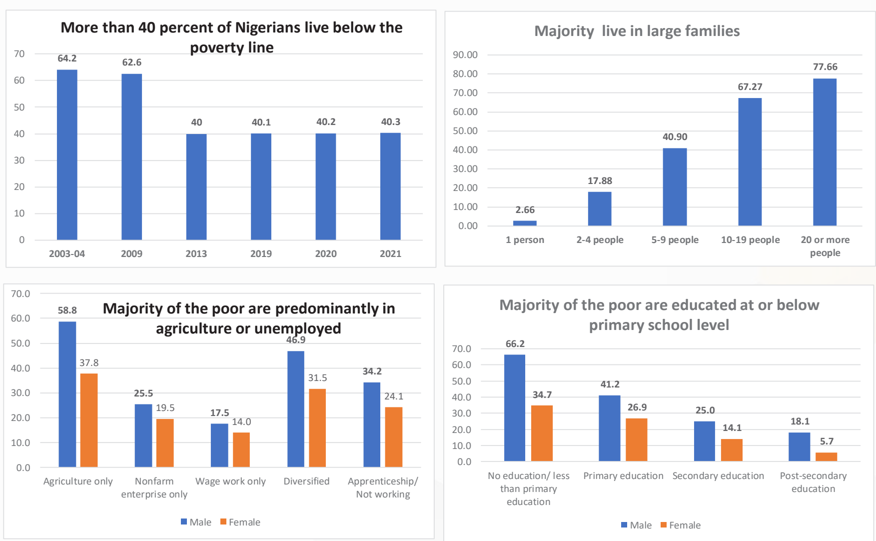
Part I: Poverty in Nigeria

National Poverty Profile

Forty percent of Nigeria's population or 82.9 million live at or below the poverty line, according to latest data from the National Bureau of Statistics' 2018-19 household survey. The national poverty line was established at N137,430.00, and individuals living in households whose per capita annual consumption expenditures is below this are considered poor by national standards. Urban areas fare better than rural areas, reporting poverty rates of only around a third of the rural rate. The urban population also fares better in measures of poverty gap, the rate by which a specific population falls below the poverty line. The national average poverty gap is 12.85 percent, compared with 4.5 percent and 17.4 percent for urban and rural poor, respectively. Majority of the poor work in agriculture and farm related businesses. The survey further reveals that majority of the poor live in large families, with only around 18 percent living in households of four or less. Access to education is an important factor in poverty outcomes, with poverty concentrated in households with primary education or less. The survey data also reveals a strong correlation between level of education and poverty outcomes: both males and females report significant drop in poverty rates as years of schooling increase (See Fig. 1, slide 4).

The survey data reveals a strong correlation between level of education and poverty outcomes: both males and females report significant drop in poverty rates as years of schooling increase

Figure 1: Poverty Rate and Characteristics of the Poor



Data source: National Bureau of Statistics elibrary, various years

*2020 and 2021 poverty headcount rates includes additional 5.9 milllion new entrants due to COVID-19.

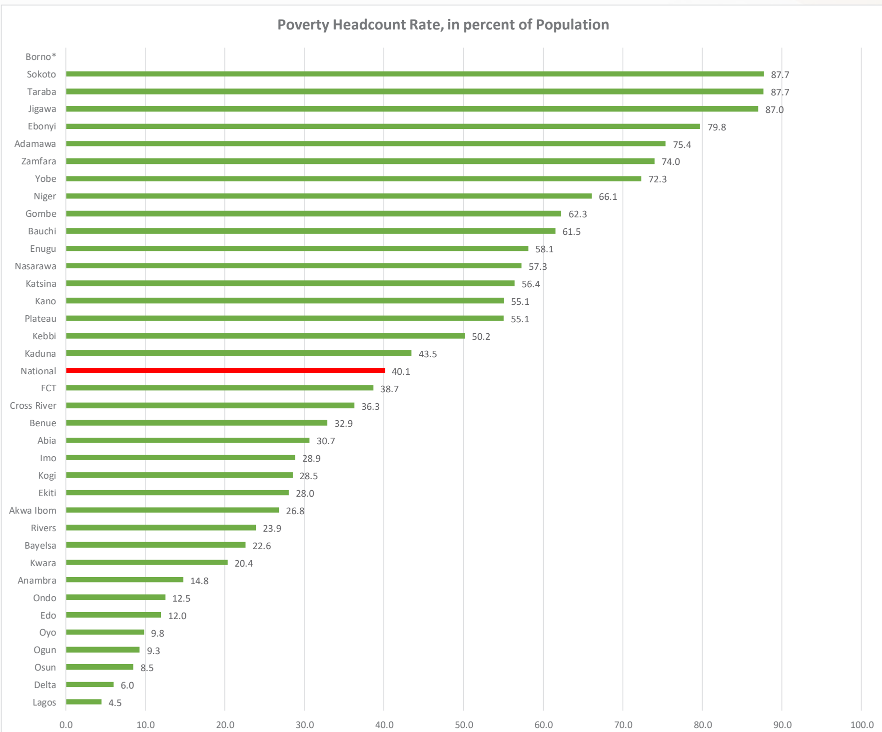
[1] The Nigerian Living Standards Survey (NLSS) is the official survey used for measuring poverty and living standards in the country. The current survey, the first one in a decade, was conducted between September 2018 and October 2019. It excluded Borno State in Northeast Nigeria due to insecurity. The poverty numbers are therefore understated. The full report is available on https://nigerianstat.gov.ng/elibrary?queries[search]=poverty .

2. Multi-dimensional poverty, a broader measure of poverty that includes consumption and income as well as additional factors like education (years of schooling and school attendance), health (child mortality and nutrition) and living standards (electricity, sanitation, drinking water, floor, cooking fuel, and assets), categorizes 53.3 percent (110.2 million) Nigerians as poor. Even for millions living above the poverty line, a major issue of policy concern is vulnerability and susceptibility to poverty. For this group of Nigerians, relatively small changes to labour and non-labour incomes and market disruptions can push them to or below the poverty line.

3. The national poverty rate of 40.1 masks the heterogeneity of the spatial dimension of poverty between states and regions. At the state level, for example, the poverty rate ranges from a low of 4.5 percent for Lagos to as high as 87.7 percent for Sokoto. In general, poverty is more pervasive in the Northern regions than in the South. In addition, most of the multi-dimensionally poor in the rural areas of the country are predominantly in the North. On aggregate, 72 percent of the extremely poor live in the North East, the North West and the North Central, with the balance of the 28 percent living in the Southern regions. These differences in the poverty distribution between the north and the south reflect, in large part, the lack of opportunities and/or inappropriate responses of the North to such opportunities as existed in the economy as well as in education.

On aggregate, 72 percent of the extremely poor live in the North East, the North West and the North Central, while 28 percent live in the Southern regions.

Figure 2: Poverty Headcount, Rate, in percent of State's Population



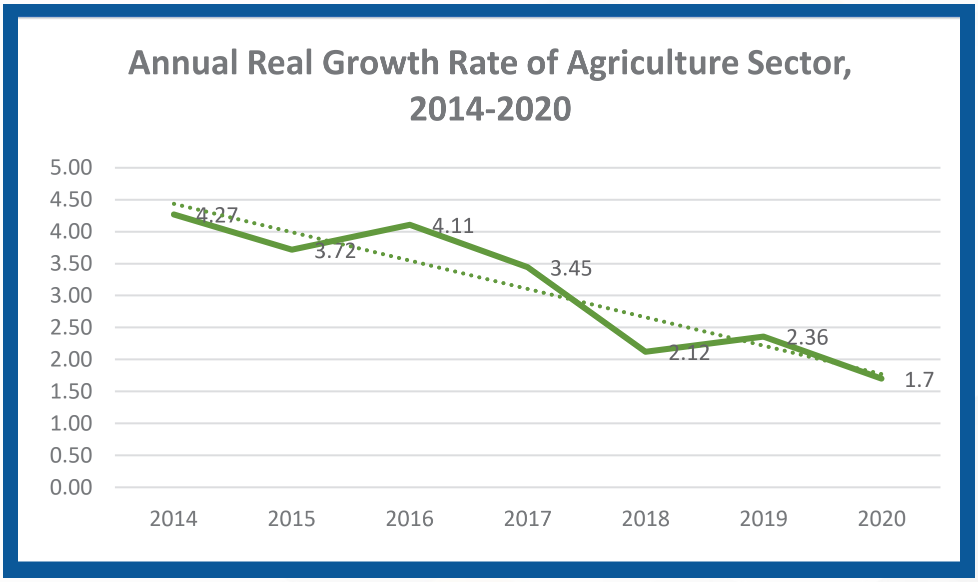
Source: National Bureau of Statistics database

4. Conflicts and climate related disasters have become key contributors to poverty and vulnerability over the past decade. Recent estimates indicate that there were more than 2.6 million Internally Displaced Persons (IDPs) in Nigeria as of 31 December 2019. Approximately 60 percent of the increase in IDP was due to natural disaster, and 40 percent due to conflict. While in the Northeast, violent conflicts involving Boko Haram are the most visible drivers of poverty, in the North West and North Central, criminal violence and banditry, farmer/herder clashes and communal violence are key factors. Climate change and natural disasters especially flooding in the low-lying Southern states, affected 80 percent of the country, and triggered more than 600,000 new displacements. Gully erosion has contributed to the desertion of whole swathes of land in the South East, contributing to loss of livelihood and accentuating poverty.

In the Northeast, violent conflicts involving Boko Haram are the most visible drivers of poverty, while in the North West and North Central, criminal violence and banditry, farmer/herder clashes and communal violence are the key drivers of poverty.

5. Earlier significant growth of the Nigerian economy did not contribute to poverty reduction. From 2004 to 2014, for example, the Nigerian economy grew at an annual average rate of about 7 percent. The strong performance partly reflected economic and political reforms and prudent macroeconomic management, which took advantage of the commodity boom and a favourable external environment. But poverty rates declined by only one percentage point between 2004 and 2009 as the growth was not inclusive. It was driven mainly by crude oil production, together with primary agricultural production of small holder farmers with little productivity. It was not surprising, therefore, that benefits of the growth were not universally shared. Many in the urban areas benefited more from the growth and are less poor because of their access to government, the concentration of education and health services and accumulation of productive assets.

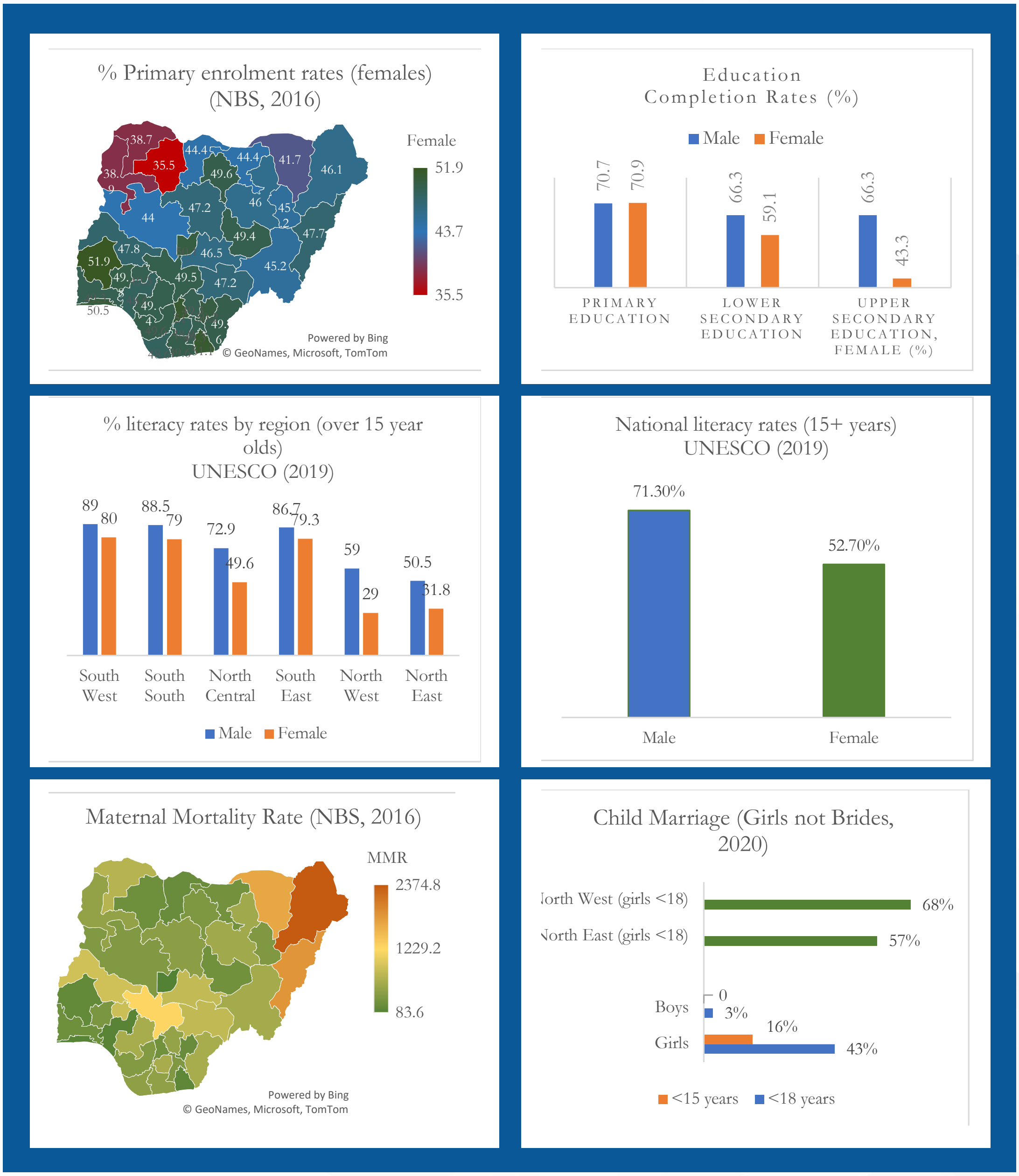
Figure 3: Agricultural Sector Productivity, 2014-2020



Date Source: NBS, various years

6. Stagnating production and productivity, especially in the agricultural sector, in the north where the farmers are concentrated are other reasons for continued high poverty levels in the region. Real growth in the sector averaged less than 3 percent since 2015 (Figure 3), barely keeping up with the population growth. Low productivity is due mainly to predominance of subsistence farming, lack of rural infrastructure and extension services, while high post-harvest losses drastically reduce the volume of farm output available to the household and the market. Post-harvest losses are thus a driver of inflation and a major contributor to poverty.

Figure 4: Gender Dynamics in Education, Literacy and Early Marriage



Sources: UNESCO 2019 and other sources

7. The gender disparity in poverty outcomes, as indicated in Figure 1 charts, confirms the widely held notion that female headed households often fare better in poverty outcomes. A further analysis of the gender dimension of poverty indicators confirm that female households fare better even with unequal opportunity (Figure 4). In regions with high poverty rates, female education rate is much lower than male, and the regional gender literacy rate among women lags considerably behind the other regions and the national average. For example, while the female education rate in the North West and North East is around 30 percent, in the South West and South South, it averages just under 80 percent. Furthermore, education enrolment and completion rates for females is much lower than for males, largely because of high child marriage rates in the northern regions, which exceeds 68 percent for females and only 3 percent for males under 18 years in the North West. Yet, female headed households account for a lower percentage of the extremely poor, implying that female empowerment could be an important tool for poverty reduction.

8. Non-farm workers living below the poverty line are mostly self-employed in the services sector across geographic regions, though mostly in the urban areas. While the services sector has grown since the mid-2000s, and is a major contributor to GDP, the sector is dominated by telecommunications and finance which are not particularly labour-intensive and are too small to absorb the demand for non-farm employment, even with high growth rates. Furthermore, the sector is procyclical, and growth has also slowed down to less than 3 percent since 2015, in line with overall growth trend.

Achieving Poverty Reduction

9. An economic programme that would support the achievement of President Buhari's goal of lifting 100 million people out of poverty would take into consideration not only the salient character of Nigeria's poverty, but also recent headwinds to the economy. This is because the Nigerian economy has been on an extended period of low growth since 2015. The collapse of global oil prices in 2014–15, combined with lower domestic oil production, decimated government finances and foreign exchange receipts, sending the economy into a recession. The plunge in oil prices and inadequate policy response caused the annual real GDP growth rate to fall to 2.7 percent and 1.6 percent in 2015 and 2016 respectively —the country's first recession in 25 years. There was little room to mitigate shocks to the economy, given the low level of fiscal and external buffers, narrow and limited diversification of revenue base. Growth slowly rebounded in 2017 and 2018, supported by rising oil prices and a recovery in agriculture and services. By 2019, the economic recovery appeared to strengthen as annual GDP growth reached 2.2 percent, but with higher population growth, it was hardly enough to achieve substantial reduction in poverty.

> ***Lifting millions out of poverty by 2031 will be challenging in a low economic growth environment.***

10. Lifting millions out of poverty by 2031 will be challenging in a low economic growth environment. The recovery from the 2016-2017 recession has proven to be short-lived due to shocks from COVID-19 pandemic together with the collapse of oil price in 2020. Economic weakness relating to COVID-19 and oil price decline are already contributing to increases in the ranks of the poor and vulnerable. A recent NBS survey indicates that for Nigerians in wage employment, as of May 2020, 4 in ten workers were already reporting a loss of labour income, and disruptions to markets and supply chains are impeding agricultural activity. Retail trade is being hit especially hard as income losses spread through the economy. COVID-19

pandemic alone is projected to add an additional 4.9 million to the ranks of the poor by 2022, and many of the poor are reporting a higher severity of economic shock during the pandemic than during the recession of 2016-17. The economic contraction of the early quarters of 2020 appears to have been offset in the last quarters, with the economy reporting an overall positive growth rate of 0.11 percent, thus exiting the second recession. The near zero growth means that the journey towards poverty reduction, even with the quick exit from recession, is more challenging than it was when Mr. President's audacious pledge was

Part II: THE STRATEGY

> ***The PEAC programme for shared prosperity has, at its core, an economic growth agenda and a poverty reduction redistributive mechanism.***

11. PEAC recognises that strong economic growth is a necessary but not sufficient condition, for poverty reduction. Booming sectors in the formal economy should, with appropriate policy, create higher numbers of decent wage jobs, thus boosting labour income, while absorbing new entrants into the labour market. As a rising tide lifts all boats, non-wage jobs, especially in the MSME categories also expand rapidly as domestic demand grows on the back of economic boom and, poverty rates decline. Increasing tax revenue from a more productive economy provides the fiscal resources for government to increase expenditure on public services, infrastructure, public goods, and redistributive and social protection programmes for the vulnerable. Bearing these in mind, the comprehensive PEAC programme for shared prosperity has at its core, a stable macroeconomic policy environment, an economic growth agenda focused on agricultural modernization, industrialization, diversification and trade, structural and institutional reforms to improve the transmission of policy, and a poverty reduction and redistributive programme. The preference for both economic growth and redistributive programmes reflects the fact that untargeted economic and infrastructure development with extensive reach like in Lagos State correlates strongly with reduction in the poverty rate. However, while general improvements in and access to economic and social infrastructure could result in superior outcomes, targeted interventions would assist reach deeper recesses of poverty.

12. PEAC is of the view that a credible poverty reduction strategy should be based on the understanding that poverty is the outcome of economic and social processes and should, therefore, be grounded in Nigeria's poverty profile and current economic conditions. Given the unevenness in poverty outcomes across the country, crafting a strategy to lift millions out of poverty cannot be, "one cap fits all". In addition to the industrialization, economic diversification and trade strategy, re-distribution programmes targeted at the poorest of the poor - especially in the regions with the highest concentration of poverty - would help to achieve durable reduction in poverty. Programmes that reduce the vulnerability of the poor and reduce their susceptibility to income and multidimensional poverty would be implemented as targeted programmes. These include those relating to income support, job empowerment and access to finance, improved access to health, education and social services, population control, and improved agricultural productivity. The programme will aim to reduce the inefficiencies in the allocation of resources that contributed to deep poverty in the first place. It would aim to boost the productive potentials of individuals and communities and provide opportunities that reduce intergenerational poverty.

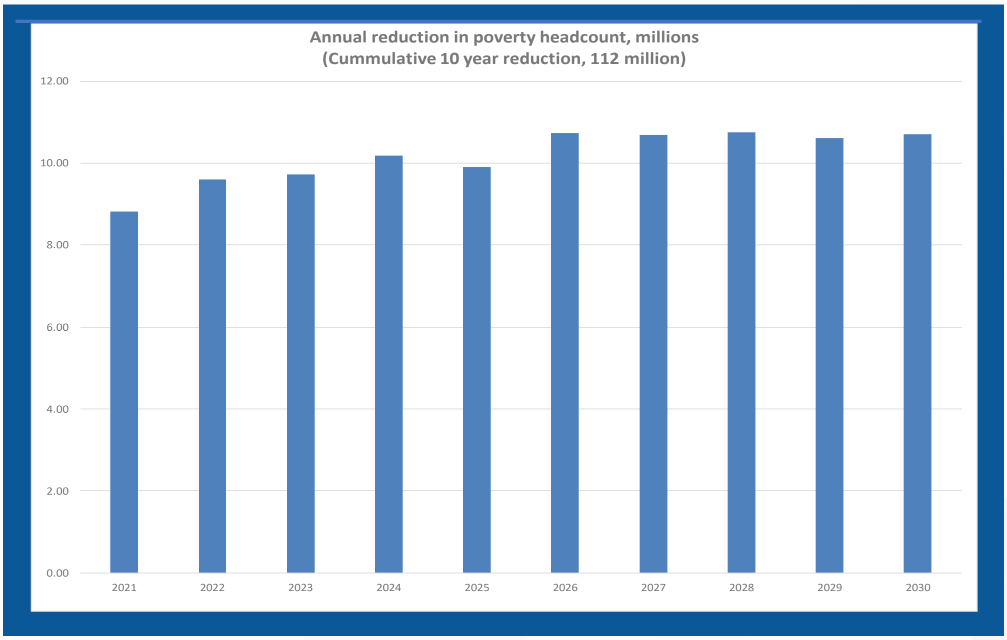
PILLARS OF THE STRATEGY

13. The economic programme herein proposed by PEAC recognises the current poverty profile and the limitations of past policies. The Council has undertaken an initial financial programming exercise (for guidance only), based on the four macroeconomic sector model. The model shows that through a gradual increase in gross investment and capital formation from 18 percent of GDP in 2019 to 30 percent of GDP by 2030, together with supportive structural policies, Nigeria could achieve strong rates of growth that result in durable reduction in poverty between 2020-2030. Given that any growth outcome is consistent with different values of other indicators – revenue, expenditure, debt, and capacity to borrow to name a few - the final decision on the growth path would obviously reflect the preference of government on the trade-offs between the required adjustment and ability to marshal the implied resources.

14. The programme is grounded in a framework that ensures the transformation of the economy from commodity dependent growth path to a diversified, industrialized, knowledge intensive and job creating economy that can attract foreign direct investment (FDI) across sectors. The programme leverages the opportunities available in the 350 million strong ECOWAS region; several bilateral trade agreements; the 1.2 billion strong Africa market (through ACFTA), and the rest of the global market to create a wider market and a dominant position for Nigeria's locally made goods and services. Assuming economic growth is in line with the programme, redistribution and transfer programmes could be used to make growth more inclusive, thereby reaching more people and lifting more than 100 million Nigerians out of income and multi-dimensional poverty.

The programme is grounded in a framework that ensures the transformation of the economy from commodity dependent growth path to a diversified and job creating economy

Figure 5: Annual Reduction in Poverty Headcount, 2021 - 2030



**Reduction in poverty headcount reflects combined impact of economic growth, redistributive program, and structural reforms on human capital and reproductive rights.*

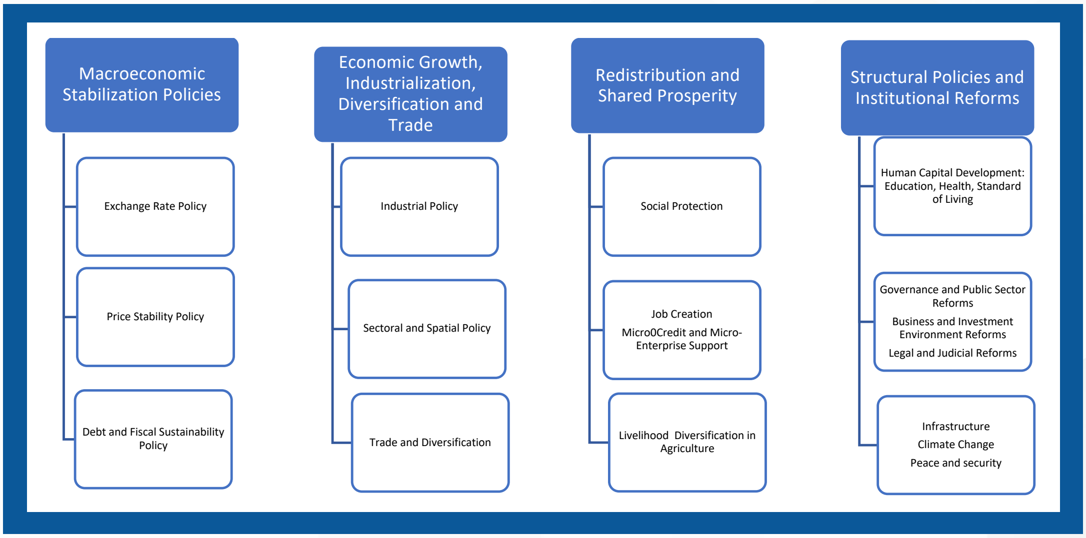
> ***A stable macroeconomic environment is necessary for strong and durable growth.***

15. The economic programme assumes a gradual growth rate of GDP of 2.3 percent during 2019-2024, and 6 percent per annum during 2025 to 2030. Given that the policies contained herein are supportive of a job creating growth, the rate of poverty reduction is expected to be faster than in the past. During the period, the average annual reduction in poverty is projected to be around 11.2 million per annum (Figure 5), 80 percent of which will be self-employment and 20 percent in wage paying jobs. Furthermore, with population control programmes, the economy will grow faster than the population, ensuring higher per capita incomes, and creating economic opportunities for citizens to explore. Through the implementation of redistributive and transfer policies, the gap between the Northern regions and the Southern regions would be bridged by 50 percent as access to education, health, and qualitative standard of living is ramped up. A gradual reduction in the size of government will contribute to a more efficient use of resources, while creating additional space in the budget to re-allocate to priority expenditures in education, health, and human development.

16. The four pillars of the economic programme are as follows (Figure 6):

- **a.** **Macroeconomic Stabilization Policies** to improve the capacity of the economy to absorb shocks and avoid disruptive adjustment.
- **b.** **Industrialization, Trade and Growth** strategy focused on job creation, enhanced revenue, and foreign exchange to be channelled towards government services, re-infrastructure, and achieving the SDG 2030 goals.
- **c.** **Redistributive Programmes** aimed at reducing levels of vulnerability, risk and deprivation by enhancing incomes of the poor through asset creation and fiscal inclusion.
- **d.** **Structural and Institutional Reforms** to improve the transmission of economic policies.

Figure 6: Pillars of the Economic Programme



PART III: MACROECONOMIC STABILIZATION AND GROWTH POLICIES

Macroeconomic Stabilization Policies

17. The current government inherited a challenging economic environment in 2015. Even though the economy began to deteriorate sharply in 2013, the then government of the day was able to draw on existing buffers, including the excess crude account, allowing it to muddle through until the election of 2015. By the time the APC led government came to power, the economy was in free fall, and went into recession barely 6 quarters into the life of the administration. Oil price rebound in 2017 brought the economy out of recession, but growth was tepid. In 2020 new headwinds to the economy – from COVID-19 and another oil price collapse - threw the economy into its second recession in six years. Nigeria's six years (2015-2020) of GDP growth under the current administration now average 0.5 percent per annum, well below that of a population growing at 3.26 percent per annum during the same period.

18. It is a fact universally acknowledged, that a stable macroeconomic environment is necessary for strong and durable growth. Strategically, government is not a key player in the economy (accounting for less than 15% of national expenditure) but a decisive enabler for the private sector. Its key enabling functions include security (law and order); predictable, competitive, and sustainable macroeconomic and regulatory environment; infrastructure; and a social agenda that empowers the citizens and cares for the most vulnerable. Efficient market signals are important to increase the capacity of the private sector to drive consumption and investment decisions, while encouraging foreign direct investment.

19. Government has made limited progress on policies to create a sound macroeconomic environment that supports growth. Multiple exchange rate, quasi-fiscal policies, monetary and interest rate management and inability to keep the inflation rates around the set targets are magnifying economic vulnerabilities and denying the country of a continuously stable macro-economic environment, a pre-condition for economic growth and poverty reduction. The combination of misaligned exchange rate, foreign exchange rationing, backlog of trade arrears, stagflation, and implementation of heterodox monetary policy, with the related uncertainties have been major drags on superior policy outcomes in the past six years. If not addressed, macroeconomic vulnerabilities might force the economy into a chaotic/disorderly adjustment.

> ***The rate of technology deployment and modern processes and procedures are lagging due to decades of chronic underinvestment.***

20. Achievement of the desired outcomes of the programme rests crucially on the implementation of sound macroeconomic policies. A sound and consistent implementation of macroeconomic policies would reduce the risks of an economic disruption, while providing an environment for smoother transmission of economic policies. It will also send appropriate signals that incentivizes private sector investment and consumption, and further growth. The PEAC poverty reduction programme therefore assumes that going forward:

a. the exchange rate is unified and competitive
b. inflation is maintained at single digit
c. interest rates are market determined

d. subsidies are gradually eliminated, resulting in prices that reflect market conditions
e. public debt is kept at a sustainable level, especially with respect to government's debt service capacity

Economic Growth, Industrialization, Diversification and Trade

21. Nigeria's industrial landscape is dominated by factories engaged in production for the domestic market. The dominant companies are focused on satisfying consumer needs, while production of intermediate goods or capital goods is minimal. A functioning iron and steel industry, a prerequisite intermediate product for more than 80 percent of world manufacturing output, is lacking. The rate of technology deployment and modern processes and procedures are lagging due to decades of chronic underinvestment. There is a well-educated workforce and skilled manpower, but not enough to drive the changes necessary to develop a competitive and modern knowledge-based economy. The prevalence of private provision of public infrastructure such as energy, water, security etc, means a much higher cost curve for manufacturers and lack of competitiveness. As a result, cheap imports flood the market, contributing to further deindustrialization and unemployment. For example, as of 2013, more than one million jobs were lost in Nigeria's textile sector.

22. Decades of an import substitution industrialization strategy means that manufacturing is very dependent on protection and incentives. Yet, the sector – about 14 percent of GDP in 2018, is the smallest of Nigeria's peer. The contribution to GDP is even poorer from a global perspective, because this level of contribution falls well short of the ratios achieved by developing economies in the East Asia and Pacific region, as well as by the middle-income countries as a group. Today, the industrial sector contributes just 3 percent to export revenues, but accounts for over 50 percent of imports. Oil overwhelmingly dominates trade at over 90 percent of total exports but drives an exceedingly small portion of other industrial activities, including refineries. The country's trade balance on manufactured items is therefore causing a severe drag on Nigeria's balance of payments.

Economic Growth Paradigms of the Recent Past

23. Similar industrial policy underpinned Nigeria's recent history. Almost all economic programmes published by new governments identify diversification of the economy as a primary objective. Notwithstanding the objectives of governments, Nigeria has over the years implemented an import substitution industrialization model. The model relies on protective tariffs, import quotas, exchange rate controls, preferential licensing terms, and subsidized loans, which all distort markets, a distortion made worse by the high degree of discretion in the administration of the policy tools. The protected industries end up being globally uncompetitive, not enough jobs are created, and domestic prices are unnecessarily inflated. As the world took advantage of new patterns of industrialization, globalization and international trade in the past twenty years, the Nigeria economy was left behind.

24. In the immediate post-military era, the National Economic Empowerment Development Strategy (NEEDS) (2004) noted that Nigeria has become a nation of traders, with a weak and stagnant domestic private sector. It aimed "to alter the strategy for industrial development, to make it more local resource–based and more related to local research and development strategies". The immediate successive government introduced the Nigeria Industrial Revolution Plan (2011) as part of a Transformation Agenda. The plan aimed

to improve the rate of industrialization and the sector's contribution to GDP. The Economic Recovery and Growth Plan (ERGP) (2017-2020) of the current administration aimed to drive industrialization by focusing on Small and Medium Scale Enterprises. Notwithstanding the good intentions, Nigeria's past growth has not been robust enough to ensure a transformation of the economy from primary production growth path to an industrialized, knowledge intensive economy; leveraging opportunities available regionally and continentally to create a wider market.

25. Nigeria needs to create millions of jobs annually to raise disposable income, lift millions out of poverty and reduce the high level of income inequality. Economic growth with new jobs in different sectors would reduce the dependence of fiscal operations on oil revenue, and dependence on oil export proceeds for foreign exchange earnings. To the extent that various tensions in the polity reflect struggle over economic opportunities and are expressions of lack of economic wellbeing, a job creating growth would address concerns about marginalization and government effectiveness, while contributing to a more peaceful and secure society. High levels of robust growth and increased tax revenue would also provide the resources required to improve on service delivery especially education and health as well as more modern infrastructure while reducing the reliance on debt financing.

Economic growth with new jobs in different sectors would reduce the dependence of fiscal operations on oil revenue.

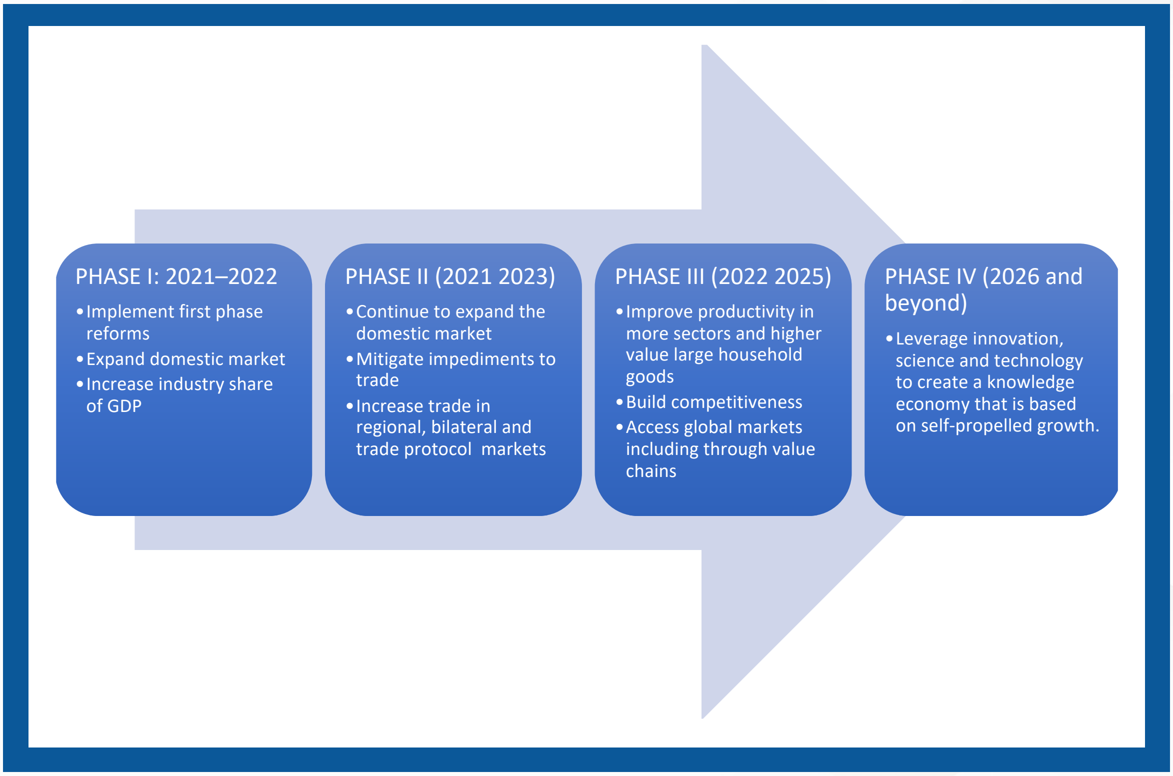
The Industrialization Strategy

26. The new industrial policy would focus on a radical transformation of Nigeria's economy, to bring the size and complexity of the economy in line with Nigeria's peers, the largest 30 economies in the world. The new industrial strategy has the over-arching objective of enhancing the productive capabilities of and transforming the economy by increasing its ability to produce more and more complex and high value-added products with greater efficiency. Implementation of supporting policies is central to the achievement of this goal. The industrial policy addresses the constraints to growth, encourages employment intensive sectors to thrive, and develops globally competitive companies that leverage the opportunities available in the ECOWAS region; bilateral trade agreements; Africa, and the global market. The industrialization strategy that would deliver this will be based on the following phases (Figure 7):

- **a.** **Phase I (2021-2022):** Implement first round reforms, increase productivity and job creation in select sectors, capture larger shares of the domestic market.
- **b.** **Phase II (2021-2023):** Continue to expand domestic market, mitigate impediments to trade, and commence increased access to bilateral and regional markets where trade protocols already exist. Examples are ECOWAS regional market and US AGOA trade preference arrangements.
- **c.** **Phase III (2022-2025):** Increase productivity in more sectors, move up the value chain to more complex products like large household goods. Build competitiveness and promote access to global markets.
- **d.** **Phase IV: (2026 and beyond):** Leverage innovation, science, and technology to create a knowledge economy that enjoys self-propelled growth.

These phases do not need to be sequential, although it is likely that phase IV would occur later than phases I, II and III.

Figure 7: Nigeria – Phases of Industrialization under the Industrialization Strategy



27. The phased approach focuses on the domestic market at the outset because of the time needed for reforms to gain traction. During this period, growth is likely to continue to be driven by sectors focused on satisfying domestic demand, especially in those industries that have already contributed significantly to growth. Through the implementation of the desired reforms including appropriate infrastructure, Phase I would create the platform for the growth of manufacturing industries, which would be oriented towards the regional and international markets in Phases II, III, and IV. By that time, the severe cost disadvantage of Nigerian industry, resulting primarily from power and transportation would have been largely resolved.

Sector Strategies

28. Economic production in Nigeria is roughly divided into 10 industrial sectors (Figure 8). Production, tax, and export data suggest that all the ten sectors have viable sub-sectors that have the potential to achieve the objectives of the industrialization strategy. In some sectors, such as Basic Metal, only a few product lines have the potential, whereas some like Textile and Leather works have several sub-sectors that have the potential to create jobs and be competitive globally. Therefore, rather than determining which sectors to support during Phase I, equal opportunity to thrive will eventually separate the winners, allowing for better identification of areas of support. Bearing in mind the need to achieve the overarching goals of the strategy, other broad considerations include:

Textile and Leather works have several sub-sectors that have the potential to create jobs and be competitive globally.

a. **Growth potential:** Growth opportunities in output, employment and exports are used to assess the potential economic impact of a cluster in different regions of the country.

b. **Availability of and access to resources:** Aside from raw material and intermediate inputs, other crucial requirements for each economic corridor are financing, skills, technology, infrastructure, and logistics.

c. **Upgrading potential:** The opportunity for growth and diversification within sectors; avail ability of knowledge, technology spillovers and the potential to move up the value chain were important considerations. This means that Nigeria can avoid being locked into low-technology operations that are competitive regionally and globally primarily because unskilled labour is cheap.

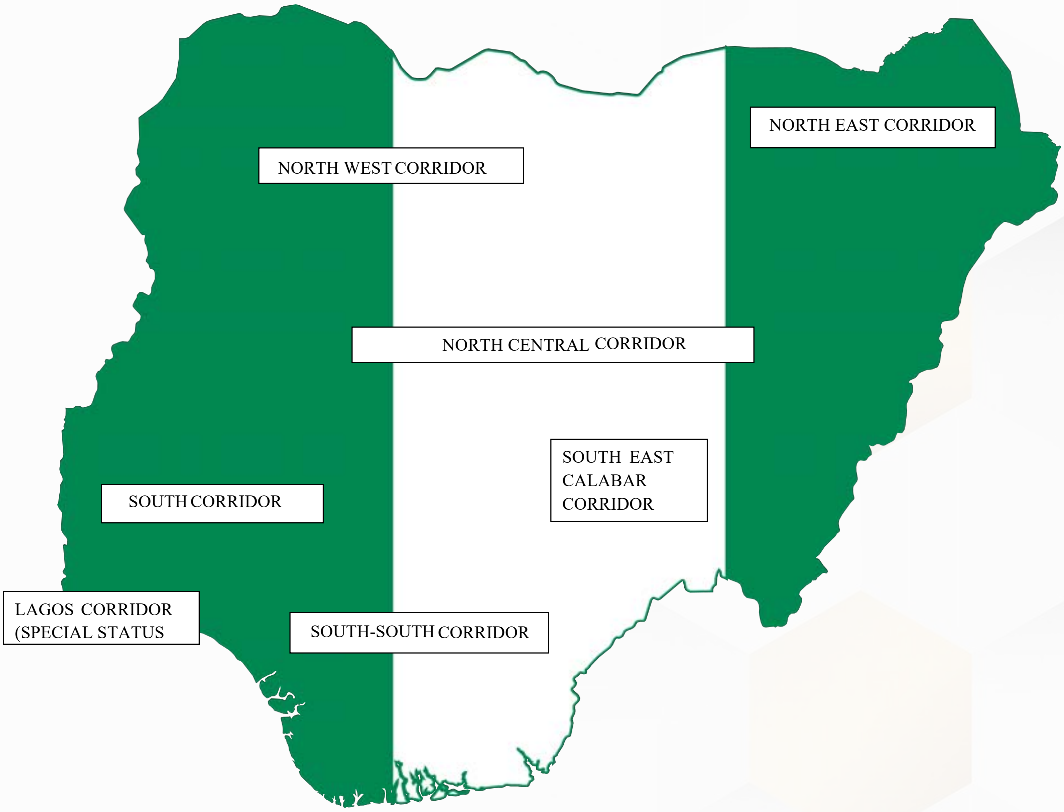
d. **Complementarity:** There are extensive complementarities in both demand and supply in different industries in Nigeria. This will promote increased linkages as participant firms seek to exploit competitive advantage amongst each other.

Figure 8: New Industrial Strategy – Phase I Focus Areas

Spatial Strategies

29. The Strategy is cognizant of the fact that majority of the country's population live in areas lacking in economic opportunities. Therefore, a cardinal objective is to create new economic centres in every region of the country as a way of promoting economic opportunities for the generality of Nigeria's populace. In this regard, apart from identifying high growth sectors, the spatial dimension of development and economic growth would be addressed through the creation of "Economic Corridors" (Figure 9). These corridors will be supported by government with special incentives to aid development. By so doing, government incentivizes businesses to build long term perspectives in the development of the new economic corridors.

Figure 9: Industrialization Strategy – Regional Economic Corridors



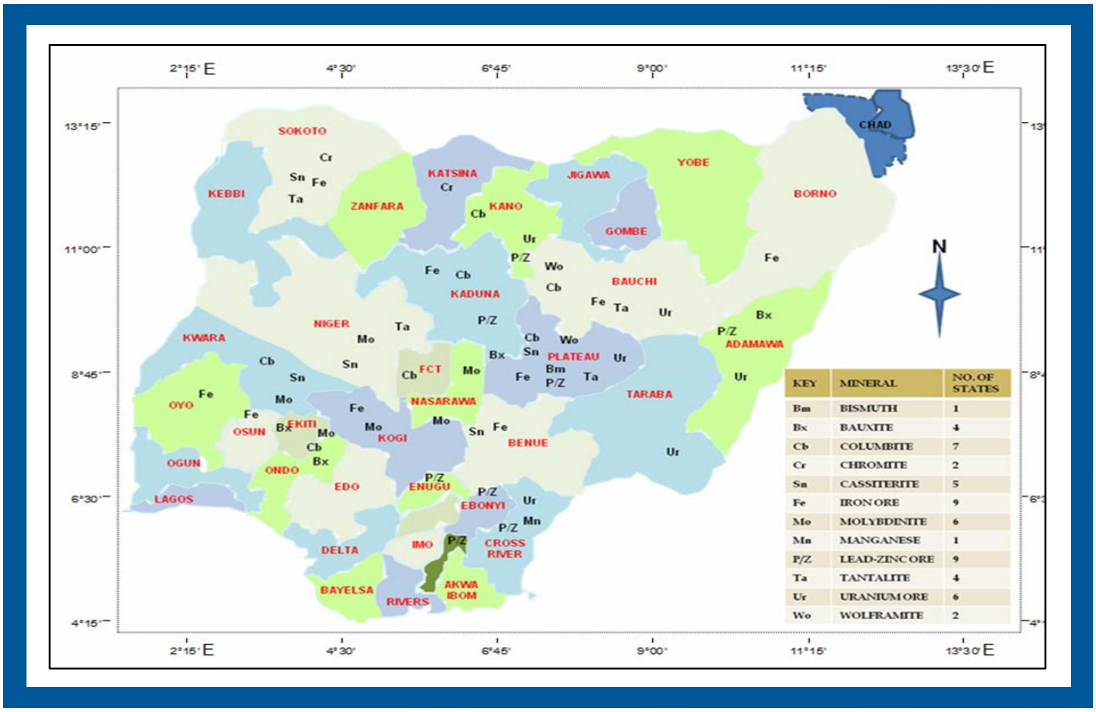
30. The goal of the new industrial policy is to eventually be able to transform each of the regional corridors into several "clusters" of geographically proximate companies, suppliers, service providers and associated institutions that become drivers of regional growth, productivity, and competitiveness. While in Phase I, government will take the lead in establishing and nurturing the clusters, as the economy grows into Phase II, self-discovery of enterprises and clusters will establish the firmer foundations for cluster-led or facilitated industrialization. In some of the most successful country cases like China, the guidance, planning and mapping of actual and desirable agglomeration paths is a deliberative process by the government. However, it is also possible for clusters to grow organically, as is the case of the automotive spare parts dealers in Nnewi and the computer village in Ikeja.

Figure 10: Industrialization Strategy – National Corridors and Identified Economic Activities

North West	North East	North Central	South West	South East	South South	Lagos (Special Status)
• Textile, Leather and Garments, and Carpets • Agriculture and Agro processing • Agro Processing • Minerals and Mining Products	• Agriculture • Agro Processing • Mineral and Mining Products and aquatic minerals	• Agriculture • Agro Processing • Mineral and Mining Products	• Mineral and Mining Products • Agro Processing • Wood and Wood Products (including Furniture) • Mineral and mining products	• Motor Vehicle & Miscellaneous • Electrical & Electronics • Chemical and Pharmaceuticals • Textiles, Wearing Apparel, Carpet • Mineral and Mining products	• Wood and Wood Products (including Furniture) • Agriculture • Mineral and Mining Products • Marine economy	• Services (Marine, Financial, Transportation) • Chemical and Pharmaceuticals • Electrical & Electronics • Textiles, Wearing Apparel, Carpet • Pulp , Paper & Paper Products • Motor Vehicle & Miscellaneous • Domestic and Industrial Plastic & Rubber • Marine economy and aquatic minerals

31. Each of the economic corridors will be focused on developing several main economic activities in accordance with their respective comparative advantages (Figures 10 and 11). Peripheral activities that are complimentary to the main one would necessarily grow as spill over from main activities. In addition, the ecosystem will spread to include technical infrastructure, cooperation with neighbouring academic institutions and institutes for innovation, research, and development.

Figure 11: Phase I Sector – National Mineral Map



32. The economic corridors are important tools in Nigeria's quest for regional development through an integrated and sustainable approach. The development of the economic corridors gives greater emphasis to expansion and creation of sustainable forwardly and backwardly linked activity chains. Connections among corridors with other regions would promote diverse and inclusive economic development. Further opportunities would emerge based on local potential and specialization; while sectoral and regional development synergies would enhance national, regional, and global comparative and competitive advantages.

33. The link between the focus sectors and the economic corridors is strong. For example, many sectors are chosen based on growth potential, and availability and access to resources. The Kano-Kaduna corridor, which is identified for textile and leather is close to major cotton and livestock farming operations in the North. Textile and garment manufacturers in the Kano-Kaduna Economic Corridor (EC) would create strong linkages with cotton farmers in the Sahel and North Central corridors, while the South West and Southern Corridors, with their extensive rain forests have immediate access to timber for pulp and furniture.

Industrializing for Exports

34. Though Nigeria has a large domestic market, which can be made even larger and deeper through poverty reduction, the size of a market does not necessarily deliver sustainable growth. Sooner or later, economies reach the limit of their markets and growth start slowing down. Experience has shown that for a country to continue growing and creating wealth to meet the demands of its population, it must search for new markets. Entering new markets has become easier due to new patterns of industrialization, globalization and international trade that have emerged in the past twenty years. Many countries are outsourcing products that they do not have comparative advantage in, and other countries are turning themselves into the world's factory. Almost all countries that pursue deliberate policies to take advantage of these opportunities have witnessed phenomenal growth that created millions of jobs, increased foreign reserves, and lifted millions out of poverty.

Many countries are outsourcing products that they do not have comparative advantage in, and other countries are turning themselves into the world's factory.

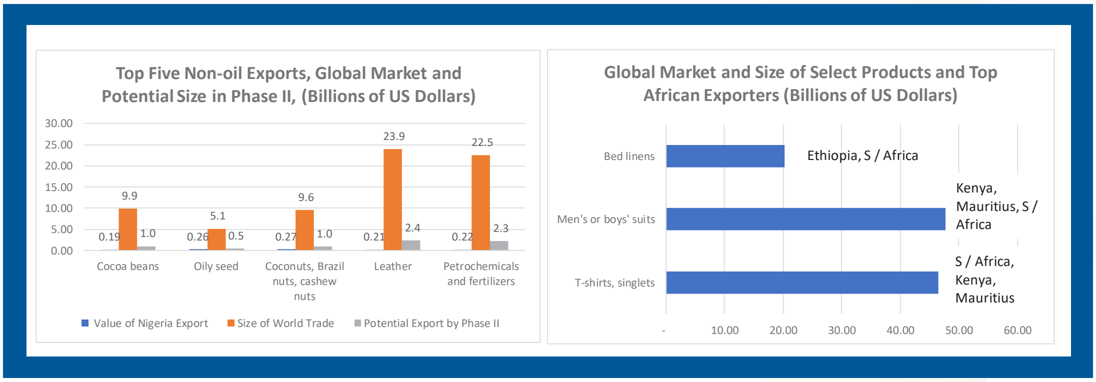
35. For Nigeria, a growth strategy focused on both satisfying domestic demand and exports can deliver double digit annual economic growth of above 10 percent. A key source of growth is the jobs that are being exported from countries that are moving up the value chain because as economies grow, certain sectors are no longer competitive for them due to rising wage levels. As of the 2016 global estimate, more than $1,500 billion of exports and 160 million jobs are moving away from China and other rapidly growing economy in search of new location. Many African countries, including Ethiopia, Kenya, Mauritius, and Lesotho have created the enabling environment to take advantage of these opportunities because most of these jobs are in extremely low skill areas, with only minimal capital intensity, and low lead time.

36. One of the most accessible sectors under the strategy is garments and textile export, a sector that Nigeria was extraordinarily strong in. Due to low skill requirements and high labour intensity, countries like Bangladesh have been able to transform their economy in record time by quickly adopting the strategy.

Today, Bangladesh is one of the top exporters of garments and textiles to advanced economies, even though it started less than 20 years ago, and in 2019, the country exported US$30.2 billion of garment and textile to global markets. Assuming Nigeria can achieve even half of Bangladesh's feat in Phase I, annual foreign currency inflows from that sector alone will exceed that from crude oil.

37. Similarly, in the last decade, Lesotho became Africa's largest exporter of textile and garments to the US (under AGOA), even though it is a landlocked country, has power supply deficit and the population was about 2 million at that time. Today, Lesotho's garment and textile industry are a globally integrated sector that produces for some of the most famous international brands, and exports to some of the biggest apparel markets in the world. Other countries that are expanding manufacturing exports include Kenya, Ethiopia, and Mauritius. With the right strategy and leadership, this is achievable in Nigeria. If Nigeria can take just 5 percent of the global market (Figure 12), concentrating in 3 – 5 key sectors, such as textile and leather, agro-processing, and consumer goods, 10 million good new jobs could be created in the country, enough to absorb the army of unemployed over a 3–5-year period. With more than $75 billion of export revenue, both government taxes and foreign exchange reserves would grow phenomenally. GDP could double within 10-15 years, a feat achieved only by China in the early stage of its industrialization.

Figure 12: Actual and Potential Non-Oil Exports and Global Shares



[2] *Source: Bangladesh Export Promotion Bureau http://epb.gov.bd/site/view/annual_reports/-*

Reforms to Support Industrial Deepening, Diversification and Trade

Public procurement and local content guidelines

38. Government as the single largest purchaser of goods and services, and spender on capital / development expenditure has a crucial role to play in stimulating the growth of domestic industries through its public procurement policies. However, for this to be beneficial to the domestic economy, public procurement policies often must be tied to "local content" policies. This policy would restrict or make more expensive the use of foreign inputs, with the aim of generating an advantageous atmosphere for local providers. As successful implementation of the strategy requires government patronage of key sectors, various laws, and regulations already in existence need to be prioritized. Past efforts at encouraging "made in Nigeria" need to be revamped.

Standards and technical infrastructure

39. Success of the strategy depends on the ability of industries to produce goods that meet international standards. The Standards Organization of Nigeria (SON), NAFDAC, and a host of others are important parts of the country's technical infrastructure and strengthening them is especially important for the success of the new strategy. To compete globally, a robust technical infrastructure system could facilitate the reduction of unnecessary barriers to trade among trading partners. Reforming Nigeria's standard and regulatory agencies therefore remains a priority.

Special Economic Zones (SEZ)

40. SEZs have proven to be effective policy instrument for propelling industrialization in some of the world's leading economies. In Nigeria, there are more than 20 SEZ, but their operations have not been as successful as expected. Establishing SEZs on their own is like creating an island in the middle of nowhere. If there is no synergy between economic activities and other policies, SEZs find it difficult to succeed and the world is full of ghost SEZs to show for it. Success requires a lot more, including enabling governance structure, investment promotion and marketing; infrastructure development; institutional development; capacity building; and stakeholder management.

Industrial Incentives

41. Incentives would be needed in the sectors to be supported, for them to reach their growth potential. In addition, the special ECs would need more accelerated support. Incentive packages need to be competitive in terms of accessibility, costs, terms, and conditions. Nigerian companies face international competitors who benefit from carefully orchestrated national manufacturing strategies which typically include: (i) financial support (in the form of grants and tax incentives) for the procurement of productive assets; (ii) research and skills development initiatives; and (iii) support for infrastructure development. While the use of incentives in Nigeria has not resulted in strong outcomes, what is now needed is a much sharper, better coordinated and sustained national focus, to ensure that policies are appropriately targeted and flexible enough to help manufacturers compete globally and to strongly incentivize industrialization.

Government as the single largest purchaser of goods and services has a crucial role to play in stimulating the growth of domestic industries through its public

Innovation and Technology

42. The core building blocks of innovation and technology is the reorientation and repurposing of education to facilitate industrialization and transformation with emphasis on Science, Technology, Engineering, and Mathematics (STEM) education. This will no doubt require establishment of partnerships between universities, research institutions and the business community to fast-track utilization of knowledge generated for production. Governments would need to fund collaborative research that involves industry and the academics. The priority actions include a focus on productivity and competitiveness at firm and national levels; increased investment spending on R&D; design and implementation of STEM education and skills development programmes, recognition of the role of technology in industrialization.

Access to finance

43. Limited access to financing severely constrains opportunities for economic growth especially for MSMEs. Despite the existence of many development finance institutions, market gaps exist, and financial intermediation could benefit from outreach and scale. Key policies include (i) modernizing the development finance regulatory framework to improve access of MSMEs; (ii) streamlining the costs of financial resources; and (iii) streamlining the guarantee terms for credits and loans. Regulatory interventions could develop all sectors of the credit market, from microfinance to larger corporations. Existing microfinance banks could be given incentives (e.g., lower capital requirements) to establish branches around the economic corridors. Harnessing the new opportunities emerging in Fintech could provide additional source of finance.

Reprioritizing education policy towards entrepreneurship, and technical and vocation education and training (TVET) stream will narrow the skills gap.

Targeted interventions to reduce skills gap

44. A better educated workforce is indispensable to industrialization. Knowledge and capability development are crucial levers of productivity and competitiveness of firms and sectors as well as for more effective functioning of the overall economic system. The knowledge-based economy is becoming a key pillar of competitive advantage. Unfortunately, the education curriculum in the country does not equip many to function in non-clerical positions. Reprioritizing education policy towards entrepreneurship, and Technical and Vocation Education and Training (TVET) stream will narrow the skills gap.

Investment policy and financial and capital market integration

45. FDI inflows are often central to industrialization since domestic savings are unlikely to meet the financial needs of the economy and attracting external financial support would require the implementation of investment-friendly policies. Positive spill overs often occur where FDI leads to closer interaction between foreign and domestic firms including in technological and skill transfers. With foreign participation, linkages among firms are more likely to sustain innovation, technology transfer and upgrading than official government interventions. Specific measures to foster sound investment climate include: (a) Removal of controls on cross-border financial capital flows; (c) Harmonization of banking regulations and supervisory requirements; (e) Free movement of portfolio investments across the region. Respect for intellectual property rights and patent protection are also essential.

Trade Policy, Regional and Continental integration

46. As the new strategy moves to Phase II, obstacles to imports and exports of both goods and services would need to be reduced. Nigeria has been heavily involved in integration efforts both at the regional level, via ECOWAS, and the Africa Continental FTA. In addition, the country has various bilateral trade agreements with many countries. However, Nigeria has not taken advantage of these trade relationships to grow its exports. The economy of many ECOWAS countries is dominated by imports from third countries, even though existing ECOWAS protocol allows Nigeria to take advantage of these opportunities. The combined population of millions in the ECOWAS region offers significant growth potential for at least 60 percent of the sectors in Phase I, including agriculture sector and gas-based industries, and financial services. The potential for cross-border portfolio investments by ECOWAS institutions and individuals is high. The full implementation of ECOWAS Common External Tariff, along with measures to simplify customs' procedures at the border, will offer Nigeria additional opportunities to develop regionally and globally competitive sectors and to diversify exports.

PART IV: REDISTRIBUTION AND SHARED PROSPERITY

Experience with Social Protection Programmes

47. Over the decades, Nigeria has implemented various programmes aimed at social protection, expanding the social safety net, and boosting skills provision to enhance the capabilities of the youth. A few of these programmes, some now defunct, include the National Directorate of Employment (NDE), Industrial Training Fund (ITF), Community Banks, Better Life for Rural Women (BLRW), People's Bank, Family Support Programme (FSP), Family Economic Advancement Programme (FEAP), and the Directorate of Food, Roads, and Rural Infrastructure (DFRRI). The National Poverty Eradication Programme (NAPEP) which was introduced in the aftermath of the NEEDS implemented programmes focused on cash transfer, economic empowerment, and micro-credit. The immediate past government introduced the Subsidy Reinvestment and Empowerment Programme, (SURE-P), with the goal of channelling savings from removal of petroleum subsidies into targeted pro-poor expenditures. Notwithstanding the good intentions, pro-poor programmes are often bedevilled with accountability, governance, and transparency issues, they tend to have limited reach and life span, and often suffer from poor targeting.

48. The overarching economic programme during President Buhari's first term, the ERGP I, had limited focus on direct poverty reduction and redistributive programmes, rather, its aspirational poverty reduction goal of "61 percent to 50-55 percent" by 2020 was expected to come from the implementation of broad untargeted economic reforms that were expected to trickle down. Subsequent government policies have since laid the institutional framework for federal government-initiated poverty reduction programme, in line with the APC's pro-poor agenda. A Social Protection Policy Framework was developed in 2017, and a Social Registry of Poor and Vulnerable households was also established at state and national levels. Several states are also putting in place coordination and implementation structures for social investment and social safety nets interventions, some with the support of development partners. The establishment of a Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development (MHA) in 2019 was the first of its

kind in Nigeria. The current structure of MHA will address the fragmentation and limited coordination among different tiers of the government, allowing for a more systematic and holistic implementation of social programmes in a well-defined institutional framework.

Table 1: Federal Social Protection Programmes and Number of Beneficiaries

Programmes	Number of Beneficiaries
Social Safety Nets	
Home Grown School Feeding Programme (HGSFP)	9,963,726
National Cash Transfer, YESSO and Community Social Development Project	620,947
Social Investments	
GEEP TraderMoni	1,945,640
GEEP MarketMoni	330,568
GEEP FarmerMoni	3,172
N-Power Volunteer	500,000
N-Power Build and Mechanics	20,000

Source: Nigeria Social Investment Programme (NSIP)

49. The current range of pro-poor programmes focus on cash transfer, economic empowerment, skills acquisition, and access to finance. Some of the programmes include the National Cash Transfer Programme (NCTP), the National Social Safety Nets Programme (NSSNP), Youth Employment and Social Support Operation (YESSO) and the Community Social Development Project (CSDP). The social investment programmes include the Government Enterprise and Empowerment Programmes (GEEP), N-Power Job creation Programme, and National Home-Grown School Feeding Programme (NHGSFP). Formal vocational skills training –especially for out of school children, informal apprenticeship training, entrepreneurship training and internships for graduates in various sectors assist to improve labour productivity and skills acquisition that would contribute to income growth. These programmes are aimed at improving MSE access to finance, access to markets and access to business development service.

50. The new institutional framework is a movement in the right direction, but several gaps and challenges remain. The reach of the programmes has never been enough to make a dent on Nigeria's high poverty rate. For example, at a period when the national poverty rate hovered at over 60 percent, NAPEP benefited under 100,000 households, while SURE-P beneficiaries were estimated at between 30,000-

128,000. Under the current dispensation, YESSO, N-Power and other programmes are also limited in their reach (Table 1). At the state level (Table 2), coverage is extremely limited in most of the programmes, and apart from federal programmes, more than half of the states have no social protection programmes at all. For the sixteen states that report social protection programmes, most of the programmes focus on skill acquisition for empowerment of small and medium scale enterprises. Other programmes in Lagos and Osun states focus on empowerment of farmers and improving extension services in the agricultural economy. As with federal programmes, the reach is extremely limited. It is therefore not surprising that a recent National Living Standards Survey (2018/2019) found that only 1.6 percent of Nigerians live in households enrolled in any form of social protection programme. The low reach is partly because fiscal resources devoted to social protection and social assistance programmes tend to be limited. Rather, past governments have opted to provide "social protection" to the general population in the form of energy and fuel subsidies, which is not means tested or targeted at the poor.

Table 2: State Level Social Protection Programmes

SOCIAL PROTECTION PROGRAMS AT STATE LEVEL

State	Programme	Beneficiaries
Abia	N/A	N/A
Adamawa	N/A	N/A
Akwa Ibom	Family Empowerment & Youth Reorientation Path Initiative (FEYReP)	
	Business & Skill Acquisition	1,630.00
Anambra		250.00
Bauchi	N/A	N/A
Bayelsa	N/A	N/A
Benue	N/A	N/A
Borno	N/A	N/A
Cross River	N/A	N/A
Delta	SMART Agenda, STEP and YAGEP	2,883.00
Ebonyi	N/A	N/A
Edo	N/A	N/A
Ekiti	Youth Volunteers/Public Workfare Scheme, Skill Acquisition and Entrepreneurship Scheme	876.00
Enugu	N/A	N/A
Gombe	Youth Empowerment & Poverty Alleviation (YEPA)	6,684.00
Imo	N/A	N/A
Jigawa	Various empowerment programmes	139,012.00
Kaduna	KADSTEP, KADAT, KADEEEA, KADSWEP	46,879.00
Kano	Automobile Repair Empowerment Programme & Skills Acquisition	6,272.00
Katsina	N/A	N/A
Kebbi	N/A	N/A
Kogi	Kogi State Social Investment Programme (SIP)	34,953.00
Kwara	Kwara State Government Social Investment Programme (KWASSIP)	23,195.00
	'EKO CARES' programme; Skill Acquisition, Agric-YES;	
	Agro-Processing, Produce Enhancement	
Lagos	and Livelihood Support (APPEALS)	64,811.00
Nasarawa	N/A	N/A
Niger	N/A	N/A
Ogun	N/A	N/A
Ondo	N/A	N/A
Osun	The Osun Elementary School Feeding and Health Programme (O-MEALS);	136,448.00
	Osun Ambulance (O-AMBULANCE); Osun Road Access Mobility Project (O-RAMP);	
	Osun-Broiler, Out-growers' Scheme (O-BOPS); The Quick Impact Intervention Project (QIIP)	
	Osun Agricultural Development Programme (OADP);	
	Osun Youth Employment Scheme (OYES).	
Oyo	Oyo State Agribusiness Agency (OYSADA)	N/A
Plateau	Simon Lalong Empowerment Scheme (SLEMS) &	
	Plateau State Micro_nance Development Agency (PLASMIDA)	2,889.00
Rivers	N/A	N/A
Sokoto	N/A	N/A
Taraba	Rescue Agenda	1,719.00
Yobe	N/A	N/A

Sources: NBS and state government sources

51. Design and conception flaws also contribute to limited effectiveness. In the first place, the federal government appears to be the main implementer of social protection programmes, even though most of the drivers of poverty, as identified in Part I, are at the state level. Even where programmes exist, most are not well targeted, and poor identification issues results in leakages[3]. The lack of coordination of state and federal governments in the deployment of social protection programmes creates a huge gap that limits the effectiveness of the programmes. Furthermore, perhaps not understanding that poverty is an outcome of processes, social protection programmes are often presented as "ends", and not as means or pathway out of poverty[4]. The programmes are not often linked to productive employment and skills training, thus not providing a pathway to exit poverty once income support is no longer forthcoming.

52. There is limited social protection for the vulnerable population that are just above the poverty line. People in this category live in urban areas, making a living as self-employed in the MSMEs sectors. Whereas formal sector workers are automatically enrolled in retirement plans, health insurance and housing ownership programmes that enable them to attain reasonable standards of living, this is not the case for the vulnerable in the informal economy. There are no social insurance programmes to cover against idiosyncratic shocks, arising from unanticipated natural disasters, conflict and violence or persistent weakness in the economic environment. As a result, they often slip into poverty in uncertain economic times. For example, because of the adverse economic impact of COVID-19, NBS estimates that between 4.9 million more people could slip into poverty by 2022.

A National Framework for Poverty Reduction: The Redistributive Programme

53. A gradual reduction in the poverty rate and in the numbers falling into poverty are goals that could be achieved in the remaining 2 years of the current administration through targeted programmes. Redistributive programmes, when combined with clear cut programmes aimed as exiting poverty, are effective route to poverty eradication since such programmes target people that are not responsive to the market signals in the first place. Furthermore, the gestation period is short, unlike infrastructure, industrialization, diversification, and structural policy reform programmes. However, while ramping up targeted poverty reduction programmes is desirable, the cost of effective programmes is considerable. Considering recent adverse developments in the economy and other challenges identified in Part I, PEAC recommends striking an appropriate balance between the desirable and the realistic. Therefore, the size of the programme hereby recommended is limited by financing.

> ***A gradual reduction in the poverty rate and in the numbers falling into poverty are goals that could be achieved in the remaining 3 years of the current administration through targeted programmes.***

54. The key elements of such a comprehensive redistributive programme aimed at reducing the poverty headcount by 15 million by 2023 are as follows:

a. Reforming and expanding social protection programmes to provide income and other support for families without livelihoods through Conditional Cash Transfer, the Homegrown School Feeding and other income subsidy

[3] *The MHA is addressing problems of leakages through the Community Based Targeting (CBT) method under the World Bank supported National Social Safety Nets Programme.*
[4] *It should be noted that some of the programmes, such as NASSCO, have exit strategies.*

programmes.

b. Enhancing youth access to economic opportunities through vocational skills and entrepreneurship training and supporting their transition to gainful self-employment or wage-jobs with partner private sector or government organizations. The Programme will target the ultra-marginalized (the poorest and most vulnerable) populations which are under-served by market systems.

c. Enhancing access to economic opportunities through MSMEs support. This Programme will target for support both survival-oriented activities often undertaken by poor women and growth-oriented micro and small entrepreneurs wishing to set up new businesses or expand existing ones.

d. Reforming and increasing investment in health and education sectors – as detailed in Part V - key determinants of poverty outcomes to enhance access by the poor and vulnerable in society and to improve quality and efficiency in delivery.

e. Implementing policies that support better outcomes in the agriculture sector and rural development, where most of the rural poor are concentrated as detailed in Part V.

f. Introducing institutional and policy reforms aimed at transforming social protection from a federal to a national programme while improving the organizational framework.

55. Under Component 1, which is Income Support to Poor Families through CCT and other Programmes, each year, approximately 2.1 million extremely poor Nigerians would benefit from conditional cash transfer programmes. Due to limited frequency of the transfers, most people in this category may still live below the poverty line, but the enhanced income will provide them with a higher quality of life and move them closer up from the bottom of the pyramid, towards the poverty line. Component 2, the Vocational Skills Training and Entrepreneurship Development Programme will result in the creation of 2 million direct and 1 million indirect jobs each year as beneficiaries move into income producing jobs. Under Component 3, Support to Micro Small and Medium Enterprises (MSMEs), 3.0 million MSME operators will exit poverty and transition to formal activities due to skills acquisition and access to finance programmes. Additional reduction in poverty from the implementation of recommendations on education, health, environment, basic services agriculture, and industrialization, is projected to reach 4.4 million per annum, depending on speed of implementation of recommended reforms in those sectors.

Component I: Income Support to Poor Families through CCT and other Programmes

56. The Income Support component of the NPRGS is designed to reduce the levels of vulnerability, risks, and deprivation of the poorest pockets of poverty in Nigeria. It incorporates elements of the various existing programmes, but it is more expansive and has time bound targets. PEAC recommends as follows:

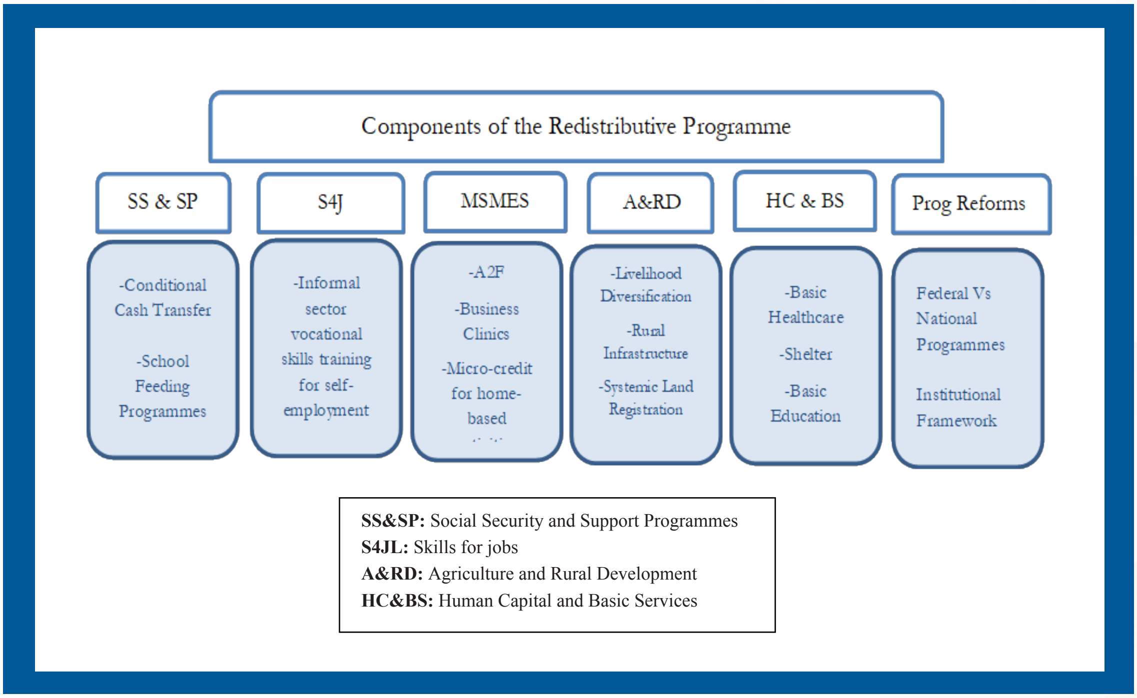
a. The gradual expansion of the Social Register to bring in more families into the social safety net. By 2023, the National Social Register should cover 12 million households but term, with active support of state and local governments, the register could expand to 20 million households. With successful poverty reduction, the register should decline as more people exit poverty.

b. The programmes should go beyond income support to the poor and vulnerable in society by linking them to other interventions focused on ‘graduating’ from poverty to productive livelihoods through skills acquisition, access to finance and employment opportunities.

This would reduce dependency of the beneficiaries on handouts from government.

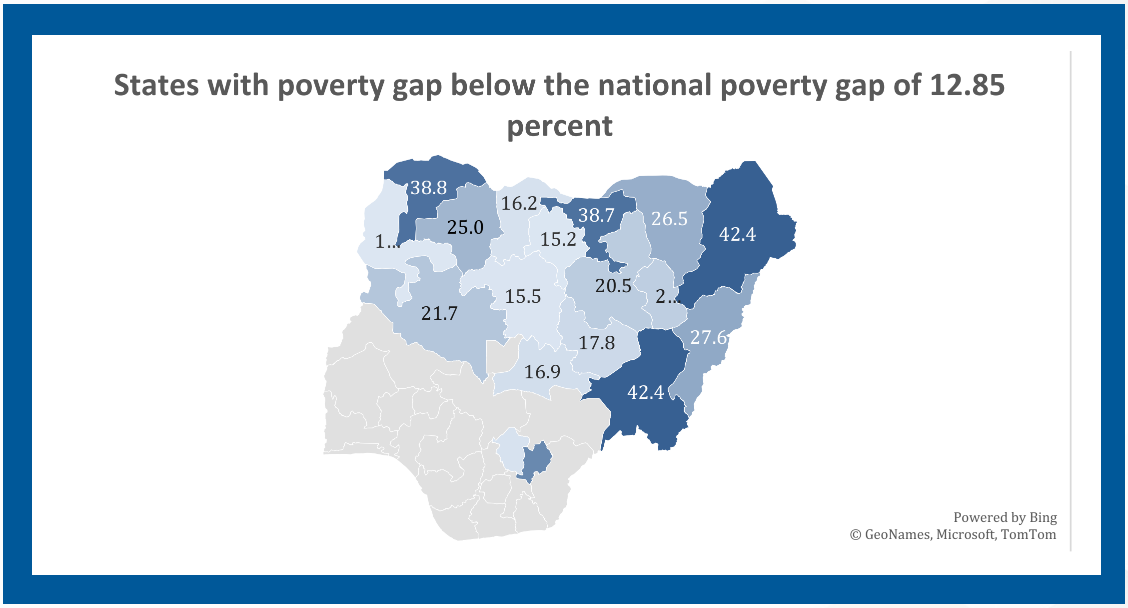
c. The programme would be a national initiative, implemented by all tiers of government. To support the full participation of the sub-national governments in CCTs and School Feeding Programmes, the FGN will implement a matching grant scheme to augment the resources that states and local governments will commit to these interventions.

Figure 13: The Redistributive Programmes



57. Explicit targeting would ensure that the programme reaches the most deserving beneficiaries. The 2019 Household survey provides very granular data on where the poor are located all over the federation, and so should be the source of deriving the target population. Given the limited size of the programme – due to financing constraints – the targeted beneficiaries in each state should be proportional to the state's share in the total poor population of the country. While not all states report poverty gap below the national average of 12.85 percent, at a more disaggregated level, every state of the federation has areas that are deep pockets of poverty. Therefore, beneficiaries should be sourced from the poorest districts / local governments in each state of the federation as indicated in the 2019 Household survey. The information can be refined by the use of geospatial poverty maps, technology enabled solutions, and the identification of the poor and vulnerable by community members themselves.

Figure 14: States Reporting Less than the Average National Poverty Gap



Source: National Bureau of Statistics Database

Component II: Enhancing Access to Economic Opportunities through Vocational Skills

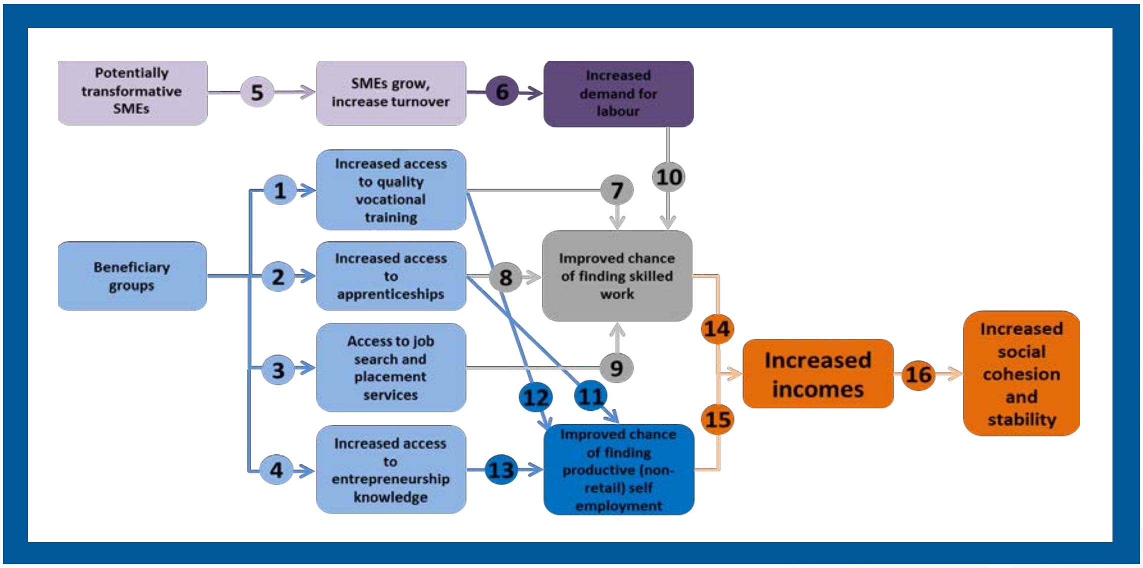
Training and Entrepreneurship Development

58. Skill acquisition, entrepreneurship development and access to finance are key elements of the NPRGS, and the main beneficiaries are ultra-marginalized people with low or no skills, and entrepreneurs in the MSE sectors whose economic activity could be improved with mentoring and better access to finance. The programme supports the two groups financially, providing training for skill acquisition and supporting their search for formal employment or entrepreneurship opportunities. The target demography for skills training typically lacks the financial capacity to pay for training-related costs or to devote full time to it. They often lack basic literacy and numeracy skills and hence the basic entry requirements into vocational training institutions. Improving the vocational skills of people and helping them find productive employment increases their human capital, future incomes, and their ability to lead productive lives, helping to break the cycle of poverty.

The 2019 Household survey provides very granular data on where the poor are located all over the federation, and so should be the source of deriving the target population.

59. On the other hand, entrepreneurs in the MSME sector who are already pursuing a particular line of economic activity would benefit from entrepreneurship development programme and access to finance. In both cases, the programme will support them financially, train them and provide a clear path for them to escape poverty and transition to become productive members of the society. Interventions will target poor women undertaking home-based (survival-oriented) income generating activities and growth-oriented entrepreneurs wishing to set up new businesses or expand existing ones.

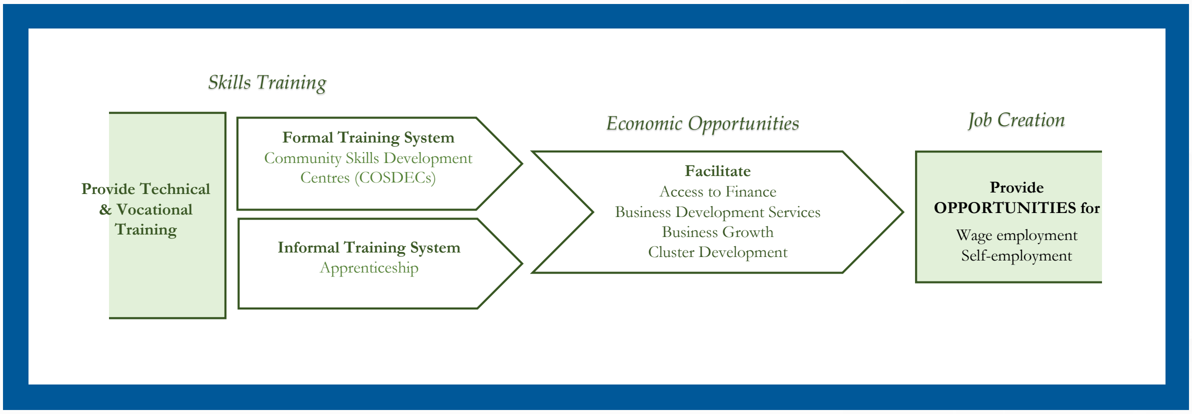
Figure 15: Programme Objective and Goals Flow



60. The two tracks in the NPRGS that are focused on investing in people would ensure the transition of the rural and urban poor to productive economic activities. The programme is an improvement over existing social protection programmes, in part because of its unique approach to skills training. Beneficiaries are likely to be productive with improved earnings in non-traditional occupations such as ICT, computer repair, air conditioning and refrigeration, plumbing, electronics etc. Young, marginalized girls who would benefit from vocational and entrepreneurship training as well as career counselling would be able to choose occupations in which they are more likely to earn a good income rather than the usual stereotypes.

61. Vocational training will be delivered through two pathways. Training through the informal Apprenticeship System would be delivered in clusters of MSMEs by Master Craft Persons (including the Home-Based) while the Formal Training System would utilize a 'one-stop-shop' styled Community Skills Development Centres (COSDECs) with a Work Experience Learning component. In both systems, training will be based on the National Occupational Standards of the NSQF and assessment of the trainees will be competency-based. To increase the absorptive capacity of the local economy, the predominantly MSME Master Craft Persons implementing the apprenticeship training will be supported with benefit from Business Development Services and Access to Finance (A2F) interventions. They will also be organized into micro clusters and supported to develop interventions that increase the competitiveness of their cluster cooperatives.

Figure 16: Programme Delivery Approach



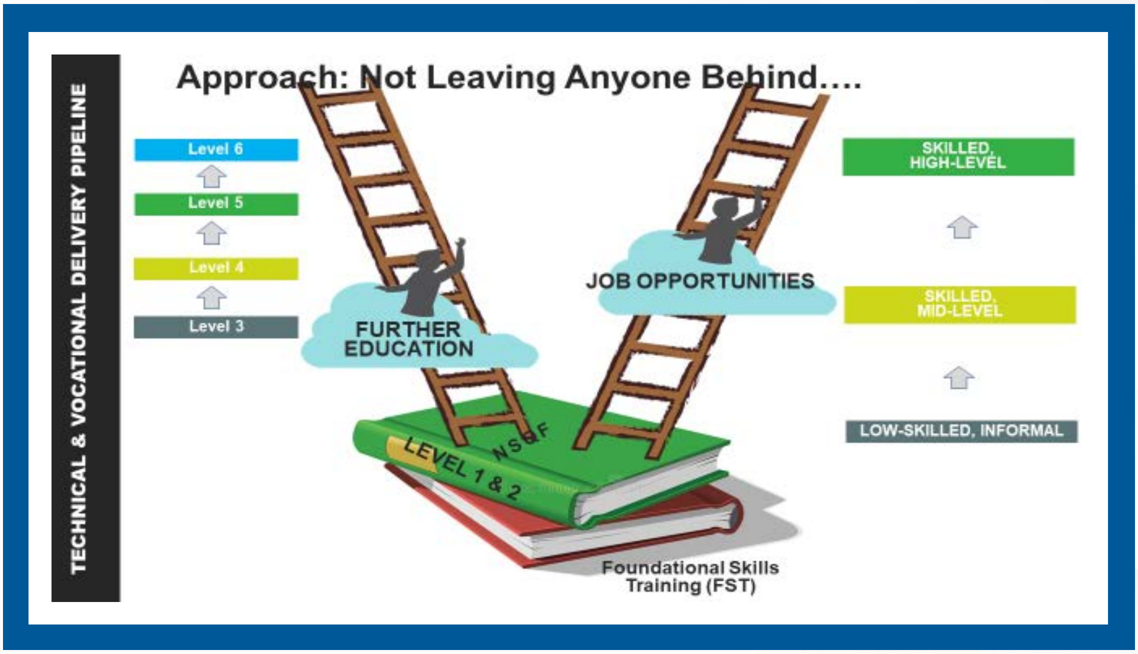
62. Decisive implementation of the programme would ensure that in the life of the current administration, the programme creates over 6 million direct employment opportunities, and about 3 million indirect jobs because of the increased aggregate productivity of the MSMEs by 2023. Most of the job opportunities will open through enhanced cooperation and coordination with government agencies and the private sector. The programme leaves no one behind: at the end of the training – whether the trainee graduates from a Community Skills Development Centre in the formal setting or from a Master Crafts Person in the informal setting- there will be opportunities for either self-employment or further education. The graduate trainee could pursue further education up to the university level and beyond.

The involvement of all tiers of government and non-state actors in the delivery is important.

63. The involvement of all tiers of government and non-state actors in the delivery is important. Vocational training would be delivered through the State-owned and private sector operated Vocational Training Centres in participating states. States would be expected to improve their curricula, quality of trainers, and equipment used. Improved career counselling would help young people choose careers based on their aptitudes and abilities. Furthermore, since the training is competence-based, the ability of young people to use the skills learnt in the work force increases. Participants learn key life skills, such as organization, financial intelligence, ability to plan and complete work on time and problem solving.

64. The component on skills development is designed as a concept that is linked to the social protection programmes being implemented by the Ministry of Humanitarian Affairs. Specifically, it is designed to fit in with, and be an integral part of the N-Power, GEEP, ASP, CCT and the CSDP and vice versa. In particular, skills training and economic empowerment are linked, as there is now a handshake between CCT and GEEP on the one hand and vocational skills training on the other. The programme could also provide an attractive option to the beneficiaries of the Alternate Schools Programme who may be unwilling or unable to continue with formal (secondary school) education. Above all, people living with disability will be given opportunities to learn a trade and fend for themselves rather than rely on hand-outs from the government.

Figure 17: Technical and Vocational Delivery Pipeline



Component III: Support to Micro Small and Medium Enterprises (MSMEs)

65. Nigeria has a very vibrant MSME sector with over 41 million enterprises across all sectors of the economy. MSMEs offer opportunities to drive jobs and wealth creation as well as income re-distribution within society. They play significant roles in the transition from agriculture-based economies to industrial ones, providing opportunities for value chain linkages that generate sustainable livelihoods for the bottom-of-the-pyramid citizenry.

66. In Nigeria, MSMEs account for 76.5% of the workforce and contribute 49.78% to the GDP and more than 7% of total exports, (Small and Medium Enterprise Development Agency of Nigeria, SMEDAN, 2017). Of this employment number, a significant percentage (95%) is represented by micro enterprises. Except for agriculture, more Nigerians depend on the MSEs sector for their livelihood than on any other economic activity. It is the domain of millions who lack the skills and requisite education to venture into modern formal job market or the resources to set up and grow their enterprises.

67. It follows, therefore, that efforts at generating employment and eradicating poverty should focus on addressing the capacity of MSMEs, particularly of micro-enterprises, to increase aggregate productivity and absorb relevant skills particularly for marginalized groups. The task will be to identify transformative MSMEs and facilitate their empowerment to access Business Development and Financial Services so that they become more competitive, are able to grow their businesses, and create job opportunities.

68. Current initiatives focus on the provision of credit and, in few cases, technical assistance to microenterprise including microcredit programmes for home-based income generating (survival-oriented activities). These are often directed to poor women who are generally constrained by family responsibilities and social barriers from entering the labour market as wageworkers. There are also small and microenterprise initiatives which facilitate access to finance by growth-oriented entrepreneurs wishing to set up new businesses or expand existing ones.

69. Several studies have shown that access to finance is not the only constraint to the creation and expansion of micro and small firms. Managerial and technical know-how, or marketing channels, play equally if not more important role. For example, a 2017 SMEDAN study shows that 84% of MSMEs in Nigeria have not had access to any form of Business Development Service. Services here include book-keeping services, business plan development, quality control, capacity development, Human Resource Management and others.

70. Specific strategies to improve access to financial and business development services will include the following:

a. Building synergy between skills training and access to micro-enterprise lending support from the GEEP and other economic empowerment programmes.
b. Mobilizing and organizing MSMEs into viable groups and clusters so that they make the critical mass attractive to Business Development Services (BDS) and Micro Finance Institutions (MFIs) to do business with. Through such arrangements, the MSMEs will share costs and assets thereby increasing their affordability of the cost of BDS and financial services.
c. Collaborating with state agencies responsible for skills development and job creation to promote the establishment of business clinics to support MSMEs and the beneficiaries of skills programmes attached to them.
d. Building the capacity of the trade associations to facilitate access and delivery of these services to the MSMEs. The trade associations will provide the platform and function as 'brokers' in facilitation and delivery of BDS and financial services.
e. Improving corporate governance in small and medium enterprises and encouraging transition from 'informal' sector to formal sector.
f. Strengthening the capacity of support institutions to understand the MSMEs sector and provide services more efficiently. The Bank of Industry (BOI), Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) and the Bank of Agriculture (BOA) and several other schemes at federal and state levels play important roles but accessing support from them remains cumbersome and requires inordinate investment of time and resources by the MSMEs. Reform efforts should go beyond the creation of institutions and schemes and focus on improving the effective implementation of existing initiatives that foster an enabling environment for MSME operation.

Component IV: Agricultural Productivity and Rural Development

71. Nigeria's poverty profile indicates that more than half of the extremely poor are in agriculture-related economic activities. There is a strong positive association between employment in agriculture and multidimensional poverty, due to low agricultural productivity, and lack of agricultural commercialization and modernization. Therefore, improving productivity in the sector is likely to be highly effective at reducing poverty. In addition, a more productive agriculture sector is critical for generating employment along the whole value chain, and beyond, including in finance and industry.

72. Governments have in the recent past attempted to reform the sector, focusing on inputs and financing. The current government initiated Agriculture Promotion Policy 2016-2020, which was focused on how to make Nigeria's agriculture more productive, efficient, and effective through engagement of marketplace participants, farmers, states, investors, financial institutions, and communities. The government's economic programme, the Economic Recovery and Growth Plan (ERGP), targeted agriculture as a key sector to support economic diversification and promote import substitution. The Central Bank of Nigeria (CBN) has also supported agriculture through concessionary financing and risk-sharing programmes such as the Agricultural Credit Guarantee Scheme (ACGS), the Commercial Agricultural Credit Scheme (CACS), the Nigerian Incentive-Based Risk Sharing in Agricultural Lending (NIRSAL) programme and the Anchor Borrowers Programme. Since 2015, importers are not eligible to source foreign exchange from Nigerian forex windows for staples such as rice, vegetables, poultry, meat, and tomato. Most reforms focus on the crop farming subsector, to the neglect of livestock, fisheries, and forestry.

73. Some of the reforms contributed to modest improvements in agriculture, but overall productivity remains low. The adoption rate of improved seeds grew by 40 percent for maize, and 60 percent for rice. Fertilizer usage has also increased to 13 kg/ha compared to world average of 50kg/ha and 150 kg/ha for Asia. But crop farming is still largely semi-manual – 65 percent of smallholder farmers cultivate using the hand hoe, 25 percent draught animal power and 10 tractors. Rain-fed agriculture is the dominant type across all agro-ecological zones. The low productivity is reflected in high yield gaps (less than 50 percent) in most staples, poor access to input and output markets and high post- harvest losses in cereals of around 30 percent. Post-harvest loss reflects poor storage methods, which are not generally up to standards, crops loss due to transportation challenges, and damage caused by insects, bacteria, or fungus.

74. Agricultural production in Nigeria remains below its potential as many factors discourage investment in the sector. The overall poor business environment limits investments in large scale mechanized agriculture. In the recent past, agricultural production has been severely affected by the ongoing insurgency in the northeast region and by farmer-herder conflicts in the north central region. Limited access to finance constraints farmers' ability to adopt or deploy more modern techniques. The low-lying areas of the country have also witnessed environmental degradation and loss of marine life economy which impacts on production. Rampant erosion in the eastern region has contributed to loss of livelihoods, further worsening the poverty dynamics. Given the challenges in crop agriculture, together with limited attention to other forms of agriculture, the sector has maintained an annual growth rate of a little over 3 percent since 2014.

75. There are currently a few interventions being implemented by government agencies, including the Federal Ministry of Agriculture's Livelihood Improvement Family Enterprise (LIFE) Programme and the One Local Government One Product (OLOP) an initiative of the Federal Ministry of Industry, Trade and Investment, intended to revitalize the rural economy, improve employment opportunities, and alleviate poverty in rural areas. The CBN implements the Anchor Borrowers Programme whose objective is 'to create a linkage between anchor companies involved in the processing and small holder farmers (SHFs) of key agricultural commodities' and the Agri-Business Small and Medium Enterprises Investment Scheme (AGSMEIS), an initiative targeted at start-ups and the expansion of established companies as well as the reviving of ailing companies to enhance job creation and agribusiness. These are 'isolated' or stand-alone interventions which ignore a broad range of the key components of poverty reduction: from improving livelihood to improving living conditions. On the other hand, the PEAC initiative, outlined below, is a series of mutually supportive interventions and sectoral activities with the aim of increasing agriculture productivity and improving the rural economy.

The Rural Enterprise Development Initiative (REDI)

76. REDI could bring together the FGN interventions highlighted above as one holistic intervention that can be delivered more efficiently. The programme seeks to:

a. Enhance linkages between the agricultural and MSMEs sectors by promoting and facilitating value-addition to all major agricultural produce prior to marketing, locally or internationally.

b. Achieve significant progress in economic diversification and encourage industrialization by strengthening the linkage between agriculture, light manufacturing and MSMEs.

c. Improve social and economic infrastructure in the rural communities.

d. Generate employment opportunities for and promote prosperity and wellbeing of the rural communities through their participation in farm and off-farm enterprises that is i.e., livelihood diversification.

77. The Initiative will have four components reflecting its objectives:

a. Agricultural production development to:

i. Facilitate access to good agricultural practices for farmers to diversify into productive and profitable dry season crops.

ii. Facilitate farmers' access to affordable inputs and extension services.

iii. Promote out-grower schemes.

b. Micro- Enterprise Development Programme to support livelihood diversification and create opportunities for income and jobs through:

i. Access to Finance, markets, development services and appropriate technology

ii. The establishment and expansion of micro-enterprises for the production, repairs, and maintenance of farm implements (The LIFE Programme)

iii. The establishment and expansion of enterprises for processing of agricultural produce and value-addition.

c. Rural infrastructure rehabilitation and maintenance programme. The implementation of labour-intensive public works projects in local communities using local contractors, materials, and labour. This would involve:

i. Developing adequate infrastructure for processing, storing, and transporting for value addition would serve to reduce post-harvest losses.

ii. Maintenance of rural economic infrastructure such as roads, small scale irrigation infra structure, among others.

iii. Maintenance of social infrastructure – such as schools and healthcare centres.

d. Capacity Building Programmes for the development of the local environment, and specifically, to enable the local communities participate meaningfully in the design, implementation and monitoring of interventions.

i. Capacity enhancement to strengthen the administrative and technical capacities of LGA staff and of the community-based associations through which the LGAs work to help them fulfil their mandate.

ii. Vocational and entrepreneurship training of rural youth and women for self-employment - extension workers, social workers etc and others.

iii. Vocational skills for the repair, maintenance and services for agricultural and industrial machines.

REDI will build on the experiences from IFAD-financed Katsina and Sokoto Agricultural and Rural Development Projects; the WB-financed National Fadama Projects; ADB/WB-Financed Community Based Poverty Reduction Project and its successors, such as Local Environment and Economic Empowerment Programme (LEEMP) and Community and Social Development Programme (CSDP). It should also relate closely with the Nigerian COVID-19 Action Recovery and Economic Stimulus (N-CARES) under preparation by the World Bank and the Nigerian Government.

e. Market based reforms

78. Market based and policy reforms would assist to improve agricultural productivity, lifting millions of people out of poverty. To the extent that most of the likely beneficiaries of the NPRGS are currently engaged in low productivity agriculture, improvements to agriculture productivity and rural infrastructure are important pathways out of poverty. Furthermore, the skills acquisition Programmes could become a new source of more productive agriculture sector workers, employed in different parts of the whole agriculture value chain. However, to derive maximum benefits, key elements of the agriculture sector reforms need to be implemented. Some of the policies recommended below would improve outcomes over the next three years. Others, however, are of longer-term duration.

a. Partner with research organisations and development partners to increase staple crop productivity for smallholder farmers. Nigeria's yield per hectare is still low relative to regional and peer averages. Therefore, there is room for further improvement.

b. Reduce post-harvest loss by strengthening and expanding access to output markets. For all types of agriculture, market based reforms could focus on (i) facilitating access by smallholders to produce aggregation centres for produce grading, packing, storage and sales, processing, and marketing services (ii) establishing platforms for exchange of information on actors, prices at various markets; (iii) private sector deal making platform for effective coordination across value chains, (iv) support mechanism for contract negotiation and compliance, ensuring that smallholders are integrated into existing value chains.

c. **Improve service delivery through** (i) expansion of mechanized farming services, commodity insurance, transportation of produce to buyer (ii) introduction of private sector led services such as insurance and transport.

d. **Access to finance reforms.** The newly launched CBN fund should have a percentage of its lending set aside to finance non-farming activities, including infrastructure for processing, storing, and transporting for value addition would serve to reduce post-harvest losses. Given upsurge of interest of private equity and venture capital funds in the Nigerian financial space, the private sector should be incentivized to develop appropriate and affordable digital financial and non-financial products and services. Equipment leasing companies could also support access to the use of modern equipment by small holder farms.

e. **Assets Creation:** Undertake the Systematic Land Titling and Registration (SLTR) to create land titles for enhanced access to credit by the peasant farmers. The SLTR Programme should be demand-driven and implemented by the Presidential Technical Committee on Land Reform in collaboration with states governments.

Component V: Improving Human Capital Development Outcomes

79. Nigeria's poverty profile confirms that the ranks of the poor is dominated by people in low skill occupational categories mainly in agriculture and service-related jobs. Low levels of human capital – education, health, and quality of life – are major reinforcements of poverty, and poor human capital outcomes is the gateway to income and multidimensional poverty. All over the world, economies are facing disruptive changes in economic structure, asset ownership, and technological innovations that accrue increasing share of income to sectors that require high endowment of human capital. In the absence of investment in knowledge, physical well-being, and skills, many will continue to fall behind. These people suffered the adverse economic impact of COVID-19 more than other categories. The dominance of the ranks of the extremely poor by people with primary education or less is at the heart of the poverty-inequality-unemployment story of Nigeria. Increasing human capital outcomes is therefore an important step in the journey towards poverty eradication and transition to a middle-class society.

> ***Education in Nigeria faces key challenges on access, quality, and cost. Enrolment in basic primary education is not comprehensive, with less than 70 percent enrolled, compared with an average of 100 percent for Nigeria's peers.***

80. Education in Nigeria faces key challenges of access, quality, and cost. Enrolment in basic primary education is not comprehensive, with less than 70 percent enrolled, compared with an average of 100 percent for Nigeria's peers. Only 41 percent are in secondary education, compared with 85 percent for countries in Nigeria's income group. Insecurity, armed conflicts, and environmental issues in different degrees in some parts of the country prevent many children from attending school. A recent Federal Ministry of Education estimate indicates that as much as 10.2 million children were out of school as of 2019, with over 90 percent in the North. While this is partly a result of high fertility rate and rapid population growth, it also reflects low access to education, especially for

pastoralists and children whose families are displaced by civil strife and insurgency. Even where available, public education is provided at a low quality, because of which the average secondary school graduate has a learning gap of 50 percent. High quality school inputs, including adequate infrastructure and teaching and learning materials are in short supply all over the country. Many teachers do not have adequate content and knowledge of the curriculum. Technology is sparingly used, and Nigeria ranks towards the bottom half of countries with Internet access in schools.

81. Low education outcomes reflect several factors. Education management is deeply fragmented, and oversight involves federal, state, and local governments and nearly a dozen other agencies and organisations. The result is a cesspool of initiatives, poor coordination, and information flow among stakeholders with overlapping responsibility and accountability. The limited provision of STEM curriculum, lack of structured and quality programmes for technical and vocational education and training, also create incredibly challenging environment for human capital development, and products of the education system lack the skills needed to be productive in the workplace.

82. Health care, another key component of human capital, has improved since 2000, but overall achievement is still sobering, especially when compared to international averages. Life expectancy has increased, child mortality decreased, polio has been eradicated, and maternal mortality rate has declined though all still a long way from meeting the UN Sustainable Development Goals. However, outcomes are generally towards the low end of that of international benchmarks. The outcome reflects high cost and low access to health services, and to good standard of living in terms of electricity, water, sanitation, physical and environmental security. While health facilities are within reasonable distance on average and health worker to population ratio is twice the SSA average, level and quality of access is still low. Compounding the physician shortage, Nigeria does not train enough mid-level healthcare manpower like laboratory technicians, nurses, midwives, and community health workers.

83. Given that low levels of human capital limit ability to participate in the labour market or to escape poverty, investment in human capital is a fundamental part of poverty reduction. As the economy embarks on a journey towards competitive knowledge-based economy, human capital investment that enables productive and competitive citizens should be a priority. Such investment would include improved access to cutting edge education infrastructure, quality teachers, and a curriculum fit for the 21st century. Similarly, a key part of the reform should be to increase the quality of healthcare. Important focus must be brought to primary and preventative care, enhancing coverage, and reducing cost. Since poor and vulnerable households do not access health and education facilities because they cannot afford them, social protection programmes that support access should be expanded. This can mitigate the impact of private out-of-pocket spending at the point of service delivery which often tips households into poverty or deepen existing poverty. Considering these, resolving the human capital challenge calls for smart, well-designed policies in education, health, and quality of living.

84. The following recommendations would assist in improving human capital outcomes and exiting poverty.

a. Complete the community and household mapping of Out of School Children in the 774 LGAs to identify under-served and unreached areas, develop an action plan and implement it. Enforce the provisions of the UBE Act 2004 on parents who fail to enrol their school age children.

b. Increase school enrolment by expanding the financial incentives for low-income families to take their children to school. The National School Feeding Programme boosted enrolment in low-income areas, and should be sustained and expanded. Linking the programme, including through technology – to other development objectives such as health (vaccination), and financial inclusion would further improve outcomes in other facets of development.

c. Improve education quality through curriculum reform at the primary and secondary levels. The curriculum should emphasize STEM education and be closely aligned to the country's vision to develop a globally competitive workforce that is fit for the 21st century and be bench-marked against leading education systems globally. Technology should be deployed extensively, becoming a key aspect of education delivery wherever possible. To exploit web-based learning, the government must expand Internet access and digital technology infrastructure.

d. Strengthen vocational and entrepreneurial education to meet the economy's man power needs. Nigeria should build stronger connections between "town" and "gown". The education system should focus on improving the connections between education and the job market. Expanding vocational and technical training, to provide alternative career paths for students, while powering the industries at mid-level manpower. Programmes should also be established to train vocational instructors for both public and private institutions.

e. Streamline education management with clear mandates, measurable goals, and results measurement. This will require identifying the overlapping mandates at all levels of government and the gaps in the institutional and regulatory arrangements. Governments at all levels must develop objective systems for collecting granular data on performance at the national, state, and individual teacher and student levels, for both public and private institutions.

f. Provide an enabling environment that increases the active participation of the private sector, civil society organisations, communities, and development partners in educational development. Private education is very widespread at primary and tertiary levels, and some private sector organisations are involved in technical and vocational training. The Dangote Academy, Samsung and Siemens academies, and several others, are already involved in such training. By involving large companies and other employers in the development of vocational curricula, the education system can better serve the needs of the economy.

g. Strengthen the primary health system Large hospitals abound, but a system of primary health care centres that focus on disease prevention, early diagnosis, and treatment, is lacking in many states. A strong network of primary care centres is also critical to preventing and managing noncommunicable diseases.

h. Expand health insurance coverage and improve regulation. Fewer than 5 percent of employed Nigerians are covered by insurance. Expansion of insurance coverage will help alleviate health inequities and lower the high out-of-pocket costs for patients, making them more likely to seek preventive or early treatment and reducing their vulnerability to poverty. A change to the Health Insurance Law could mandate all companies with more than five employees to provide health insurance. This could contribute to expansion of coverage and deepen financial intermediation. The market inefficiencies in the system that lead health providers to reject insurance need to be addressed by the insurance regulators.

i. Support smart and technologically enabled public health solutions. Improving digital infrastructure, investment environment, skills, and regulations will open the door to growth of the health system. Innovative solutions could include deploying telemedicine technology and mobile health units to expand access to health services.

j. Train more mid-level health manpower. Nigeria should train more nurses and frontline community health workers. Changes to regulations and policies should promote the shifting of tasks from physicians to these other workers. Instituting flexible protocols and innovative work-flow arrangements that leverage technology would facilitate those shifts.

k. Expand private sector support to strengthen the health system. This can increase private investments in specific service provision. Ministry of Health could build more partnerships among players in the health ecosystem, including private companies, inter national organisations, and NGOs.

l. Expand and train manpower. According to the FME, 287,500 new basic education teachers and 21,562 new female basic education teachers are needed over the next three years (2019-2022).

m. Strengthen data collection and management information for all levels of education in the three tiers of government, by revamping the Education Management Information System (NEMIS) and diligently undertaking the Annual School Census.

n. Establish a coordinated programme for mandatory development of competencies in ICT among teachers. Restructure the teaching and learning environment to be ICT-driven by providing classrooms in all schools with requisite ICT infrastructure and services to also accommodate children with special needs.

o. Ongoing efforts on COVID-19 vaccine should be speeded up so as to reduce infection rates and fatalities, while increasing the prospects of economic recovery.

Component VI: Social Protection Institutional and Programme Reforms

85. The current institutional arrangement for social protection would benefit from fundamental reform. Fragmentation, overlapping mandates, and limited coordination among different tiers of government, and even within each tier of government remain key weaknesses. The MHA, as the apex agency, is not resourced adequately for technical capacity and technology deployment, and the state and local governments have even more limited arrangements. The capacity to precisely identify the poor, target them, conduct rigorous analysis on poverty, the outcomes of policies and Programmes is lacking. Collection of systematic data or information to measure performance and inform further policy making is also lacking. The NBS needs to be further empowered in its data generation capacity.

86. The social protection system will benefit from two levels of reforms. The first level is to shift the focus of the programme from that led by the Federal Government to one in which all layers of government are partnering in Nigeria's journey towards poverty reduction. The second layer of reforms is mainly that of programme design and focus.

Decentralization of the implementation of the poverty reduction programme will allow the states to own the process, with support from the federal government, development partners and the private sector.

Transforming Social Protection from a Federal to a National Programme

87. The key takeaways from the poverty profile analysis in Part I are that Nigeria's poverty rate is dominated by the Northern regions, the poor have low levels of education, large family size and they are predominantly in agriculture production. A successful poverty reduction programme should therefore be decentralized to reflect the geographical location, the activity sector, and magnitude of the poverty challenge. Decentralization will allow the states to own the process, with support from the federal government, development partners and the private sector. As part of this effort, the states, or groups of states, within a zone should be encouraged to design a plan/strategy that tackles drivers of poverty in their territories, based on state specific information. The institutionalization of poverty reduction policy at the state level would, together with planned reforms of the social protection architecture, contribute to faster progress in poverty reduction.

The authority of access to resources is not accompanied by enforceable obligation for public accountability.

88. In addition to institutional decentralization, the national fiscal federalism arrangement needs to be revised to incentivize poverty reduction at the state level. States obtain monthly federation account transfers, which, in a federal arrangement, are expected to be devoted to services that are to be delivered at the state level. These are mainly primary education, health services, security, general government services and infrastructure. However, there is no constitutional framework which ensures that states are held accountable in the delivery of these services. The authority of access to resources is not accompanied by enforceable obligation to deliver public good from the use of the resources. As a result, many Nigerians fall into poverty due to lack of access of these key services, identified as drivers of poverty in Part I. To the extent that the provision of these services is within the purview of the state governments, the Presidential Poverty Reduction Initiative would be more effective if it provides incentives for state governments to undertake functions that are already constitutional obligations. This should be in the form of grants to the states in line with the challenges faced by, and the priority attention that respective states need to pay to the poverty challenge in their respective jurisdictions. Necessarily, a state may choose to focus more on improving infrastructure relating to agriculture, while another state may opt to focus more on health and education outcomes.

Improving the Institutional Arrangement and Framework

89. The following policies could be implemented by all tiers of government, following the transformation of the poverty reduction programme from a federal to a national programme.

a. **Establish social protection units:** As part of the decentralization of poverty reduction agenda, state and local governments should establish social protection units / ministries charged with driving their poverty reduction agenda. Such units should have the capacity, with the collaboration of the NBS, providing capacity enhancement to states' statistical agencies, to conduct rigorous and complex analysis on each state's poverty dynamics. Without detailed and comprehensive knowledge of what is driving poverty at the local level, how policies and programmes are working, and how the lives of the poor are changing, poverty reduction will continue to be a mirage. The MHA could play a coordinating and or oversight role, including setting standards and managing relationships with non-governmental stakeholders and partners.

b. **Gradually increase fiscal resources available for improving outcomes on the drivers of poverty:** All tiers of government should devote adequate resources to the implementation of policies and Programmes that reduce the number of people at risk of falling into poverty. Though based on the poverty profile, the key areas of focus would be health, education, quality of life and agriculture, each state should, based on its analysis of its own poverty profile, design programmes appropriate to its own circumstance.

c. **Reduce leakages by improving identification and strengthening expenditure:** The introduction of unique identification, means testing and improved targeting through biometric and smart technology information will reduce leakages, freeing up more re sources to reach more of the poor. The use of technology would also enable the achievement of progress on other development objectives such as school enrolment, health services, and expanded financial intermediation and inclusion.

d. **Coordinate and partner with state governments and private sector:** All tiers of government and the private sector should improve coordination of policies and efforts. Some of the existing Programmes could be scaled as partnership between the Federal, State governments and private sector organisations. Private sector organisations should be encouraged to provide jobs for youths graduating from pro-poor skill development Programmes as part of their Corporate Social Responsibility and boosting the demand side of the economy. Private companies benefiting from government contracts should be required to do so.

e. **Introduce social insurance schemes to mitigate shocks to vulnerable** Large numbers of Nigerians working outside of the formal sector would benefit from protection from welfare-reducing risks and shocks through well-designed social insurance schemes. Retirement funds, health insurance and home ownership schemes are tried and tested scheme that have assisted other countries to attain important milestones in the reduction of multidimensional poverty, while creating a large pool of national savings. Schemes currently in operation in the public sector should be overhauled and expanded to the general. Line ministries should review the operation of existing schemes in the states and come up with action plans to expand them to the population in the informal sector.

f. **Introduce mass education on reproductive health and planning.** Population growth is one of the key drivers of poverty in the country and, as indicated in the NBS survey, more than 60 percent of the poor live-in households of sizes from 5 to 20. The poverty head count is estimated to increase from 82.9 million in 2019 to 85.2 in 2020, just from population growth alone and not factoring in other sources of change. This makes population management an important part of the poverty reduction programme. Within the national framework, the National Population Commission, together with state governments, should design comprehensive programmes on improving reproductive health outcomes.

PART V: STRUCTURAL AND INSTITUTIONAL REFORMS

90. Macroeconomic stabilization and economic growth policies would benefit from structural reforms to address the impediments to economic growth and poverty reduction. Some categories of structural reforms, in particular human capital investments, are directly or indirectly included in the foregoing discussions on other pillars of the comprehensive economic programme. However, to improve synergy with existing development frameworks, a comprehensive discussion of the structural reform agenda is contained in the country's overarching medium-term plan . A summary of some of the focus areas is presented as follows:

a. **Public sector reform:** a comprehensive public sector reform would re-align functions, improve mission focus, and foster the ability of ministries, departments, and agencies to deliver on their mandates.

b. **Governance reforms:** Reforms aimed at improving the ability of government to deliver on its mandates, foster transparency and accountability in the use of public resources. These include reforms of revenue mobilization, expenditure, and public finance management, (procurement, contracting, budgeting, risk management etc.), debt management. It is possible to achieve a gradual reduction in government recurrent expenditure during the programme period through reforms of public sector pensions and gratuities, reduction in overheads, consolidation, and realignment of state-owned enterprises to reduce duplication of functions, wastages, leakages, and rent-seeking expenditure. The savings could then be channelled towards redistributive programmes.

c. **Infrastructure:** The programme envisages a ramping up of gross national capital investment to around 30 percent of GDP within the decade, mostly in high priority and high impact projects with strong economic linkages. Projects should be selected based on comprehensive cost benefit analysis that factors in job creation potential; strong potential to produce intermediate inputs for several sectors of the economy; direct or indirect potential to either increase foreign exchange receipts through export or reduce foreign exchange on imports, operationalization and deliverability in a 2-4 year time frame with proper planning. Investments in energy and power supply; transportation infrastructure including seaports, rail and road networks to support agriculture productivity, industrialization and trade; and a functioning iron and steel industry, a major

[5] *Structural reforms relating to peace, security, climate change and adaptation are presented in the medium term plan due to their longer term and multi-dimensional focus.*

enabler of industrialization, are strong candidates. Investment in the foundations of a gas petrochemical industry will incentivize private sector participation and value added in the oil sector.

d. **Private sector development** including reforms of the business and investment environments, improved access to finance, and financial sector stability.

e. **Gender mainstreaming:** Policies to improve access to education opportunities for women and improve employment and representation opportunities. Improved access to education will delay reproduction and contribute to a slower growth of the population.

f. **Climate change, conflict and environmental issues:** A credible poverty reduction strategy would incorporate the impact of climate change and its mitigation. To increase resilience to extreme environmental events, adaptation strategies will need to focus on diversifying livelihoods; adopting climate-tolerant and early warning sign systems; increasing the resilience of coastal communities; and strengthening socio-economic infrastructures (e.g. oil vents).

The NSC, chaired by the Vice-President, is expected to provide oversight and direction to ensure policy coherence and consistency, promote efficiency and more effective delivery of projects.

PART VI: IMPLEMENTATION, DELIVERY AND FINANCING

Institutional Arrangement

91. The NPRGS is a national programme and shoul d therefore be implemented by all tiers of government. All tiers of government have constitutional and regulatory responsibilities in all the key areas of intervention, and this puts them in a better position to understand the challenges and implement durable solutions. A National Steering Committee (NSC), chaired by the Vice President, will anchor collaborative efforts and provide oversight for the implementation of the NPRGS. The NSC is expected to provide oversight and direction to ensure policy coherence and consistency, promote efficiency and more effective delivery of projects, programmes and interventions by line ministries, agencies and subnational governments. In line with the overriding programme objective to focus on the sectoral and spatial character of poverty, the NSC will provide guidance to Federal MDAs, subnational governments and other stakeholders on meeting the objectives of the programme and will also monitor progress.

92. The NSC shall comprise:

a. Secretary to the Government of the Federation.
b. Chief of Staff to the President.
c. 6 State Governors representing the six geo-political zones (one of whom must be NGF Chair).
d. Minister of Finance, Budget and National Planning.
e. Minister of State for Budget and National Planning.
f. Minister of Humanitarian Affairs, Disaster Management and Social Development.
g. Minister of Agriculture and Rural Development.
h. Minister of Industry, Trade and Investment.

i. Minister of Labour and Employment.
j. Minister of Education.
k. Minister of Health.

93. A Technical Working Group shall comprise:
a. Minister of State for Budget and National Planning (Co-Chair)
b. One State Governor nominated by NGF (Co-Chair)
c. State Planning Commissioners (Members)
d. Representatives of Ministries that are part of the NSC (Members)

94. The Federal Ministry of Finance, Budget and National Planning (FMFBNP) will serve as Secretariat of the National Steering Committee. As a Secretariat, the Ministry will act as a coordinating and monitoring body to ensure that the MDAs are implementing the strategy without duplication, overlaps and encroachment.

95. This is consistent with Section 2 [sub-sections (e) and (g)] of the National Planning Commission (NPC) Act 1993 which mandates the Ministry to "provide a national focal point for the coordination and formulation of national policies and programmes" and to "coordinate the formulation and implementation of government programmes as contained in annual plans, budgets..". It is also consistent with Section 4 [sub-section (d)] which deals with the Functions of the Commission and Section 5 [sub-sections (a) and (e)] which deal with the Powers of the Commission.

96. Furthermore, PEAC considers the FMFBNP as an ideal secretariat for the NPRGS due to the following considerations:
a. The NPRGS has the following components: Redistribution, Macroeconomic Stabilisation, Economic Growth / Industrialisation, Institutional Policies and Structural Reforms. Therefore, the programme encompasses many Federal and State Level MDAs and Institutions and would require an agency with an official mandate and capacity for both horizontal and vertical coordination.
b. In line with its mandate, the Ministry will ensure that the national poverty eradication strategy is positioned as a major goal within the national agenda, such that the national development framework, ERGP II, integrates the poverty eradication and economic growth objectives, strategies and key messages, while economic performance is henceforth measured through targets for jobs and poverty reduction.
c. Monitoring and Evaluation of the NPRGS is an integral component of the programme. It is good practice to ensure that the evaluation of such a programme is conducted by an entity outside, and independent of those implementing the programme. In this regard, the FMFBNP is ideally suited for that role.
d. The FMFBNP is equipped with the necessary skills for high level policy review, analysis, coordination, monitoring and evaluation, which will enable it to function as an effective reviewing and coordinating entity for public policies and programmes including the new national poverty reduction with growth strategy.

e. At the state level, MDAs responsible for Economic Planning and Development and for Sustainable Development Goals are already working on issues like those in the NPRGS, and so would be the ideal secretariat to anchor the programmes at the state level. The Ministry of Budget and National Planning has had, over the years, a robust framework for cooperation and collaboration with the state governments.

97. The direct participation of state governors is expected to ensure increased sense of local-level ownership and project sustainability. The NSC will approve all poverty eradication interventions, work plans/programmes and delivery strategies of the MDAs. It will approve budgets and all financial matters regarding NPRGS projects and programmes. Sub-national governments are expected to align their policies with those of the federal government, as recommended by the NSC.

Monitoring and Evaluation (M&E)

98. A strengthened M&E department at the Federal Ministry of Budget and National Planning, is important to provide broad oversights for coordination among all levels of governments and between MDAs. Thematic committees should be set up to identify national, sectoral, and local government level indicators, and ensure compliance with reporting standards and formats. Apart from federal and state governments, other stakeholders should be part of the monitoring and evaluation framework. A sound M&E will ensure transparency, integrity, accountability, and access to information at national and subnational levels of Government.

99. State governments and federal MDAs should be required to prepare timely and accurate progress reports of programmes and projects in line with the approved reporting standards and formats. Regular evaluation will be an integral tool for management and governance thereby enabling each layer of government to review performance, learn from experience and make informed decisions. Evaluation will be done with the aim of assessing the outcomes and impact of public policies, programmes, projects and service delivery and Nigeria's journey towards poverty eradication. Each state government is expected to set up an independent committee to monitor the programmes. For the redistributive programme, the ministry responsible for the social protection function should serve as the coordinating body, with arrangement mirroring the federal set up.

100. Nigeria will benefit from establishing a National Social Protection Network, composed of federal and state government officials, representatives of the private sector, the media, and civil society. Chaired by the Vice President (in capacity as Chair of National Economic Council), the body will meet regularly to monitor and evaluate implementation of all social protection policies programmes and projects across all levels of government. Reports of the Network, especially on lessons learned, will be inputs into the social protection process at all levels. As a follow up, an Annual National Social Protection Forum, chaired by the President, shall be held at least once a year, to bring together all state and non-state actors working on social protection. The meeting would be organised in partnership with the private sector, academia, nongovernmental organizations (NGOs), civil society organisations, the international community and other stakeholders in the Nigerian economy. All stakeholders will be offered the opportunity to discuss their achievements in social protection, including employment offered to programme graduates, and beneficiaries

will also be encouraged to discuss their journey. Together, these two organs will signal to the public that social protection is now at the top of the policy agenda. Furthermore, state and local governments would be taken to task on their achievements relative to the poverty challenge.

101. The overall Management Information System (MIS) should be able to track beneficiaries, cash payments and fulfilment of co-responsibilities. The Household Surveys regularly conducted by the National Bureau of Statistics (NBS) could serve as an independent source of information for both beneficiaries and the impact of the programme on household welfare. The programme will include rigorous evaluation to assess the impact of the cash transfer on beneficiary households, especially assessing the impacts on household consumption and utilization of social services, and ultimately the outcomes. Use of electronic forms of cash transfers, including mobile money, card-based payments or e-payment platforms would safeguard the safety, efficiency and transparency of cash transactions, and tracking of beneficiaries.

Financing

102. The Medium-Term Expenditure Framework (MTEF) represents the quantification of the resource envelope and it defines the fiscal outlay necessary for the realisation of government's policies and programme over a three-year horizon. However, the MTEF is essentially a federal government framework. To arrive at a "national" as opposed to a "federal" MTEF in line with the national focus of the programme, all sources of financing should be factored into the calculation. An aggregation of the total fiscal resource for FY2020 (including state governments independent revenue which is not covered in MTEF) is $52.5 billion or 13.54 percent of GDP. This amount is inclusive of all federally collected revenue, federal independent revenue, state internally generated revenue, donor support and external and domestic borrowing.

103. The MTEF approach constrains programmes and policies to available financing. A complementary approach is one which starts with the objectives / functions to be achieved and costs them individually to arrive at the resource envelope required to achieve the goal. PEAC has undertaken a comprehensive costing of the annual resources required to achieve the goal of lifting a 100 million Nigerians out of poverty within a decade. The conceptual framework is based on the United Nations Sustainable Development Goals Network (UNSDGN) approach and methodology developed for costing economic activities and customized for Nigeria. The per capita cost of each economic activity, Nigeria's population and GDP growth rates are used to derive the aggregate cost. Information from sector plans and strategies, where they exist and have previously been costed, are also incorporated.

Table 3: Indicative Annual Financing Needs for the Programme

TABLE: SCENARIO I - 2021-2031

Annual Financing Needs for Medium Term Plan

	Per capita cost (2020	Indicative total cost [2] (billions of dollars)	% of 2020 GDP
Health	136.9	28.1	7.1
Education	167.5	34.3	8.6
Infrastructure	189.5	38.8	9.8
Energy	40	8.2	2.1
Flood protection	9.4	1.9	0.5
Irrigation	10	2.1	0.5
Transport	90	18.5	4.6
Water/sanitation	30	6.2	1.5
Telecommunications	10.1	2.1	0.5
Environment, Biodiversity, Climate change	4.9	1.0	0.3
Agriculture	9.5	1.9	0.5
Social Protection and Redistributive Programs[1]	91.3	18.7	4.7
Justice, Public Order and Safety	**20**	4.1	1.0
Humanitarian	**9.3**	1.9	0.5
Data and Research	2	0.4	0.1
General government expenditure	103	21.1	5.3
Economic Affairs	10	2.1	0.5
Defence	41.6	8.5	2.1
Total expenditure per person	785.5	161.0	40.6
Memo			
2020 population estimate, millions	205.00		
2020 GDP estimate, US$ billions	397.00		

1 **Includes redistributive programmes, children and orphan, disability, pension**
2 **2020 population is estimated at 205m**

104. PEAC's costing exercise yields a resource envelope of around N62.8 Trillion (US$161 billion) per annum (or 40.6 percent of GDP) and a total cost of N624 Trillion ($1.6 trillion) over the 10-year period (Table 3). This would be sufficient to meet not only the objective of lifting 100 million Nigerians out of poverty, but also achieving all the country's development objectives in line with the Sustainable Development Goals 2030. For Nigeria, where the private sector contributes around 85 percent to economic activities, 50-60 percent of the total expenditure is expected to come from public funding at the aggregate level (federal, state and local governments), while 50-40 percent is expected to come from the private sector. In 2020, for illustrative purpose, assuming a 50/50 ratio, N31.4 Trillion ($80.5 billion) would have

been expected from public sector resources, made up of a combination of revenue, debt and donor support. However, the total national resource envelope in 2020 was N20.5 Trillion ($52.5 billion) or 13.54 percent of GDP. This includes all federally collected revenue, all FGN independent revenue, estimates of all state governments' internally generated revenue (IGR), debt financing and donor support. This leaves a shortfall of around N10.9 Trillion ($28 billion) on the public sector side.

105. The illustration of the resource envelope required to achieve the poverty reduction goal speaks to the financing challenges ahead. The shortfall of public sector financing reflects low revenue mobilization rate, limited room to borrow and high debt service cost, estimated currently at over 90 percent of revenue. Even if the private sector can finance its assumed share of N31.4 Trillion ($80.5 billion) per annum, there is still the residual gap from public sector financing, which, if not bridged, would mean slower implementation and less ambitious time frame for the achievement of the goals. The capacity of the governments to increase investment and thereby spur post-COVID recovery and job creation would therefore be significantly impaired.

106. In consideration of the country's huge development challenges amidst limited financing, PEAC hereby restates its recommendation on a new investment vehicle that would assist to bridge the financing gap. The proposed Nigeria Investment and Growth Fund (NIG-Fund) will be a fully private sector funded investment vehicle (Annex I). While the establishment of the Fund is facilitated by the government, the Fund itself has no government financial commitment, as it will be resourced from local and international private sectors and independent corporate institutions. The Fund will invest in programmes and projects in the poverty reduction strategy and national development agenda that are commercially viable and are in sectors that will promote growth; enhance local value-addition through backward, forward and parallel linkages; create employment opportunities; promote technological innovation or learning; and promote exports.

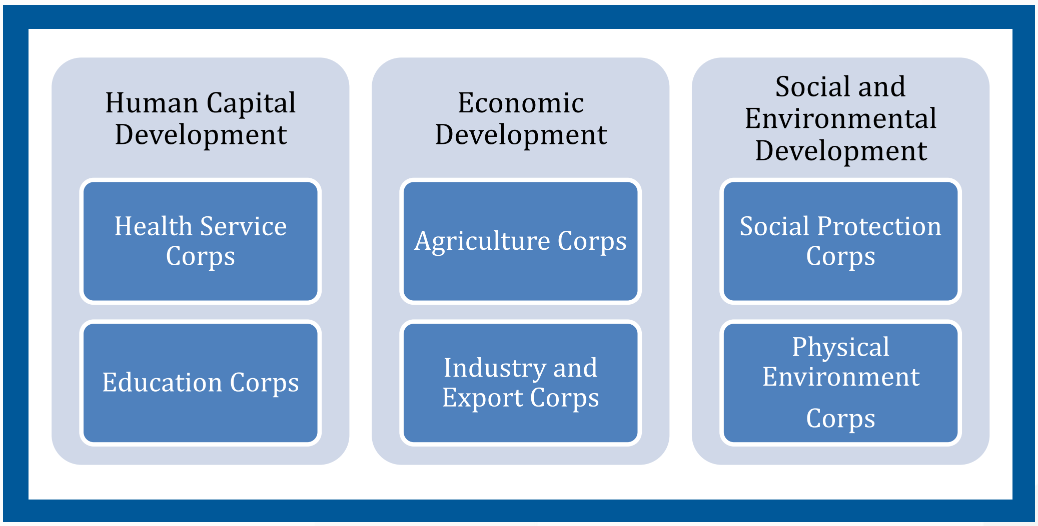
107. A reassessment of the intergovernmental fiscal relationship and framework could also unlock additional financing. Such re-assessment should include the expectations and commitments from sub-national governments. Transfers to state and local governments, such as the monthly FAAC allocation, could be re-designed as matching grants with clear delineation of expenditures tied to overall poverty reduction goals. In addition, some existing programmes could be realigned to the proposed NPRGS but new expenditure not in existing programmes would be incurred, including on training and setting up new or reformed delivery and M and E units.

108. In times of lean resources, the ability to raise new financing to fund programmes is limited. However, utilisation of existing resources efficiently could provide the required fiscal space. In this regard, part of the savings from subsidy removal could be directed towards poverty eradication programmes, as has been done by previous governments. Furthermore, it might be worthwhile to utilise the undrawn balance in the national social protection project loan at the World Bank, since only US$188.8 million has been disbursed out of the commitment of US$500 million. In addition to resources from the World Bank social protection facility, extra resources could be garnered from budgetary allocations and improvements to expenditure efficiency.

109. The recurrent cost of several intervention programmes would be substantial. Many of the recommendations on health, education, agriculture and environment require expanded work force and manpower to implement. Increasing the population of teachers, health workers, and agricultural service workers are crucial aspects of improving access. By some estimates, more than 250,000 additional manpower needed to be deployed to primary education and health care alone, in order for the country to provide these services with optimal access and quality, in line with international benchmarks. Other initiatives on agriculture, industry and social protection would also require yet unquantified manpower. However, the financial implication, especially on the public sector wage bill, is huge. Given public revenue challenge, it is likely that government will continue to struggle to meet existing financial obligations in the immediate period, as budgetary resources are already spread thin among competing needs.

110. One of the options available for minimising the cost of required manpower is to use surplus labour from existing government schemes, such as the National Youth Service Corps. Many of the country's needs for mid-level manpower in education, health and the economy could be achieved by transforming the NYSC programme to a transitional labour supply source. Under this proposal, the NYSC would be re-purposed and a Development Corps could be created, which allows for an optional 2-year service after the mandatory one year. Participants in the optional programme would be required to serve their total of three years in any of three main categories: (1) Human Capital Development; (2) Economic Development; and (3) Social and Environmental Development. NYSC participants would be given basic training to facilitate their transition into the Development Corps. Upon completion of full term, Government will prioritise graduates of the Development Corps for permanent job opportunities in the public sector.

Figure 18: Occupational Schemes for Optional NYSC Service Years



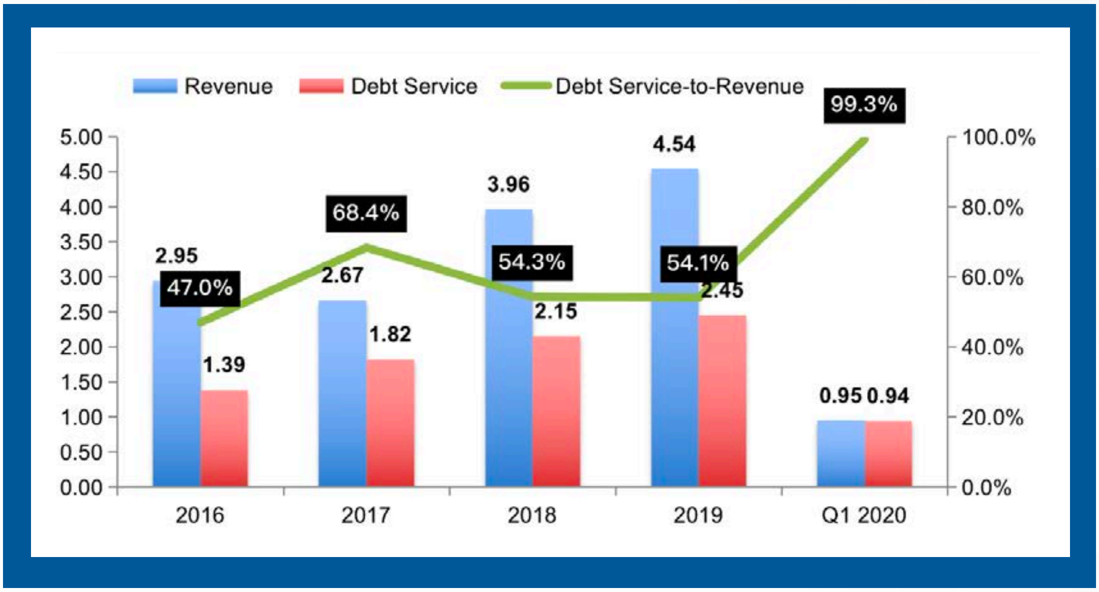
Annex I: A Proposal for the Establishment of the Nigeria Investment and Growth Fund (NIG-Fund)

1. BACKGROUND

By whatever measure the ratio of government revenue to debt service is estimated, most suggest that debt service would consume between 70% and 99% of government revenue by Q3 2020 (Bloomberg). Indeed, this projection came to pass (see figure 1) and it implies at least four things:

a. First, the government would need to increase its borrowing just to meet its debt service and recurrent expenditure obligations;
b. Second, capital expenditure would largely be pre-empted;
c. Third, as some of the loans are planned to be passed to state governments, there would also be severe consequences at the state level; and
d. Fourth, the capacity of the governments to increase investment and thereby spur post-COVID recovery and job creation would therefore be significantly impaired.

Figure 1. FG's Debt Service to Revenue, 2016 - Q1 2020



Source: Author's calculation from Budget Office MTEP/FSP, 2016-2020

By simple logical deduction, it becomes imperative, amongst other solutions, to create a vehicle to facilitate enhanced non-debt private capital investment in the country.

Traditionally, such large-scale investment efforts have focused on using public sector resources (for example sovereign wealth funds), public-private partnerships, or some form of debt, usually for infrastructure development. In the current Nigerian situation, public sector financial resources are not available at a sufficient scale. Additional debt acquisition is not an option, as the government is already over-burdened with debt repayment obligations. The institutions for managing public-private partnerships in Nigeria have functioned sub-optimally. For example, there have been perennial conflicts between the Infrastructure Concessions Regulatory Commission (ICRC) and the ministries undertaking the capital projects. The legal frameworks have also been a constant challenge. Consequently, the large projects undertaken under this framework have always been mired by protracted implementation challenges. Confidence, both local and international, in the PPP arrangements in Nigeria has therefore been eroded and may take considerable time to restore.

Since around 2000, there has been a substantial increase in recourse to large scale private project financing at the global level (mostly for infrastructure, which has been largely the preserve of governments), largely through SPVs and equity financing. Although progress in this direction was sharply interrupted by the financial crisis of 2008-2009, there has since been a resurgence.

It is also clear that even before the advent of the COVID 19 health pandemic, trillions of dollars have been invested in the last few years in negative-yielding assets. COVID 19 could only have exacerbated the search for viable investment outlets. However, the investment decisions of private investors (especially the ones with a long-term view), are less determined by opportunities for financial collaboration with governments in developing economies through PPPs or otherwise. They are more concerned about the business environment with particular respect to:

a. Rule of law;
b. Regulatory environment;
c. Clear institutional framework; and
d. Track Record on project implementation.

Although currently there is intensified search by global capital for investment outlets, Nigeria is not a preferred destination because of the factors listed above. Nevertheless, through a combination of strategically selected public sector reforms, combined with transparent implementation, incentives, in line with international best practice, Nigeria stands a chance of attracting significant international and local resources to make a big difference to the current deficit in capital spending that can substantially ease the fiscal crisis of the state.

2. Rationale

There are a number of development finance institutions in the country. Why can they not be expected to fulfil this role of rapidly boosting investment in the country? The Bank of Industry supports small, medium and large-scale industry and also administers several government interventions programmes, including the Power and Aviation Intervention Fund, Cotton, Textile and Garments Intervention Fund, Market Moni, among others.

The Nigerian Export-Import Bank mostly manages the CBN provided Export Stimulation loan and the Export Credit Rediscounting and Refinancing Facility. They are planning to go into factoring and the One State One Product programme. The Bank of Agriculture essentially obtains funds from the government and lends in support of agriculture and agro-allied industry, with programmes for youth, women, agro-processing, mechanisation, leasing, storage, among others..

The three DFIS have had chequered histories and had been recommended for privatisation by the National Council on Privatisation earlier in 2013. They all remain essentially government-owned. Although they have all at one time or the other been able to mobilise some resources from multilateral development institutions, their model mainly relies on obtaining finance from the government or the Central Bank and implementing government-directed programmes. It is clear, therefore, that they cannot substantially expand their lending activities in the near term without strong government financial support, nor can they, at this particular period of economic challenges and a potential recession, have a realistic chance of substantial privatisation. Yet, it is the government financing that is a critical constraint.

The other important DFI in the country is the African Finance Corporation (AFC). This is a multilateral development institution with 27 member countries in Africa. Shareholding is dominated by financial institutions, including two African multilateral institutions, with CBN shareholding alone accounting for 42.39%. It was established to be a catalyst for private sector-led infrastructure investment in Africa and focuses on Power, Transportation, and Telecommunications. AFC also invests in natural resources with a future strategy is to expand activities in the sovereign lending business. It can be seen that the AFC concentrates on the higher end of infrastructure support and industry. Moreover, it has an Africa focus, with investments in about 30 countries. It has provided project support to the tune of about US$770 million on average each year in the last three years, for the whole of Africa, and appears to have closed on only one project in 2019. In 2020, it aims to reach financial close on 3 projects. Given its Africa spread, the relatively few projects it implements a year, the focus on a narrow range of mega projects, it cannot substantially scale up to galvanise economic recovery in Nigeria within a relevant time period, and cannot substitute for a vehicle that will invest across the economic scale- small, medium and large, and in multiple sectors- which is needed to facilitate more rapid recovery and job creation.

At any rate, the infrastructure financing gap alone in Africa is estimated to be over US$100 billion. With less than US$1 billion project investment a year in the whole of Africa, the activities of the AFC, even if significantly scaled up, will certainly leave plenty of room for other funding activities. Indeed, it is anticipated that the AFC can be one of the limited partners to the proposed Fund, as described below.

3. Objectives and Focus Areas

In light of the foregoing, it is proposed to set up the Nigeria Investment and Growth Fund (NIG-Fund). The Fund will invest in commercially viable projects in sectors that will: promote growth; enhance local value-addition through backward, forward and parallel linkages; create employment opportunities; promote technological innovation or learning; promote exports. Possible sectors of focus could be defined by the priority areas outlined by PEAC: Agriculture, Energy, Technology, Infrastructure, Health care, Education. However, these are largely indicative as the Fund manager will develop focal areas for the Fund, based on commercial viability, with flexibility when it comes to sectoral focus.

The Fund will identify appropriate approaches in its investment strategy, such as:

a. Direct project financing through SPVs;

b. Co-financing (private-private partnerships), for example with EPC contractors, or with institutions such AFC, SNIA, multilateral development institutions; and

c. Equity investments.

4. Sources of Finance

The Fund is to be promoted by the government but resourced from local and international private sectors and independent corporate institutions such as the following:

a. Pension Funds;

b. Insurance companies;

c. Sovereign wealth funds;

d. Private sector arms of multilateral development institutions;

e. Bilateral private sector investors;

Other institutional investors;

f. Individual investors (including diaspora);

g. Endowments; and

h. Equity Funds.

The size of the Fund is proposed to be between **US$5bn** and **US$10bn,** depending on the outcome of initial informal consultations with prospective investors. Depending on the successful implementation of the first efforts, subsequent Fund2, Fund3 could be done. It should be remembered that each project to be supported by the Fund will be financed by resources from the Fund as well as other investors in that specific project. In the case of equity investments, the Fund will add value to existing investments, combining to a multiple factor for each Fund dollar.

5. Structure of the Fund

The Fund will be structured like a typical private equity fund. To set it up, the government would need to recruit a consulting firm, which in turn will, through a competitive process, engage the services of an experienced and reputable General Partner. The General Partner would be responsible for:

a. Managing the Fund;

b. Identifying investors, who would be the limited partners;

c. Structuring the Fund (for example segmenting the Fund into sectoral components);

d. Arranging the preparation of the limited partnership agreement with each limited partner; and

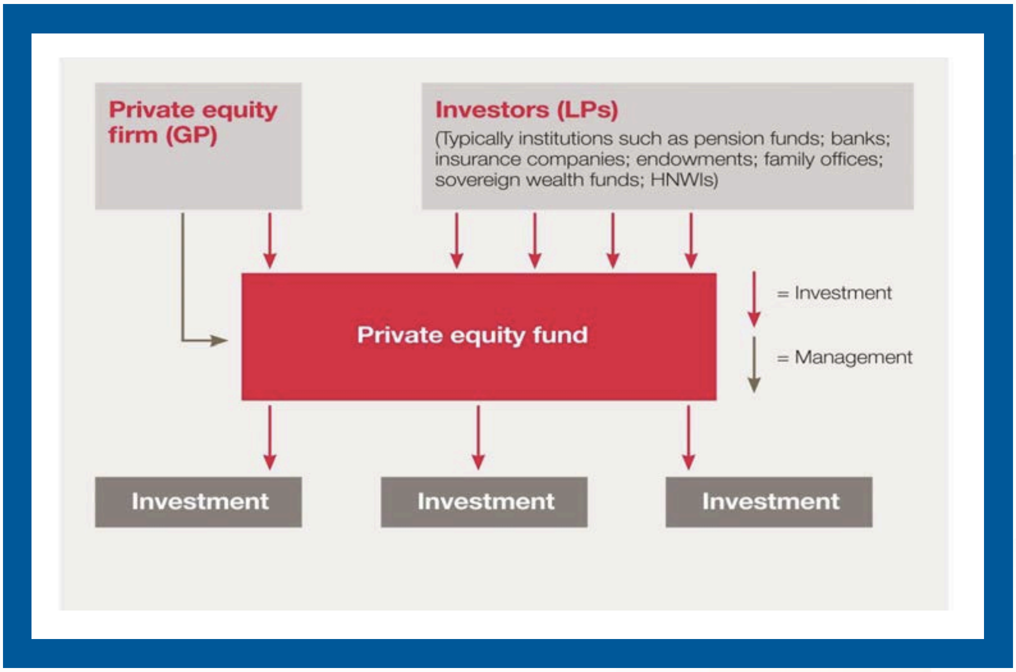
e. Selecting the investments to be made (taking into account broad priority areas agreed upon). The General Partner would be expected to contribute a percentage of the Fund (typically 1-3%) and would be remunerated through a management fee as well as a performance fee, which is determined by the actual returns from the investments of the Fund.

The **Limited Partners (LP)** are the investors identified by the General Partner and invited to join the Fund. The LP class would include the DFIs (AfDB, IFC, among others.); Pension Funds, Banks, Insurance Companies, Family Offices, Endowments and high net-worth individuals.

Why is the generic structure of a private equity firm being proposed for the Fund? This choice is due to the specific characteristics of PE Funds as identified below:

a. Suitability for growing and financing a portfolio of projects in pre-agreed sectors;
b. High-risk appetite together with substantial financial resources;
c. Hands-on investment management;
d. High level of motivation for the fund managers since remuneration is strongly related to performance;
e. Reputation of fund managers backs each investment;
f. Proven and familiar structure, with considerable experience globally and in Nigeria; and
g. Accumulated talent and positive experience.

Figure 2. Private Equity Fund Structure



Source: The British Private Equity & Venture Capital Association, 2015

6. PE Funds in Africa

The NIG-Fund will be structured as a multisector PE fund. The PE structure has been tried and tested with success, including in Nigeria, for multisector investments as well as for sector-specific investments. Examples include funds managed by African Capital Alliance (ACA) (multisector); Verod Capital Management (multisector); Helios Investment Partners (multisector); African Infrastructure Investment Managers (infrastructure); ARM-Harith Infrastructure Fund Managers (infrastructure); Sahel Capital Agribusiness Managers Limited (agribusiness) and globally, Global Infrastructure Partners (one of the most successful global infrastructure fund managers and led by a Nigerian).

The African Capital Alliance focuses on Nigeria, but with investments in a few West African countries as well. It has successfully launched and managed four equity funds: the Capital Alliance Private Equity (CAPE) 1, and subsequently Cape II, Cape III and Cape IV. Its investments cover oil and gas, telecommunications, financial services, outsourcing, energy, media and technology. In addition to private equity investments, it also invests directly in real estate and asset management.

Verod Capital Management transformed into a PE Equity firm in 2014. It invests in Nigeria and West Africa, and has launched and managed the Verod Capital Growth Fund I and II. Focuses on light manufacturing, consumer goods, business services, agriculture, healthcare, financial services. It is supported by local and international investors, including Pension Funds, Insurance companies, Asset Management firms, family offices and DFIs.

Helio Investment Partners have investments in 30 African countries, with many of them in Nigeria. They are involved in both private equity and direct credit. Their focus areas include Telecommunications, Media, Technology, Financial Services, Energy, Infrastructure, Real Estate, Service. Their equity investments include Acorn, Africa Oil, Africatel, ARM Pension Managers, Axela, Eland Oil and Gas, FCMB, Helios Towers, Mall of Africa, Interswitch, Telkom, among others..

Many of the PE funds focus on one sector, but to compensate for this risk, invest in multiple countries. In the case of the proposed Fund, since it focuses only on Nigeria, the single country risk is mitigated by its multi-sectoral focus, which gives a much better chance of attracting capital from different sources and different types of investors and is also multi-scale.

7. PE Funds in Emerging Markets and Developing Economies

Over the years, numerous private equity initiatives were launched in many emerging markets and developing economies (EMDE), these funds are either regional or country focused, sector-specific or multi-sector and sometimes co-sponsored by government or international development agencies. Private equity funds have been encouraged because they are less prone to the rapid inflows-outflows that often characterised public market investors in emerging markets and developing economies[6], and seen as a critical source of financing in these economies.

A review of private equity funds around emerging markets and developing economies shows that there are similar funds to the proposed Nigeria Investment and Growth Fund (NIG-Fund). It is, however, imperative to mention that whilst most of these funds share some similarities (for example country-focused, multi-sector) with the proposed NIG-Fund, there are also some distinctions between them (for example fund size).

[6] *Lerner, J. and A. Schoar (2003) "Private Equity in the Developing World: The Determinants of Transaction Structures", mimeo, MIT and HBS.*

Country	Fund	Type	Year of creation	Investment sectors	Ownership
Ethiopia	The Ethiopia Growth and Transformation Fund I (Ethiopia Fund)	Private equity	2012	Multisector	Schulze Global Investments
India	Green Growth Equity Fund (GGEF)	Private equity	2018	Sector	Governments of India and the United Kingdom
Morocco	Morocco Growth Fund (MGF)	Private equity	2018	Multisector	Government of Morocco and SEAF Morocco Capital Partners
Pakistan	Pakistan Private Investment Initiative (Abraaj Pakistan Fund, the Pakistan Catalyst Fund, and the Baltoro Growth Fund)	Private equity	2013	Multisector	USAID, Abraaj Pakistan Fund, Pakistan Catalyst Fund and the Baltoro Growth Fund
Turkey	(i) The Turkish Growth and Innovation Fund (TGIF)	Private equity	2007	Multisector	European Investment Fund (EIF), Undersecretariat of Treasury, Government of Turkey though Small and Medium Enterprises Development Organization of Turkey (KOSGEB) and the Industrial Development Bank of Turkey (TSKB)
	(ii) Abraaj Turkey Fund I (ATF)	Private equity	2015	Multisector	The Abraaj Group, EBDR, EIF, IFC

7.1 Ethiopia

The Ethiopia Growth and Transformation Fund I (EGTF) is a single-country fund launched in 2012 by the Schulze Global Investment (SGI), with a focus on small and medium-sized enterprises (SMEs) in Ethiopia. It is the first private equity SME fund focused on Ethiopia, intending to highlight the country as an investment destination and provide growing private sector businesses with access to funding. The Fund is multi-sector and focused on agriculture and agro-processing, manufacturing, real estate, healthcare, education and eco-tourism. SGI Frontier Capital serves as a private equity general partner firm alongside other European DFIs (CDC Group, Netherlands' FMO, Germany's DEG) and other institutional and fund-of-fund investors as limited partners.

7.2 India

Green Growth Equity Fund (GGEF) is a country-focused fund established in 2018 with anchor investment from India's sovereign investment fund (National Investment and Infrastructure Fund) and the UK Government, through the Department of International Development (DfID). The Fund is sector-based and managed by EverSource Capital. The Fund invests in scalable operating companies and platforms across renewable energy, energy efficiency, energy storage, e-mobility, resource conservation and associated value chains. Its primary focus is on identifying, investing and supporting growth in zero carbon and low carbon energy in India. Moreover, the Fund is committed to sectors that support climate change mitigation and contribute to a sustainable environment through low carbon economy, pollution prevention and resource conservation.

7.3 Morocco

Morocco Growth Fund (MGF) is an investment fund launched in 2018, whose strategy is to invest in innovative startups and growth-stage companies with high-growth potentials in Morocco. SEAF Morocco Capital Partners, the Moroccan subsidiary of SEAF Global Fund Management Company headquartered in the United States, managed the Fund. The investors comprise Caisse Centrale de Garantie, BMCE Bank of Africa, Wise Capital (USAID), Caisse Marocaine des Retraites and SEAF. The Fund targets emerging sectors and segments such as tech-enabled agribusiness, digital media and technology, health, education and fintech amongst others.

7.4 Pakistan

Pakistan Private Investment Initiative (PPII) is a partnership between USAID and three private equity management partners. The partnership created three private equity funds, Abraaj Pakistan Fund, the Pakistan Catalyst Fund, and the Baltoro Growth Fund. The Funds invest in Pakistan's small and medium-sized enterprises (SMEs) with high-growth potential in different sectors, particularly those operating in consumer-driven sectors, such as education, healthcare, utilities, renewable energy, transport and retail. USAID provides a seed investment of US$24 million each to capitalise the individual funds, whilst the private equity management match or exceeds the seed funds with an investment of their own and private funds raised from other limited partners. The PPII is expected to grow much fold into hundreds of millions of dollars in investment for small and medium-sized enterprises.

7.5 Turkey

Abraaj Turkey Fund I (ATF I) was launched in 2016 by the Abraaj Group. It is the group's first dedicated Turkey fund to invest in midcap private companies with regional growth potential based in Turkey and operating in healthcare, education, retail, logistics, consumer goods and services and niche industrials. The ATFI fund attracted a diverse range of investors, such as, DFIs (EBRD, EIF, IFC), institutional investors and sovereign wealth funds. ATFI is expected to make eight to 10 investments with ticket sizes ranging between US$35 million and US$75 million but could go higher with co-investments.

8. The Role of the Government

The government would need to play a critical role in setting up the Fund, promoting it and facilitating its operations. Some of the key functions of the government are identified as follows:

a. Engage the services of an experienced consultancy firm to set up the Fund and lead the effort to mobilise resources;

b. Appoint an interim manager (until the contributors to the Fund are in place, at which point they would appoint their substantial manager);

c. Provide a suggested pipeline of ready-to-go commercially viable projects;

d. In addition to other incentives currently available, provide, where appropriate, incentives such as feasibility studies, assets (for instance. land), viability gap funding, guaranteed take-up (for example solar or wind power projects), minimum traffic volumes guarantee; partial risk guarantees; first loss arrangements; tax reliefs; back-up liquidity facilities, credit enhancement, and

e. Commit to executing critical reforms to improve the enabling environment (including fiscal, exchange rate policies, etc.).

Presidential Economic Advisory Council

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