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Pathways to Robust Economic Recovery and Sustainable Development in Nigeria

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List of Articles

State of the Nigerian Economy in H1'2023: Matters Arising & Key Policy Imperatives

NESG Research

Abstract

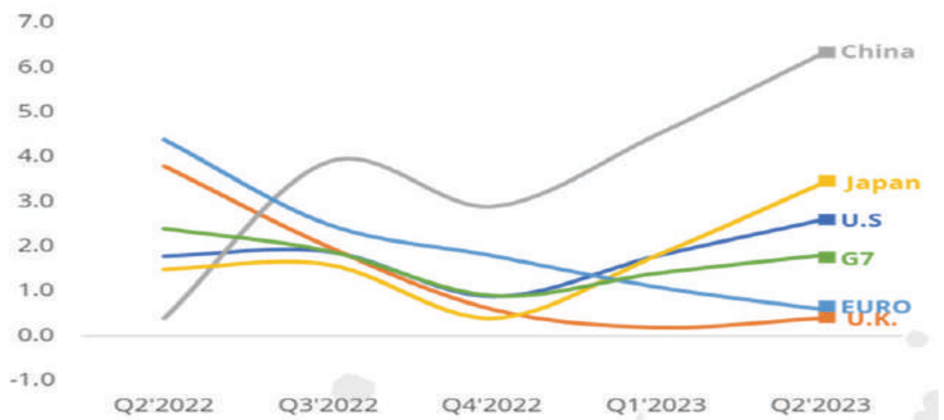
As the world economy grapples with the aftermath of the COVID-19 pandemic and new challenges induced by the Russia-Ukraine conflict, economic growth has trended lower, and the inflation rate has heightened in advanced and emerging economies. Overall, the combination of rising commodity prices, global inflationary pressures, and slow growth in many countries weakened the performance of the global economy in the first half of 2023. In a fashion similar to global economic performance, the Nigerian economy experienced slowed growth in the period under review. The real Gross Domestic Product (GDP) growth of 2.4 percent was the lowest economic growth since Nigeria's full recovery from the COVID-19 pandemic. The country experienced a surge in inflation, leading to a significant erosion of the local currency's value. Poverty level and other socio-economic indicators also deteriorated. In addition, the implementation of new reforms in the first half of 2023 has had a considerable impact on Nigeria's socioeconomic performance and has informed an alteration to socioeconomic projections since the beginning of the year. In light of the assessment of global and domestic economic conditions so far in 2023, this paper suggests key measures to bring inflation under control and sustain economic growth in Nigeria.

(A) Global Economic Environment

Global economic growth was uncertain and low due to fear of recession in the United States & Europe.

Since the beginning of the post-COVID-19 pandemic era, productivity and growth levels of the global economy have been persistently weak. The global GDP expanded by 3.4 percent (year-on-year) in the second quarter of 2023 (IMF, 2023). This growth did not match the performances of many advanced countries, which posted growth rates below 3 percent (see Figure 1). Only China has proved more resilient to the crisis-induced global shocks as reflected in its strong economic growth in the first half of 2023.

Figure 1: Year-on-Year GDP Growth (percent)



Data: OECD; Office of National Statistics, UK; National Bureau of Statistics, China; Charts: NESG Research

Notwithstanding, the slowdown experienced in major economies in the first half of 2023 coupled with escalated geopolitical tensions between Russia and Ukraine and the recent crisis in the Middle East indicated that global economic activities would remain depressed in the rest of the year. To this end, global economic growth is expected to slow to 3 percent in FY'2023.

Despite the gradual slowdown in recent times, inflation remains stubbornly high amidst monetary tightening in many countries. Inflation was easing, but at a slow rate because core (non-food) inflation is sticky downwards, primarily caused by elevated global commodity prices (including raw materials, crude oil, and natural gas). On the global level, the inflation rate nosedived from its peak of 11.6 percent in 2022Q2 to 5.3 percent in 2023Q2 (IMF, 2023). This magnitude of decline in inflation is however not observed at the country level. Many advanced countries including the US, UK, and the Euro Area are yet to revert to their long-run inflation target of 2 percent (see **Table 1**). In reaction, many advanced economies, emerging markets, and developing countries continue to tighten monetary policy to combat the war-induced inflationary pressures that started in February 2022. This hawkish stance coupled with moderating global commodity prices (energy and non-energy price indices fell by 30 percent and 14 percent, respectively, in the first half of 2023 relative to the corresponding period in 2022), the average global inflation rate is expected to drop to 6.9 percent in FY'2023 from 8.7 percent in 2022 (IMF, 2023).

Table 1: Year-on-Year Inflation Rate (Percent)

INFLATION RATE (PERCENT) CPI																	
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
U.S.	7.5	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5	6.4	6.0	5.0	4.9	4.0	3.0
U.K.	5.5	6.2	7.0	9.0	9.1	9.4	10.1	9.9	10.1	11.1	10.7	10.5	10.1	10.4	10.1	8.7	8.7	7.9
Germany	5.1	5.5	7.6	7.8	8.7	8.2	8.5	8.8	10.9	11.6	11.3	9.6	9.2	9.3	7.8	7.6	6.3	6.8
France	3.3	4.2	5.1	5.4	5.8	6.5	6.8	6.6	6.2	7.1	7.1	6.7	7.0	7.3	6.7	6.9	6.0	5.3
China	0.9	0.9	1.5	2.1	2.1	2.5	2.7	2.5	2.8	2.1	1.6	1.8	2.1	1.0	0.7	0.1	0.2	0.0
Euro	5.1	5.9	7.4	7.5	8.1	8.7	8.9	9.2	9.9	10.6	10.1	9.2	8.7	..	..	..	..	..
India	5.8	5.0	5.4	6.3	7.0	2.5	2.7	2.5	2.8	2.1	1.6	1.8	2.1	1.0	0.7	0.1	0.2	0.0
Brazil	10.4	10.5	11.3	12.1	11.7	11.9	10.1	8.7	7.2	6.5	5.9	5.8	5.8	5.6	4.7	4.2	3.9	3.2

Heatmap: Inf=>5 | Inf<5 but >2 | Inf<=2

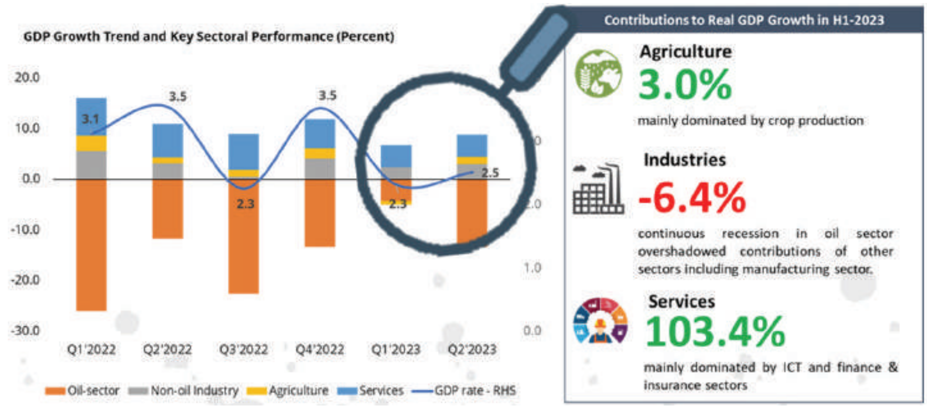
Data: OECD; Office of National Statistics, UK; National Bureau of Statistics, China

(B) Domestic Economic Environment

Economic Growth Performance - Non-oil sector remained the main growth catalyst.

The Nigerian economy continued to post positive growth in H1'2023 but at a slow pace relative to the performance in H1'2022. The country's real GDP expanded by 2.4 percent in H1'2023, with Q1'2023 and Q2'2023 experiencing growth rates of 2.3 percent and 2.5 percent, respectively (see Figure 2). The Naira liquidity crunch in the first quarter of 2023 took a toll on the economy in the first quarter of 2023. The slow growth was more evident in the Agriculture sector which recorded negative growth for the first time in many years in Q1'2023, while the Non-oil sector growth was at its lowest level in two years. The growth composition analysis revealed that the non-oil sector played a crucial role in sustaining the overall economic growth momentum.

Figure 2: Performance of the Nigerian Economy in H1'2023



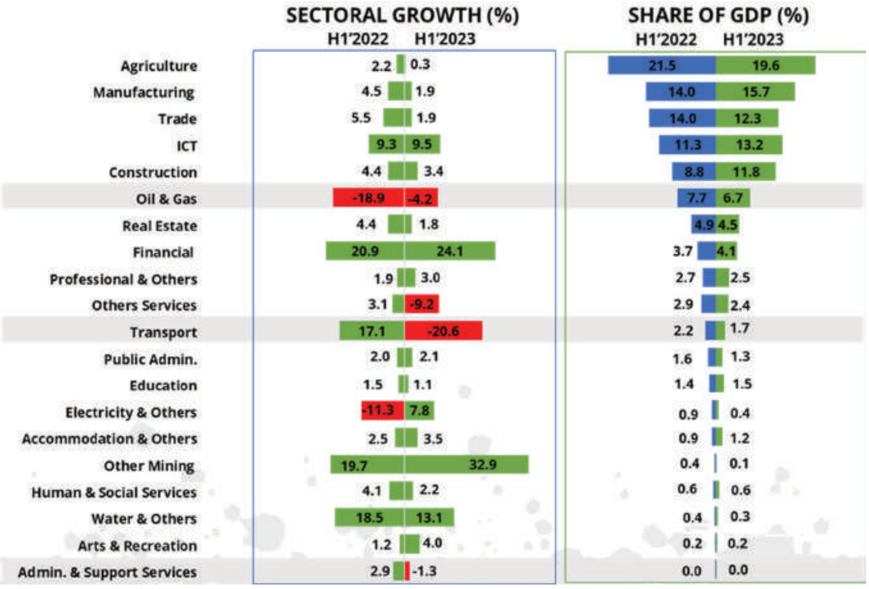
Data: National Bureau of Statistics (NBS); Calculation & Chart: NESG Research

The impressive performance of various Non-oil activities, including Non-oil Industrial, Services, and Agriculture sectors, significantly contributed to economic expansion. Notably, the Non-oil Industrial sector grew by 2.6 percent, the Services sector by 4.4 percent, and the Agriculture sector by 0.3 percent. By maintaining an upward growth trajectory, the Non-oil sector effectively offset the adverse impact of the struggling Oil sector, whose prolonged recession since 2020 Q1 has posed challenges to economic growth, making the resilience of the Non-oil Industrial sector even more critical. This makes the diversification in the sources of economic growth essential to achieve long-term stability and economic prosperity.

Sectoral Development - Traditional growth drivers had a poor performance in H1'2023.

The sectoral performance of the Nigerian economy in H1'2023 reflected the impact of dysfunctional policy on the economy, especially the liquidity crunch caused by the Naira redesign policy. Most of the traditional growth drivers - particularly, Agriculture and Trade - are cash-driven sectors and thus experienced huge performance declines in H1'2023 when compared with H1'2022. In addition, all sub-sectors of the Services sector, except the ICT and Finance sectors, also experienced weaker growth in H1'2023 when compared with their performance in H1'2022 (see Figure 3). The weak growth performance is not far-fetched as these sectors have strong linkages with the informal sector. Hence, the liquidity crunch experienced by the economy in this period resulted in weak informal sector performance and this adverse impact shock was transmitted to many Services sub-sectors.

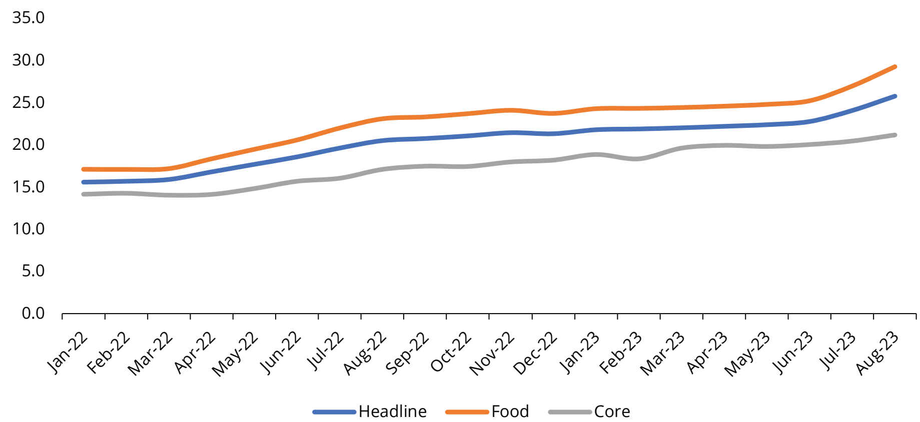
Figure 3: Sectoral Performance of the Nigerian Economy in H1'2023



Data: NBS; Calculation & Chart: NESG Research

Inflation is yet to buck its rising trend amidst multiple headwinds. Nigeria's headline inflation rose to an 18-year high of 25.8 percent in August 2023 (see **Figure 4**). This amounts to an average inflation rate of 22.9 percent in the first eight (8) months of 2023, which is above the average inflation rate of 17.6 percent in the corresponding period of 2022. The persistent inflationary pressures are attributable to global supply chain disruptions due to the protracted geopolitical tensions between Russia and Ukraine and domestic structural bottlenecks, including exchange rate depreciation, rising logistic costs, and increased food and energy prices (including petrol and cooking gas). According to the World Bank, the CBN financing of budget deficits has also contributed to rising inflation. The removal of subsidies on petrol has had a direct (first-round) impact on fuel and transport costs and an indirect (second-round) effect on the prices of food and non-food items. This fact is supported by the persistent rise in food and core inflation (see **Figure 4**). Consequently, the weak purchasing power due to high inflation has plunged about four (4) million additional Nigerians into poverty in the first five (5) months of 2023, according to the World Bank (2023a). The persistent decline in real incomes will translate to an increase in the poverty headcount.

Figure 4: Nigeria's Year-on-Year Inflation (percent)



Data: NBS; Chart: NESG Research

Policy Environment

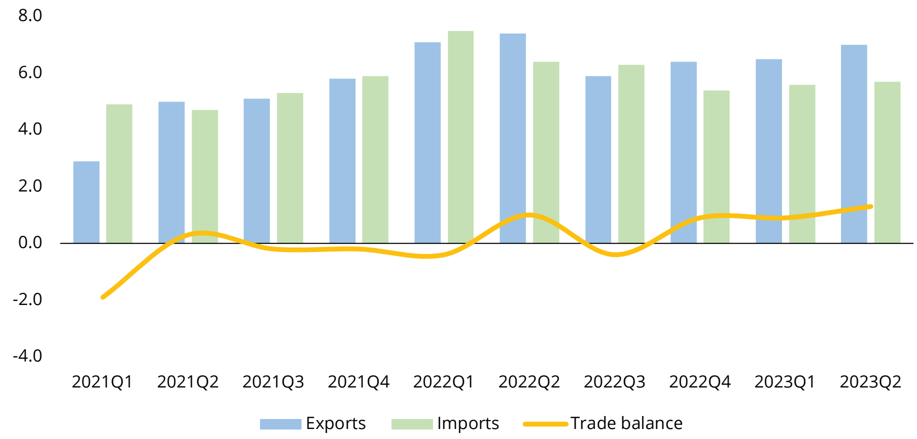
Monetary policies resulted in limited gains for the Nigerian economy. In H1'2023, Nigeria's overall monetary policy stance remained heterodox – sustaining its unconventional practices. The Central Bank of Nigeria (CBN) started the year by adopting stricter implementation of the introduction of new N200, N500, and N1,000 notes which caused a significant squeeze of the currency in circulation. Also, the Monetary Policy Committee (MPC) continued to raise the Monetary Policy Rate (MPR) as the inflation rate maintained an upward trend. The MPR has been increased from 11.5 percent in March 2022 to 18.75 percent in July 2023. Despite the cumulative hike in the monetary policy rate (MPR) by 725 basis points since March 2022 to date, inflationary pressures have remained unabated, reflecting the ineffectiveness of monetary policy instruments in single-handedly combating high inflation.

Fiscal space is being marred by growing public debts. According to the Debt Management Office - DMO (2023), Nigeria's public debt stock stood at an all-time high of N87.4 trillion as of the second quarter of 2023, rising multiple-folds from N7.5 trillion in 2012. Setting aside the cumulative Ways and Means of N23.8 trillion as of December 2022, a sum of N17.3 trillion has been added to the country's public debt stock. The public debt profile continues to be dominated by domestic debts, which accounted for 62 percent of the total public debt stock as of Q2'2023. Meanwhile, growing debt levels defy the improvement in oil revenues against the backdrop of the fuel subsidy removal and currency devaluation. The distributable revenue from the Federation Account Allocation Committee (FAAC) expanded by 18.1 percent to N907.1 billion in June 2023 from N786.2 billion shared in May 2023. In addition, the total deductions for savings, transfers, and refunds grew to N979.1 billion from N163.2 billion in May 2023. This implies that the FAAC accrual for June 2023 expanded to N1.9 trillion.

External Sector Developments

Despite the fall in export earnings and imports, the external trade balance remained in surplus in H1'2023. The total value of goods exported dropped to N13.5 trillion in the first half of 2023 from N14.5 trillion in the corresponding period of 2022 (see Figure 5), partly due to a decline in oil exports by 6.9 percent (year-on-year) to N12.2 trillion in H1'2023. This signifies the sustained improvement in global oil prices despite the fall in domestic crude oil production. Similarly, non-oil exports – which accounted for 9.6 percent of total export earnings in H1'2023 – fell by 7.1 percent (year-on-year) to N1.3 trillion. Also, the value of imported commodities fell by 18.7 percent (year-on-year) to N11.3 trillion in H1'2023. This could be partly due to easing global commodity prices in the review period. According to the World Bank (2023b), energy and non-energy price indices fell by 30.4 percent and 0.9 percent, respectively, in H1'2023 relative to their levels in H1'2022. Remarkably, growth in exports outpaced that of imports, resulting in a trade surplus of N2.2 trillion in H1'2023, which outpaced the trade surplus of N618.8 billion in H1'2022.

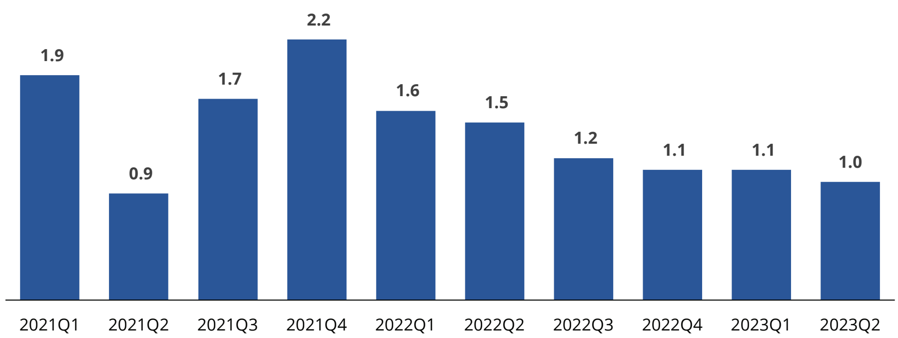
Figure 5: Nigeria's Values of Import, Export Trade & Trade Balance (N'trillion)



Data: NBS; Chart: NESG Research

Foreign Investment inflows continued to decline amidst an unfavourable investment climate. The overall foreign investment inflows fell to US$2.1 billion in H1'2023 from US$3.1 billion in H1'2022 (see Figure 6). Weakening foreign investment inflows suggest the persistently high risk aversion towards investing in Nigeria by foreign investors due to factors such as foreign exchange shortage, negative real returns on investment, and challenges in repatriating funds abroad. In H1'2023, Foreign Direct Investment (FDI) remained the least attractive type of investment inflows at US$133.6 million (a 6 percent share), whereas Foreign Portfolio Investment and "Other" investment accounted for 35 percent (US$756.1 million) and 59 percent (US$1.3 million), respectively, of the total foreign investment inflows.

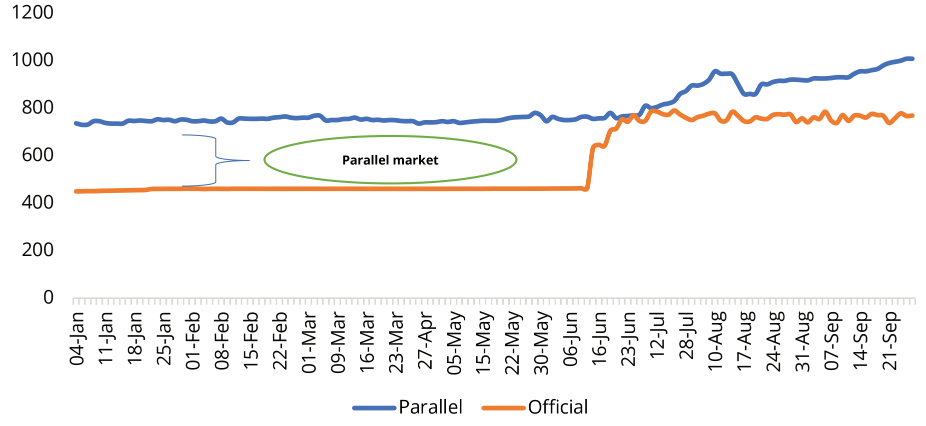
Figure 6: Trend of Foreign investment inflows (US$ billion)



Data: NBS; Chart: NESG Research

The recent foreign exchange (FX) reform has narrowed the parallel market premium, but the FX market remains illiquid amidst falling external reserves. The previously managed float regime was characterized by distortions emanating from inappropriate FX pricing, multiple FX windows, and institutional weakness (in terms of lack of transparency and predictability). This allowed currency speculators to take advantage of the parallel market premium. As a result of the recent reforms introduced by the current administration in June 2023, the official exchange rate depreciated by 39 percent between June and July 2023. In addition, there was a convergence of the official and parallel market exchange rates in late June 2023 and a significant reduction in the parallel market premium relative to its level before the FX reform in June 2023 (see Figure 7). Meanwhile, the challenge of persistent dollar scarcity has continued to weaken the Naira at the official and parallel markets with the corresponding exchange rates at N769/US$1 and N1,008/US$1 at the end of September 2023.

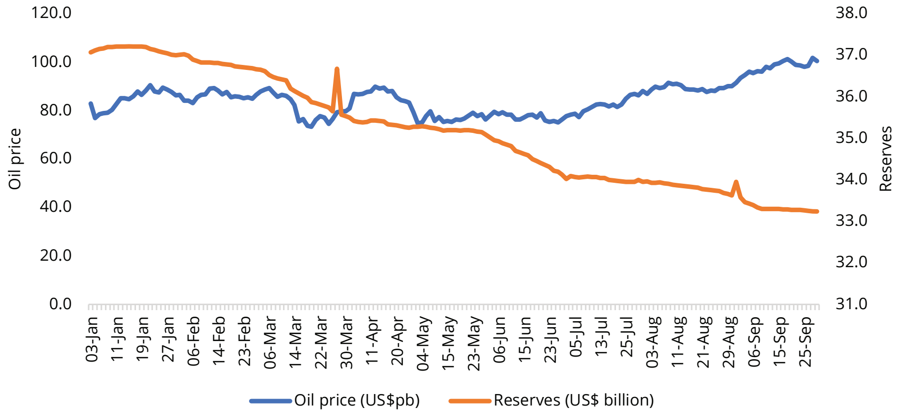
Figure 7: Nigeria's Exchange Rate (NGN/US)



Data: Central Bank of Nigeria (CBN); Chart: NESG Research

In addition, the decline in export earnings and dwindling foreign investment inflows have weakened the external reserves, which stood at US$33.95 billion as of August 31, 2023. Following a temporary jump to US$36.7 billion on March 28, 2023 (see Figure 8), attributable to a US$1 billion inflow from crude oil sales (see Moses-Ashike, 2023), the external reserves have continued to be insensitive to the recent increases in global oil prices, which averaged US$84.8 per barrel in the first nine (9) months of 2023.

Figure 8: Nigeria's External Reserves & Crude Oil Prices



Data: CBN; Chart: NESG Research

(C) Revised Macroeconomic Projections for Nigeria in 2023

The year 2023 in Nigeria comes with the peak of the political climax with the general election and transition to a new administration. With the conclusion of the four-year election cycle in the first quarter of the year, the country's economic performance is affected by the usual political instability and policy uncertainties that ushered in this period and caused some adverse implications on the performance of key macroeconomic and socio-economic indicators. On the back of the foregoing and other external/global developments and domestic economic conditions, the macroeconomic projections made in the NESG's Macroeconomic Outlook 2023 will be adjusted to reflect current economic realities. In achieving this fate, key global developments including growth patterns, crude oil prices, and other factors that would shape the domestic economic environment are analyses alongside crucial internal events in Nigeria.

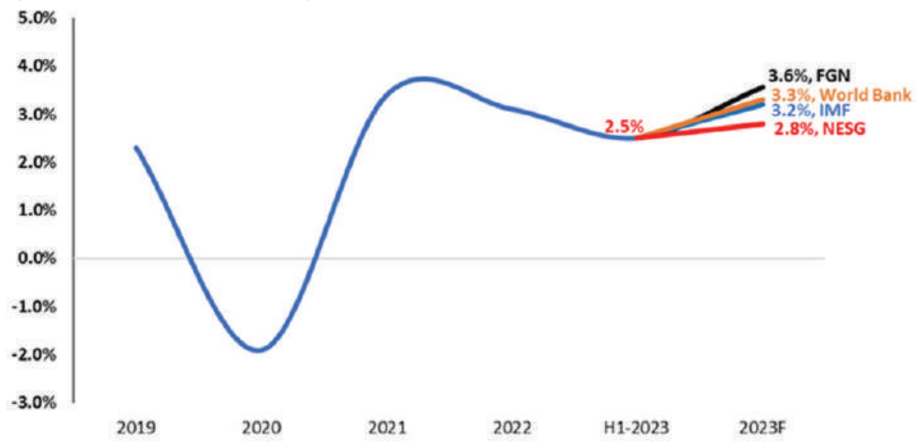
Rationale

The revised projection for 2023 assumes that crude oil prices will average US$80/barrel. This assumption is informed by the effect of the Russia-Ukraine crisis on the energy market and higher crude oil demand due to improved industrial activities in advanced economies and emerging markets. The performance is higher than the US$70/barrel proposed in the 2023 budget. As efforts to contain crude oil theft in Nigeria intensify, crude oil production will average 1.5 million barrels per day (mbpd) in H2'2023. This represents an improvement over 1.15mbpd in 2022 but is 9.1 percent lower than the 2023 budgetary oil production of 1.69mbpd. There is also an anticipated improvement in government capital expenditure due to fuel subsidy removal and convergence of exchange rates and also increase in the FGN budget implementation rate. Based on these underlying assumptions, the outcomes are presented as follows.

Outcomes

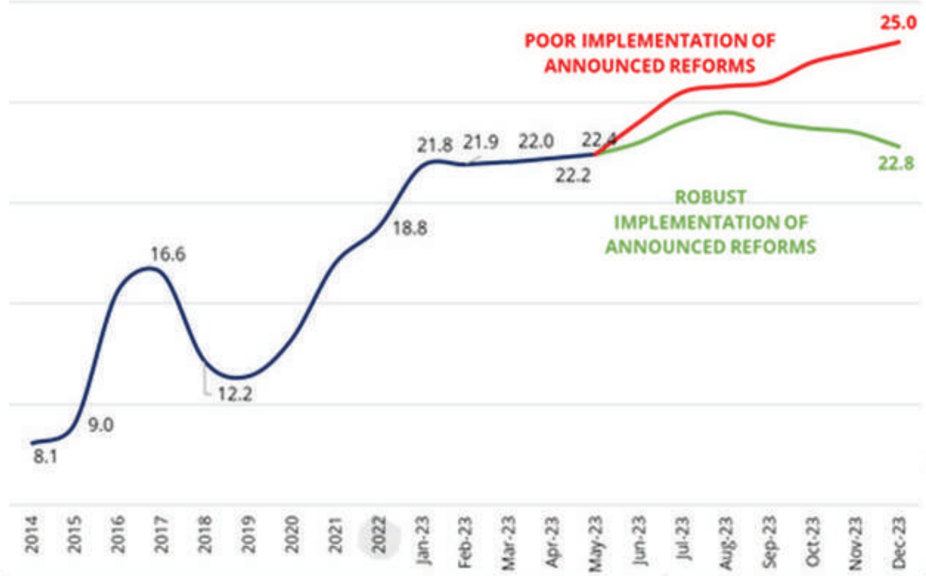
RGDP growth is expected to moderate to 2.8 percent (see Figure 9). Economic growth will be subdued in 2023 due to strains on consumer purchasing power and higher cost of operations which will adversely affect productivity in critical sectors. The services sector will sustain economic growth momentum in H2'2023 with weaker growth performance in the agriculture and industrial sectors. The oil sector will continue to drag the performance of the industrial sector but likely move out of recession in 2023Q4. Economic growth will not be strong enough to generate a significant increase in per capita income and jobs for Nigerians in 2023. As a result, the per capita income of average Nigerians will still stand around US$2300 while the real per capita income will be lower than US$1000.

Figure 9: Actual and Revised Projected Real GDP Growth for 2023



Inflation rate projection has two scenarios of averaging 22.8 percent and 25.0 percent in 2023 for robust and poor implementation of current reforms respectively (See Figure 10). Inflationary pressure is expected to remain elevated due to the immediate impacts of fuel subsidy removal and depreciation of the Naira occasioned by the convergence of exchange rates. Existing structural, cost and monetary policy-induced factors will significantly contribute to keeping the inflation rate high. However, the quality of implementation of current reforms by the new administration will significantly influence the rate of acceleration or deceleration of inflationary pressure in 2023. If these are properly implemented, the average inflation rate is expected at 22.8 percent for the year. In the opposite case, inflation will close the year at 25.0 percent.

Figure 10: Trend of Inflation in Nigeria (percent)



The unemployment rate will increase with more people being pushed into the poverty bracket due to weak performance in the job-elastic sectors, low labour absorption of sectors that will drive growth, and higher population growth. High inflationary pressure will also erode the purchasing power of households while businesses, especially MSMEs, will have no or limited capacity to create new jobs. The business community or private sector will focus on survival rather than expansion in H2'2023. Going by this situation, businesses will be forced to reduce the workforce, which will heighten the unemployment problem, cut wages/salaries, and amplify the poverty level.

Monetary policy tightening will continue till the end of 2023, but the rate of acceleration will slow down. The CBN is expected to slow down its hawkish policy stance in H2'2023 to support economic growth while using other measures to rein in rising inflationary pressure in Nigeria.

(D) Policy Recommendations

Reducing Inflationary Pressures

Boosting agricultural productivity to reduce food import inflationary pressure. Enhancing agricultural productivity to alleviate food import inflationary pressure requires the government to address key challenges. Foremost, tackling the insecurity issues prevalent in major food-producing regions is imperative. By providing adequate security measures, farmers can focus on their work without fear of disruption, leading to increased yields and a stable supply of food products. Moreover, an efficient and well-connected transport system is crucial to ensuring that agricultural produce can reach the market promptly and with minimal spoilage. Upgrading and maintaining roads and transportation infrastructure will facilitate the seamless movement of goods from farms to markets, reducing wastage and increasing the availability of food products at competitive prices.

Implementation of a coherent policy to govern the Central Bank's interventions in the foreign exchange market. The Economic Management team of the Federal Government must achieve unanimity on supporting Forex market liquidity, among other essential measures. Such a coherent policy stance is paramount in enhancing investors' confidence, both from local and foreign stakeholders, in the country. In addition, a well-articulated policy governing the Central Bank's interventions in the foreign exchange market, backed by a unanimous stance from the Economic Management team, is pivotal in fostering investor confidence in Nigeria. This confidence will, in turn, attract more local and foreign investments, ultimately bolstering the nation's economic stability and growth.

Supporting Sectoral Productivity Growth

Supporting linkages among sectors for positive spillover of growth and productivity. There is a need to kick-start an economic framework that links sectors with complementary activities in Nigeria. For example, through the development of appropriate pricing for agricultural products to keep farmers' incomes stable and quality output, since the Agricultural sector supplies its output as industrial inputs for the Manufacturing sector. Similar sector-level interaction must also be activated between industrial and services as well as services and agriculture.

Develop tailor-made finance and competitive grants to support innovative development and start-up of nascent industrial and manufacturing enterprises. Sectors that are fundamental to economic growth must be supported with the required capital outlay for production and expansion. This strategy is important to support local productivity and reduce the country's reliance on imports for manufactured goods.

Set up a home-grown quality control system to ensure that Nigerian-made products become attractive to foreign buyers. This will help boost forex earnings from non-oil export commodities. In addition, this will provide adequate incentives such as affordable credit facilities to manufacturers to facilitate mass production of exportable commodities.

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What are we doing today?

Climate Change and Food Security in Nigeria

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Abstract

The alarming rate of incidences of floods, drought, ocean heat, changes in snow and rainfall patterns, heavy rainstorms, increased frequency of heavy precipitation, depleting soil nutrients, and dwindling environmental quality indicates that climate change can cause severe risks to food security and nutritional outcomes in Nigeria. With all the pieces of evidence of climate change, only one percent of total arable land is equipped for irrigation in Nigeria. This study examines the impact of climate change on food security and nutritional outcomes in Nigeria. The study showed the country's readiness to tackle climate change and its vulnerability to climate change. The devastating impact of climate change on agricultural productivity, food insecurity, the number of people undernourished, and the average protein and dietary energy supply were revealed. The extent of climate change impact was reported alongside relevant policy directions to tackle climate change and reduce the prevalence of food insecurity in Nigeria.

Introduction

Healthy and well-nourished people are the primary focus of sustainable development; therefore, food security is essential for achieving the United Nations Sustainable Development Goals (SDGs). Food security focuses on ensuring that people have consistent access to safe, nutritious, and sufficient food for a healthy life. The dimensions of food security include adequate food utilization, physical and economic access to food, and the physical availability of food. Food security is an important global concern, interconnected with various factors, including climate change, nutrition, health, and socio-economic issues like insufficient food production, corruption, and gender inequality.

According to FAO, IFAD, UNICEF, WFP, and WHO (2017, 2018, 2019), the three factors responsible for food crisis include crisis (internal or external), national economy, and climate. Climate change poses significant challenges worldwide, leading to rising temperatures, sea levels, droughts, etc. Climate change refers to the degree of change in the mean variable properties of the climate over a period of time, usually one or two decades or longer. Nigeria, in particular, faces environmental challenges exacerbated by climate change, impacting sectors like infrastructure, water resources, and agriculture. Deforestation, desertification, erosion, and floods further degrade the environment, limiting access to safe water and sanitation for many Nigerians.

Climate change is primarily driven by human activities, such as the release of greenhouse gases (GHGs) from industries, agriculture, and transportation. GHGs like carbon dioxide and methane trap heat in the atmosphere, causing global warming. While GHGs are essential for maintaining a habitable Earth, human-induced emissions have erupted this balance, leading to adverse effects, including altered precipitation patterns and melting ice sheets. These climate changes negatively affect crop yields, contributing to agricultural losses, soil infertility, and droughts. This threatens food security, environmental health, and nutrition, leading to global concerns and initiatives like the Paris Agreement adopted by 196 countries at the UN Climate Change Conference (COP21) in Paris, France, in 2015. COP21 came into force in November 2016. The most recent tagged COP27 was held in Sharm El Sheikh, Egypt, between November 6 and November 20, 2022.

In Nigeria, food security is influenced by internal and external crises, economic factors, and climate change. The country experiences visible effects of climate change, particularly in the northern and southern regions, which impact agricultural productivity. Alterations in humidity, temperature, rainfall patterns, and heavy precipitation have led to low agricultural productivity, poverty, hunger, and conflicts. These challenges result in food scarcity, malnutrition, health issues, and rising food prices. Food scarcity has led to malnutrition and incessant health challenges, especially for children. Efforts are being made at international conferences and initiatives to address these issues and ensure food security in the face of climate change.

Stylized Facts

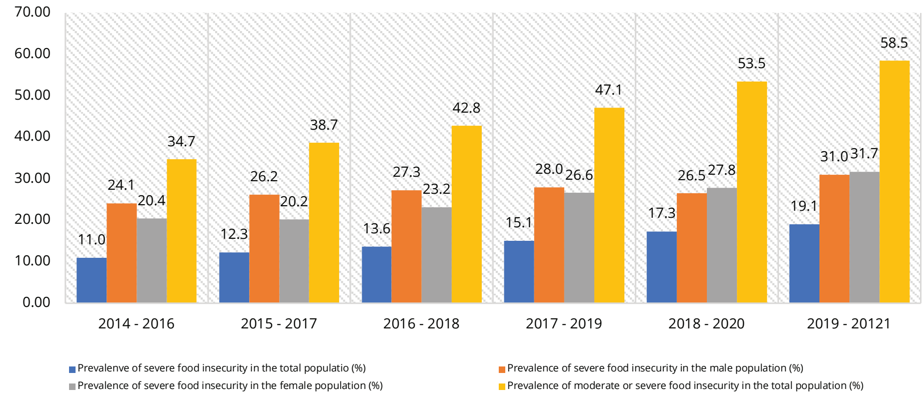
Table 1: Access to safe drinking water and proper sanitation

Indicator/Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
People using safely managed drinking water services, rural (percent of rural population)	13.67	14.08	14.48	14.88	15.28	15.68	16.07	16.47	16.86	17.25	17.65
People using safely managed drinking water services (percent of the population)	17.93	18.32	18.72	19.10	19.48	19.86	20.23	20.60	20.96	21.3`	21.66
People using safely managed drinking water services, urban (percent of urban population)	23.46	23.65	23.84	24.03	24.23	24.42	24.61	24.80	25.00	25.19	25.38
People using safely managed sanitation services (percent of the population)	25.07	25.55	26.05	26.56	27.08	27.62	28.17	28.73	29.31	29.90	30.50

The ND-GAIN Index assesses countries' vulnerability to climate change and readiness to enhance resilience. Nigeria is ranked 160 out of 181 countries, indicating its vulnerability to climate change impacts. In this index, lower scores signify higher vulnerability, while higher scores indicate greater readiness. Regarding access to safe drinking water services, rural areas in Nigeria saw a slight increase from 13.67 percent in 2010 to 17.65 percent in 2020, with minimal progress between 2015 and 2020 (see **Table 1**). However, the overall percentage of people with safely managed drinking water services only increased by 3.73 percent over the decade, lagging behind other lower-middle-income countries like Ecuador, Egypt, Cambodia, Indonesia, Iran, and Morocco. Similarly, the percentage of people with safely managed sanitation services only increased by 5.43 percent from 2010 to 2020.

Nigeria is characterized by three district climate zones: Sahelian hot and semi-arid climate in the northern part of the country, a tropical savannah climate in most of the central regions, and a tropical wet climate in the south. As a result, Nigeria is among the countries highly vulnerable to climate change compared to countries like Cape Verde, Cameroon, South Africa, Morocco, and Egypt (Notre Dame Global Adaptation Initiative, 2023). In addition, between 2000 and 2002, the prevalence of undernourishment was 8.90 percent in Nigeria. However, from 2012 till date, the prevalence of undernourishment has witnessed a steady increase in Nigeria, with over 26 million people estimated to be undernourished in 2021.

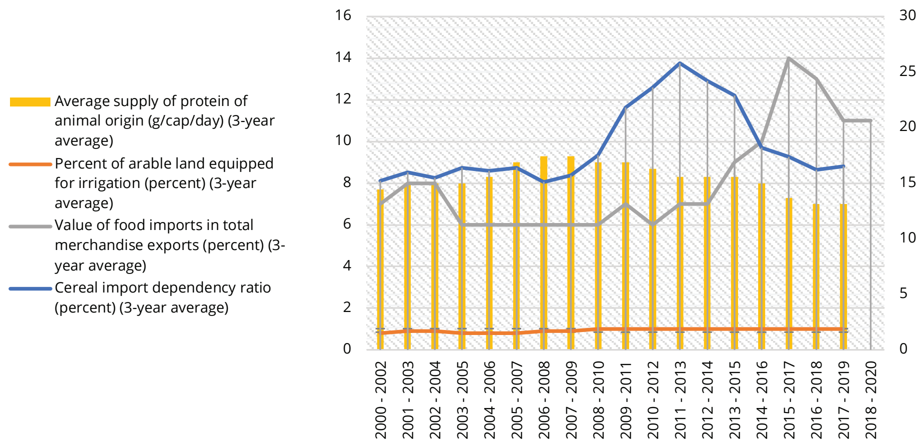
Figure 1: Selected Indicators of the Prevalence of Severe Food Insecurity



Source: FAO (2023)

Figure 1 presents data on severe food insecurity indicators in Nigeria. The overall prevalence of severe food insecurity in the total population steadily increased from 2014 to 2021. Notably, severe food insecurity among males increased from 24.10 percent (2014-2016) to 31.03 percent (2019-2021), while among females, it fluctuated but increased to 31.70 percent (2019-2020). The prevalence of moderate or severe food insecurity in the population also rose significantly from 34.70 percent (2014-2016) to 58.50 percent (2019-2021). Research also showed that the number of severely food insecure people in millions nearly doubled between 2014-2016 and 2019-2021, possibly due to climate change's adverse effects on agriculture. Male adults initially recorded higher numbers of food insecurity but were surpassed by female adults from 2018 onwards.

Figure 2: Arable Land for Irrigation, Cereal Import, Food Import, and Supply of Protein



Source: FAO (2023)

According to FAO (2019), the average protein supply has dwindled since 2007. The average dietary energy supply has not improved since 2010. However, the share of dietary supply derived from cereals, roots, and tubers has only increased slightly. **Figure 2** shows a decline in the average supply of animal-origin protein and limited attention to climate change and food security, as reflected by low arable land equipped for irrigation. Food imports increased from 2012 to 2014, but the cereal import dependency ratio started declining after peaking in 2011.

Identified Challenges

Climate change has led to environmental challenges, affecting agricultural activities, resulting in lower productive outputs and food insecurity in Nigeria. Climate change has contributed to the low food quality and nutritional composition of food crops, exposing people to harmful products and causing permanent health issues. Non-renewable energy sources in Nigeria trigger carbon emissions, exposing crops to toxic gases, reducing crop quality, and causing health issues. In all, some of the identified challenges posed by climate change on food security in Nigeria include:

- **The Alteration of Planting and Harvesting Seasons:** Climate change in Nigeria has caused variations in rainfall and sunshine patterns, particularly in the northern region where agriculture is the main economic activity. These changes have affected crop planting and harvesting seasons, leading to crop scarcity and unavailability, increasing food prices, and severe food insecurity.
- **Decrease in Crop Yield:** Climate change in Nigeria has caused variations in rainfall and sunshine patterns, particularly in the northern region, where agriculture is the main economic activity. These changes have affected crop planting and harvesting seasons, leading to crop scarcity and unavailability, increasing food prices, and severe food insecurity.
- **Increased Pest:** Climate change in Nigeria has led to an increase in pest breeding, affecting animals and food crops, causing undernourishment and food insecurity due to the evolution of different pest species.
- **Influence on Livestock:** Climate change threatens livestock, leading to persistent heatwaves and animal loss. High temperatures, a result of carbon emissions, increase livestock vulnerability to diseases and reduce fertility. Drought worsens food insecurity, as livestock reliant on foliage may endure more prolonged periods of undernutrition.
- **Flooding of Farmlands:** Rising sea levels and heavy rainfall caused flooding in Nigeria, particularly in the South-South and South-East regions. This leads to species loss, uncultivable farmlands, and disruption of agricultural activities, affecting agricultural produce.
- **High demands for Irrigation:** Climate change affects precipitation frequency and intensity by increasing the amount of water evaporated into the air, leading to more intense snow and heavy rain. However, it can also lower rainfall levels, as seen in the Sudan and Sahel savanna belts. This has increased irrigation costs, resulting in higher food prices and forced closures for farmers who cannot afford it. This could lead to food shortages.

Policy Options

Climate change impacts Nigeria's food security and nutritional outcomes, prompting a comprehensive strategy to address root causes. The following policies are proposed to enhance food security and improve nutritional outcomes.

- Legislative policies should promote environmentally friendly practices, encourage waste management and energy efficiency, and support environmental policies. Prohibiting anthropogenic activities like deforestation, gas flaring, and over-exploration of natural resources is crucial. Effective climate legislation supports conservative practices like recycling and minimizes human-induced factors driving climate change.
- Research in natural and climatological sciences should focus on developing animal and crop varieties with short maturity periods that can withstand reduced rainfall and extreme temperatures, ensuring food security and sustainable nutritional outcomes.
- Adopting agricultural methods or smart food systems that are less vulnerable and resistant to climate change is crucial for promoting food security and sustainable nutritional outcomes.

- The government and stakeholders should promote alternative practices like recharging shrinking water bodies and irrigation in the Sahel and Sudan Savannah region to boost agricultural productivity and reduce food prices.
- Propagating drought-resistant grasses in drought-affected areas can reduce pastoral migration patterns in Nigeria, reduce farmers-herdsmen conflicts, and ensure peace and security for middle-belt and other regions.

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How Macroeconomic Indicators Behave During the Periods of Currency Devaluation in Nigeria

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Abstract

Currency devaluation in Nigeria poses significant challenges for key macroeconomic variables. This study examines the behaviour of these variables around the periods when the Naira underwent major devaluation or depreciation, defined as episodes between 1980 and August 2023 where the currency lost at least 20 percent of its value in a single year. The analysis aims to inform policy discussions in the wake of recent exchange rate unification in Nigeria, which caused a notable surge in official and parallel exchange rates. Findings indicate that the observed worsening of most macroeconomic indicators due to the current exchange rate unification policy is consistent with the outcome of major devaluation events in the past. The behaviour of most indicators one or two years after the analysis suggests that the positive effects anticipated by the government from the current devaluation may not be fully realized in the short to medium term. The study, therefore, recommends that the government adopt an expenditure-switching approach, a short-term strategy for foreign purchases of domestic products, easing pressure on foreign reserves and ensuring transparency in the foreign exchange market.

Introduction

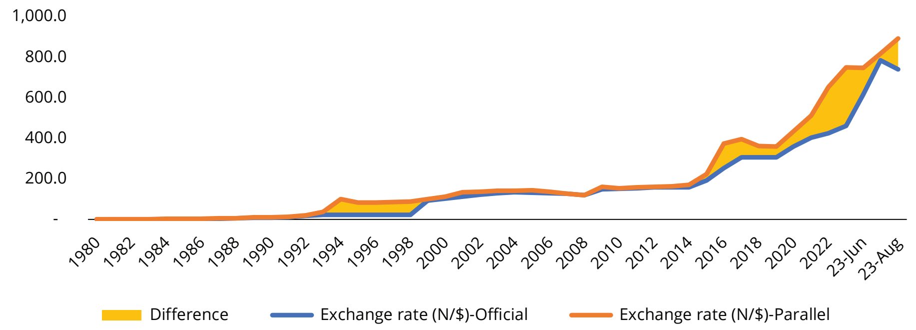
Currency devaluation has become a pronounced issue in Nigeria since 1986. Devaluation magnifies the impact of exchange rates on macroeconomic variables in a manner that can be far-reaching. It is the downward adjustment in the price of a currency with respect to another currency. Nigeria's currency, the naira, has suffered a significant loss in value against the US Dollars, for instance, and this has a lot of effects on the country's economic performance.

The primary objective of this paper is to analyse the behaviour of key macroeconomic variables around the periods when the Naira underwent major devaluation or depreciation. This is defined as the period when the naira lost a minimum of 20 percent of its value in a single year between 1980 and August 2023. The aim is to guide policy discussion and decisions on the effect of the current exchange rate unification in Nigeria, which has led to a tremendous rise in the official and parallel exchange rates. The analysis of the behaviour of the selected macroeconomic indicators is based on three main periods. What can we observe concerning their average growth path two years before the devaluation, the year of the devaluation, and two years after?

Episodes of Major Currency Devaluations in Nigeria

Nigeria's exchange rate has experienced significant devaluation over the years. In 1986, the annual average exchange rate increased to N2.0/US$1 from N0.5 in 1980. In 1999, it also rose to N92.7 and further to N148.9 in 2009. The naira continued to depreciate as it rose to N193.3, N253.5, and N305.8 in 2015, 2016, and 2017 respectively. The official exchange rate ended 2022 at ₦448.6/US$1, recording an average value of ₦426/US$1 for the year. Following the introduction of the policy in June 2023 to harmonise the country's multiple exchange rates, the value increased from N466 to N755 per dollar. Generally, the official and parallel exchange rates exhibit similar trends in most of the years, apart from some marked divergence between 1993 and 1999. From 2015, however, the variation has become very pronounced. Although it narrowed following the introduction of the I&E foreign exchange window in April 2017, the gap has continued to widen thereafter, such that the current harmonization efforts have not adequately closed the gap.

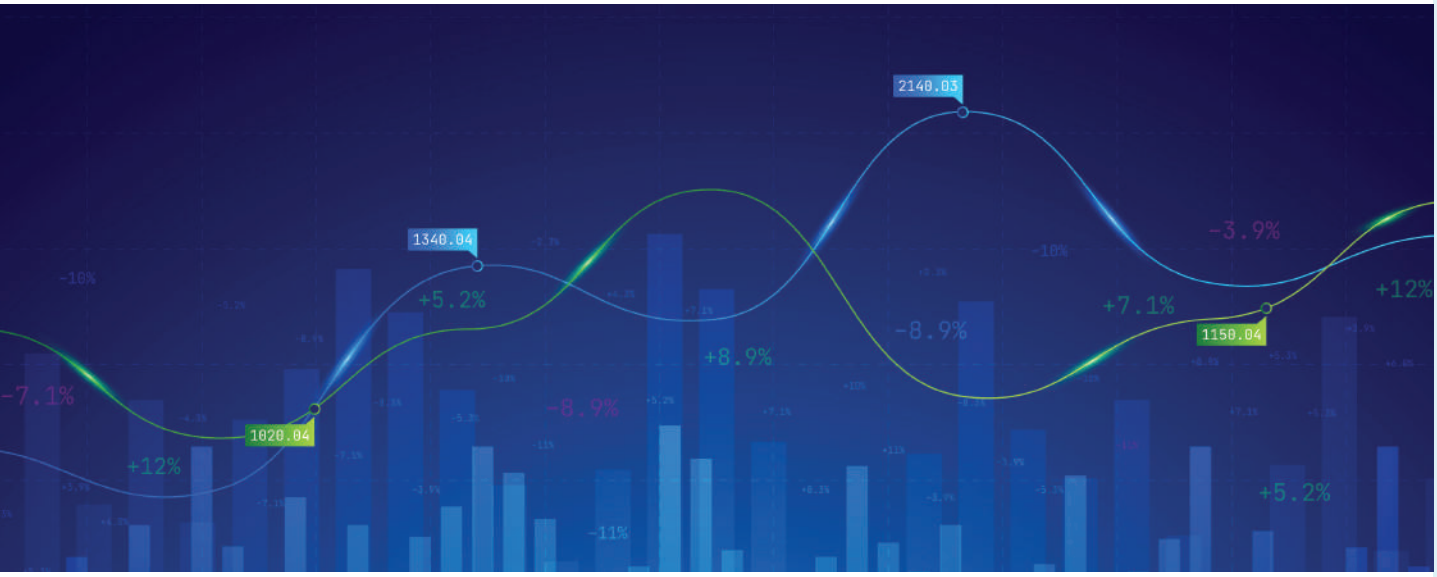
Figure 1: Trend of Official and Parallel Exchange Rates



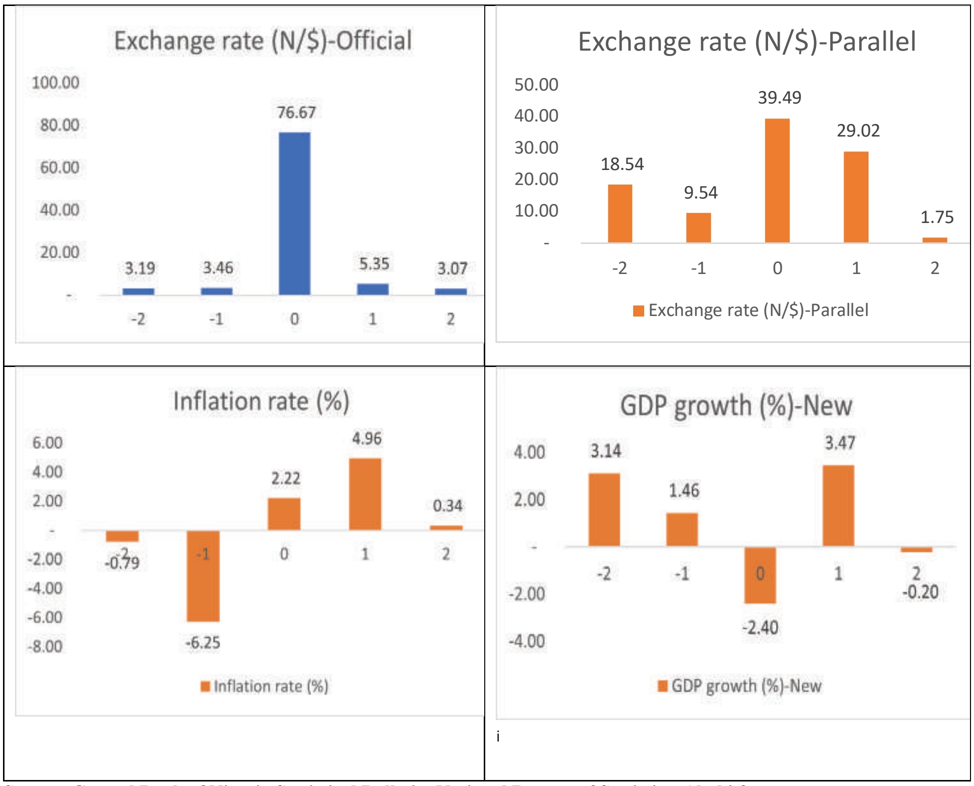
Source: Central Bank of Nigeria, and forex websites

Behaviour of Economic Indicators around Currency Devaluation

- The average change in the official exchange rate in the year of devaluation is 76.67 percent over the period of analysis (1980 to 2023, August). In the years following the major devaluation, the increase in the official exchange rate reduced to 5.35 percent on average, steadily decreasing to 3.07 percent.
- In the year of major devaluation, the growth of the parallel exchange rate is observed to grow significantly by 39.49 percent on average and, much higher than the growth before the devaluation. This jump in the parallel exchange rate reduced slightly in the year following the devaluation to 29.02 percent and significantly reduced in the second year to 1.75 percent.
- The growth of the inflation rate increases gradually in the year of a significant devaluation, increasing by an average of 2.22 percent. Following the year of major devaluation, the inflation rate increased steadily in the first year by 4.96 percent before dropping drastically in the following year by 0.34 percent.
- In the year of major devaluation, the GDP growth rate fell to -2.40 percent from the previous year's average value of 1.46 percent. Following the year of devaluation, the GDP growth rate increased to 3.47 percent before drastically dropping in the following year by -0.20 percent.

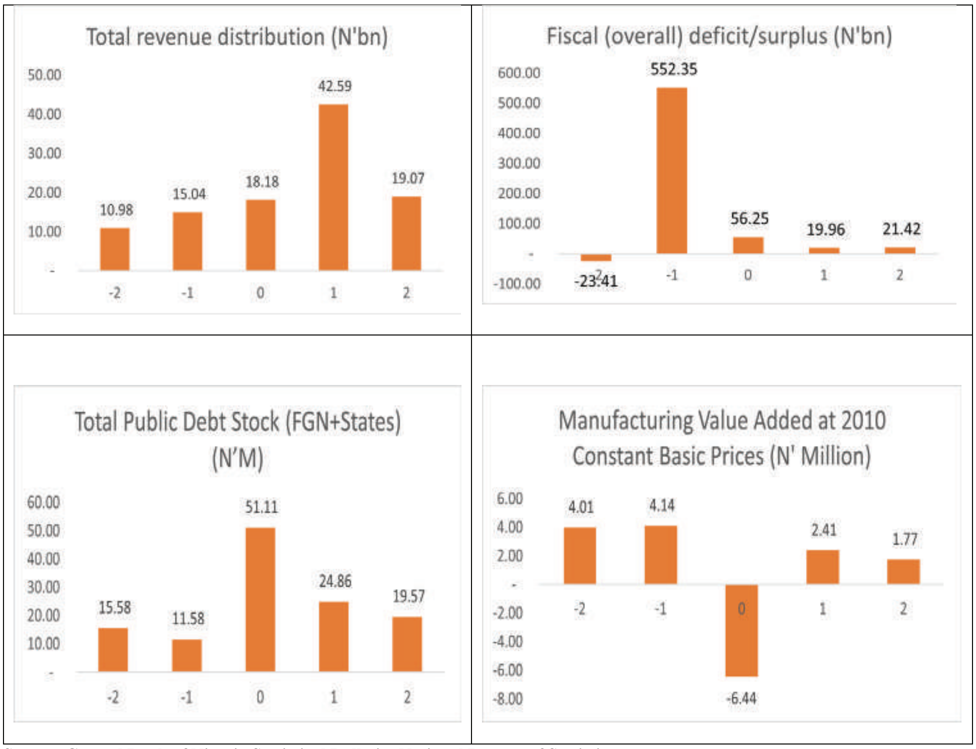


[1] In these charts and subsequent ones, '0' indicates the year of major devaluation, '-2' indicates 2 years before the major devaluation, '-1' indicates 1 year before major devaluation, '2' indicates 2 years after major devaluation, and '1' indicates 1 year after major devaluation



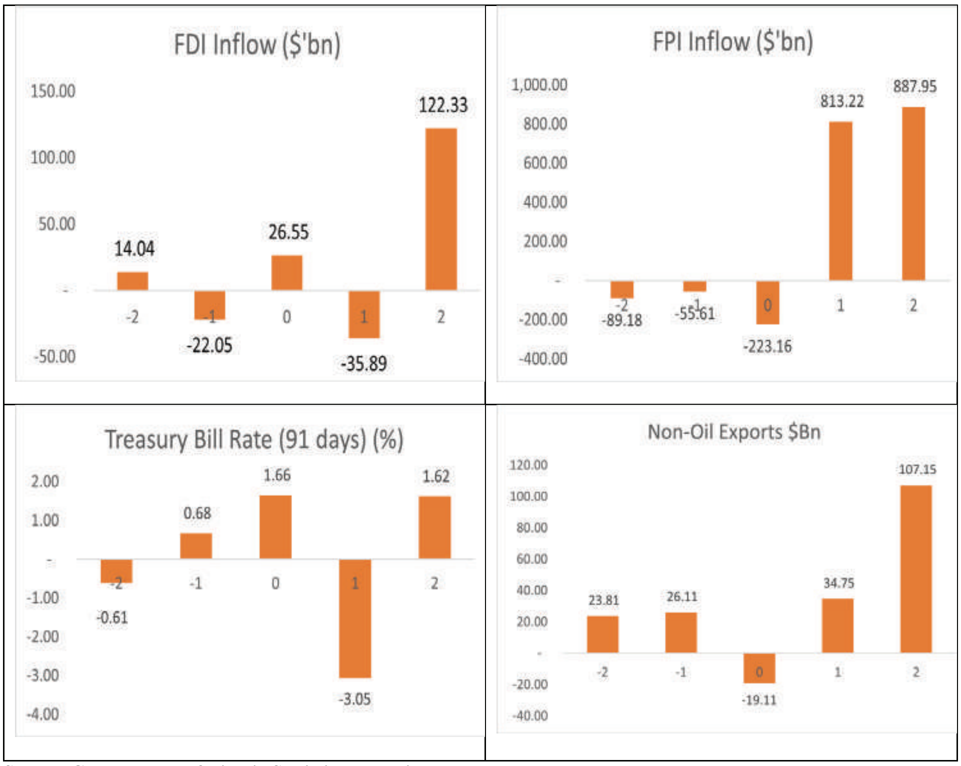
Source: Central Bank of Nigeria Statistical Bulletin, National Bureau of Statistics, Aboki fx

- The total revenue distribution from the Federation Account Allocation Committee (FAAC) grows by 18.18 percent on average in the year of devaluation and experiences a jump of 42.59 percent in the following year and 19.07 percent in the second year following major devaluation.
- In the year of major devaluation, growth in fiscal deficit is observed to decrease significantly to 56.25 percent on average, from an average value of 552.35 percent in the year before the devaluation. This fall in the fiscal deficit continues to decrease in the year following the devaluation.
- The growth of total public debt stock increases substantially by 51.11 percent on average in the year of a significant devaluation, significantly higher than 11.50 percent, which was the growth before the devaluation. In the year following the devaluation, the growth of total public debt stock fell but not to the level before the major devaluation.
- The growth in manufacturing value added significantly falls by -6.44 percent on average in the year of devaluation. The growth becomes positive in the two years thereafter, but lower than the years before the devaluation.



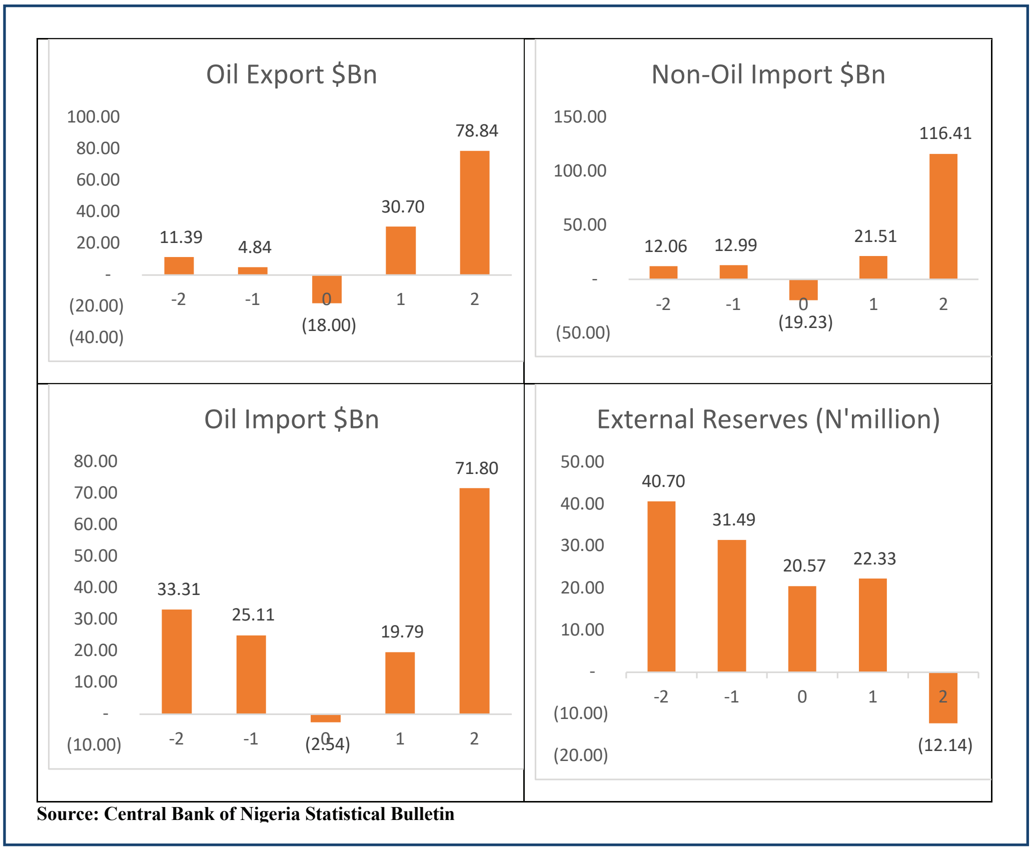
Source: Central Bank of Nigeria Statistical Bulletin, National Bureau of Statistics

- In the year of major devaluation, the growth of the FDI inflow increases to 26.55 percent on average but decreases to -35.89 percent and 122.33 percent in the 2nd year after.
- The FPI inflow is observed to decrease drastically in the year of major devaluation by -223.16 percent on average, a lot lower than the fall before the devaluation. The FPI inflow experienced a significant increase in the year following the major devaluation by 813.22 percent and steadily increased in the second year by 887.95 percent.
- In the year of major devaluation, the growth of the treasury bill rate is observed to increase significantly to 1.66 percent on average and falls much lower by -3.05 percent in the following year and significantly increases in the second year by 1.62 percent.
- Non-oil export growth follows a slow upward trend of 23.81 percent to 26.11 percent within the two years before the year of major devaluation, respectively, and falls in the year of major devaluation to -19.11 percent. However, it is observed to grow significantly in the following year by 34.75 percent before experiencing a jump in the second year by 107.15 percent.



Source: Central Bank of Nigeria Statistical Bulletin

- In the year of the major devaluation, the growth of oil exports is observed to fall significantly to -18.00 percent on average. This is followed by a 30.70 percent increase in the following year and a jump in oil exports in the second year by 78.84 percent.
- Non-oil import growth falls in the year of major devaluation by -19.23 percent, but it is observed to grow significantly in the following year by 21.51 percent and in the second year by 116.41 percent.
- The growth of oil imports decreased substantially from 33.31 percent to 25.11 percent in the two years before the year of major devaluation, falling to -2.54 percent on average. However, in the years after the devaluation, it increased by 19.79 percent and 71.80 percent in the two years respectively.
- Nigeria's external reserve growth follows a steady downward trend from 40.70 percent to 31.49 percent within the two years before the year of major devaluation and further falls in the year of major devaluation to 20.57 percent. The external reserve is observed to increase slightly in the following year by 22.33 percent before experiencing a major decline in the second year by -12.14 percent.



Source: Central Bank of Nigeria Statistical Bulletin

Summary and Implications

Table 1 shows the summary of the behaviour of the selected macroeconomic indicators prior to the identified major devaluation, during and after the devaluation on the average from 1980 to August 2023. Generally, it is observed that the normal or expected growth paths of most of these indicators were disrupted during the year of major devaluation; while most of these indicators recovered in about one to two years, not all of them reached their pre-devaluation status in such a short term. This implies that the current worsening outcome of most macroeconomic indicators arising from the current exchange rate unification policy is in line with the behaviour of most macroeconomic indicators in Nigeria during the years of major devaluation. Meanwhile, the improvement observed in most of the macroeconomic indicators a year or two after this analysis suggests that whatever positive outcome the government envisaged, leading to the current devaluation may not be fully realized in the short to medium term.

Table 1: Behaviour of Selected Macroeconomic Indicators Prior, during, and after Major Devaluation

Indicator	Trends before	Behaviour in the year of devaluation	Recovery
Exchange rate (N/$) Official	↗	↑	↘
Exchange rate (N/$) Parallel	↘	↑	↘
Inflation rate (%)	↓	↗	→
GDP growth (%)	↘	↓	→
Total revenue distribution (N'bn)	↑	↑	↘
Fiscal (overall) deficit/surplus (N'bn)	↗	↘	→
Total Public Debt Stock (FGN States) (N'M)	↘	↑	↘
Manufacturing Value Added at 2010 Constant Basic Prices (N'Million)	↑	↓	↘
FDI Inflow ($'bn)	↓	↑	→
FPI Inflow ($'bn)	↓	↓	↑
Treasury Bill Rate (91 days) (%)	↘	↑	↗
Non-Oil Exports $Bn	↑	↓	↑
Oil Exports $Bn	↘	↓	↑
Non-Oil Imports $Bn	↑	↓	↑
Oil Imports $Bn	↘	↓	↑
External Reserves (N'million)	↘	↘	→

Source: Authors summarized analysis

For instance, devaluation is expected to make a country's export sector globally competitive and result in an export boom for foreign reserves accretion, which will invariably lead to exchange rate stability. Also, net capital flows are expected to improve significantly as the country experiences an export boom because there will be a need for increased production that will necessitate capital accumulation. However, this is not the experience of Nigeria as the country's export sector is inelastic with respect to exchange rate adjustment, and capital flows are also limited due to other structural and fiscal constraints as the country's fiscal policy stance during and after such major devaluation is mostly not favourable to the BOP position.

Unification is supposed to curb the transmission of fiscal pressure on domestic prices as government revenue improves and also curtails the illicit round-tripping behaviour of agents in starving the economy with the needed liquidity to finance the real sector. This is, however, subject to ensuring transparency within the official exchange rate market as genuine demands are met.

In the short term, the government needs to pursue an expenditure-switching approach to government foreign purchases of domestic products to curb the pressure on the foreign reserves and ensure transparency and supply to genuine demand in the official market. This should be followed with macroeconomic policy coordination and the needed structural and fiscal reforms to spur productivity and economic diversification in the medium to long term.

THE Coca-Cola COMPANY

Nigerian Bottling Company Ltd RC 902
(A member of Coca- Cola Hellenic Group)

SOCIO-ECONOMIC IMPACT IN NIGERIA

WORKPLACE

8 OPERATING PLANTS

2,842 JOBS AT THE SYSTEM

90,500 JOBS CREATED ACROSS THE VALUE CHAIN IN 2021

THE COCA-COLA SYSTEM SUPPORTED A TOTAL OF **48,600 JOBS** FOR WOMEN

1 JOB IN THE COCA-COLA SYSTEM SUPPORTS 31 INDIRECT JOBS

950,000 OUTLETS IN 2021

KEY DATA

N329B VALUE ADDED SUPPORTED IN THE ECONOMY ACROSS THE VALUE CHAIN

N136 BILLION SPENT ON LOCAL SOURCING IN 2021

N29 BILLION PAID IN SALARIES AND TAXES IN 5YEARS

N78 BILLION TAX PAYMENT SUPPORTED BY THE SYSTEM IN 5YEARS

0.2% GDP CONTRIBUTION TO ANNUAL GDP

COMMUNITY INITIATIVE

2,300 WOMEN EMPOWERED

Coca-Cola WOMEN'S ECONOMIC EMPOWERMENT INITIATIVE

OVER 5,700 YOUTHS IMPACTED

N328MILLION SPENT ONCOMMUNITY INTERVENTIONS IN 2021

Performance Management System: The Catalyst to Boosting Public Sector Productivity in Nigeria

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Abstract

Amidst the global economic recovery and rapid technological advancements, optimizing public sector productivity is of paramount significance. Nigeria, as Africa's most populous nation and a potential financial giant, grapples with distinct challenges and emerging opportunities. Realizing this and adhering to a committed path of robust economic revival necessitates a concentrated effort to enhance the performance of the public sector which is an indispensable catalyst for socioeconomic growth. Barber (2017) aptly underscores the complexities of measuring productivity in the public sector against the comparatively more straightforward metrics in the organized private sector. Methodological challenges compound this issue, particularly with the dearth of qualitative data essential for comprehensive analysis and consistent performance tracking over time. This article critically examines the indispensable role of a proficient Performance Management System (PMS) in propelling a public sector characterized by accountability, innovation, and citizen-centric approaches. More so, this paper sought to elucidate the tangible advantages of a functional PMS, turn a spotlight on the Imihigo system of Rwanda, and propose policy interventions for Nigeria that would facilitate seamless integration of the institutionalization of PMS within the public sector. The ultimate objective is accelerating public sector productivity for national growth and development.

Introduction

The public sector, being the cornerstone of Nigeria's socio-economic development, stands at a pivotal juncture. In an era marked by growing dissatisfaction with public service delivery, rapid economic shifts, and significant technological advancements, the efficiency and productivity of the public service have never been more critical. Enhancing public sector productivity is a substantial challenge, as highlighted by Barber (2017), who emphasized the need to achieve more significant outcomes with fewer resources. This requires a delicate balance between resource allocation, operational efficiency, and delivering on set targets within budgetary constraints.

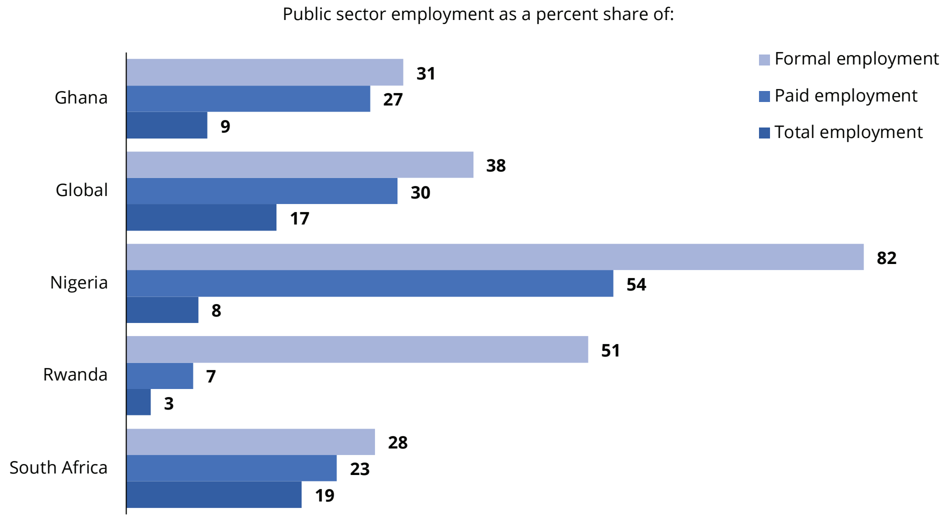
Somani (2021) emphasized the pivotal connection between the capacity of a country to enhance and sustain worker productivity and its ability to improve the standard of living for its citizens. Brechenmacher (2019) further noted that persistent challenges like inefficiency, bureaucracy, and a lack of transparency have hindered citizen trust in public service. To address these multifaceted issues and pave the way for a more prosperous Nigeria there is an urgent need to speed up the institutionalization of a comprehensive Performance Management System (PMS) to boost public sector productivity.

This article primarily aims to bring to the fore the importance of a well-structured PMS in enhancing public sector productivity in Nigeria. Through evidence-based analysis, effort has been made to shed light on how robust performance management practices can catalyze transformative changes and align public sector operations with the nation's strategic objectives. As Nigeria continues to pursue sustainable development and improved governance, it is essential to understand the critical role of a well-implemented PMS in navigating the complexities of contemporary public sector administration.

The Foundation of a Strong PMS

The strength of a robust PMS becomes evident through the pivotal role the public sector plays in providing public goods and services. Fatile (2014) emphasized the significance of tracking public sector productivity by highlighting three fundamental reasons. Firstly, the public sector plays a critical role as a significant employer. Secondly, it acts as a major provider of essential social services crucial for citizens' well-being and lastly, it serves as a consumer of tax resources. In many economies, the public sector is a significant employer, accounting for a considerable portion of the labour force, with a global average of 38 percent and a national average of 82 percent of formal employment (Somani, 2021).

Figure 1: Public sector employment across selected African countries



Source: Worldwide Bureaucracy Indicators (WWBI)

Given this substantial proportion of the workforce, a functional PMS becomes pivotal for enhancing public sector productivity. (OHCSF, 2022) emphasized the rationale for introducing a new and strengthened PMS in the public service was to facilitate, among other objectives, the development of an accountability-driven, result-oriented, and high-performance culture. This section further explores and elucidates the foundational elements that underpin a resilient PMS.

• Clear Performance Metrics

Clear and measurable performance metrics act as empirical benchmarks for government Ministries, Departments, and Agencies (MDAs) to assess their effectiveness and efficiency in fulfilling their operational mandates. Key Performance Indicators (KPIs), tailored meticulously to each sector's specific goals, offer a standardized and quantifiable approach to measure progress. For instance, in the sports sector, KPIs could include metrics like the number of new talents discovered and medals won by athletes in competitions. Conversely, the education sector might utilize literacy rates and the number of out-of-school children as pivotal metrics. The precise definition of performance metrics establishes a shared understanding of national objectives, ensuring accountability is firmly embedded within the public sector.

• Alignment with National Objectives

Institutionalizing PMS in the public service effectively bridges the gap between translating the contents of the national development plan into projects and programmes that add value to people’s lives. The transition from Nigeria’s Vision 20:2020 and the Economic Recovery and Growth Plan (ERGP) 2017-2020 to the present National Development Plan 2021-2025 (NDP 2021-2025) underlines the critical role of PMS in the public service.

Figure 2: Infographics of the National Development Plan (2021 – 2025)

Source: FMFBNP (2022)

The NDP 2021-2025, characterized by an integrated and multi-sectoral development approach, holds immense potential, to achieve an average economic growth of 4.6 percent, elevate 35 million people from poverty, and create 21 million full-time jobs by 2025 (FMFBNP, 2022). In pursuit of national development, various MDAs operate across different sectors, each playing a pivotal role in Nigeria's comprehensive development. A crucial aspect of realizing these ambitious targets is a well-structured PMS. This system precisely delineates how the goals and efforts of each MDA interconnect, contributing to broader national objectives.

• Capacity Enhancement

Enhancing and developing capacity is pivotal for successfully institutionalizing a functional PMS within the public service. A key challenge in public sector organizations lies in the incapability of officers to implement policies and drive innovation in a dynamic environment (Waheed and Hayat, 1999). The practical implementation of PMS highlights the need for a proactive approach in training all stakeholders to effectively address capacity challenges and mitigate the limitations experienced in implementing previous appraisal and performance tracking systems (OHCSF, 2022). Ojokuku and Adejare (2014) emphasized that a coordinated approach to human capacity development within public sector organizations facilitates smoother adaptation to changes, fosters the creation of new knowledge, and enhances managerial abilities. When the workforce is well-versed in the intricacies of PMS, they can swiftly identify patterns, discern trends, and pinpoint areas for improvement.

The Tangible Benefits of a Functional PMS

A functional PMS transcends its traditional role as an administrative tool for evaluating public sector employees' performance. It evolves into a potent mechanism for tracking performance, ensuring public service accountability, and enhancing the global competitiveness of the public sector. Barber (2017) emphasized that to improve public service delivery and enhance the quality of life for citizens, the government needs to either control public expenditure or focus on delivering specific public service outcomes.

In this section, the core advantages of a functional PMS are detailed, showing how it significantly contributes to a more efficient and accountable governance system that ultimately benefits the populace.

- **Enhanced Public Service Delivery:** A robust PMS offers a systematic approach to strategic planning, evaluation, and enhancement of public service delivery. This systematic framework empowers MDAs to establish specific service delivery standards and rigorously assess their outputs against these benchmarks. This continual cycle of monitoring and evaluation propels the public sector towards a more citizen-centric approach, improving overall service delivery and fostering a sense of trust and satisfaction among the populace (Ocampo, 2023).
- **Data-Driven Decision Making:** An effective PMS is underpinned by data collection and analysis. It ensures that decisions at all levels of governance are based on accurate and up-to-date information, leading to better policy formulation and targeted interventions. Barber (2017) noted that before engaging in public spending, it is an excellent practice to collate and analyze data promptly. Additionally, the study highlighted the value of making data openly available and easily accessible to the public whenever possible. By harnessing the power of data, an effective PMS ensures that government actions are responsive to the ever-changing demands of the citizens, ultimately leading to improved governance outcomes.
- **Resource Optimization:** A crucial concern in Nigeria's public sector is ineffective resource allocation and utilization. PMS aims to tackle resource challenges by seamlessly integrating strategic thinking by focusing on the vital aspects of resource allocation and utilization (IBM 2021). This integration enhances the understanding of how resources are allocated and effectively used, leading to informed decision-making and improved performance for the desired social impact. The insights derived from this evaluation process ensure resource optimization and inform the design of future policies and programs that add value to people’s lives.
- **Accountability and Transparency:** A well-designed and effectively implemented PMS incorporates the Employee Performance Management System (EPMS) and MDAs Performance Management System (MPMS), which takes care of individual and organizational performance. To further bolster the accountability and transparency capacity of the performance management tool, OHCSF (2022) noted that EPMS is interoperable with the Integrated Personnel and Payroll Information System (IPPIS), which supports other human resources processes. By defining KPIs and establishing measurable objectives, PMS provides a framework that enables line managers, supervisors, and top management to monitor progress.

Country Case Study: The Impact of the implementation of Performance Management System in the Rwanda Public Service

Rwanda provides a classical and compelling example of a clime where the practical implications of a well-implemented PMS can positively influence public service delivery. In the aftermath of the civil war, Rwanda sought to make socio-economic progress by implementing public sector reforms aimed at enhancing service delivery and improving the overall experience of its citizens. Particularly in 2006, the government of Rwanda launched Imihigo, a domestic performance management framework aimed at instilling accountability among public servants (Murasi and Auriacombe, 2022). At the core of the Imihigo system is the documentation of performance contracts with specific Key Performance Indicators (KPIs) and targets. These contracts are endorsed by government officials at various levels signifying their commitment to the document.

As noted by Klingebiel et al. (2019), the Imihigo system is hinged on high moral values, fostering a spirit of healthy competition of achieving the best results, and placing strong emphasis on evaluation of outcomes. The Imihigo system not only promotes accountability but also accelerates participatory development activities and programmes. Murasi and Auriacombe (2022) further underscores that after nearly two decades of implementing Imihigo, it has evolved into an indispensable tool for evaluating and assessing results-oriented governance. Imihigo has been institutionalized, becoming an integral facet of Rwandan governance.

While Rwanda's experience has predominantly yielded positive outcomes, it has also provided valuable lessons which include the significance of continuous capacity building for public sector officials, the imperative need for a robust data management infrastructure to support decision-making and accountability, as well as the delicate balance required between results-oriented management and the ever-evolving dynamics of a changing society. Mirroring and adapting the Rwandan experience, Nigeria can equally establish and operate a resilient and effective PMS solution that enhances public sector productivity, thereby leading to the ultimate benefit of its citizens with the highest possible social impact.

Policy Recommendations

To harness the full potential of PMS to enhance public sector productivity in Nigeria, it is imperative to curate customized policy recommendations. These recommendations, outlined below, aim to tackle specific challenges, build upon progress, and leverage opportunities within the Nigerian public sector context.

- **Strengthen Data Infrastructure:** An integrated data infrastructure is fundamental to effective PMS. The government should prioritize investments in enhancing data collection and analysis. This encompasses upgrading information systems, fortifying data security measures, and equipping employees in the Information and Communication Technology (ICT) and the Planning Research and Statistics (PRS) Departments across various MDAs with the necessary expertise for efficient data management. By establishing a well-functioning data ecosystem, the government can facilitate the real-time collection and dissemination of performance data, supporting informed decision-making and policy implementation.

- **Standardize Performance Metrics:** Standardizing performance metrics across government agencies ensures ease of comparability, accountability, and effective performance tracking. It is of paramount importance to establish a cohesive set of KPIs that hold relevance across all sectors, regardless of the MDA responsible for managing implementation. These standardized metrics should align with the national development plan while allowing sector-specific variations to accommodate unique needs. Standardized performance metrics streamline evaluations, fostering a common emphasis on national priorities. This, in turn, elevates the quality of public service delivery which directly impacts the well-being of the citizens.
- **Implement a Results-Oriented Budgeting System:** Incorporating PMS into the budgeting process is a necessary procedure to ensure that resource allocation aligns seamlessly with performance objectives. To optimize resource utilization, the government must adopt a results-oriented budgeting system that intricately links funding with the actual field achievement of performance outcomes. This approach ensures that government spending is strategically directed towards initiatives, programmes, and projects that deliver measurable results and the desired social impact. By implementing this approach, the government shifts from a practice of budgeting to planning towards a more practical method of planning to budget, ensuring targeted allocation of resources for optimal outcomes.
- **Promote Data Transparency:** Ensuring data transparency is essential for fostering citizen-government trust. The government should proactively establish easily accessible open data platforms where performance metrics, status reports, and performance evaluations are routinely published. Equally crucial is the strict adherence to the provisions of the Freedom of Information Act (2011), which was enacted to improve information accessibility within the public sector. This Act empowers citizens by granting them the right to request access to specific categories of information. Embracing and upholding this high degree of transparency not only fosters an environment where citizens are motivated to actively engage in governance but also empowers them to effectively demand accountability from public officials.
- **Establish a Performance-Based Reward System:** Implementing a performance-based reward system within the public sector can serve as a powerful motivator for public servants and MDAs to surpass their set targets. The timely recognition and reward of outstanding performance cultivate a culture of excellence and continuous improvement. Such incentives could include special recognitions, promotions, bonuses, or other non-monetary rewards. By so doing, the government would be encouraging exceptional performance and stimulating increased dedication across the public sector.

Conclusion

To achieve and sustain enhanced productivity within the public sector, adeptly addressing contemporary challenges and seizing emerging opportunities is vital. The quest to achieve more remarkable outcomes with limited resources necessitates a fundamental repositioning, making the PMS paramount. This piece has underscored the critical role of PMS as a catalyst for transformative change, highlighting accountability, innovation, and citizen-centric approaches. An in-depth analysis of the manifold advantages of the PMS has unveiled the significant benefits it provides. The policy recommendations outlined provide a strategic roadmap for the seamless implementation of PMS in the public service. These recommendations are pivotal in realizing the potential of PMS to boost public sector productivity and align operations with the broader strategic objectives of the nation. In essence, integrating an effective PMS transcends a procedural shift; it is a strategic imperative for the future of Nigeria. Speedy institutionalization of PMS will not only enhance operational efficiency but also foster a culture of excellence, ensuring that the public sector meets the needs and aspirations of the citizens, propelling the nation towards sustainable growth and development.

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Enterprising Nigeria: How "Job Seekers" can become "Job Creators" through Functional Entrepreneurship Ecosystems

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Abstract

Africa's future as the largest working population in the world by 2040 implies underemployment and unemployment rates will rise, causing a shortfall in the number of available jobs for the working population. To prepare for this imminent future, "job seekers" must become "job creators". By leveraging the power of enterprise and entrepreneurship, this brief seeks to address how Nigeria's enterprising youths can become sustainable job creators. At the core of this challenge are three key issues: (1) Translating the high volume of entrepreneurial activities in the country into investable job-creating ventures, (2) Closing the massive skills gaps among young Nigerian entrepreneurs, (3) Building better-functioning entrepreneurship and innovation ecosystems to support start-ups. This policy brief submits that fostering collaboration amongst key ecosystem players can enhance the success rate of start-ups in Nigeria. It proffers key ecosystem support activities that can help young entrepreneurs before submitting three key policy options: i) creating new Entrepreneurship Centres of Excellence across Nigeria, ii) creating a blueprint for entrepreneurship development in Nigeria, and iii) developing knowledge-sharing systems within the entrepreneurial economy.

Introduction

Young Nigerians venture into entrepreneurship to achieve three things, among others: to make a decent living, to solve wicked problems profitably, and to ultimately build investable businesses. Yet, in achieving these, they are confronted by low levels of technical and business skills necessary to achieve their dreams. With an 85% start-up failure rate in the country (African Business Communities, 2023) and limited access to top-quality management education at the university level able to fill this void, a huge demand for validated and localised technical and business skills exists in the country. For these youths, access to credible technical and business education with reputable institutions, as well as coaching and mentoring to develop their business ideas, are their short-term focus. Their long-term focus is gaining exposure to funders, investors, and other key stakeholders who can support their ultimate dream of building investable businesses.

The sprouting of technology hubs (643 as of the end of 2019) (Shapshak, 2019), typically functioning as incubators, accelerators, and co-working spaces, have attempted to address the skills gap by providing support services (such as training and mentoring, etc.) and access to critical infrastructure (working spaces and high-speed internet) for young entrepreneurs to transition from idea to market. Still, it has become apparent that they are not universities and are unable to fully commit to eradicating the massive skills deficiency, especially business skills for which they have minimal competency. Similarly, for investors, access to portals where credible and validated investment-ready start-ups are forged remains a critical short- and long-term need. The supply of investment capital in the Sub-Sahara Africa (SSA) region remains significantly mismatched with demand from validated Small and Medium Enterprises (SMEs) businesses, giving rise to the "missing middle" financing gap.

More practically, there is strong evidence that many young entrepreneurs in Nigeria are building in isolation, under pressure, and are disconnected from the wider ecosystem, thereby contributing to potentially high failure rates. Yet, ecosystem players such as academic institutions, industry partners, and investors have the knowledge, human and financial assets to offer specialised technical and market support for young entrepreneurs. Hence, it seems that while relevant key stakeholders that make up functional innovation ecosystems are present, the synergy amongst them seems weak and needs to be strengthened if "job seekers" are to become "job creators."

This paper submits that by building a bridge between the 'research economy' (African Universities that can provide validated management knowledge) and the 'market economy' (investors and the tech hubs who can provide market support), through multi-stakeholder collaborations, the high volume of entrepreneurship activities on the continent will benefit from the right level of skills, knowledge and better-functioning ecosystem that can catalyse change and drive economic growth. The key questions pertinent to this brief, therefore, are:

- How can Nigeria's enterprising youths become sustainable job creators?
- What critical support programmes should functional entrepreneurship ecosystems offer young entrepreneurs in Nigeria?

The Relevance of Entrepreneurship Ecosystems

Entrepreneurship ecosystems (EE) consist of a group of individual stakeholders that are heterogeneous, interconnected, and interdependent and combine to produce and sustain entrepreneurial activities - these elements include capital markets, sociocultural values, community agents, political leadership, and institutions. These elements, while in silos, can play their part in contributing to entrepreneurship development but are usually insufficient to sustain growth. However, working in tandem can ensure that these elements address the root challenges of entrepreneurship and create the enabling environment for business success.

EEs are the result of careful and deliberate actions of entrepreneurs and other elements in the ecosystem to build a strong nexus, one that can adapt and respond to its environment and is resilient to internal and external forces. EEs are intricately linked between micro and macro-level processes within the ecosystem, and every EE is unique, depending on its local context and the political, social, and economic situation surrounding it; the diverse group of stakeholders, venture capitalists, business models, and support organizations and the shared socio-economic connections. Identifying the connections between the partners and what makes the partnership work, the diversity and coherence build resilience across the ecosystem layers.

Strong networks connect entrepreneurs with investors, mentorship, and skilled human capital - the three critical resources required for venture growth. However, the major challenge in Nigeria is how all major ecosystem players can work together to develop a strong, functional EE. The goal has to be a healthy ecosystem typified by a strong culture and network of successful entrepreneurs and a wealth of entrepreneurial knowledge. A clear vision in this direction is the first step toward building thriving, healthy, and functional ecosystems.

Current Nigerian Entrepreneurship Ecosystem Realities

The current realities of the Nigerian entrepreneurship ecosystem suggest that there are some vital essentials in place, although more concerted efforts must be invested toward understanding the challenges young entrepreneurs face and how to help them navigate these challenges. For instance, Nigeria has long-standing public support systems such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), established to support SMEs through rural industrialization, poverty, and new job creation. The agency is responsible for connecting SMEs in Nigeria with domestic and foreign funding opportunities. The main focus of SMEDAN initially was supporting agripreneurs, but more recently, tech entrepreneurs have become significant grant beneficiaries and finance opportunities through the agency. Similarly, The National Information Technology Development Agency (NITDA) was established to implement the Nigerian Information Technology Policy and ensure adequate ICT infrastructure, while the Office for ICT Innovation and Entrepreneurship (OIIE) in Nigeria focuses on enabling start-up growth by eliminating the barriers that start-ups face while supporting innovation and entrepreneurship. This is done through programmes such as The ICT for Change Empowerment Program, which focuses on ICT, innovation, and entrepreneurship.

There are also well-documented incentives for investors in Nigeria in the form of capital gains taxes associated with the sale of start-ups, even as business Angel activities continue to show good promise despite limited institutional support. In Nigeria, the number of angel investors and their investments are limited. Angel investment is not supported by incentives compared to other economies, limiting individuals with high net worth to invest in riskier options such as tech entrepreneurship. On the other hand, many young Nigerian entrepreneurs are resilient and well-informed. Many actively apply for international grant programs to some good degree of success. With many founders' journeys into entrepreneurship being based on necessity as opposed to choice, their innovations are usually centered on solving social issues that align with the focus of many foreign grants.

Besides these, Nigeria's skills and entrepreneurship knowledge gap needs urgent redress. Nigeria's spending on education is one of the lowest in Africa, with less than 7 percent of the national budget invested in education. As a result, the education standards are deemed low, suffering from inadequate funding and deteriorating teaching capabilities. Universities lack quality educational research and are inadequate to prepare students to solve marketplace challenges and be entrepreneurs. Nonetheless, Nigerian universities are required to provide compulsory entrepreneurship education. However, the effectiveness of the entrepreneurship education being provided and the overall objectives and execution are still relatively unclear. Young entrepreneurs still graduate from universities with huge entrepreneurship skills gaps. Technology has made it easy for young entrepreneurs to access massive open online courses with leading global universities. This, in addition to many formal and informal training provided by different stakeholders, has shored up knowledge gaps, but most young entrepreneurs still desire to access validated, relevant, and useful management education from credible institutions.

Specific ecosystem support activities needed by young entrepreneurs

The main focus of ecosystem support activities should be to de-isolate young entrepreneurs and connect them to an ecosystem of knowledge intervention and technical support services. By this, the silos amongst key ecosystem stakeholders can be broken to allow for better functioning support systems to improve the chances of start-up success in Nigeria. Some of the key activities that have been proven through research and practice to benefit young entrepreneurs in their journeys toward building sustainable ventures include:

- Validated Management Education Programmes – These programmes can be delivered in partnership between academic institutions and industry practitioners. Knowledge intervention can be based on the identified knowledge gaps as well as the learning needs of young entrepreneurs. The objectives enhance business founders' entrepreneurship skills and ultimately facilitate the development of stronger and sustainable businesses.
- Professional and Personal Development Programmes – In addition to the management education course, there is a need for professional and personal development programmes to cover the essential social and emotional needs of entrepreneurs. These could include business development, effective communications, and stakeholder engagement.
- Business Mentoring & Coaching – Interventions such as coaching and mentoring grant young entrepreneurs access to one-to-one technical skills support with seasoned entrepreneurs

who are typically willing and happy to give back. Alumni bodies of academic institutions provide a ready pool of business mentors to further support the young entrepreneur's venture-building journeys.

- Investment Readiness / Assessment – This market-driven narrative articulates the entrepreneur's journey into investable and sustainable ventures from their early stages. Investment Readiness Assessments can be conducted formally and informally to help evaluate the readiness of the founders who have gone through the aforementioned programmes towards attracting investment and exposing them to opportunities and partnerships.
- Pitch Events – Pitch events are designed to assess the founder's investment readiness. The effectiveness of the prior interventions can be measured by exposing the youths and their ideas to investors through investor communities. Investor panels will typically comprise avid angel investors and external investors with a background in early-stage investing impassioned about helping start-ups grow and become successful.

Policy Recommendations and Conclusion

Nigeria has a youthful population, with the tech industry gaining inroads into the continent and start-ups receiving much attention. While shaping the entrepreneurship ecosystem, the acts and policies guiding the ecosystem should be tailored to suit the local culture, values, and socio-economic and political climate. This can ensure that entrepreneurs are guided by policies that are not 'foreign' to them. However, a supportive and localised culture may not be enough to sustain long-term entrepreneurial development. Entrepreneurs will need to draw on resources such as risk capital, talented workers, and mentorship from experienced entrepreneurs and support organizations as they start up and scale new ventures. The following options will also further ensure this.

- **Creating new Entrepreneurship Centres of Excellence across Nigeria**

While evaluating the effectiveness of current entrepreneurship education options is crucial, it is even more important to create new systems for accessing validated, relevant management education in Nigeria. This can be achieved by creating key regional centres of entrepreneurship excellence. Centres of excellence ensure that quality management education and access to crucial support services are available and accessible to young entrepreneurs in Nigeria. With this approach, the academic institutions housing these centres will be carefully chosen based on the track record of excellence in critical areas, including the ability to foster fruitful partnerships with key ecosystem stakeholders. The funding needed to drive these centres of excellence will come from multiple stakeholders. If these centres can support quality entrepreneurs and enterprises, they become 'factories' for building the next generation of businesses that can power Nigeria's future.

- **Fostering effective partnerships for entrepreneurship development in Nigeria**

A clear vision and blueprint are necessary to achieve coherence within the Nigerian entrepreneurship ecosystems. Given the current state of entrepreneurship development and the fragmentation of efforts among different key stakeholders, fostering coherence becomes critical to ensuring more effective partnerships. Coherence is the degree of connectedness between the partnerships in the EE and what makes them work as one system despite the diversity between the components. This can be achieved when entrepreneurs and other ecosystem partners have shared goals and operate with some degree of common values. These values influence their activities and how they look out for each other within the system - who their ideal investors are, what they want from the government, how to test their business models, and what defines successful outcomes for them. Support organisations such as profit or non-profit-oriented incubators and accelerators can increase the level of coherence in the ecosystem by working with young entrepreneurs and exposing them to practical knowledge that enables them to pursue innovation, sustainable business models, and diverse ventures, ultimately opening up new market opportunities.

- **Knowledge-sharing systems within the entrepreneurial economy**

It is essential to build "community logic" as a philosophy of any policy intervention. Communities focus on developing mutual trust between EE participants to enable knowledge-sharing and learning about the ecosystem's needs. A knowledge-sharing economy will require consistent effort and investment from the partners, and EE participants are expected to undergo a series of trial-and-error approaches on the road to growth. However, lessons learned along the way are viewed as experiments in their search for the right business models. Platforms for frequently disseminating such insights can create Nigeria's knowledge hub that can help the government across all levels target interventions based on genuine facts. This will also mean all stakeholders can plan for entrepreneurship ecosystems based on local conditions.

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Investing in Education and Entrepreneurship: The Next Frontier for Sustainable Economic Recovery in Nigeria

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Abstract

Despite deliberate efforts to establish a robust economy in Nigeria, the country's achievement has had little impact on broad socioeconomic statistics. Economic growth is sluggish, with double-digit inflation, a high poverty rate, a significant income disparity, rising living costs, and an ever-increasing unemployment rate, particularly among youths, and no country can ignore these economic issues if it wants to achieve sustainable economic development. This study argues that there is an undeniable need to re-strategize and broaden the federal government's and private sector's focus on education and entrepreneurship through unambiguous policy reforms and investment in the belief that these areas will contribute to the recovery and stability of the economy. This study concludes that education and entrepreneurship are essential components for achieving economic recovery and long-term prosperity in Nigeria, therefore, reforms and investment need to be emphasised and prioritised to pave the way for a potent and sustainable economic recovery.

Introduction

According to World Bank research, every additional year of education by citizens of a country can boost the country's GDP by 1.4 percent. Research by the Kauffman Foundation also reveals that entrepreneurship generates an average of 3.5 jobs per business, and is frequently regarded as a catalyst for economic growth (Kauffman, 2022). Lack of adequate investments in education and entrepreneurship will result in unemployment and the collapse of the economy. In the first quarter (Q1) of 2023, Nigeria's unemployment rate was 4.1 percent, according to the National Bureau of Statistics. This is determined by taking into account individuals who work in the unorganised sector, part-time, and those who have put in at least one hour of work during the previous seven (7) days. These are elements that were formerly left out.

Strategic reforms and targeted investments are critical to jumpstarting the Nigerian economy and getting it back on track. Even though Nigeria's complex and peculiar factors surrounding policy and investment in the education and MSME sectors make any causal argument difficult to establish, education and entrepreneurship are two areas that must be prioritised in terms of reforms, implementation, and investment. The reforms and investments in education and entrepreneurship are critical pillars of any economic drive because they equip people with the knowledge, skills, and capacities necessary to participate in the labour force, contribute to the economy, and drive innovation.

The Issue

Education

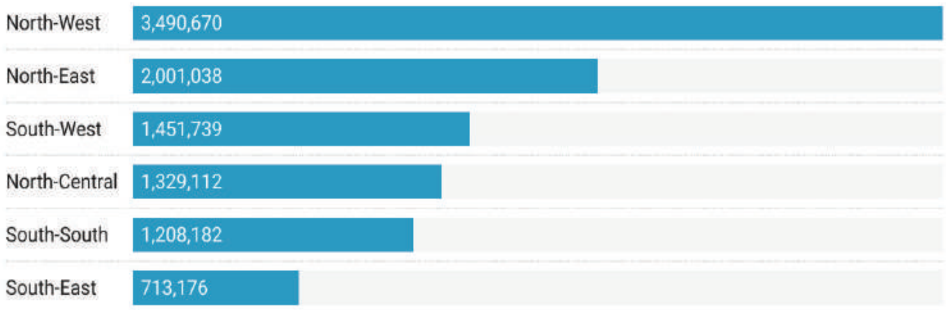
Education is a human right, a strong driver of development, and one of the most effective means for reducing poverty and advancing health, gender, equality, peace, and stability (World Bank, 2023). it follows that any country that takes its economy seriously should pay more attention to the sector. The education sector has had limited attention in terms of reforms and investment in recent times and the main causes of the long-term bad indicators in the Nigerian education sector, despite efforts to improve the sector, are appallingly inadequate funding and poorly designed and implemented policy frameworks.

These problems limit both the short-term and long-term economic and social potentials of the country. The N1.79 trillion allocated to the sector in the 2023 budget confirms that poor funding remains one of the fundamental challenges of education. The amount represents 8.2 percent of the appropriation bill, which runs contrary to the United Nations Educational, Scientific and Cultural

Organization (UNESCO) recommendation of 15-20 percent of developing nations' annual budget for public education. Apart from poor funding, other challenges the sector continues to face are a lack of effective reforms that are responsive to Nigeria's contemporary needs, a lack of infrastructure, poor welfare, and inadequate staffing across primary, secondary, and tertiary institutions in the country.

Furthermore, there is the problem of out-of-school children. According to the Nigeria Bureau of Statistics, Nigeria has around 10.19 million out-of-school children across the 6 geopolitical zones in the country (see Figure 1), and this leads to a neglected aspect of education in Nigeria which is early child education. These factors contribute in no small measure negatively to the economy and militate against any effort made to build a sustainable economy.

Figure 1: Number of Out-of-School Children by Geographical Region



Source: Dataphyte; NBS

While funding poses a great challenge to the sector, unfortunately, the educational policies and framework have not been revamped to address present socio-economic challenges. This is why Enyiazu, (2022) stated that educational policies and goal attainment in Nigeria have been irreconcilable due to implementation problems, which have caused significant constraints in the sector. Emediegwu & Ighodaro (2016) notes that education is one of the major components of human capital formation. Investment in education is pivotal to achieving sustainable economic growth. It is in recognition of this fact that Fafunwa (1987) opined that beyond the process of disseminating knowledge, education guarantees the rational direction of society. A well-educated population benefits the economy in several ways, both directly and indirectly. A strong educational system will produce a sufficient number of competent labourers labour are knowledgeable and capable of driving a sustainable economy. Additionally, this means that people will have greater earning potential and greater purchasing power, both of which will enhance consumer spending and economic activity.

Entrepreneurship

It is crucial to consider why entrepreneurship is a potent engine for economic growth. The answer is evident in the numerous economic benefits it presents such as job creation, local content promotion, export potential, improved foreign exchange, etc. Micro, small, and medium-scale enterprises (MSMEs) constitute the entrepreneurship ecosystem in Nigeria and are recognized as the bedrock of the Nigerian economy as they provide platforms on which economic growth thrives. The International Labour Organization (ILO) has disclosed that micro, small, and medium enterprises (MSMEs) contribute 46.31 percent of Nigeria's National Gross Domestic Product (Ezigbo, 2022). MSMEs play important roles in economic growth acceleration through an increase in their output and poverty reduction through job creation and income generation effects (Ajuwon, Ikhide & Akotey, 2017).

According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there are approximately 39.6 million MSMEs in Nigeria. When this number is compared to other countries in Africa and beyond, it is clear that Nigeria has significantly more entrepreneurs than many countries. (Kpilaakaa, 2022) Dzingirai & Ndava (2022) observed that entrepreneurship plays a catalyst role in promoting economic recovery through job creation and promoting divergent thinking in solving economic problems. However, this sector has not gotten adequate attention from the government and private investors. Stephen Ocheni, former Minister of State for Labour and Employment, stated that the country cannot achieve the desired economic height due to the neglect of entrepreneurship, which is a critical part of the economy. (Adaramola, 2019)

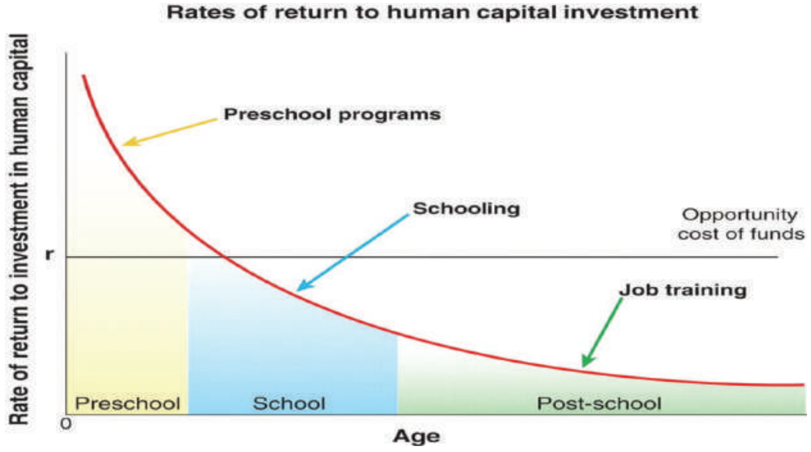
According to the 2022 Nigeria MSME report, eighty percent (80 percent) of businesses under the Micro, S, mall, and Medium Enterprises (MSME) in Africa fail within the first five years of their existence despite having the highest entrepreneurship rate in the world. Kippa, in the report titled 'Fuel for Africa's Next billion businesses' revealed that these businesses fail because they lack resources (mostly capital) or structure to survive. (Faminu, 2022) Limited access to finance, incentives, and infrastructure deficits remain the most pressing problems of MSMEs in Nigeria. MSMEs lack the funding, infrastructure, and support needed to significantly contribute to the nation's economic output of goods and services.

Policy Recommendation

Education and entrepreneurship are intricately linked to economic growth and development; both make key inputs to economic activities with short and long-term economic implications. There is a growing body of evidence that reveals that investing in education and entrepreneurship can have a significant impact on economic growth. Investment in this context is not a stand-alone concept but is grounded in robust policy reforms. Acknowledging this fact, the NESG stated that, to address Nigeria's economic issues, comprehensive and system-driven economic reforms are necessary to change Nigeria's economic trajectory and create economic value and benefits for all. (NESG, 2023)

- The primary, secondary, and tertiary levels of education are the focus of the federal government's policy design and investment drive in education. However, Nigeria's educational reforms have not given early childhood education the same attention beyond a mention in the National Policy on Education (2013), where the goal of early childhood education is to ease the transition to primary education. Early childhood education should be the focus of targeted, implementable reforms and investment efforts in education from the federal government and the corporate sector, captured clearly in her legislation and improved budgetary allocations. Because it is the cornerstone of education. American economist, James Heckman, observed that the initial investments in early child education yield the best rate of economic returns, allowing children to gradually build up skills and knowledge to contribute to economic activity (Heckman, 2006). This is demonstrated in the Heckman Curve, that investment in early child education yields high returns (see Figure 2).

Figure 2: Heckman Curve



Source: Rea & Burton (2019)

Numerous advantages can result from directing policy and investment efforts toward education, including increased human capital development, increased global competitiveness, more research and innovation, and less income disparity, all of which will increase the economic recovery of the country and result in overall advancements. While this study recommends more reform and investment focus on early child education, it doesn't stop there but should also ensure that Nigerians of all ages have access to education from early childhood to tertiary level which will allow them to contribute meaningfully to the economy.

- There should be training and retraining, improved welfare for teachers across all levels of education, and improved infrastructure. There is a need for training and re-training as a crucial element in investment and policy intervention since the quality of education depends on the quality of teachers from early childhood through higher education. The investment in education should cover the training and retraining of educators to ensure cutting-edge educational strategies are utilized in teaching. Having enough trained teachers in educational systems is essential, but so is putting in place top-notch, future-proof teaching and learning techniques that will make Nigeria globally competitive. Also, the welfare of teachers in terms of remuneration, promotion, and retirement should feature high on investment plans and the building of excellent educational infrastructures such as classrooms, libraries, and equipped laboratories that are decisive for learners to excel and contribute to the economy.

- There is sufficient empirical evidence that investments have a positive causal effect on improving the growth conditions of a business. Understandably, the pursuit of Nigeria's socio-economic transformation through accelerating the growth of MSMEs in Nigeria is one of the top priorities of the National Development Plan (2021–2025), but what is the direction of this plan beyond the staple statement of investment? What does investment in the MSME sector entail? Without overstretching the concept of investment in MSMEs, it generally refers to a multidimensional financing structure aimed at fostering business growth conditions of MSMEs in Nigeria. The federal government of Nigeria should articulate robust capital mobilization through grants and low-interest loans such as the N785 million disbursed in 2022 to 10 million MSMEs in the country, creating Special Economic Zones across different regions of the country that will provide fiscal incentives for business owners, and design an optimal strategy for MSME funding channeled through relevant ministries, departments and agencies such as Ministry of Trade and Investment, Bank of Industry, Investment in Digital and Creative Enterprises (I-DICE) etc. This sort of investment focus will make it possible for the government to tap into the ever-growing competitive private sector.

- Partnership with key stakeholders and entrepreneurs across different regions of the country. It is not enough to design policies on entrepreneurship without involving key players in the sector in decision-making. The government and the stakeholders of a particular sector interact during the policymaking process, and policy is the result of that interaction. The key to developing a robust MSME ecosystem involves partnering with stakeholders because they contribute something unique to the development and contribution of the sector to the larger economy. The importance of this partnership is to deepen understanding of their peculiar challenges and how best to address them through policy design, investment, and structural support. Nigeria's economic policy trajectory and growth strategies should deepen partnership with the private sector (entrepreneurs), with a focus on need assessment, developing solutions, and improving access to strategic support through platforms like Business Development Service Providers-BDSPs for training and mentorship that can assist MSMEs in organizing and expanding their businesses, and this will enable MSMEs in the country contribute positively to Nigeria's economic recovery and sustainability.

Conclusion

Education and entrepreneurship are critical for Nigeria's economic recovery and growth. To stimulate economic recovery and long-term growth in Nigeria, education and entrepreneurship should be given sufficient attention as both will open the door for a strong and long-lasting recovery, thus it is important to emphasize reforms and investment. Finally, it is pertinent to note that reforms and investments in education and entrepreneurship are not a quick-fix enterprise but a continuous and long-term strategy with the potential for significant socio-economic returns.

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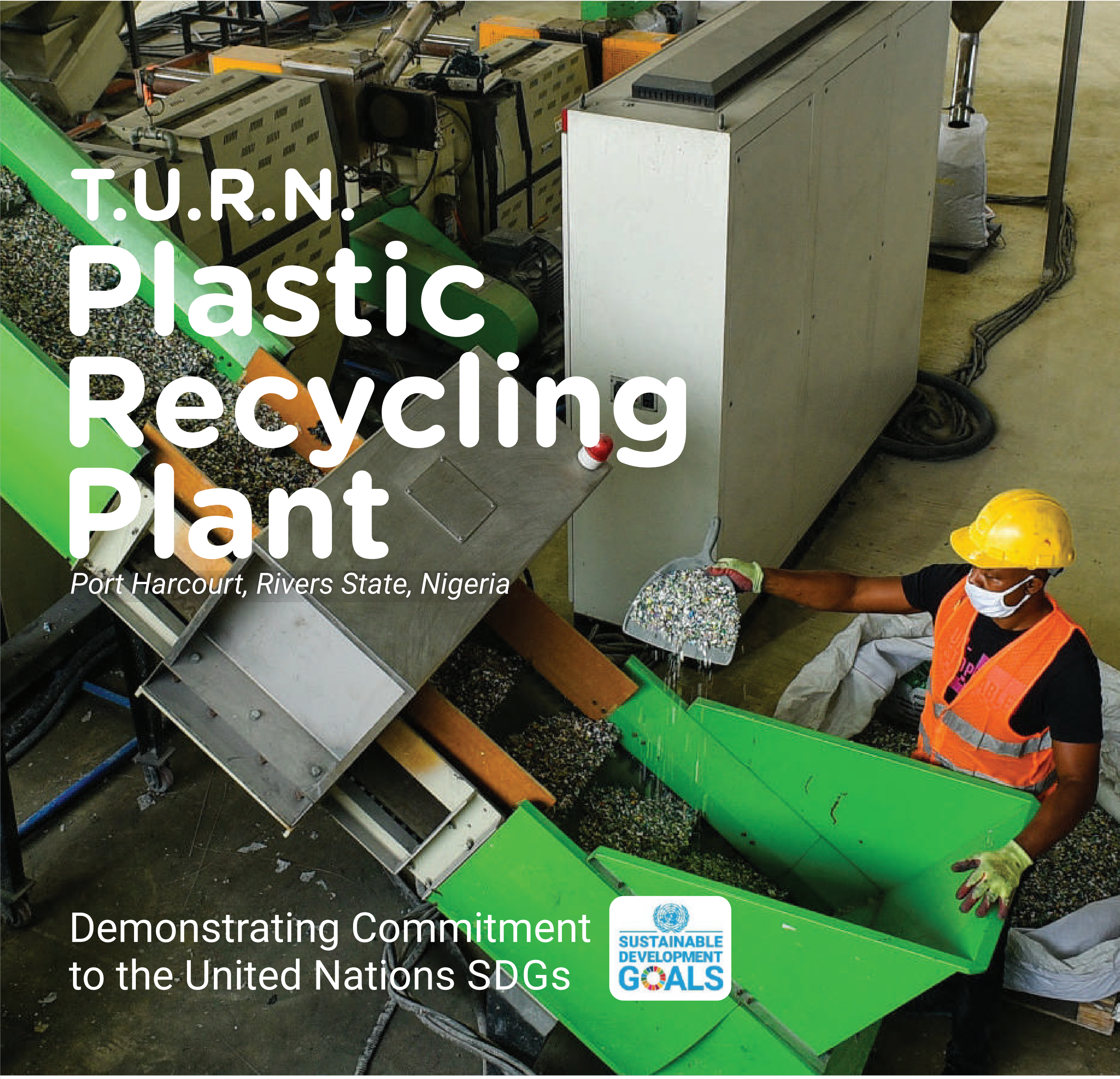

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The Student Loans Act 2023: Impact on Higher Education Funding in Nigeria

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Central Bank of Nigeria

Abstract

In one of his first acts as President, Bola Ahmed Tinubu signed the Students Loans (Access to Higher Education) Act of 2023, aiming to provide access to higher education for financially disadvantaged students. This paper analyzes the Act, addressing funding challenges in Nigeria's higher education system, examining past student loan initiatives, and exploring the Act's potential impact on sustainable development. The study also considers the historical context and lessons from previous efforts. Moreover, it investigates how the implementation of the Act could provide a pathway to economic development in Nigeria.

Introduction

Higher education is the educational phase after post-basic education (National Policy on Education, 2013). It encompasses various types of institutions, including universities, polytechnics, colleges of education, and specialized centres. In Nigeria, publicly funded institutions face persistent challenges of inadequate funding, difficulties in recruiting and retaining top talent, and deteriorating infrastructure which have adversely affected their development and operational performance.

This Act represents a different dimension in efforts to tackle this problem. It establishes a framework for the disbursement of interest-free loans specifically designed to ease the financial burdens of economically disadvantaged students seeking higher education. This holds significant potential to improve access to educational opportunities for financially disadvantaged students and add another source of funding for public universities. However, its ultimate efficacy rests on its careful implementation and the government's ability to effectively address potential challenges that may arise in the process. As Nigeria embarks on this transformative journey, the impact of increased funding on the country's higher education landscape becomes a subject of keen anticipation and scrutiny, with the potential to reshape the future of higher education in Nigeria in particular and Nigeria in general.

A 2019 study by the Nigerian Universities Commission (NUC) showed that the majority of Nigerian undergraduates, around 94 percent, attended public universities. Among these, federal universities enrolled 65 percent of the students, while state universities enrolled 29 percent. The remaining 6 percent of undergraduates attended private universities. Since the 1980s, the Academic Staff Union of Universities (ASUU), a union of Nigerian academics employed by the Federal Government, has frequently gone on strikes that have seriously disrupted the academic calendar and the lives of students. In 2022, ASUU embarked on an eight-month strike, its 16th in 23 years, to protest the government's failure to release funds allocated for university revitalization as agreed in a 2009 pact.

ASUU's concerns also underline the issue of low wages for academics, even at the highest salary scale Nigerian university professors earn a monthly salary of NGN 416,000 making academia unattractive to top talent (Onda, 2021). In 2017, the Executive Secretary of the Tertiary Education Trust Fund (TETFUND) expressed dissatisfaction with research proposals from universities, revealing a significant lack of quality in these submissions, with over 90 percent deemed poor and unfundable. This highlights the effects of inadequate remuneration on manpower in academia.

Another consequence of underfunding public universities is the deteriorating state of infrastructure. The substandard living conditions experienced by students encompass overcrowded hostel accommodations, deficient toilet facilities, bedbug infestations, as well as insufficient lecture halls and laboratories (Cable News Journalism Foundation, 2023). These challenges have diminished the quality of higher education in Nigeria, affecting graduate employability and leading to calls for increased government funding and greater student financial support. The introduction of the Student Loans Act aims to address these challenges by providing an additional funding model for public higher education in Nigeria.

Funding of Public Universities in Nigeria

University funding is a critical concern for national governments, serving as a means of controlling academic institutions and addressing key policy issues. In Nigeria, the Federal Government's (FG) aim, as per the National Policy on Education (2013), is to provide free education at all levels through sufficient funding from various sources. While undergraduate tuition is free in federal universities, students are responsible for covering various supplementary fees, including registration, sports, library usage, hostel maintenance, and laboratory expenses.

Historically, the FG provided block grants to universities through the National Universities Commission (NUC). These grants were categorized into capital and recurrent components, with recurrent grants further divided into Overhead and Personnel costs. Currently, institutions are funded via legislative appropriation by the National Assembly, following recommendations and assessments by various ministries and commissions. The budget allocated to universities is largely dedicated to personnel expenses. For example, in the 2023 budget, the University of Ibadan received NGN18.3 billion, with 95 percent of the allocation for personnel costs. Only 3.5 percent was allocated to capital expenditures, and the remaining 1.5 percent covered overhead costs.

The Tertiary Education Trust Fund (TETFUND) also plays a crucial role in funding public universities. It operates as an intervention agency, primarily funded by a two percent education tax on companies' profits in Nigeria to enhance the tertiary education system through funding capital projects, research, staff development, and infrastructure improvement. In 2023, Universities were to receive NGN1.1 billion each; Polytechnics NGN699 million each, and Colleges of Education NGN800 million each (TETFUND, 2023). Apart from government funding, which forms the predominant source of funding, federal universities also generate income from student fees, investment returns, and endowments.

Cost-Sharing, Cost of education and Student Loans

The concept of cost-sharing in higher education involves sharing financial responsibilities among students, parents, taxpayers, and institutions (Johnstone, 1986). In Nigeria, taxpayers cover tuition costs for students in federal universities, while students and parents handle various indirect expenses. Institutions, through endowments or philanthropy, provide scholarships and grants to deserving students. However, due to limited resources, the government is considering introducing tuition fees for federal universities to share the financial burden more equitably with parents and students.

The Vice-Chancellor of the University of Benin and the Chairman of the Committee of Vice Chancellors of Universities in Nigeria, in May 2023 contributed significantly to the ongoing discussion surrounding the funding of Federal universities. She stated that the Federal Government cannot afford to fully finance these institutions anymore and advocated for parents to take on some responsibility for their children's tuition. Notably, she highlighted the considerable cost involved in training medical students at the University of Benin, amounting to NGN3 million per session. In contrast, students currently only pay NGN240 for tuition over six years. This adds to the debate on cost-sharing in higher education and raises questions about the roles of parents, universities' financial sustainability, and the potential introduction of tuition fees.

In terms of fiscal policy, tuition-free university education can be considered regressive. This is because it mainly benefits an elite group of people relative to the general population, while significant costs are covered by a larger group of taxpayers. Additionally, a significant number of students who can afford higher education typically come from middle to upper-income families. This group attends public universities tuition-free, funded by taxes paid by individuals with lower incomes throughout the country. ASUU recognizes the need for alternative funding for universities but opposes student loans, fearing negative impacts on disadvantaged students. However, well-executed student loans can create a sustainable and equitable financing system for universities. The idea is to lend to students and be paid back by the professionals. This approach can ease taxpayers' financial burden, provide essential funding for universities, and instill accountability among students while ensuring that the cost of educating an elite group is not borne by low-income taxpayers (Woodhall, 2004).

History of Student Loans in Nigeria

Nigerian Students Loan Board (NSLB) 1972 - 1992

Nigeria's previous attempts at providing student loans faced significant challenges. In 1972, the Nigerian Students Loans Board (NSLB) was created to grant loans to indigent Nigerian students studying within the country. It aimed to assist students in completing their education and recover the loans later. This decree was replaced by subsequent ones in 1976 and 1988, allowing loans for foreign education and addressing issues in the earlier decrees.

It's important to note that during the initial decree, there were only six federally owned universities in Nigeria. Under the 1988 decree, the maximum loan for Nigerian university students was NGN1,000 per year, with a total of NGN5,000, while overseas students could receive NGN5,000 for tuition, books, and living expenses, with a 7 percent interest rate for 10 years. Repayment was due two years after graduation or upon employment, with two guarantors required (Chuta, 1992). From 1972 to 1992, the NSLB disbursed NGN46 million in loans but faced a low 13 percent loan recovery rate. This was due to gaps in the loan system's regulations, administrative and resource challenges within the NSLB, and cultural factors, including a lack of enthusiasm for loan repayment. Recognizing the need for accessible financial assistance, Nigeria established the Nigerian Education Bank (NEB) to replace the NSLB in 1993.

Nigerian Education Bank (EDUBANK) (1993 - 2023)

In 1993, the Nigerian Education Bank came into existence through the enactment of Decree No. 50 of 1993. It was established with a share capital of NGN400 million, divided into 400 million shares valued at NGN1 each. The bank was set up to harness private capital to fund the education system and reduce the funding burden on the FG. Its functions fell into four broad categories: educational lending and recovery, project financing, funds mobilizations, and provision of advisory services. Primarily, its responsibility was to approve and distribute loans within the higher education ecosystem, including students, researchers, publishers, conference organizers, and alumni associations. Under the Decree, the bank was endowed with an N200 million Students Loan Revolving Fund, provided by the Federal Government, aimed at granting loans to students pursuing higher education (Decree No. 50, 1993) (Chuta, 1998). In 2004, the Nigerian Education Bank Act was passed. Despite having legal support, the Nigerian Education Bank never commenced operations.

Nigerian Education Loan Fund (NELF) 2023

The Students Loans (Access to Higher Education) Act 2023 repealed the Nigerian Education Bank Act of 2004 and established the Nigerian Education Loan Fund (NELF) to provide interest-free loans for economically disadvantaged students, specifically covering tuition fees for those pursuing higher education in public institutions in Nigeria. The Fund will be managed by the Central Bank of Nigeria and disbursed through Deposit Money Banks (DMBs). Its funding sources include education bonds, endowment funds, 1 percent of various taxes and duties collected by the Federal Government, 1 percent of profits from oil and minerals, as well as donations and grants.

To qualify for a loan under this Act, applicants must gain admission into public universities, polytechnics, colleges of education, or vocational schools. Their income or family income should not exceed NGN500,000 annually (NGN42,000 per month). Applicants must also provide at least two guarantors, who must be civil servants of at least level 12, lawyers with a minimum of 10 years post-call experience, judicial officers, or justices of the peace. Ineligible applicants include those with prior loan defaults, involvement in exam malpractice, convictions for felonies, dishonesty, fraud, drug offences, or if their parents have defaulted on loans. Loan repayment begins two years after completing the National Youth Service Corps (NYSC) program and involves a direct deduction of 10 percent from the beneficiary's monthly salary by their employer or business profits if the beneficiary is self-employed. Beneficiaries transitioning into self-employment must inform the Committee Chairman within 30 days and provide essential business details.

Economic Impact of Public Universities

A well-functioning public university system plays a pivotal role in nurturing human capital development, propelling technological advancements, and broadening economic opportunities. It achieves this by producing graduates equipped with the knowledge and skills essential for various industries, thereby elevating overall productivity. Labour productivity, which quantifies the real GDP generated per labour hour, relies on three primary factors: investments in physical capital, the integration of new technologies, and the cultivation of human capital. Consequently, countries with a robust educational system tend to have more productive workforces. In Nigeria, this deficiency in capacity is notably observed in the agricultural sector, where growth predominantly depends on increasing the workforce (factor accumulation), as opposed to embracing new technologies, enhancing skills, and implementing improved managerial practices.

Furthermore, a robust public university system fosters research endeavors that have the potential to propel technological progress and provide solutions to economic hurdles. This, in turn, nurtures innovation and bolsters the nation's competitive edge. For instance, during the Covid-19 pandemic, Oxford University collaborated with AstraZeneca to develop a life-saving vaccine used around the world. This serves as a noteworthy example of how higher education establishments play a pivotal role in economic development.

In recognition of the impact of the knowledge economy, the Ekiti State Government is building the Ekiti Knowledge Zone (EKZ), a world-class knowledge park in a Special Economic Zone that will be built around 4 universities and a polytechnic that leverages the state's comparative advantage in the educational sector. Key activities to be rendered in the EKZ are research and development, software development, and business process outsourcing.

Challenges to the Implementation of the Student Loan Act

- **Stringent Guarantor Conditions:** The Act mandates two guarantors, each with specific qualifications, like being a civil servant of at least level 12, a lawyer with a decade of experience, a judicial officer, or a justice of the peace. This requirement may exclude many low-income applicants who may struggle to find suitable guarantors. It might even lead to a black market for guarantors.

- **Low Employment Prospects for Graduates:** Repayment is expected to start two years after completing the NYSC, assuming applicants will be employed or self-employed. However, Nigeria's high youth unemployment rate, particularly among post-secondary graduates, raises concerns. Many borrowers may face difficulties repaying, leading to fines or legal troubles, creating new challenges.
- **Interest-Free Nature of Loans:** The Act's interest-free loans may seem flexible, but they don't account for inflation or changes in the cost of living. The fixed principal amount remains constant, potentially affecting the program's sustainability as repaid loans lose value over time, contradicting the concept of the time value of money.
- **Credit Culture in Nigeria:** Nigeria's credit culture is still developing, with challenges related to identity management, high interest rates, and limited credit histories. Many rely on informal options like community savings groups or local moneylenders. Historical difficulties in loan recovery by the government add to these concerns.

Policy Recommendations

- **Improved Stakeholder Engagement:** The introduction of student loans affects various stakeholders differently. The government sees it as sharing the financial responsibility, universities find a funding opportunity, but ASUU and students see it as an increased financial burden. Effective communication and understanding with all parties are crucial. Proactive engagement can ease concerns and ensure smoother implementation.
- **Diverse Guarantor Criteria:** The Act should expand guarantor criteria beyond specific professions like civil servants and lawyers. Including respected community leaders, businesspersons, or those with a commitment to borrowers would help low-income applicants. Exploring community-based guarantor networks, inspired by past practices, can provide reliable support.
- **Indexing Student Loans:** To address loan sustainability due to interest-free terms, Nigeria can adopt the indexing approach from successful programs like the Higher Education Contribution Scheme (HECS) in Australia. Rather than indexing against high inflation rates, consider indexing to the administrative cost of the program. Periodic reviews can maintain alignment with economic conditions.
- **Revamping Scholarships:** Alongside student loans, reforming the scholarship system is essential. Presently, scholarship administration faces inefficiencies, especially in State governments. A national scholarship policy can encourage private sector involvement, ensuring continuous educational funding. International examples offer valuable insights.
- **Enforceable Loan Agreements Abroad:** To address borrowers leaving Nigeria and defaulting on loans, consider making loan agreements enforceable outside the country, similar to private student loan finance companies. This can help ensure the sustainability of the program and create a new diaspora remittance approach.

Conclusion

The implementation of the 2023 Students Loans Act in Nigeria offers both opportunities and challenges for higher education. It aims to improve access, ease financial burdens on disadvantaged students, and potentially enhance university funding. However, success depends on factors like stakeholder engagement, fair loan allocation, and program efficiency. In essence, this Act could reshape Nigerian higher education, but careful planning, sound policies, and ongoing monitoring are vital to fully realize its benefits.

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220
Beneficiaries of Shell LiveWire entrepreneurship programme.
$79.77M.
Paid to the Niger Delta Development Commission (NDDC) in 2022.
$1.9B.
Contracts awarded to Nigerian-registered companies in 2022.
3,500
University grants and 990 cradle- to-career scholarship grants awarded since 2016.
$106.3M.
Disbursed to communities through GMOUs since 2017.
$200M.
Committed to support All On for renewable energy impact investments.
$15M.
Educational infrastructure projects in Lagos and Bayelsa states.
92,000+
People benefited from CHIS (Community Health Insurance Scheme) since 2010
$34.29M.
Direct social investment made by SPDC JV, SNEPCo and SNG in 2022.
$1M.
Donated by Shell for relief to people impacted by the flood disaster in 2022.
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The NESG is an independent, non-partisan, non-sectarian organisation, 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.

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