2020 NESG MACROECONOMIC OUTLOOK

THE NIGERIAN ECONOMIC SUMMIT GROUP

Nigeria in a New Decade:
Priority for Accelerated Growth, Job Creation and Poverty Reduction

FOREWORD

The Nigerian economy is still on the path of recovery, however, at a slow momentum and high level of fragility. Real GDP expanded by 2.28% in the third quarter of 2019, averaging 2.17% in the first three quarters of the year. Inflation rate averaged 11.4% but closed the year at 12% following the effects of the land border closure. Exchange rate stability was sustained on the back of continued Central Bank of Nigeria's interventions while the foreign exchange reserves depleted significantly due to dwindling inflows from foreign portfolio investors and moderating oil prices. On the social aspect, the poverty situation worsened as growth remained non-inclusive - over 100 million people live in poverty. The weak linkage between economic growth and socio-economic impact persists as poverty becomes endemic.

In our Macroeconomic Outlook for 2019, we concluded that growth in 2018 was anaemic and marred by rising economic and social exclusion. We, therefore, proposed an inclusive growth framework for Nigeria with emphasis on broad-based economic growth that delivers improved social welfare. The proposed strategies prioritized industry governance and social sector reforms.

To step up the inclusive growth narrative, our Macroeconomic Outlook for 2020 takes a deep-dive approach to fixing Nigeria's poverty problem through accelerated economic growth and job creation as a precursor to inclusive economic growth. Part I of the report reviews the Nigerian economy in 2019 and provides an outlook for 2020, which will be influenced by several events and policies such as the VAT increase, implementation of the Africa Continental Free Trade Area (AfCFTA) agreement, movement in global oil prices, US-China trade wars, loan-to-deposit ratio and insurance companies' recapitalisation, etc. Part II of the report examines how Nigeria can create significant number of jobs in the medium to long term to lift millions out of poverty.

As we enter this new decade, the government, private sector and other stakeholders must rise up to the challenge, work together and hold one another accountable in delivering a sound future for our great country.

Wishing everyone a nice reading time.

'Laoye Jaiyeola
CEO, NESG

In this report

Part I:

The Nigerian Economy in 2019 and Outlook for 2020

The Nigerian Economy in 2019

Introduction

It is the dawn of a new decade and many economies, including Nigeria, are working towards achieving sustainable goals amidst diverse complexities and uncertainties. Still on the path of recovery with economic growth at 2.3%, the Nigerian economy remains highly fragile and vulnerable to oil price fluctuations, even as the structure of growth is still skewed towards a few sectors.

At the wake of 2019, the economy faced a high level of uncertainty ahead of the general elections which later held in March 2019. While several bold statements and policy proposals were made to stimulate the economy and provide jobs for the teeming populace during the campaigns, many of these promises are yet to be actualized. In our 2019 Macroeconomic Outlook report, we noted that growth in 2018 was anaemic and thus strategies for steering Nigeria through the inclusive growth path needed to be rolled out. However, economic growth remains lethargic and non-inclusive.

"While several bold statements and policy proposals were made to stimulate the economy and provide jobs for the teeming populace during the campaigns, many of these promises are yet to be actualized."

During the year, fiscal authorities continued to grapple with the challenges of underperforming revenue. This was triggered by lower than expected oil revenues arising from oil production shortages, which was below the budgeted target of 2.3 million barrels per day (mbpd). Efforts to improve non-oil revenues yielded positive results during the year with an improved collection of Company Income Tax, Customs Revenues and FGN Independent Revenues. On the business environment, Nigeria was ranked among the top 10 improvers in the 2019 World Bank Ease of Doing Business Rankings. Reforms in areas such as starting a business, dealing with construction permits and enforcing contracts propelled Nigeria to record significant jump from 145th in the previous year to 131st in the global rankings.

Unconventionally, monetary policy focused on maintaining exchange rate and price stability, and to a broad extent, supporting economic growth. In 2019, the Central Bank of Nigeria (CBN) continued to defend the currency through its intervention in the foreign exchange market. This is evident in the declining external buffers in the face of lower inflows of foreign investment albeit a stable oil price. In desperation to tame the dwindling reserves, the CBN prioritized hot money in the interim as it limited Open Market Operation participation to foreign investors and deposit money banks. Furthermore, in the first quarter of 2019, the Monetary Policy Rate (MPR) was reviewed downwards by 50 basis points to 13.5% aimed especially at driving real sector growth. In the spirit of growth, the CBN increased the loan-to-deposit ratio twice, first to 60% and second to 65%. These moves are reshaping the interest rate environment and pushing credit to the private sector.

In a bid to strengthen self-sustainability and curtail smuggling of goods, the government closed the Seme border. This was later extended to all land borders in the country. The closure truncated the single-digit inflation target of the CBN with inflation rate reaching 12% in December 2019. However, even with the price effects, both the fiscal and monetary authorities were in unison regarding the potential medium to long-term gains of this policy; this in effect propelled the surge in the domestic production of some food items such as rice and poultry products. The policy action of closing the borders, which came some months after signing the African Continental Free Trade Area (AfCFTA) agreement raises doubts as to Nigeria's commitment to the trade deal and the country's ability to take advantage of the opportunities it presents.

Nigeria needs to do more in attracting real investments into key sectors of the economy. Although investors' sentiment improved as overall foreign investment inflows into the economy increased relative to the previous year, data from the National Bureau of Statistics show that 70% of foreign inflows in 2019 was portfolio investment. The concerns about lower foreign direct investment inflows, nevertheless, continue to linger.

The review of the macroeconomic indicators and the various policies stance in 2019 suggests that the Nigerian economy remains vulnerable to external shocks with dwindling reserves, rising debt levels and tardiness in growth response to impetus. Towards the close of 2019, Fitch, a rating organization, downgraded Nigeria from Stable to Negative in their recent outlook revision, emphasising the increased vulnerability of the economy to disruptive macroeconomic policy risk, rising debt profile in light of constrained revenue, inflationary pressure and complexity in CBN's unconventional regulatory measures.

This, therefore, calls for comprehensive and coherent economic and social policies that address economy-wide challenges and build resilience over time, even as the government's plan - the Economic Recovery and Growth Plan (ERGP) - elapses in 2020. Such policies must prioritize accelerated and inclusive growth founded on the deliberate effort at ensuring overall macroeconomic stability that instils confidence in the economy creates jobs and reduces poverty in the decade ahead.

Key Policies and Events that Shaped 2019

01 2019 General Elections

The President and Vice President were sworn in for the second term of four years on May 29, 2019. Re-election of the President and his Vice brought in some level of stability in the economy.

02 Presidency approves Minimum Wage of N30,000

In April 2019, the Presidency assented to the Minimum Wage Bill which sets the minimum wage at N30,000 per month. The wage increase is expected to provide some relief to low-level civil servants and stimulate spending on goods and services.

03 Open Market Operation (OMO) Sales Review

In October 2019, the Central Bank of Nigeria (CBN) excluded individuals and non-bank corporates from participating in the Open Market Operation while restricting participation to commercial banks and foreign investor. This policy led to increased system liquidity and a subsequent fall in interest rates of government securities.

04 Nigeria signed the (AfCFTA) Agreement

In July 2019, the Nigerian government signed the AfCFTA agreement designed to create a single market in Africa. Signing the agreement signalled commitment of Nigeria to the agenda of a unified Africa.

05 Loan to Deposit Ratio (LDR) policy

The CBN in July 2019 set the LDR requirements for Deposit Money Banks at 60% which was later increased to 65% with a deadline of December 30, 2019. This led to an increased system credit from commercial banks by N1.16 trillion within the period of five months (October 2019). The manufacturing sector was the biggest beneficiary receiving a total of N459.7 billion in credit facilities.

06 Delay in Appointment of Ministers

In August 2019, the Presidency swore-in members of the reshuffled cabinet- roughly three months into the second tenure. This delay cast doubt on the economy and dragged investments.

07 The closure of land borders

In August & October 2019, the Federal Government of Nigeria announced the partial and full closure of land borders, respectively. The impact of this policy is evident in the rising inflation rate following the shortage of food & deliberate increase by Producers. On the flip side, rice production has increased significantly.

08 US-China trade conflict

In July 2019, US President Donald Trump began the imposition of tariffs on goods from China on allegations of unfair international trade practices. This led to a slowdown in global economic growth and drag in China's GDP growth which negatively influenced global oil demand and oil prices.

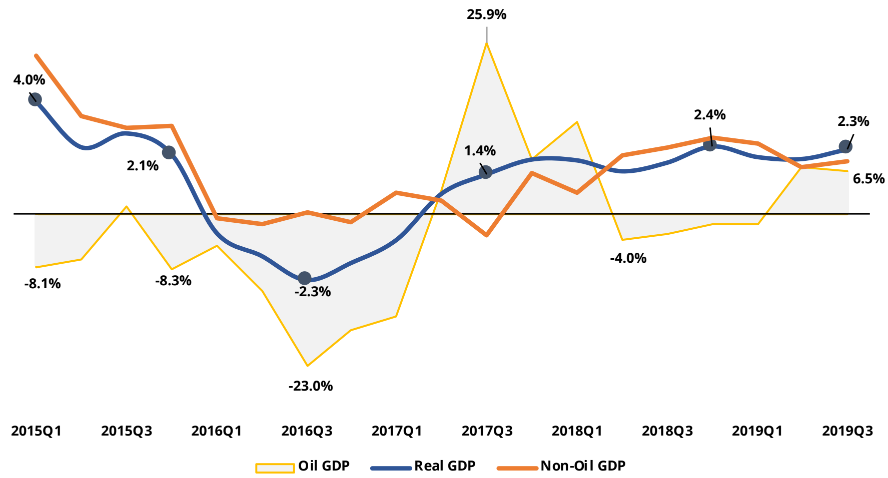
09 US Federal Reserve cut benchmark rate

In October, the US Fed cut benchmark rate for the third consecutive time in four months to the range 1.5% - 1.75%. This also contributed to the reduction in Nigeria's Treasury Auction rates.

Economic growth improved in 2019 but remained fragile

Nigeria's real Gross Domestic Product (RGDP) expanded by 2.3% in the third quarter of 2019 representing the 10th consecutive increase and the 2nd highest growth rate recorded since Q2-2017 when the economy rebounded from the recession. This is also a 47 basis points increase over 1.81% recorded in 2018-Q3 and 17 basis points rise over Q2-2019's 2.12%. We estimated overall growth rate for 2019 to average 2.3%. Though this represents an improvement from 2018, growth remained below the ERGP projection of 4.5% for 2019.

Figure 1: Nigeria's GDP Growth (%)



Source: NBS and NESG Research

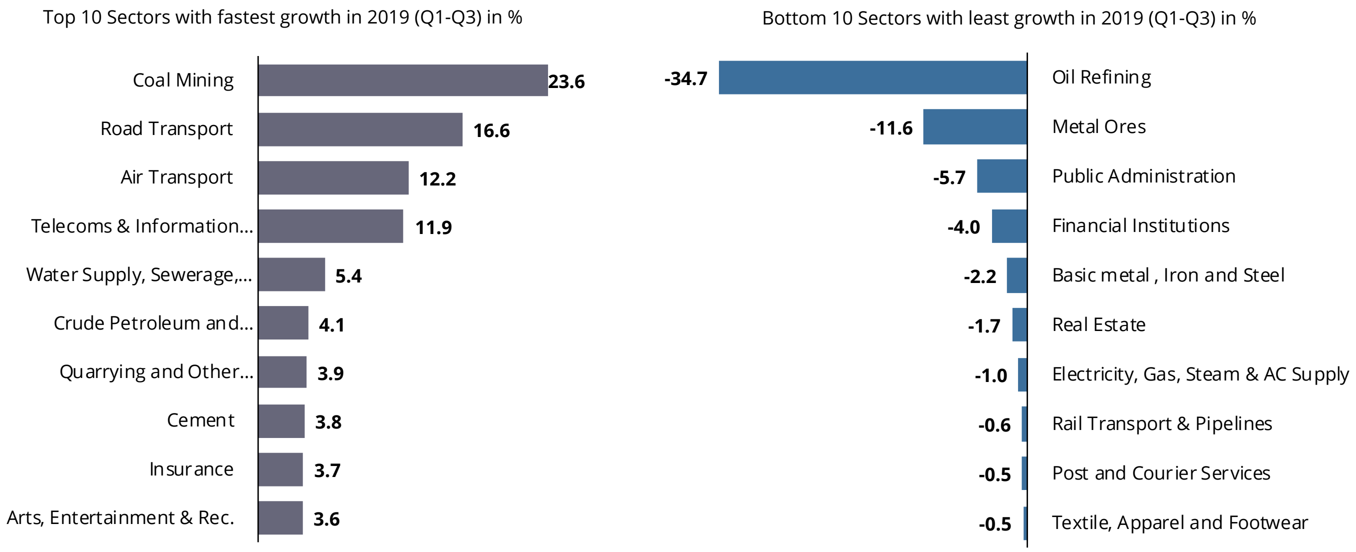
> *"From a sectoral perspective, the economic recovery continues to show signs of fragility as 13 out of the 46 sectors contracted in 2019 (up to Q3).."*

Growth figures showed disparity across sectors

From a sectoral perspective, the economic recovery continued to show signs of fragility as 13 out of the 46 sectors contracted in 2019 (up to Q3) while about half of the 46 sectors recorded growth of less than 2% in the same period. Looking at the three broad sectors, Services remained the largest sector accounting for 52% of GDP. The sector was a major contributor to overall economic growth and housed four of the top five fastest-growing sectors in the year (See figure 2). Agriculture rebounded, though marginally from its unimpressive performance in 2018. The sector grew by 2.4% in 2019, an improvement from 2.1% in the previous year with growth led by crop production. Adequate rainfall, which improved vegetation and continued support of the government to farmers improved agricultural output in 2019.

Nigeria's huge market, improved Oil sector performance, as well as government's interventions, were not enough to trigger significant growth of the industrial sector during the year. Industrial activities expanded by 2.2% with Crude Petroleum & Natural Gas, Food & Beverage and Construction playing major roles in the sector's growth narrative. Manufacturing grew marginally by 0.6% in the first nine months of the year and continued to grapple with the perennial challenges of inconsistent policies, infrastructure deficit, poor power supply and lack of direction.

Figure 2: Nigeria Real Sectors performance (%)



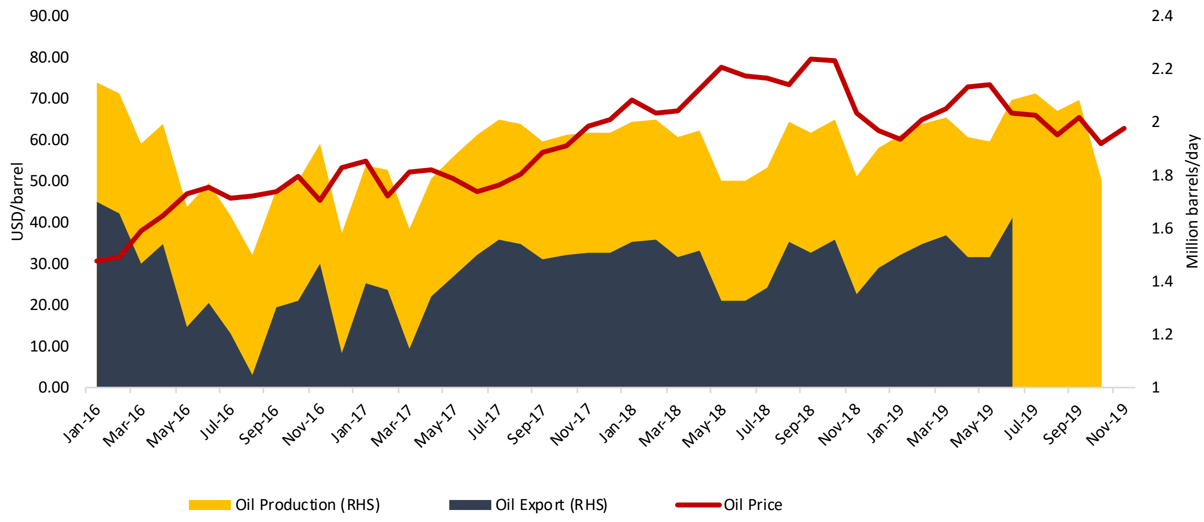
Source: NBS and NESG Research

The crude oil sector was instrumental in sustaining economic growth

So far, economic growth in the first three quarters of 2019 was driven by improved performance in the mining and quarrying sector which majorly consists of crude petroleum and natural gas. Despite the OPEC production quota on Nigeria of 1.77 mbpd, Nigeria's oil production for the first time in a few years was able to hit 2 mbpd during the year and averaged 1.99mbpd from January to October 2019, according to data from the Central Bank of Nigeria (CBN). In the second quarter of 2019, the oil sector rebounded from 3 consecutive negative growth and expanded by 7.2% as oil production crossed the 2mbpd mark for the first time since 2017Q3. In terms of its influence on overall economic growth, the oil sector was the third highest (after telecoms- 51% and crop production- 26%), contributing 17% to GDP growth in the year.

The value of oil export (Jan-Sept 2019) stood at N11.1trillion, revealing a marginal decline of N0.43trillion when compared with the value for 2018 (Jan-Sept). Improved crude oil price triggered by the heightened tensions between the US and Iran could serve as an incentive for Nigeria to boost oil production and exports in 2020.

Figure 3: Nigeria Crude oil Trend: Price, Production and Export



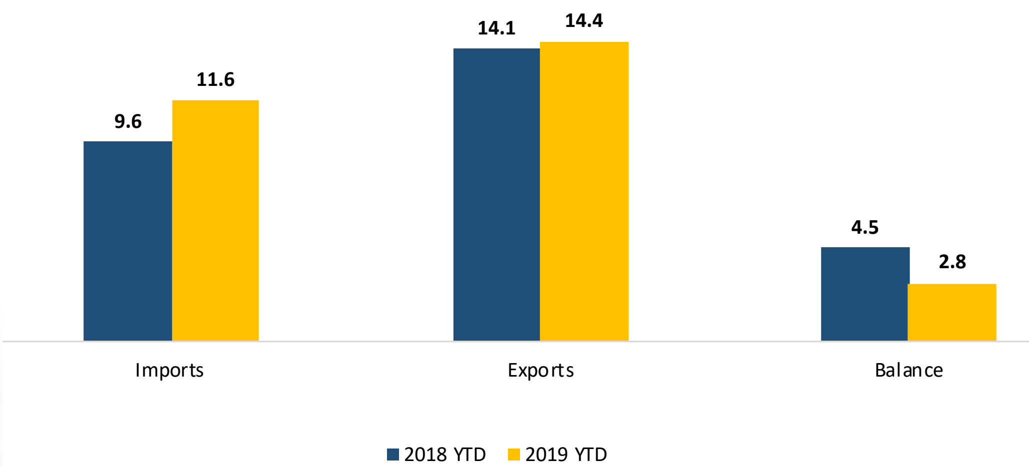
Source: CBN and NESG Research

"Nigeria recorded significant improvement in non-oil exports which increased by 60% as at Sept. 2019"

Non-oil exports improved significantly, but net current account balance in deficit

Despite improved performance in oil production and export, Nigeria's balance of trade declined to N2.8 trillion in the first three quarters of 2019 from N4.5 trillion in 2018 (Q1-Q3) as exports grew slower than imports. However, looking at the structure of exports, Nigeria recorded significant improvement in non-oil exports which increased by 60% as at Sept. 2019; its share in total exports more than doubled from 6.4% in 2018 to 20.4% in the third quarter of 2019, the highest share recorded in over 7 years. A combination of several factors was responsible for this improved performance. First is the significant decline in the value of crude oil exports and second is the increase in the value of non-oil exports triggered by the closure of the country's land borders. Given the fact that trade across land borders is largely informal and not adequately captured in foreign trade data by the NBS, the closure meant that a significant number of non-oil exporters utilised the seaports, particularly in the month of September 2019. The contribution of crude oil to total export in 2019 declined to an average of 77% in the first nine months of the year from 82% in 2018.

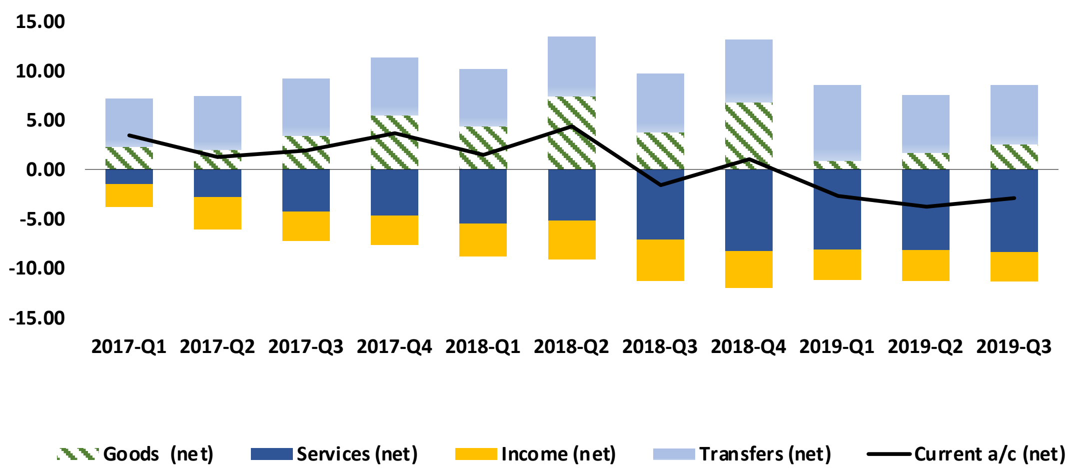
Figure 4: Exports, Imports and trade Balance (Trillion Naira)



Source: CBN and NESG Research

Furthermore, current account plunged to a deficit in 2019 as a result of negative net services and net factor income (such as interest and dividends) supported by weaker international trade balance (as import growth rate outpaced export growth rate). The deficit as at Q3-2019 stood at US$2.8 billion and represented 2.6% of nominal GDP in the quarter.

Figure 5: Nigeria's Current Account Position (US$ Billion)

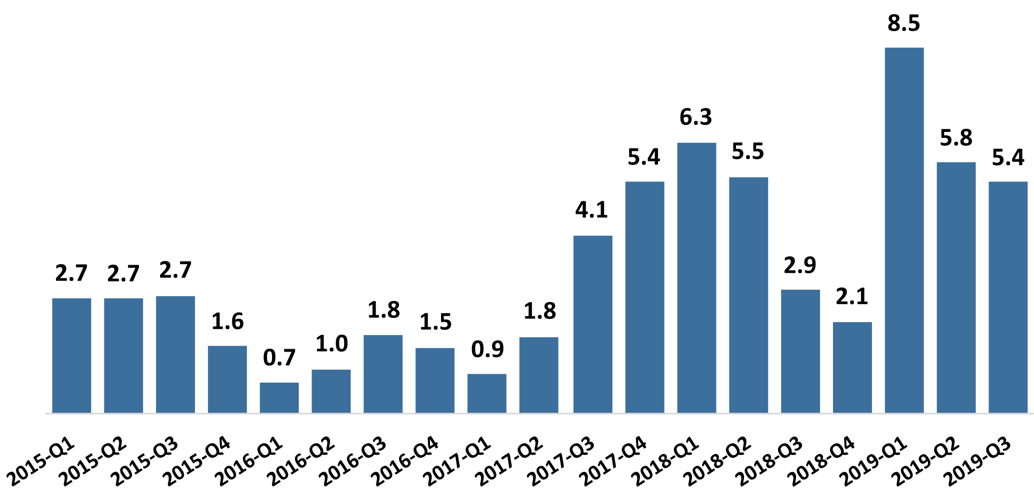


Source: CBN and NESG Research

Foreign Investment inflow in 2019 outperformed 2018 but declined consistently from Q2

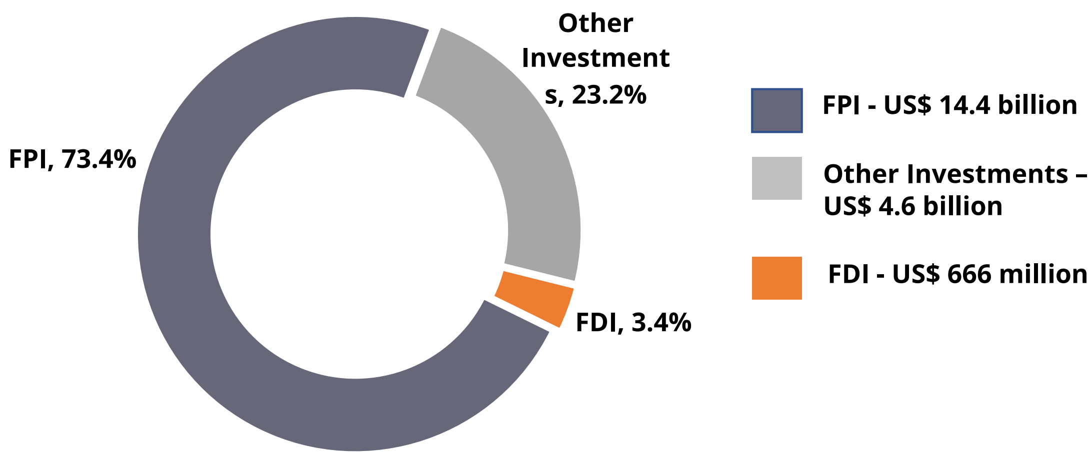
Within the first three quarters of 2019, foreign investment inflow into Nigeria totalled US$19.7 billion, much higher than US$16.8 billion in the full year 2018. As with previous years, growth in investment inflows was led by Foreign Portfolio Investments (FPI) and 'Other Investments', which accounted for 73.4% and 23.2% of total inflows in the first three quarters, respectively. Despite higher inflows as at 2019Q3, uncertainty in the aftermath of the elections, delay in ministerial appointments and weak investors sentiments, among other factors, resulted in declines in overall inflows from US$8.5 billion in 2019Q1 to US$5.8 billion in Q2 and US$5.4 billion in Q3.

Figure 6: Foreign Investment Inflow into Nigeria (Billion US$)



NBS and NESG Research

Figure 7: Types of Foreign Investment Inflows into Nigeria from Q1-Q3, 2019 - US$19.7 billion



Source: NBS and NESG Research

"In order to improve FDI inflows, the Nigerian government must demonstrate the commitment to protect and incentivise investments as well as address key business constraints such as power, infrastructure and unclear/ad-hoc policies."

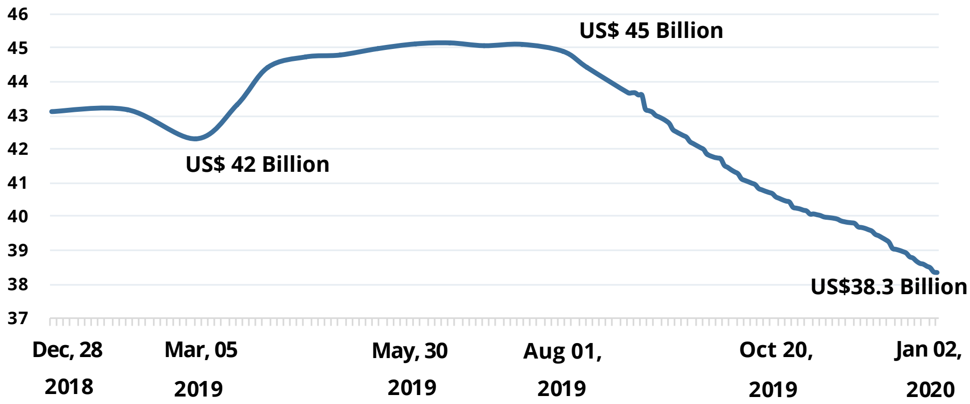
Foreign Direct Investment Inflow continued to perform poorly...

Nigeria's recent history on FDI has not been impressive and the year 2019 is no different. In the first three quarters of 2019, FDI stood at US$666 million and represented only 3.4% of total investment inflow into the country during the period. Previous trends suggest that total FDI inflow in 2019 will remain below US$1 billion, a meagre amount when compared with that of peer or fast-developing countries. To improve FDI inflows, the Nigerian government must demonstrate the commitment to protect and incentivise investments as well as address key business constraints such as power, infrastructure and unclear/ad-hoc policies. FPIs, no doubt, are required to keep the markets afloat; however, excessive reliance on them only makes the economy more susceptible to shocks especially given the free entry and exit nature of portfolio investments.

... and external reserves have been on a free-fall since August 2019

External Reserves improved in the early part of the year owing to higher FX inflows following stable oil prices and improved capital importation. This positive movement was however reversed in July 2019 when Reserves began its downward trend. In 2019, Reserves closed at US$39 billion representing 8.4% decline from US$42 billion as at December 2018. Despite a relatively stable oil price in 2019, average Reserves for 2019 stood at US$42.8 billion down from US$44.5 billion in 2018. Continued CBN intervention in the FX market, high dollar demand for imports of services and goods as well as external debt servicing obligations were largely responsible for the falling Reserves during the year.

Figure 8: External Reserves (US$ Billion)

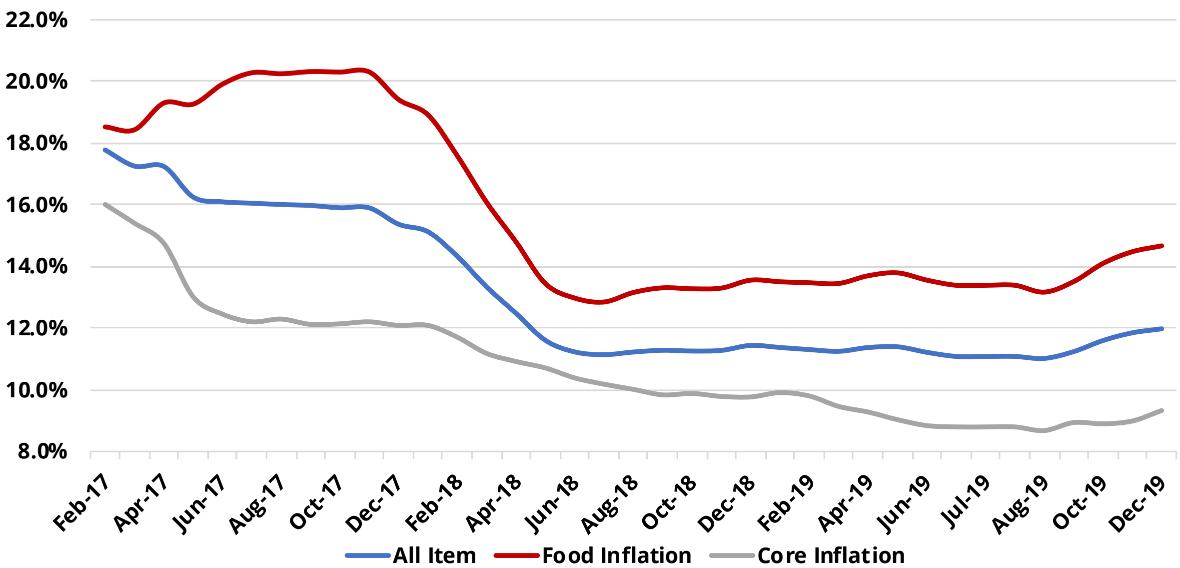


Source: CBN and NESG Research

Inflation rate edged up following the closure of land borders

Since early 2017 up until September 2019, the inflation rate has been moderating on the back of exchange rate stability and improved agricultural output. Closure of land borders from August 2019 to curtail smuggling of goods into the country resulted in increase in the inflation rate, from 11% in August to 11.6% in October. Food inflation increased significantly to 14.1% in October 2019. In December, the headline inflation rate hinged up further to 12%, driven by food prices. Average inflation rate for the year stood at 11.4%, below 12.2% recorded in 2018; however, inflation in 2019 stands above the upper target of 9% set by the monetary authority. Structural issues such as poor power supply, infrastructure deficit, among others, persisted in 2019 and also contributed to the rising inflation rate.

Figure 9: Nigeria's Inflation Rate (%)



Source: NBS and NESG Research

Nigeria's fiscal position in 2019 was challenging with rising debt and underperforming revenue

"Within seven months after the signing of the (2019) Budget, a total of N1.2 trillion was released for capital projects representing an implementation rate of 58%."

In 2019, the fiscal authorities were more active in driving up the country's non-oil revenue, which had a performance rate (actual vs target) of 94% as at the third quarter of 2019. Improvement in non-oil revenue stemmed from the impressive performance of CIT (98%) while actual Customs Revenue exceeded its target by 14% as at September 2019. Actual FGN Independent Revenues was N506.8 billion, higher than the targeted N473.3 billion during the period. These improvements are a testament to the government's aggressive revenue drive to finance the fiscal deficits during the year.

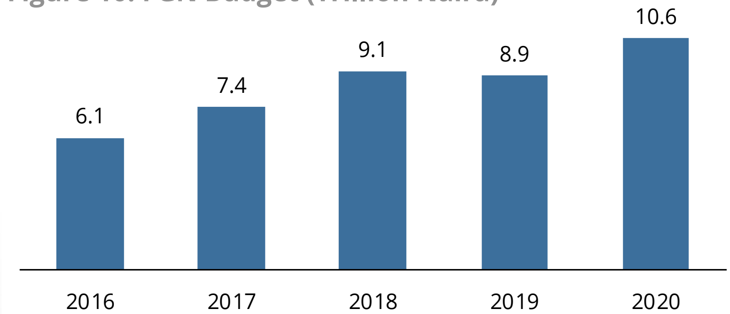
While non-oil revenue improved, oil revenue performed below expectation and fell short of its target by 48%. This is largely due to the shortfall in oil production (below budgetary target) during the year. Overall, FGN retained revenue underperformed by 19% as at September 2019. Gains in non-oil revenue were netted-out by the poor performance of oil revenues.

On the expenditure side, the government's efforts to reflate the economy took a setback as capital releases could only commence after the signing of the 2019 Budget on 27th May 2019. However, within seven months after the signing of the Budget, a total of N1.2 trillion were released for capital projects (as at December 12) representing an implementation rate of 58%- still within the usual annual implementation rate. As noted by the Ministry of Finance, Budget and National Planning, "spending on capital has been prioritised in favour of critical ongoing infrastructural projects in the power, roads, rail and agriculture sectors".

Over the years, a reoccurring practice has been the higher spending (exceeding the budgetary target) on non-debt recurrent expenditure and debt servicing. In 2019, actual non-debt recurrent expenditure exceeded the budgetary target by 3.9% while actual spending on debt servicing was overshot by 13.8% as at September. Meanwhile, capital expenditure, which remains a critical component of the budget, underperformed by 42%. Going into 2020, efforts must be geared towards prioritising capital expenditures due to its significance in stimulating growth through infrastructure delivery.

Prior to 2019, the disconnect between the executive and the legislative arm of government resulted in the delayed passage of the Federal Government budget. But this narrative changed in 2019. The 2020 budget which was presented by the President in October 2019 was signed into law in December, owing to intense cooperation between both arms of government. The budget, which is the largest spending plan of the Federal government has a total expenditure outlay of N10.6 trillion. A further breakdown shows an allocation of N4.9 trillion (47%) for non-debt recurrent expenditure, N2.1 trillion (21%) for capital expenditure, N557 billion (5%) for statutory transfer and N2.7 trillion (27%) for debt servicing. Following the early passage of the budget, it is expected that the implementation rate will improve in 2020; however, slow improvement in non-oil revenue will make funding the budget a major challenge in the year.

Figure 10: FGN Budget (Trillion Naira)



Source: Budget Office of the Federation and NESG Research

Nigeria's total public debt rose to N26.2 trillion as at September 2019; debt figure has risen by 134% from N11.2 trillion in 2014. In addition, debt service payment is declining but still remains high. While the debt-to-GDP ratio remained at 19%, debt servicing to revenue ratio was 45% as at September 2019, although this is an improvement from 54% in 2018 owing to higher revenue collection.

Figure 11: Total Debt for all tiers of Government (Trillion' Naira)

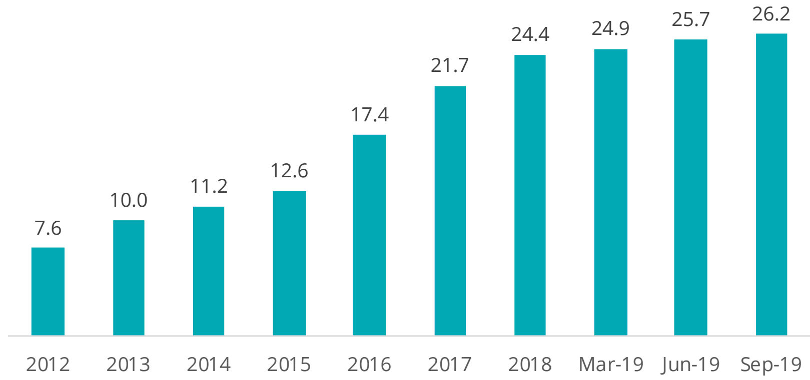
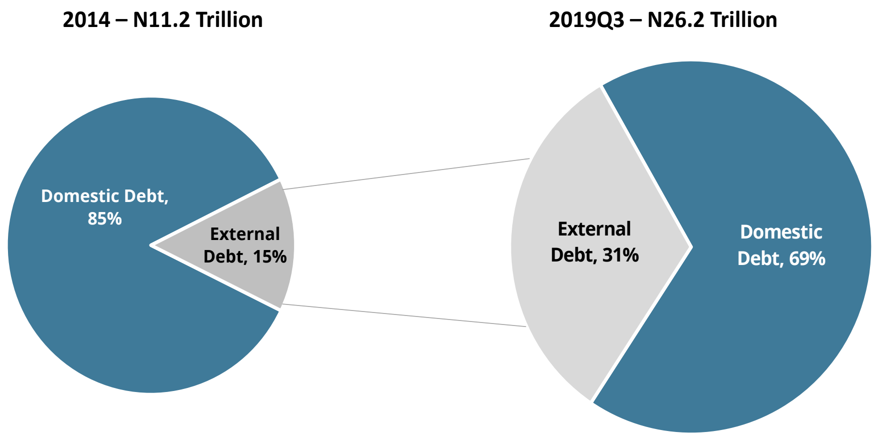


Figure 12: Share of Public Debt



Source: Debt Management Office and NESG Research

The stance of monetary policy in 2019 was mostly accommodative with a reduction in Monetary Policy Rate (MPR) from 14% to 13.5% in the first half of 2019. Declining reserves, which lost 8.4% of its value in 2019 due to rising FX obligations led to CBN to adopt an unconventional approach in attracting foreign investments into the country. In October, the CBN excluded individuals and non-bank corporates from participating in the Open Market Operation while restricting participation to Deposit Money Banks and foreign investor. The result of this move is a significant reduction in rates across the markets. The average T-bill stop rate (364 days) fell to 5.5% in December, having opened the year at 14.5%.

The CBN also continued in its efforts to support growth with the introduction of the loan-to-deposit ratio of 60%, later increased to 65%. This led to an increased system credit from commercial banks by N1.16 trillion within the period of five months (October 2019). The manufacturing sector was the biggest beneficiary receiving a total of N459.7 billion in credit facilities. While this is expected to stimulate output in the medium term, it also creates a risk of rising non-performing loan in the banking sector in 2020 when the loans are due for repayment.

Outlook for 2020

The stage is set for 2020 as the 2020 Budget was signed into law in December. This is the first time in over 14 years the budget was signed before the budget year begins. The 2020 budget is themed "Sustaining Growth and Job Creation" and also represents the largest spending plan of the federal government in a single year. Early passage of the budget is expected to result in improved capital spending, which is much-needed to stimulate economic growth and facilitate the delivery of infrastructure across the country. With oil price expected to stay above the budget benchmark of US$57 per barrel in 2020, Nigeria has an opportunity to grow the excess crude oil account, improve external reserves and meet its oil revenue target to fund the 2020 budget.

For non-oil revenue, the passage of the Finance Bill will result in an increase in VAT from 5% to 7.5% in the year. The government is also considering other avenues of raising non-oil revenues such as the proposed communication tax, online tax, excise duty on carbonated soft drinks and toll charges. It is expected that the introduction of these taxes and charges will improve non-oil revenue; however, the challenge for fiscal authorities is levying several taxes and charges on an economy that is recovering with economic growth still low at 2.3%. This could, therefore, have unintended negative effects on growth either through reduced consumer spending or reduced margins for businesses. Revenue drive should, therefore, be implemented with caution going into 2020.

Inflationary pressure will remain high in 2020 on the basis of the continued closure of land borders, the introduction of taxes and other charges directed at consumers and businesses as well as sustained pressure on businesses arising from an infrastructure deficit, poor power supply, high cost of credit, etc. Given these concerns, monetary policy is expected to remain tight in the year, although the CBN will continue in its effort to provide financial support and direct incentives to local businesses in order to stimulate local production and reduce the country's ever-rising import bills.

The heightened tension between the US and Iran as well as OPEC's commitment to control supply in order to sustain higher prices will stiffen oil price in 2020. In order to take advantage of the increase, Nigeria will need to implement reforms in the oil and gas sector to attract large investments into the upstream sub-sector and ultimately shore up oil production. The leadership of the National Assembly has made commitments to focus on the Petroleum Industry Bill in 2020 and progress in the industry will largely depend on the speed of passage of the industry-wide legislation.

The coming on-board of the Dangote refinery will influence activities in the economy as we enter a new decade. The 650,000 barrels per day refinery is expected to meet Nigeria's fuel requirements and produce about 35,000 direct and indirect jobs. At the moment, mineral products including petrol account for 30% of imports; this figure is expected to reduce in the coming years as the refinery becomes operational, conserving foreign exchange. As the refinery comes into the stream, the output of oil refining which is currently categorized under the Manufacturing sector as well as exports of petroleum products will significantly increase; even as transport and logistics within Nigeria will be impacted. Efforts are therefore required to upgrade infrastructure leading to the refinery to allow for easy and efficient traffic management.

The new decade will come with complex challenges emanating from rising population, rapid urbanization, the advancement of technology which will influence the future of work and skills, changing ecological situation and the adverse impact of climate change among other factors. These factors will create significant pressure on food, jobs, infrastructure, social amenities and human capital. The onus, therefore, is on policy makers to be spontaneous and proactive in dealing with these challenges, adopting innovative and home-grown strategies to deliver accelerated growth and enable the creation of sustainable jobs and reduction in poverty across the country. Incentivizing private sector investments into strategic sectors as well as repositioning government towards becoming efficient and effective are crucial interventions that need to be implemented in the new decade to ensure that Nigeria is not left behind in the league of fast-developing nations.

Key Policies and Events that will Shape 2020

01 The AfCFTA agreement comes into effect in 2020.

The AfCFTA agreement is slated to be effective from July 2020. The deal presents an opportunity for Nigeria to increase non-oil exports and dominate markets of other African countries.

02 Continuation of Loan to Deposit Ratio (LDR) policy

The Central Bank of Nigeria is set to intensify by increasing the ratio to 70% within the first quarter of 2020. This policy will increase available credit to the real sector. However, it could increase non-performing loans of banks.

03 Signing of the 2020 Budget into law in December 2019

President Muhammadu Buhari assented to the 2020 Appropriation Bill of N10.6 trillion in December 2019. Early passage improves confidence in the economy. Performance of capital expenditure is also expected to improve in 2020.

04 The coming into effect of the Finance Act

The Finance Bill was signed into law on January 13th, 2020. The law brings into effect the increase in VAT from 5% to 7.5%. Also, small businesses with turnover of less than N25m will be exempted from CIT. Price level will increase as VAT moves to 7.5%. The burden on some SMEs will ease due to several exemptions. Government revenue is set to increase.

05 CBN Interventionist Policy

The CBN is expected to continue its support to business across key sectors of the economy in order to stimulate growth, increase liquidity and ensure exchange rate stability. Supported industries will experience expansion in output in 2020.

06 NAICOM's Recapitalization of Insurance Companies

The National Insurance Commission earlier increased the capitalization requirements of Insurance companies with a deadline of June 2020. This will lead to bigger and more resilient insurance companies in Nigeria.

07 Electricity Tariff Hike

The Nigerian Electricity Regulatory Commission (NERC) has approved the increase in electricity tariff by distribution companies in Nigeria. This will increase the cost of production in the economy and has a welfare implication on the citizens.

08 US-China trade conflict

The US and Chinese governments are reaching a truce on the lingering trade conflict between the two world economic powers. Both parties have embarked on series of tariff exclusions in bid to settle on a trade deal. Global economic growth will positively respond to a truce between both parties.

09 Increased tension between the US and Iran

The tension between the US and Iran continues to escalate following fallout on the initial nuclear deal. This translates to uncertainty and unrest in the Middle East, a major region for the supply of oil. This will have a significant impact on oil price movement and will positively affect Nigeria's oil revenue.

Macroeconomic Projection for 2020

Our projection was done using the NESG Computable General Equilibrium (CGE) model. The model was developed to simulate and analyse the impacts of different policies on major macroeconomic indicators. The model has eight blocks: production, income and savings, demand, international trade, prices, equilibrium, dynamic equations, and other variables blocks. The model does not involve any intertemporal or truly dynamic optimization behavioural assumption but rather recursive optimization, characterized by a sequence of temporary equilibria.

	Assumptions	Outcomes
Scenario 1: Best Case	Crude oil price averages US$75 per barrel (pb) Crude oil production averages 2.3 million barrels per day (mbpd) Capital Expenditure at N1.8 trillion	Real GDP grows by 3.5% Inflation rate moderates at 10.7% Government revenue increases by 30% Official exchange rate stabilises at N305/US$1 The parallel exchange rate at N350/US$1 Unemployment rate at 21% Underemployment rate at 20%
Scenario 2: Business as Usual	Crude oil price averages US$62 pb Crude oil production averages 2 mbpd Capital Expenditure at N1.5 trillion	Real GDP grows by 2.6% Inflation rate moderates at 12.1% Government revenue increases slightly by 15% Official exchange rate stabilises at N306/US$1 The parallel exchange rate at N362/US$1 Unemployment rate at 25% Underemployment rate at 23%
Scenario 3: Worst Case	Crude oil price averages US$44 pb Crude oil production averages 1.5 mbpd Capital Expenditure at N1 trillion	Real GDP grows by -1.9% Inflation rate increases to 15% Government revenue declines by 25% The parallel exchange rate at N400/US$1 Official exchange rate worsens at N320/US$1 Unemployment rate at 27% Underemployment rate at 25%

Rationale & Outcomes

Scenario 1

Rationale: In our best-case scenario, we assume an increase in the average crude oil price to US$75 per barrel in 2020 from US$64 pb in 2019. This is far above the 2020 budget benchmark of US$57 per barrel. The tension between the US and Iran worsens in the year and a possible disruption in global oil supply results in higher crude oil price, despite weaker growth in China and pressure from the growing U.S. oil inventories. In terms of production, this scenario assumes an improvement in crude oil production to 2.3 mbpd following the relative peace in the Niger Delta region and recent commitments by the leaders of the National Assembly to begin work on the different aspects of the Petroleum Industry Bill. For capital expenditure, we assume the implementation of 75% due to the early passage of the 2020 budget, improved oil price and output, which leads to higher oil revenue to finance the budget.

Outcomes: The outcome of this scenario is positive. GDP expands by 3.5% in 2020 and growth is driven by major sectors such as Agriculture, Telecommunications, Transportation and Manufacturing. GDP per capita will be above US$2,500. Official and parallel exchange rates will stabilize at 305 and 350 respectively giving the accretion of external reserves following favourable oil price and improved output. Government revenue will increase significantly by 30%, likewise the balance in the Excess Crude Account (ECA). Inflation rate will moderate at an average of 10.7% during the year and improved macroeconomic condition and sectoral expansion will result in a reduction in unemployment and underemployment rates to 21% and 20%, respectively.

Scenario 2

Rationale: The business-as-usual scenario assumes that crude oil price averages US$62 pb as the tension between Iran and the US douses in the latter part of the year. OPEC steps up its role in assigning quotas to members to maintain a stable oil price. With this, Nigeria's crude oil production averages 2 mbpd, 9% below the budgetary estimate of 2.18 mbpd. This scenario also assumes a 60% implementation of capital expenditure in the 2020 budget year.

Outcomes: GDP expands by 2.6% in 2020 led by Services and Mining and Quarrying. Agriculture and Manufacturing sectors expand marginally, however, their shares in output remain unchanged at 25% and 10% respectively. The introduction of different streams of taxes, as well as the border closure, drives up the inflation rate to an average of 12.1% in the year, while government revenue increases by 15% due to a higher oil price and aggressive collection of non-oil taxes. Parallel exchange rate stabilises at N362/US$1 and pressures on external reserves are reduced as oil revenues improve, especially in the early parts of the year. On the social front, both unemployment and underemployment increase to 25% and 23% respectively, stressing the need for more inclusive growth.

Scenario 3

Rationale: In the worst-case scenario, we assume crude oil price averages US$44 pb driven by lower demand from major economies such as China, increased US oil inventory, uncertainty around Brexit and heightened trade tension between the US and China. Nigeria's crude oil production averages 1.5 mbpd while 40% of capital expenditure is implemented in 2020, due to a decline in government revenue from oil.

Outcomes: Real GDP declines by 1.9% in 2020. Key sectors such as manufacturing, agriculture and services experience declines in output. Pressures on exchange rate increases due to a fall in oil revenues and foreign investment inflows, leading to an increase in inflation rate which averages 15%. Unemployment and underemployment rates increase to 27% and 25% respectively in the year.

Part II:

Can Nigeria Fix its Poverty Challenge in the New Decade?

"…During my Democracy Day speech on June 12, 2019, I promised to lay the enduring foundations for taking a hundred million Nigerians out of mass poverty over the next 10 years. Today I restate that commitment."

President Muhammadu Buhari
New Year message, January 1, 2020

Introduction

"*…accelerating growth should be a fundamental objective of the current administration.*"

High economic growth, job creation and poverty reduction should be a major national economic agenda for Nigeria. Nigeria has been on a weak economic growth trajectory since the recession in 2016. Economic recovery is slow; many of the major sectors that have a huge weight on employment are underperforming, therefore limiting the number of jobs that are being created to cater for the increasing labour market entrants.

Given this, accelerating growth should be a fundamental objective of the current administration. However, the Nigerian experience in the early 2000s has shown that achieving a high growth does not guarantee a significant reduction in unemployment and poverty. Therefore, the emphasis should be on achieving high growth that is inclusive, sustainable and one that addresses the problems of unemployment and poverty.

Poverty remains a major challenge for Nigeria. Data from the National Bureau of Statistics show that 54% of Nigeria's population in 2016 (104 million) were considered poor. The latest National General Household Survey released in December 2019 also showed that 32% of Nigerian Households faced food shortages within the last twelve months of the survey while 44% of Households reported being unable to eat a healthy and nutritious/preferred food due to lack of money. The poverty situation is dire and more prominent in the Northern part of the country, particularly the North East and was made worse with the insecurity challenges in the region.

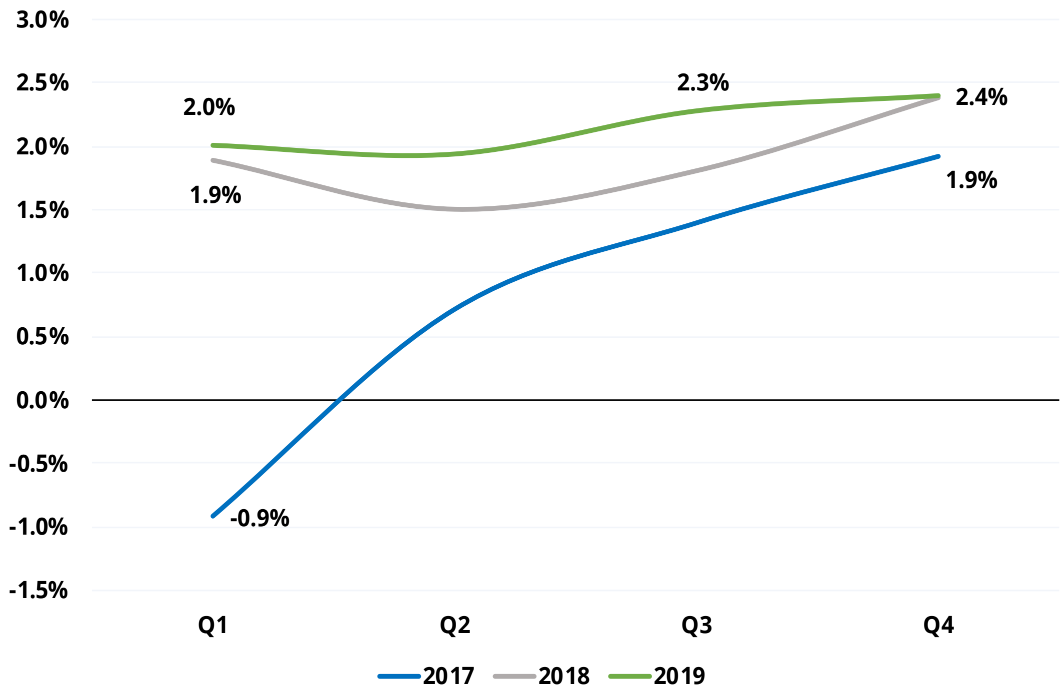
As we enter into a new decade, the Nigerian government has set the agenda to lift 100 million Nigerians out of poverty in the next 10 years. This would mean lifting 10 million Nigerians each year over the next 10 years. The realisation of this ambitious goal would mean the attainment of high and sustained economic growth that delivers a significant number of jobs per annum as well as the swift implementation of massive social protection and conditional programmes that target the poor and the near-poor.

While this goal appears to be overly ambitious, we have attempted to address the following questions in subsequent sections: How many jobs need to be created to lift millions out of poverty? At what growth rate should the economy expand to achieve this significant feat? Which sectors will drive this growth? What are the priority areas that can be unlocked and what must we do differently to achieve these goals?

Priority 1: Accelerating Economic Growth – a precondition in fixing Poverty

Nigeria will need to attain a high, sustained and inclusive economic growth to achieve improved private sector confidence in the economy and address the fundamental problems of poverty and unemployment. In the last three years, Nigeria's recovery from the recession in 2016 has been slow, with economic growth averaging 0.8% in 2017, 1.9% in 2018 and an estimated 2.3% in 2019.

Figure 13: Nigeria's Economic Growth: 2017 vs. 2018 vs. 2019



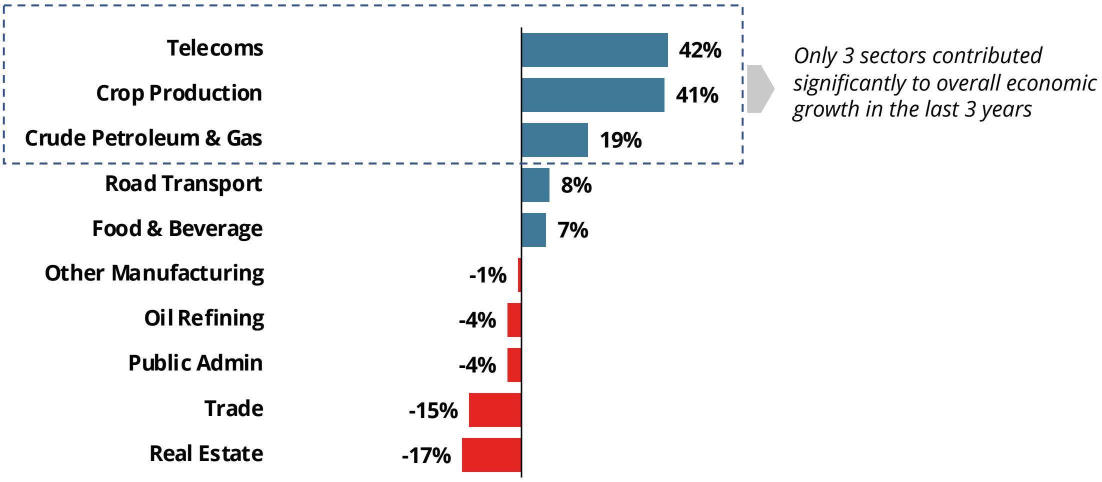
Source: NBS and NESG Research

> *"Out of the 46 activity sectors, only three significantly contributed to economic growth in the last three years"*

Nigeria's slow growth has been associated with two main features which include the heavy concentration of growth in very few sectors and lower investment inflows into major sectors of the economy, exemplified by the poor performance of both local investments and Foreign Direct Investment (FDI).

On the first feature, data from the National Bureau of Statistics (NBS) show that there are 46 activity sectors that capture all aspects of the economy. Out of the 46 activity sectors, only three significantly contributed to economic growth in the last three years. These are Telecommunication and Information Services (42%); Crop Production (41%) and Crude Petroleum and Natural Gas (19%). The remaining 43 sectors performed poorly below 10% pointing that economic growth remained largely skewed towards only a few sectors while the remaining have been underperforming.

Figure 14: Sectoral Contribution to Economic Growth 2016 – 2019 (Top and Bottom five)



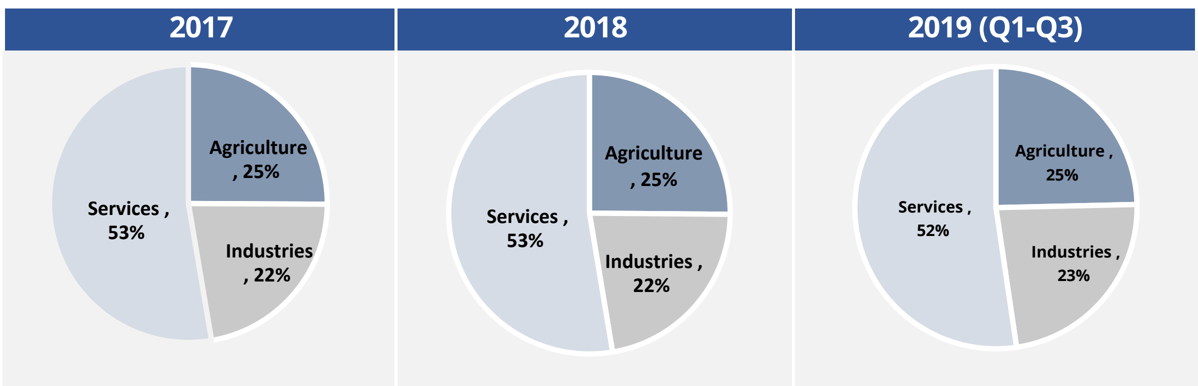
Source: NBS and NESG Research

Such a skewed growth pattern implies that many sectors that have significant growth potentials are not contributing their potential quota to growth. For instance, 33 out of the 46 sectors contributed from 0% to 1% to overall output growth in the last three years. Major economic sectors such as Trade and Real Estate have continued to weigh down economic growth in the period, despite their significant share in GDP.

This, therefore, present opportunities for government policy to target and revive the performance of these sectors as they could immensely drive GDP growth in the medium term. Government efforts must be centred on providing adequate incentives for producers and addressing specific sector bottlenecks to support local production. Driving growth of these sectors would mean accelerating overall growth, which has a significant impact on job creation and poverty reduction.

Expansion of these sectors is expected to alter the composition of the economy. Within the last three years, there has been no change in the structure of the Nigerian economy. The Services sector continues to dominate led by Trade while Agriculture, driven by Crop production continues to account for a quarter of the economy. As Nigeria moves into a new decade, progress on the economic front should be reflected in the structure of the economy, which should tilt towards the industrial sector given Nigeria's fundamental role as Africa's largest economy as well as the need to pursue export-led growth.

Figure 15: Structure of the Nigerian Economy



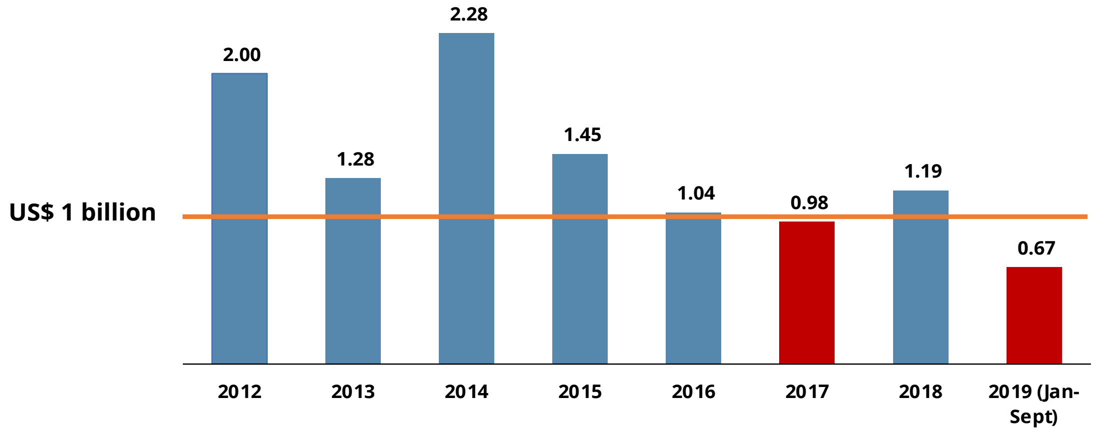
Source: NBS and NESG Research

Some impediments to growth in the last few years include:

- Ad-hoc policies which limit investor's confidence on the economy
- Policy inconsistency
- Weak competitive landscape
- Poor linkage between policy actions and sectoral performance
- High informal nature of the economy
- Infrastructure deficit
- Poor power supply

The second feature of this slow growth era looks at Foreign Direct Investment which is a key pointer to the confidence of the private sector in taking up opportunities across sectors of the economy. Post-recession, FDI remains around US$1 billion per annum, significantly lower than pre-recession levels where it stood at US$2.3 billion in 2014.

Figure 16: FDI inflows into Nigeria has remained around US$1billion post-recession (US$ Billion)



Source: NBS and NESG Research

One major reason for the slow growth in FDI is uncertainty in the policy space at both federal and state levels. Because FDI is capital intensive and requires real investments in physical assets and are in most cases long term in nature, policy clarity and consistency are fundamental in attracting and retaining both local and foreign investments of large magnitudes. In the last few years, there has been the introduction of several ad-hoc policies such as the closure of land borders or policy/project reversals such as the Nigerian Air, the Vision Scape project by the Lagos State government, among others.

On a bright note, the economy has huge growth potential – abundant natural resources, arable land, large and cheap labour force and a large market. What therefore is missing is the political capital to drive reforms that will open-up major sectors for large investments.

Efforts to support growth have majorly emerged from the monetary authorities particularly the Central Bank of Nigeria through several measures and interventions. Some of these include the increase in the loan-to-deposit ratio, direct intervention in the form of lending to the real sector- textiles, dairy, etc. Going forward, the fiscal authorities -Presidency and government MDAs- will need to step up in steering the direction of industries, addressing pressing constraints facing the business environment and providing incentives to support business growth. Favourable FDI policies, fiscal incentives and removal of undue bureaucracy are necessary for achieving high economic growth and FDI inflows into strategic sectors.

A crucial factor that also influences investments is the state of the business environment. Nigeria's business environment continues to grapple with challenges of poor power supply, infrastructure deficit, policy inconsistency and limited access to finance, all of which have detrimental effects on production and productivity. Beyond the direct business-related challenges, some parts of the North East still struggle with insecurity while regulatory tightness, as well as unwarranted charges from non-state actors, remain a major concern for businesses in other parts of the country. Notwithstanding these challenges, Nigeria has made progress in some areas relating to ease of doing business. The 2020 World Bank's Doing Business Report showed that in 2019, Nigeria was among the top 10 improvers and ranked 131st out of 190 countries in the Ease of Doing Business Rankings. This represents a significant improvement from 146th and 169th positions from the 2018 and 2016 rankings, respectively.

Figure 17: Global Doing Business Rank

(Rank, 2019, 1 = best, 190 = worst)

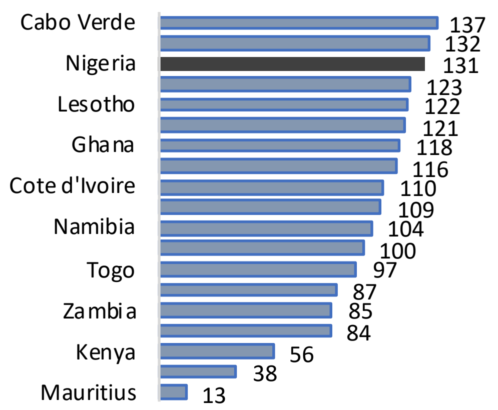


Table 1: 2019 Doing Business Rank for Nigeria

	2019	2018
Dealing with construction permits	55	149
Starting a business	105	120
Resolving insolvency	148	149
Trading across borders	179	182
Getting credit	15	12
Registering a property	183	184
Protecting minority rights	28	38
Paying taxes	159	157
Enforcing contracts	73	92
Getting electricity	169	171

Note: Shading – Improved & Worsened

Source: World Bank and NESG Research

"…lot more work needs to be done particularly in streamlining regulations and procedures of MDAs that directly influence business activities."

Among the 10 indicators tracked by the World Bank is cost and time to secure legal approval for starting a business. In Nigeria, it takes approximately 7 days, 7 administrative procedures and cost over 26% of the per capita income of household to get this done. The country ranks 105 out of the 190 countries in this category. Also, the performance of Nigeria in indicators that directly relate to the business environment – getting credit and paying taxes, worsened in 2019. These, in addition to factors such as weak social amenities, inadequate power supply and multiple taxations, contributed to the current business environment which is intimidating for business and private sector development.

No doubt, improvement has been recorded in several aspects, especially since the establishment of the Presidential Enabling Business Environment Council (PEBEC) in 2016, a lot more work needs to be done particularly in streamlining regulations and procedures of MDAs that directly influence business activities. In this new decade, the Nigerian government must reform the behaviours of agencies such as the Nigerian Customs Services, NAFDAC, SON, NAQS etc. to ensure their activities are transparent; processes are simplified and their response time in addressing complaints are improved significantly. These agencies must be re-engineered to focus on supporting legitimate businesses to ensure their growth and expansion, rather than emphasizing on revenue generation.

Some specific and crucial interventions required to accelerate growth include:

01. Halt ad-hoc policy making; engage stakeholders:

Policy making approach must be properly coordinated and consistent with existing plans. Engagement with relevant stakeholders before critical decisions are made should be practised across the board and relevant government MDA must conduct a detailed cost-benefit analysis in the process. Not only does this send proper signalling to investors, it also provides concrete evidence to support or challenge a course of action.

02. Power/Energy reforms:

Government should complete the Power and Energy Sector deregulation process by opening up the transmission segment of the power value-chain to private participation and investments. In doing this, three criteria should be considered for willing and prospective investors – Managerial Experience, Technical Expertise and Financial Capacities. These are key to the success of the power/energy sector reform roadmap in Nigeria.

03. Adopt PPPs in infrastructure delivery:

The drawback to infrastructural development is the inadequacy of government resources to cover the country's infrastructure deficit. Hence, the Public-Private Partnership model is one of the 'golden bullets' which countries use to tackle their infrastructural financing problem but Nigeria has not been doing well in this regard. Going further, the government needs to strengthen all laws governing PPP agreements and must demonstrate sincere commitments to uphold agreements and protect investors.

04. Ensure human capital development:

Paramount to economic growth and development is the quality of human resources in terms of their skill and knowledge. Expanding the skill sets of the population increases labour productivity and adds value to the economy. Thus, the government should conduct a nation-wide skill gap (Gown & Town Skills Mismatch) and identify a mode of learning/instruction to fill the gaps – use and upgrade of more non-formal education institutions to meet the future skills need of the country.

05. Implement budget reforms:

The signing of the 2020 Appropriation Bill into law in December 2019 is a positive move. This will make certain a level of positive investors' sentiments towards the economy. Additionally, urgent reforms of the procurement process to allow for timely execution of capital projects, efficiency, judicious use of public resource should be urgently implemented.

06. Address subsidies – petrol, electricity, exchange rate:

Government should review all current subsidy or market-intervention programmes such as the fuel subsidy, electricity and foreign exchange market interventions by the Central Bank, which create distortions across markets. Continuation of these subsidy programmes usually discourages investments and inflow of needed capital in operating sectors. Hence, gradually ending these programmes and repositioning government as a regulator will help to free some funds for infrastructure development.

07. Implement industrialisation policies:

The government needs to make a hard-push for industrialization in the agro-allied and light industrial manufacturing sub-sectors. These sub-sectors are low-hanging fruits to drive industrialization in the country. Key to driving the industrialization process is the adoption of innovative techniques and modern technology. Going forward, there must be sector-wide plans and policies to support industries within an agreed timeframe to enable industries or firms to become more competitive and withstand foreign competition. Major sectors that have huge potential but contribute insignificantly to GDP must be nurtured within a broader industrial policy framework. Some of such sectors include metals ores, agro-processing, oil refining, pharmaceuticals, among others.

08. Implement fiscal policies to retain and attract investments:

In recent time, Foreign Direct Investments (FDI) inflow into Nigeria has experienced downsides due to poor investors' (both local and foreign) knowledge and perception on the economy. The government should empower the 'One-Stop Investment Centre (OSIC)' of the Nigeria Investment Promotion Council (NIPC) towards promoting and sustaining foreign and local investments through active public engagements and enlightenment. Tax incentives - tax holidays; tax credits; capital allowances; investment allowances; tax exemptions; duty drawback; export expansion grants; export development funds; and investment promotion and protection agreements among others, needs to be effectively communicated to potential and existing investors. In addition, transparency, as well as judicious use of public resources, are crucial in gaining investor's confidence in the management of the economy.

09. Pursue legislative reforms to unlock investments:

Government should ensure all bills that are related to investments promotion are promptly passed by the National Assembly and assented by the President. Working closely with institutions such as the NESG-affiliated National Assembly Business Environment Roundtable (NASSBER) would be instrumental in delivering relevant business-enabling legislation.

10. Free up redundant assets:

Nigeria's mounting debt profile is a major concern despite the country having about $900 billion worth of dead capital in properties and agricultural lands (PWC Nigeria, 2019). Some of these redundant assets include National Art Theatre; National Stadia in Lagos & Abuja; Tafawa Balewa Square, Lagos; and Federal Nursing Hospital, Ikoyi among others. The government should consider unlocking finance and economic growth by commercialization or privatization of many of these dead capital/assets.

11. Appoint credible individuals with the capacity to drive reforms

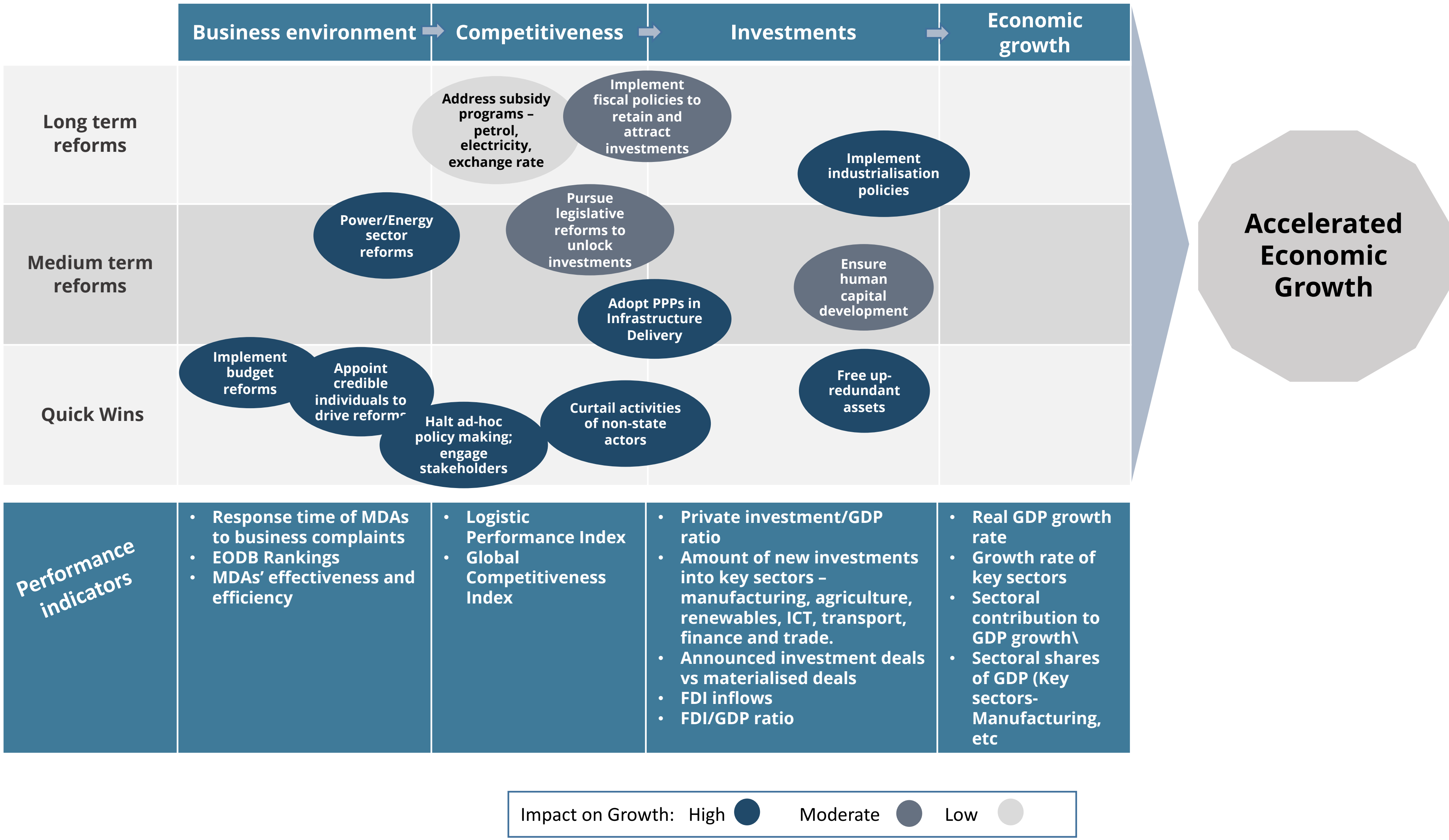
We clearly understand that the success of reform programmes of the current government will largely depend on the quality of its workforce and reform managers. As a result, the government must ensure political and technical appointments are 'square pegs in square holes'. This is critical criteria that must not be compromised on the plate of political interests.

12. Curtail activities of non-state actors that put pressure on businesses:

As a matter of urgency, state governments must call to order the actions of non-state actors that inhibit business operations in their respective states. The actions of these actors deter investors from making huge investments and also increase the cost of doing business due to their unwarranted charges.

The figure below categorizes these reforms into different bucket areas, speed of reform delivery and direct impact on economic growth.

Figure 18: Reform Categorisation



BOX 1: ETHIOPIA'S SUSTAINED PATH TO ACCELERATING GROWTH

Ethiopia has long been one of the fastest-growing economies in Africa, due to her past record of impressive and unprecedented GDP growth rates. Since the launching of the MGDs in 2000, the country's real GDP growth averaged 9.3% until 2018. The stellar growth has been driven by strong industrial activity arising from huge investments in infrastructure. In 2016, a 750km-long electric railway connecting Addis Ababa to the Red Sea via the Port of Djibouti was inaugurated. Similarly, Ethiopia currently boasts of five operational industrial parks; efforts are underway to increase the number to 30 when the ambition of attaining a middle-income country status becomes actualized by 2025.

The growth momentum has overtime translated into poverty reduction as the country met the MDG 1 (Halve the number of people living in extreme poverty by 2015) – poverty rate fell sharply to 9% in 2010 from 26.2% in 1995. (World Bank, 2019). The government introduced sub-Saharan Africa's largest social protection program, called "the Productive Safety Net Program (PSNP)," in 2005. The aim of the program is to restore and maintain the livelihood of the poor by providing food and cash support to people with predictable food needs. From the period of inception, the PSNP has supported about eight million chronically food insecure Ethiopians. The majority of the beneficiaries of the PSNP (some 85%) participate in community development projects, such as rehabilitation of roads, in return for cash or food rewards.

Ethiopia is currently in its fourth stage of implementing the PSNP, known as PSNP 4, which is expected to lapse between July 2015 and June 2020. The £2.216bn project is being co-financed by the Ethiopian government, The UK's Department for International Development (DFID) and the International Financial Corporation (IFC). It is focused on mitigating the impact of climate change and protecting the vulnerable members of the public.

Moreover, the current home-grown reform program of liberalizing strategic sectors (telecoms and finance) and partial opening up of the economy to foreign investors will help attract FDI inflows and help the country achieve private sector-led growth in the medium term. According to the IMF, foreign direct investment growth was 27.6% in 2016/17, with investments going into new industrial parks and privatization inflows. The National Bank of Ethiopia expects economic growth to accelerate to 10.8% in 2020 from 9% in 2019. Ethiopia is also becoming a tourism hub as Ethiopia outperformed other countries by posting the largest tourism revenue growth of 48.6% in 2018. Consequently, Ethiopian Airlines remain Africa's most profitable national carrier. The tourism sector currently accounts for 9.4% of Ethiopia's GDP.

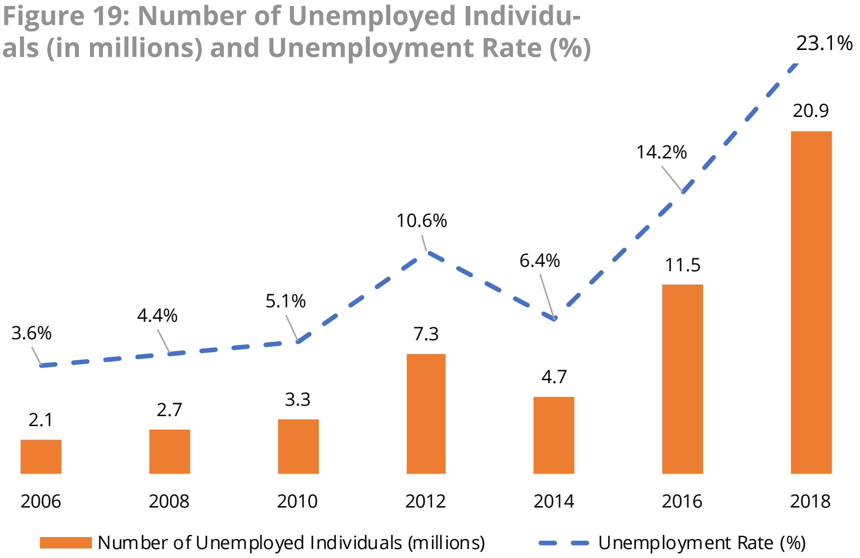
Priority 2: Job Creation- the Sustainable Channel for Poverty Reduction

> "…Nothing is more fundamental to poverty reduction than employment"

The connection between economic growth and poverty has been found to be indirect; the important connector is employment, which has been identified as a vehicle through which the benefits of high growth rates could trickle down to the poor. According to the International Labour Organization (ILO), the relationship between poverty and employment depends on the extent to which income generated from employment permits workers and their dependants to acquire the necessities of life including food, clothing and shelter. In this way, ILO concluded that: "Nothing is more fundamental to poverty reduction than employment". It further argues for more "decent employment", defined as "work that offers people a good income, security, flexibility, protection and a voice on the job". In addition, the levels of education and skills of the workforce are among the key factors that determine the ability of the poor to integrate into and benefit from the growth process.

In Nigeria, despite the improved but slow economic growth trajectory, unemployment and underemployment rate remain high. At the onset of the recession in 2015, 8 out 100 persons in labour force were unemployed and another 17 persons were engaged in jobs that grossly underutilised their skills (underemployed), corresponding to 5.5 million and 12.2 million individuals respectively. These groups have grown substantially, with a sharp increase, particularly among the unemployed labour force. As at 2018, the population of unemployed and underemployed persons was 20.9 million and 18.2 million, respectively. That signals the existence of a substantial level of spare capacity in the economy and shows the gravity of non-inclusive economic growth in the country.

Figure 19: Number of Unemployed Individuals (in millions) and Unemployment Rate (%)

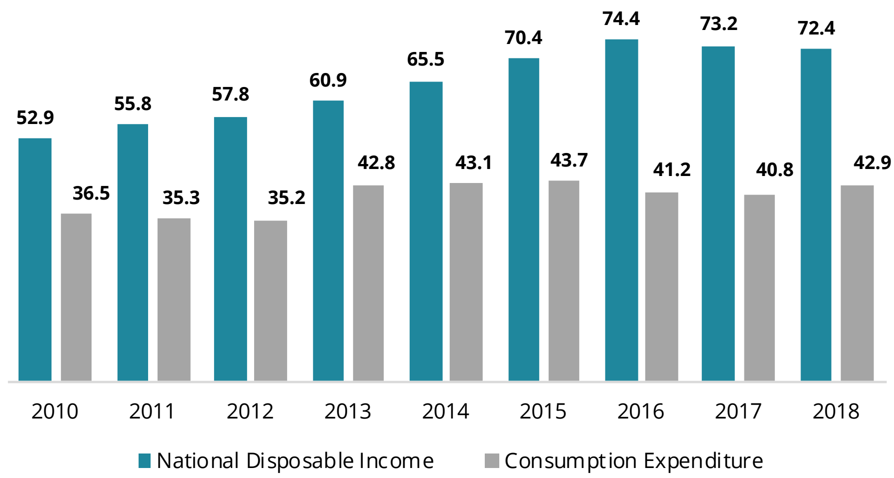


Source: NBS and NESG Research

> "As at 2018, the population of unemployed and under-employed persons was 20.9 million and 18.2 million, respectively."

Without a doubt, the problem of high unemployment cannot be addressed without a return to a higher level of economic growth. However, growth alone does not guarantee adequate job creation, as the spates of jobless growth during 2000 and 2010 testified. Changing this narrative would require stronger and inclusive economic growth. Still, economic growth reaches most people through employment income. In the case of Nigeria, real disposable income has been rising but not so adequate and widely distributed to pull the strings on consumption to a material level.

Figure 20: National Disposable Income Vs. Consumption Expenditure of Household (N trillion)



Source: NBS and NESG Research

The absence of broad-based growth shows the weak capacity of the economy to create jobs.

Nigeria's exposure to global oil price shock is an accomplice but not the root cause. While the sharp decline in oil price may have hit the economy hard starting from 2015, it only aggravated the long-standing weaknesses. Nigeria's growth trajectory has stepped down far below the potential level, long before the recession set in. Growth is gaining points, albeit far below the historical peak, but not so much that it would spur significant private investments and lead to a rapid decline in the burgeoning unemployment.

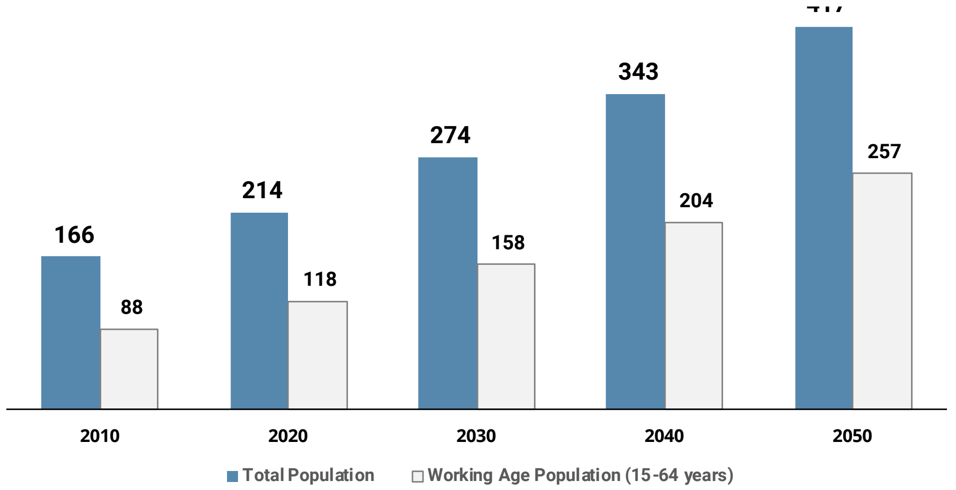
"...to maintain the current unemployment rate of 23.1% by 2030, Nigeria needs to create at least 52 million jobs within the decade i.e. about 5 million jobs per annum to cater for new labour market entrants."

As noted by the NESG (2018), from 2000 to 2015, Nigeria's Service sector contributed 61% to real GDP growth while the productive sectors such as manufacturing, construction and agro-processing only accounted for 15% of overall growth during the same period. Since economic growth was driven by a few activity sectors, the number of jobs created in the formal sector did not match the number of unemployed entrants into the labour market. For instance, according to the National Bureau of Statistics (NBS), an average of 2 million people entered the labour market between 2006 and 2011 while about 1.2 million jobs were created annually. From 2015 to 2018, an average of 4.8 million individuals entered into the labour market each year out of which 3.7 million where unemployed. During the same period, the economy was only able to create an average of 648,000 net jobs annually. This leaves an ever-expanding job deficit, a challenge that policy makers have to deal with in the new decade.

Current trajectory shows that the job deficits will continue to expand over time

Within this new decade, Nigeria's population will increase to 274 million by 2030. With about 4.8 million individuals entering into the labour force each year, we estimate that at least 52 million individuals will enter into the labour market from 2020 to 2030. This implies that to maintain the current unemployment rate of 23.1% by 2030, Nigeria needs to create at least 52 million jobs within the decade i.e. about 5 million jobs per annum to cater for new labour market entrants. This estimate ignores the growing size of new entrants into the labour force as the population expands, suggesting the number of jobs required will even be more than anticipated.

Figure 21: Nigeria's Population Projections (in millions)



Source: US Census Bureau and NESG Research

Beyond 2030, Nigeria's population is projected to reach 417 million by 2050, making Nigeria the third most populous country in the world. This would also mean a growing labour force and possibly an increasing number of unemployed youths. Ignoring the problem of unemployment would result in devastating social and economic consequences for the country and the continent. Nigeria also has an opportunity to leverage its growing, young and vibrant labour force through skills development and providing decent jobs, triggering productivity and income growth. To achieve this, deliberate efforts to expand the private sector is crucial and should be prioritised by the government.

> *"…our estimates showed that the elasticity of poverty with respect to job creation in Nigeria is -0.6. This implies that for every 10 jobs created, only 6 people are lifted out of poverty on average."*

While the private sector could be the potential driver in bridging the job deficit, at the moment, Nigeria's private sector does not have the capacity to absorb the rapidly increasing unemployed population in the short term, unless government embarks on key reforms to open-up sectors that are strategic to job creation. Nigeria would need a substantial acceleration of growth across critical economic sectors.

Creating decent jobs remains the most sustainable way out of poverty

The fastest way out of poverty is through massive job creation and the main agenda of governments in developing countries is to enable job creation. While the private sector is the largest employer of labour, government's role in delivering an environment that is friendly for business growth and expansion is crucial.

…but there is a weak link between employment and poverty in Nigeria

Over the years, Nigeria has been making attempts to address poverty through employment and other government interventions. To examine the impact of job creation on poverty in Nigeria, we explore the past relationship between poverty and employment. Using data from 1991 to 2016, we adopted threshold regression and our estimates showed that the elasticity of poverty with respect to job creation is -0.6. This implies that for every 10 jobs created, only 6 people are lifted out of poverty on average. Beyond the fact that the economy has not created significant number of jobs over time compared with other fast-developing countries, constraints such as infrastructure deficit, rising inflation and ineffective governance led to an increase in the number of poor people in the country. In addition, the quality of jobs measured by the level of income, security, flexibility, remains low, thereby weakening the linkage with poverty reduction.

Going forward, to strengthen the linkages between economic growth, employment and poverty reduction, government reforms must focus on:

The need for the economy to expand its capacity to create significant jobs	The quality and type of jobs required (skills) to lift a significant number of individuals out of poverty.	Efficient labour market

Given the weak historical link between job creation and poverty reduction in Nigeria, what can the government do differently?

To address the problem of unemployment through private sector expansion and strengthen its linkage with poverty reduction, we have outlined a set of criteria that identifies sectors with strong potential for economic growth, employment and poverty reduction in Nigeria. In identifying sectors that fit into this category, we considered the following:

- **Sectors that account for a sizeable share of employed individuals.** Each of these sectors employs at least 1.7 million individuals in 2017 and has the potential to expand and employ more individuals (absorb a significant number of the country's labour force) in the medium term.

- **Sectors that have potential to grow and expand their outputs** but whose contribution to GDP growth and/or share in GDP remains weak and low, respectively. The sector's poor contribution to GDP growth as well as its significant contribution to employment suggests the existence of untapped opportunities for growth.

- **Sectors with strong backward and forward linkages.** The sectors identified have strong relevance in the development of other sectors, whether in terms of input demand or the sale of intermediate output/ services. In addition, within each sector, there are opportunities for value chain development, which is crucial for sectoral deepening and job creation. The sector can also develop the capacity to meet the demand of consumers both at the local and export market.

- **Sectors with link to inclusive growth.** These sectors are crucial in expanding overall GDP output; contributing significantly to GDP growth; creating business and employment opportunities; reducing poverty and hastening the diversification process of the economy.

Table 2: Employment and GDP by Sectors

	Number of People Employed (2017)	Share of total Employment (2017)	Contribution to Real GDP Growth (2016 -2018)	Share of GDP 2018
Agriculture	37,368,930	48.2%	59%	21.4%
Information and Communication	424,156	0.5%	40%	10.2%
Mining and Quarrying	129,705	0.2%	21%	10.7%
Transportation and Storage	2,489,857	3.2%	8%	1.8%
Manufacturing	5,410,641	7.0%	7%	9.7%
Financial and Insurance	1,011,619	1.3%	7%	3.1%
Other Services	6,121,433	7.9%	7%	3.5%
Construction	1,745,479	2.3%	4%	4.7%
Electricity, Gas, Steam & Air Conditioning Supply	10,492	0.0%	4%	0.7%
Water Supply, Sewerage, Waste Management & Remediation	90,806	0.1%	1%	0.2%
Arts, Entertainment and Recreation	557,158	0.7%	1%	0.2%
Professional, Scientific and Technical Services	4,938,501	6.4%	0%	3.8%
Administrative & Support Services	466,632	0.6%	0%	0.0%
Human Health and Social Services	2,144,108	2.8%	0%	0.6%
Accommodation and Food Services	1,052,108	1.4%	0%	0.9%
Education	2,685,257	3.5%	-1%	2.1%
Trade	10,835,032	14.0%	-28%	17.0%
Real Estate	69,515	0.1%	-28%	6.8%
	77,551,429	100.0%		

Source: NBS, NESG Research

Note: Highlighted sectors are those that meet the above criteria

Based on the above criteria, the sectors identified include:

Manufacturing: Employs 5.4 million people, contributes 7% to total employment; 10% to GDP and a meagre 7% to GDP growth.

Construction: Employs 1.75 million people, contributes 2.3% to total employment; 5% to GDP and a meagre 4% to GDP growth.

Professional, Scientific and Technical Services: Employs 4.9 million people, contributes 6.4% to total employment; 3.8% to GDP and 0% to GDP growth.

Education: Employs 2.7 million people, contributes 3.5% to total employment; 2.1% to GDP and -1% to GDP growth.

Health and Social Services: Employs 2.1 million people, contributes 2.8% to total employment; 0.6% to GDP and 0% to GDP growth.

Trade: Employs 10.8 million people, contributes 14% to total employment; 17.2% to GDP and a meagre -28% to GDP growth.

These six sectors collectively employ a total of 27.8 million individuals, which represents 36% of individuals employed as at 2017. They also account for 38% of the GDP in 2018 and have an average growth rate of 0.4% in the last three years.

Although Agriculture remains crucial to the economy in terms of job and growth, the sector was not selected for several reasons:

As economies move towards development, output and labour tend to shift away from low-productivity primary sectors, which includes agriculture, towards high productive secondary sectors.

- Agriculture already employs almost 50% of Nigeria's labour force. Efforts, therefore, need to be geared towards developing other non-Agric sectors.
- Besides, 83% of workers in the Agricultural sector are self-employed, suggesting weak value chain capabilities for employment.
- Nigeria needs to emphasise "value addition", which includes agro-processing sector- already captured under manufacturing.

What are the major sector-specific reforms that could unlock opportunities across these sectors?

Across these six identified sectors, the Nigerian government needs to implement specific reforms to improve sectoral capacity to employ individuals within the next five years. Some of these reforms are highlighted in Table 3.

Table 3: Key reforms for the identified six priority sectors

Sector	Policy Reforms	Timelines		
		Short Term	Medium Term	Long Term
Manufacturing	• Develop an industrial policy with clear goals for the industrial sector. Such a policy must be developed and within a broader framework of a long-term national development plan.		√	
	• Urgently identify priority sub-sectors based on their potential to create jobs, improve export earnings and enhance value addition. Some pre-identified sectors include textiles, petrochemicals, metals and steel and agro-processing sectors such as cocoa, cassava, tomato, etc.	√		
	• Common bottlenecks such as policy inconsistencies, infrastructure deficit, poor power supply and limited access to funds need to be addressed.		√	
	To improve non-oil exports: • Implement port reforms; develop ports in other regions outside Lagos; simplify non-oil export procedures, develop standards for locally-made goods, streamline of the numerous and ineffective trade checkpoints across border routes and develop a modern trade policy to complement the country's industrial policy.	√	√	√

Sector	Policy Reforms	Timelines		
		Short Term	Medium Term	Long Term
Construction	• Create legislation that supports PPP & establishes PPP support policies and frameworks		√	
	• Conduct an extensive review of the public procurement system to address specific issues of delays, inefficiencies, corruption.		√	
	• Establish partnerships with the private sector in the delivery of mass low-cost housing units across the country.		√	√
Professional, Scientific and Technical Services Sector	Growth in this sector is largely dependent on the performance of other subsectors.	√	√	√
Education	• Massive recruitment of well-trained teachers within the next five years.	√	√	
	• Spearhead reforms of teacher-training colleges and institutes, to ensure delivery of graduates (teachers) with professional competence and also attract and retain the best minds in the sector.	√	√	
	• Prioritise investments in education infrastructure (buildings, classrooms, etc) - urgently executed by both the federal and state governments and their agencies within the next five years.		√	√
	• Urgently engage the private sector in an extensive review of education curricula across all levels of education.	√	√	
Health	• Incentivise private and non-profit organisations to provide primary care. There are social as well as public-private models which the government could adopt to complement the public sector's health delivery system to provide low-cost primary care across the 36 states.		√	
Trade	• Improving transport and logistic infrastructure including port access roads.		√	√
	• Incentivise access to trade financing.	√	√	
	• Urgently address the porous nature of land borders and begin a conversation to capture trade across land borders.		√	√

Source: NESG Research

Box 2: Using ICT and Renewable Energy as a leveller

Across these sectors, ICT and renewable energy solutions remain fundamental, given their transformative impact on labour productivity, firm efficiency and in creating new industries. For instance, leveraging on ICT and renewable energy in the agriculture and agro-processing industry in Nigeria could significantly reduce post-harvest losses through the provision of cold chain mobile units, improved seedlings and weather mapping technologies. Springing-up of technology hubs across the country, e-commerce and the increasing use of technology and social media platforms have shaped how businesses operated in the last decade, creating new opportunities along value chains.

To scale-up job creation, we must see an increasing role of technology in driving economies of scale, reducing costs across sectors and increasing business reach across Nigeria and beyond. ICT is also instrumental in achieving financial inclusion. Incentivising private investors in the provision of fibreoptic connectivity, reducing cost barriers and providing support for technology incubator service providers are some key reforms the government should consider. Renewable energy, on the other hand, holds great potential in addressing the challenge of poor power supply in the country. RE solutions have over the years emerged as cost-effective option in the provision of electricity. In addition to creating direct jobs, RE is an enabler of job creation across major economic sectors. Efforts are required from stakeholders to develop a clear framework for on-grid and off-grid development interface using Renewable Energy systems in Nigeria.

"The deliberate prioritisation of the development of these sectors would increase their contribution to GDP to 58% in the next five years from 38% in 2018."

The above-listed reforms will open-up these six sectors, and create 12 million additional jobs in the next five years

We believe that the implementation of the highlighted reforms for the six sectors, along with, some general reforms will yield an additional 12 million direct jobs in the next five years and propel GDP growth to reach 6-8% per annum. The deliberate prioritisation of the development of these sectors would increase their contribution to GDP to 58% in the next five years from 38% in 2018. Our estimate shows that as the selected sectors' growth and contribution to GDP expand through government reforms, so will their propensity to employ a larger part of the labour force.

In five out of the six sectors, the private sector will be the major source of job creation, provided the government implements crucial reforms aimed at addressing production constraints and attracting significant investments.

Table 4: Number of jobs to be created across the six identified sectors

Sector	Direct Jobs Created in 5 years (million)	Contribution to GDP Growth	Share of GDP	Key Sub-sectors/focus areas
Manufacturing	2.8	25%	13%	Food and Beverage, Textile, Apparel & Footwear, Agro-processing (Cassava, tomato, cocoa, cashew), Pharmaceuticals, Oil Refining and Petrochemicals, Electrical and Electronics
Construction	2	9%	7%	Road, Rail, Airports, Seaports
Professional, Scientific and Technical Services	3	16%	7%	Financial Services, Accounting, and other professional services
Education, Health and Social Services	1.8	14%	9%	Primary, Secondary, Tertiary
Trade	2.4	14%	22%	Wholesale and Retail
Total	**12**		**58%**	

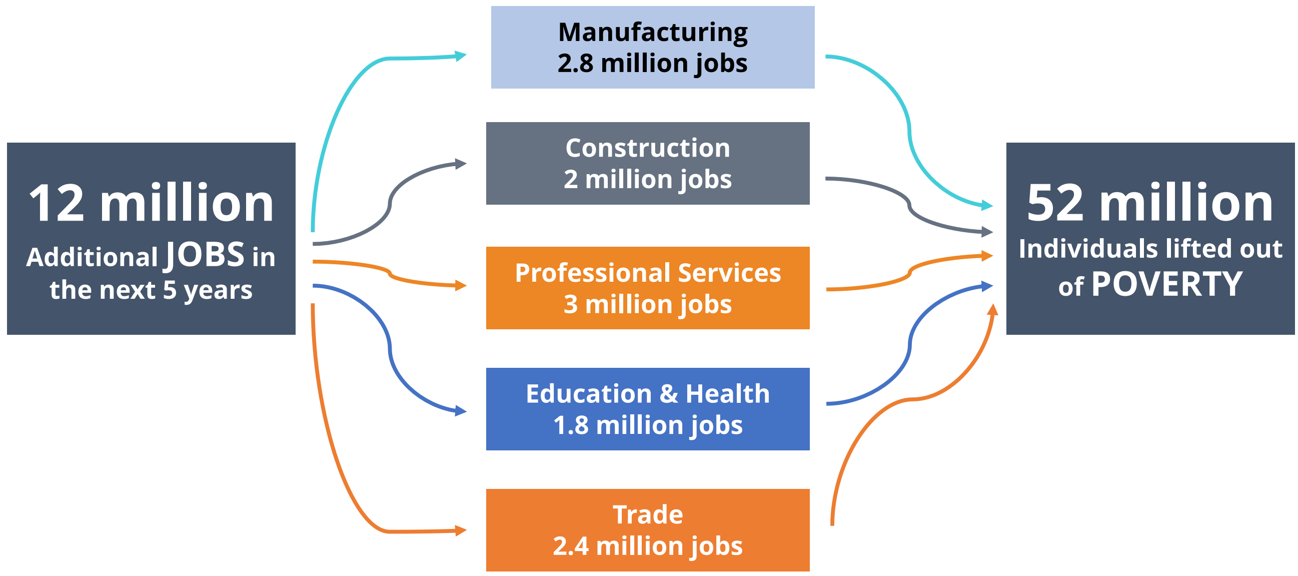
Source: NESG Research

What impact will the created jobs have on poverty reduction?

Using data from 1991 to 2016, we had initially estimated the elasticity of poverty with respect to job creation in Nigeria to be -0.6, suggesting that for every 10 jobs created, only 6 people are lifted out of poverty, on average. This result is however based on the fact that job quality remains low, thereby translating into lower income and a wider income disparity between employers of labour and workers.

In 2019, the NESG developed a CGE model which was used to examine three scenarios for Nigeria, going into the year 2050. Using the results from our Best-Case scenario, which showed fast-declining unemployment and poverty rates as the Nigerian government embarks on tough reforms to improve and expand the business environment, we estimated the elasticity of poverty with respect to job creation at 4.3. This means that for every 10 jobs created, 43 individuals will be lifted out of poverty.

Figure 22: Number of additional Jobs that can be created in the six sectors and number of individuals to be lifted out of Poverty



Source: NESG Research

As a result, the 12 million additional jobs that will be created in the six strategic sectors will lift an estimated 52 million individuals out of poverty in the next five years. This simulation was carried out under a scenario where both the quality and quantity of jobs improve significantly, as the economy experiences rapid growth. Income from wages and salary also increases over time, closing the inequality gap. This, therefore, explains the strong and negative relationship between employment and poverty.

Broader Action Steps

The following broad recommendations are crucial in ensuring significant growth in job creation.

> *"Delivering inclusive growth should start with having a shared vision that captures the country's aspirations, values and desires."*

1. **Establish national and regional agendas for growth and employment.** What is the vision for Nigeria in the next 10 to 30 years? How will each region contribute to the national agenda? Which sectors will deliver the required growth? What is the alignment between Nigeria's national priorities and its industrial/sectoral plans? Delivering inclusive growth should start with having a shared vision that captures the country's aspirations, values and desires. The plan should define outputs, employment and investment targets and policy direction for critical sectors. Adopting such a planning approach and demonstrating political will to implement this plan reduces economic uncertainties and provides a sense of direction for the country, investors and policymaker

2. **Develop new and review existing sectoral plans.** The government needs to develop sector plans and review every existing one (with stakeholders) to ensure they are up-to-date and take into consideration current and future national and global developments. Sectoral Plans and interventions must be drafted for critical sectors identified in previous sections of this report. Effective communication of these plans to stakeholders as well as their implementation would go a long way in attracting investments into key sectors.

3. **Education Reforms Towards Work-Relevant Skills:** Nigeria needs holistic structural reforms in the education sector. The purpose of education in Nigeria needs to be clearly defined. This underpins the challenge of weak accountability and governance structures in the sector. The lack of a clear vision for the education sector is reflected in the significant number of graduates at different levels who cannot compete globally, regardless of their high levels of talent and effort. Going forward, Nigeria's curriculum must be up-to-date with the rapidly changing skills needs of the country. The Nigerian government must strengthen public-private approaches in the review of the curricula at different levels. Entrepreneurial studies need to be introduced and taught at early stages in schools while teachers must be adequately trained to deliver the curriculum. Scaling up the footprint of ICT skills acquisition in the primary and post-primary education curriculum is another important area.

4. **Development of a National Roadmap for Vocational and Technical Training.** Investing in vocational and technical education enhances the skills of a country's human resource and creates youth employment. In the face of technological and industrial innovation, the national strategy for vocational and technical education further deepens globalization and improves social and economic development. Hence, to reduce unemployment and stay in touch with recent innovation, developing a national roadmap for vocation and technical training that provides theoretical and practical knowledge in specific trade areas is important. The federal government through the National Board of Technical Education should work with the private sector and other key stakeholders to design and implement such roadmap. In the construction sector, there is a need for an accelerated training and certification program for artisans and craftsmen to address the huge skills deficit in the sector.

5. **Implement Regulation that supports Business Growth.** To deliver broad-based economic growth that addresses the priorities of job creation and poverty reduction, there needs to be a fundamental shift in the thinking of the Nigerian government's role in the business environment. Government (at different levels) and its agencies must truly act as "enablers" in the business environment rather than creating hurdles for businesses through fierce regulations and numerous charges. The motivation and incentives for business and industry regulators such as Nigeria Customs Service (NCS), NAFDAC, SON, among others, need to be re-engineered to focus on efficient and effective service delivery to their immediate stakeholders, in a simplified and easily accessible manner. This proposition is based on the premise that quality, clear and business-friendly regulation, are key in removing business hurdles across sectors and are germane to the expansion of existing businesses as well as to the growth of new businesses across the country.

Box 3: Accelerating Growth for Job Creation in Rwanda

Rwanda, as one of Africa's fastest-growing economies, has witnessed some structural transformation since the genocide in 1994. The country's GDP growth averaged 8.8% between 1994 and 2018. Per capita GDP grew by an average rate of 7.6% over the same period. The country's growth momentum has been primarily driven by the strong performance of the construction sector overtime.

In 2000, Rwanda launched the "Vision 2020", a national development plan that seeks to transform Rwanda into a middle-income country through private sector investment. The Vision 2020 hinges on The Economic Development and Poverty Reduction Strategy (EDPRS) I & II. EDPRS I spanned between 2006 and 2012 while EDPRS II was implemented between 2013 and 2018. One of the outstanding achievements of the Vision 2020 under the EDPRS I was in the area of growth and poverty reduction indicators within the period of the implementation phase (see Table 5).

Table 5: Targets and Achievements under EDPRS I (2006-2012)

Indicators	2006 Baseline	2012 Target	Actual (2011/2012)
Real GDP growth (%)	6.5	8.1	8.2 (average for 2008-2012)
Export growth (%)	10	15	25.1 (average for 2008-2012)
National investment (% of GDP)	16.3	24.4	22.5
Share of population living in poverty (%)	57	46	44.9
Share of population living in extreme poverty (%)	37	24	24.1
Poverty incidence among female-headed households (%)	60	48	47
Employment in agriculture (% of the labour force)	80	70	71.6
Number of jobs created	N/A	140,000	177,362

Source: Rwanda's Ministry of Finance and Economic Planning (2013).

Rwanda has performed considerably well in terms of the improved business environment as it ranked 29th out of 190 countries on the World Bank's ease of doing business index in 2019. Similarly, the country ranked 48th out of 180 countries on the Corruption Perception Index (CPI) in 2018. Improving business and governance environments would help attract FDI inflows and enhance job creation. The favourable macroeconomic environment is also giving way for Rwanda to realize its ambition of becoming Africa's most profitable investment destination for technological innovations. Rwanda's Mara Group recently launched the Mara Phone, which is considered the first African-made smartphone.

Rwanda is close to becoming East Africa's tourism hub through the planned construction of a $1.3 billion Bugesera International Airport. Qatar Airways has signed a Memorandum of Understanding with the Rwandan Authorities to own a 60% stake in the airport at completion. The first phase of the project is expected to convey 7 million passengers per year while the second phase is expected to double the number of international arrivals after completion by 2032. The country's proposed largest international airport is good news for the construction sector and youth employment. Rwanda's unemployment nosedived to 0.99% in 2019 from an all-time high of 1.17% in 2014 (World Bank, 2019).

Poverty Reduction through Welfare Programmes

A review of existing government programmes such as the N-Power, GEEP and Conditional Cash Transfer (CCT) shows that the intents of these programmes are laudable and in line with improving livelihoods and businesses. However, in terms of their design and structure, they create a budgetary burden on the government given the huge financial commitment. For the GEEP for instance, which involves providing loans to small businesses, loan recovery rates are far below expectation as many beneficiaries do not repay the loans, therefore making it difficult for the government to examine the extensive impacts of the programme.

Under the N-Power programme, where beneficiaries are paid a monthly stipend of N30,000 for a period of two years, part of the challenge include: what happens to the beneficiaries after the two-year period? Will they become part of the government's payroll? What skills would beneficiaries have learnt to enable them to develop businesses or productive outfits in the society? For the CCT, in addition to the challenges of corruption, there is the problem of consistent payments due to beneficiaries as well as adequate monitoring. These factors limit the effectiveness of the programmes and must be addressed going forward.

"Reduction of poverty extends beyond setting ambitious targets; the government must review existing poverty alleviation strategies and ensure constant re-designing, monitoring and evaluation of such strategies as they are being implemented."

Ideally, targeted poverty alleviation and empowerment programmes are expected to impart beneficiaries with relevant skills, support and resources within a specified period, to ensure they are able to work independently and become more productive in the society during and after such programme. But with the current case, a significant percentage of beneficiaries rely on government support for sustenance and stand a greater chance of economic and social hardship when these programmes elapse. This also creates the problem of sustainability.

Addressing Nigeria's poverty problem in this new decade will require a combination of job-led economic growth and federal and state government direct intervention through programmes. Reduction of poverty extends beyond setting ambitious targets; the government must review existing poverty alleviation strategies and ensure constant re-designing, monitoring and evaluation of such strategies as they are being implemented.

Some specific actionable priorities should include:

- The National Bureau of Statistics must be adequately and consistently funded to conduct a national survey on measuring poverty in its different dimensions.
- The Presidency needs to review and conduct a comprehensive evaluation and impact assessment of existing government programmes that seek to address poverty.
- Begin a forensic audit of the social investment programmes to address issues of corruption, inefficiencies and address identified lapses.
- Ensure consistency in the disbursement of the CCT to beneficiaries and monitor the usage of funds.
- Poverty alleviation programmes must be structured to provide skills, resources and other support systems that will make beneficiaries earn a living even after the programme. For businesses, the support structure must emphasis on growth and business expansion as opposed to the current model of business sustenance.

Box 4: Malaysia & Poverty Reduction: Unboxing the Path

Malaysia's experience in poverty reduction is a best-fit case study for many developing countries, especially countries in Africa and Nigeria in particular. There is a reduction of poverty rate from 49.3% in 1970 to 0.4% in 2018 – this represents about 99.2% decrease (UNDP, Human Capital Index Database, 2019). Malaysia is taking some giant development strides to enable her to join the league of high-income countries by 2024 (World Bank, 2019).

The Malaysian government declared reducing the 'incidence of poverty' as a national goal in all development plans from 1970 – National Economic Policy (1970-1990), National Development Policy (1991-2000), the National Economic Recovery Plan (1998) and the Vision 2020 among others. This resulted in development efforts that ensured rapid economic growth experienced by the country during the last 50 years were directed at increasing the real national and per capita incomes. This led to a decline in income inequality and the incidence of poverty in the country (Manaf & Ibrahim, 2017 & World Bank, 2004).

Table 5: Targets and Achievements under EDPRS I (2006-2012)

Development plan	Overriding objectives	Poverty goal	Poverty rate at start	Poverty rate at the end
National Economic Policy, NEP (1970-1990)	Achieving socio-economic goals alongside pursuing economic growth objectives	Reduce absolute poverty through raising income levels and increasing employment opportunities.	49.3%	17%
National Development Policy, NDP (1991-2000)	Same as NEP	Eradication of hard-core poverty in Malaysia	16.5%	5.1%
National Vision Policy (2001-2010)	Private sector to spearhead economic growth & public sector to provide enabling environment for achieving socio-economic objectives	Eradicating poverty from areas and among ethnic groups where its incidence is still high	5.1%	1.7%
Government Transformation Programme (2009)	Effective and accountable government	High standards of living for all	1.7%	0.4%
New Economic Model (2010)	Every Malaysian must have equal access and opportunity to be an active participant in the economic development	Economic uplift for the bottom 40% of Malaysian households with an average monthly income of RM 1,500 (US $484).	1.7%	0.4%

Source: Review of development documents/UNDP, Human Capital Index Database, 2019/UN, Malaysia: Achieving the Millennium Development Goals, 2004.

The Malaysian authorities adopted a public-private partnership framework with strategies including (1) Agree on a definition and measurement of poverty; (2) Increase household's productivity and sources of income; (3) Target the hardcore poor through a special program focused on their needs; (4) Active participation of private sector and NGOs; (5) Provision of social amenities targeted at improving the quality of life of the poor; (6) providing welfare assistance directed at the poor - who were aged, disabled or unemployable; (7) maintaining stable market prices of goods; and (8) reducing or eliminating income tax rates for the poor.

Best - Case Scenario for Nigeria in 2030

As Nigeria enters a new decade, we have attempted to picture a best-case scenario of the Nigeria we should have by the end of 2030 using our CGE model as well as details from the NESG's 2050 Scenarios Project. By the end of the decade, Nigeria's population will expand by 28% from 214 million to 274 million. This growing population will create significant pressure on the country's social amenities, infrastructure, food security, human capital and jobs required. In addition, the decade will come with complex challenges, driven by some domestic and external factors outlined below.

Domestic Factors

- Worsening ecological situation and adverse impacts of climate change on the environment and on economies around the world.
- Exponential growth in population and changes in demography.
- Rapid urbanization.
- Unity and safety of Nigeria.

External Factors

- Advancement in innovation and technology.
- The shift from traditional energy sources such as crude oil to renewable energy.
- Increased globalisation and migration challenges.
- The shift of economic, political and military power to the East- particularly China.

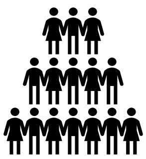
The interplay of these factors and how Nigeria responds to these challenges will influence the country's trajectory in the decade.

In previous sections of this report, we outlined several actionable steps/ recommendations that were drawn from our 2050 Scenarios Project, analysis of the Nigerian economy and also from interactions with policy makers. We believe that the implementation of these recommendations will lead Nigeria to achieve the following outcomes by the year 2030.

Nigeria in 2030: Selected Economic Indicators

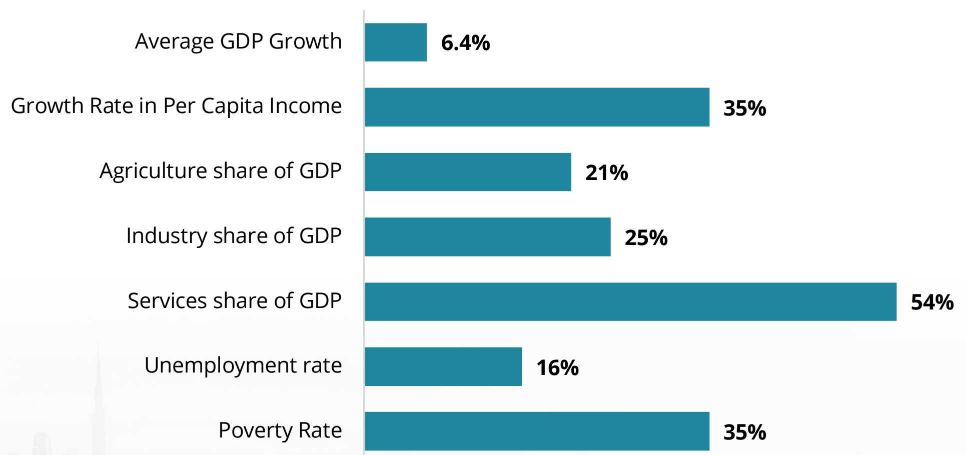
US$744billion

GDP- 2030



US$2,700

Per Capita GDP- 2030



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About The NESG

The NESG is an independent, non-partisan, non-sectarian organization, committed to fostering open and continuous dialogue on Nigeria's economic development.
The NESG strives to forge a mutual understanding between leaders of thought so as to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high level interactive public-private sessions and special presentations to the executive and legislative arms of government.

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