



Charting Nigeria's Path to a US\$4 Trillion Economy by 2035:

A Pathway Analysis for Sustainable Economic Transformation and Inclusion - NES#29 Perspective.

TABLE OF CONTENTS

4 EXECUTIVE
SUMMARY

7 BACKGROUND
TO PROJECT

8 INTRODUCTION &
CONTEXT SETTING

11 CURRENT ECONOMIC
ASSESSMENT

17 ENVISIONING AN ECONOMIC
TRANSFORMATION & INCLUSION

22 THE ENVISIONED
NIGERIA IN 2035

35 BINDING
CONSTRAINTS

37 POLICY
IMPERATIVES

43 CONCLUSION

REFERENCES



EXECUTIVE SUMMARY

In the dynamic landscape of global economics, Nigeria stands at a crossroads, brimming with potential yet grappling with the complexities of its historical socioeconomic performance. Endowed with abundant human capital and vast economic resources, Nigeria's current position on critical socioeconomic indicators has not been impressive, compelling us to chart a transformative course towards a brighter future. With the dawn of a new government, an opportunity arises to redefine our economic strategy and set forth on a path of sustainable growth.

The 29th Nigerian Economic Summit (NES #29), under the theme "Pathways to Sustainable Economic Transformation and Inclusion," is a pivotal platform to unite stakeholders from government, business, politics, development, civil society, and academia. Together, we will deliberate on the intricate route to economic progress. The Nigerian Economic Summit Group (NESG) conducted a pathway analysis to prepare for this landmark event.

This analysis lays the foundation for a transformational agenda for Nigeria, envisioning a robust US\$4 trillion economy by 2035. Following the government's National Development Plan 2050, Nigeria's economy is expected to reach US\$3 trillion by 2035. With a more ambitious reform drive, the 8-Point Agenda of the new administration seeks to more than double the economy every four (4) years as it seeks to expand the economy from US\$450 billion in 2022 to US\$1 trillion in 2026. By this standard, the economy can potentially cross US\$4 trillion by 2035.

This technical report demystifies the concept of economic transformation and aligns it with Nigeria's unique policy landscape. At its core, economic transformation involves a strategic

shift in resource allocation, moving from low-productivity to high-productivity uses, diversifying productive capabilities, fostering new sources of export competitiveness, and expanding formal-sector employment opportunities.

Our report paints a vivid picture of a transformed and inclusive future for Nigeria. By 2035, Nigeria's economy is poised to rank among the top 15 global economies, boasting a Gross Domestic Product (GDP) of US\$4 trillion and a per capita income of US\$14,041.5, propelling us into the high-income category.

Guided by our assessment of Nigeria's current opportunities and strengths, including a sizable market, a youthful population, a burgeoning innovation and technology ecosystem, abundant natural resources, and participation in the African Continental Free Trade Area (AfCFTA) as well as existing policy plans, we present three distinct pathways for Nigeria to achieve economic transformation:

1

Export Diversification and Sophistication Strategy:

Positioning Nigeria as a global export hub and champion of AfCFTA regional integration.

2

Innovation and Digital Transformation Strategy:

Establishing Nigeria as a global innovation centre and exporter of knowledge-based products.

3

Subnational Economic Integration Strategy:

Cultivating competitive and sustainable regional and sub-national economies.

While these pathways may appear distinct, they are not mutually exclusive. They reflect variations in priorities, opportunities, policies, and focus areas. A visionary alignment of policies and strategic optimism will drive transformative change across all paths. The 8-Point Agenda of the President aligns closely with the economic transformation drive. The current government needs to lay the groundwork for a long-term economic transformation agenda that meets the people's aspirations and improves their standard of living. The pathways provided alternative approaches to achieve the 8-Point agenda.

The report projects the trajectory of critical socioeconomic variables till 2035, as shown in the table below. Achieving a US\$4 trillion economy by 2035 will come with fundamental changes in the structure and characteristics of the economy. By 2035, Nigeria will become Africa's industrial and manufacturing hub, producing and exporting diverse mineral and agricultural products, high-end products and knowledge products for the large AfCFTA market and the globe. Hence, Nigeria will become an industrialised nation with an industrial output of over 33 percent of GDP and a mechanised and commercialised agricultural sector accompanied by a robust service sector offering high-end services to the industrial and agricultural sectors.

In terms of inclusion, as people move on the path to economic transformation, the level of access improves, and people are lifted out of poverty. Nigeria's economic transformation will be accompanied by a globally competitive workforce, as the education system emphasises capacity building and skills development, while the health care system guarantees equitable access to every citizen. Nigeria will become a global innovation centre and exporter of knowledge-based

products. The economy will generate an average of 3 million jobs annually, cutting across different jobs, mainly in the industrial and manufacturing sectors, and labour productivity will be among the highest in the world at about US\$40/hr.

The report shows that over the next 10–13 years, the country requires an annual average investment of US\$737 billion. Furthermore, the government must spend an average of US\$140 billion yearly on capital and infrastructural projects to reach the US\$4 trillion economy goal while incentivising the private sector to mobilise the remainder.

The report highlights funding strategies and mechanisms the Nigerian government can adopt to mobilise resources and finance investments to drive economic transformation and inclusion.

Finally, the report highlighted the need for development funding, public service and institution reforms as binding constraints to achieving economic transformation. It concludes that the government must be deliberate in ensuring that the necessary foundation is laid in the short term to optimise benefits and outcomes of economic transformation and highlights short-term imperatives for a successful offtake of an economic transformation agenda. It also highlights 15 policy priorities and focus areas the government must follow over the next decade to achieve economic transformation and inclusion.

Table 1: Trajectory of major socioeconomic indicators

| | Economic Outcomes | 2023 | 2027 | 2031 | 2035 |
|----------------------|---------------------------------|-------------|-------------|-------------|-------------|
| GDP Size | GDP (Nominal US\$Bn) | 414 | 1,000 | 2,500 | 4,000 |
| | GDP (Nominal N'Trn) | 240 | 800 | 2,000 | 3,200 |
| | Nominal US\$ GDP Growth (%) | - | 24.82 | 25.96 | 12.48 |
| | Real GDP Growth (%)* | 3.1 | 8.6 | 14.1 | 13.5 |
| | Per Capita Income (US\$) | 1,863.2 | 4,105.4 | 9,453.2 | 14,041.5 |
| Investment | Investment (% of GDP) | 33.8 | 34.6 | 35.6 | 36.3 |
| | <i>Government</i> | 6.1 | 6.3 | 6.6 | 7.2 |
| | <i>Private</i> | 27.7 | 28.1 | 29.0 | 29.3 |
| Economic Structure | Agriculture (% of GDP) | 22.3 | 20.1 | 17.7 | 16.7 |
| | Industrial (% of GDP) | 19.8 | 25.3 | 29.7 | 33.1 |
| | <i>Manufacturing (% of GDP)</i> | 9.4 | 14.1 | 16.6 | 19.8 |
| | Services (% of GDP) | 57.9 | 54.6 | 52.6 | 50.2 |
| Employment | Job Creation (Mn)** | - | 8.1 | 11.7 | 12.2 |
| | Informal employment (%) | 91.4 | 77.6 | 43.1 | 29.3 |
| | Labour Productivity (US\$/hr) | 9.2 | 16.7 | 29.4 | 39.5 |
| | Lab. Force (% in Agric.) | 34.9 | 28.8 | 17.8 | 11.7 |
| Poverty & Inequality | Poverty (% of the population) | 42.8 | 29.46 | 17.70 | 8.06 |
| | Inequality Reduction. (Income) | 35.1 | 34.2 | 29.1 | 28.5 |

Source: NESG Estimates | * represents outcomes based on periodic averages after 2023, which are as follows: 2024-2027, 2028-2031 and 2032-2035. | ** represents outcomes based on periodic cumulative figures after 2023, which are as follows: 2024-2027, 2028-2031 and 2032-2035.

WHY THIS PROJECT?

Nigeria, a country endowed with substantial human capital and economic resources, has historically faced suboptimal socioeconomic performance. Critical macroeconomic and social indicators underscore the compelling need for a thorough and all-encompassing rejuvenation of the Nigerian economy. In this context, our scenario analysis explores three distinct yet interconnected pathways to achieving economic transformation and inclusivity in Nigeria, converging on shared objectives.

In 2023, Nigeria embarked on a new political and economic leadership chapter, guided by a visionary mission to address pressing socioeconomic challenges that demand equitable and resilient economic growth. With the seamless transition of power in its seventh consecutive democratic process, Nigeria stands at a pivotal juncture, ready to chart a fresh course towards shared prosperity and overcome long-standing hurdles impeding its socioeconomic progress.

Therefore, the 29th Nigerian Economic Summit (#NES29) adopts the theme *"Pathways to Sustainable Economic Transformation and Inclusion."* This theme aspires to convene government, business, politics, development and civil society leaders, and the academia leaders for insightful discussions and deliberations focused on addressing these pressing concerns and shaping a more promising future for Nigeria.

This report presents a comprehensive roadmap for achieving sustainable economic transformation and inclusive development in Nigeria by 2035. Our analysis considers the multifaceted dimensions of economic transformation and inclusion, considering Nigeria's distinctive domestic challenges and opportunities and the evolving dynamics within Africa and the global arena.



1

**INTRODUCTION
AND CONTEXT
SETTING**

THE TRANSFORMATIVE VISION

Pursuing Nigeria's economic aspirations, a profound vision has been outlined: transforming the nation into a US\$4 trillion economy by 2035. This vision, a cornerstone of the NES#29 Perspective, is underpinned by an intricate web of strategies, insights, and policy considerations designed to propel Nigeria onto the global stage as an economic powerhouse. The impetus behind achieving a US\$4 trillion economy by 2035 is rooted in the acknowledgement of Nigeria's immense potential, abundant resources, and the necessity to expedite economic development to meet the burgeoning demands of its populace.

In an era characterised by rapid global economic changes, digital disruptions, and evolving geopolitical dynamics, Nigeria's vision for 2035 is set against a backdrop of formidable challenges and unparalleled opportunities. The global community's commitment to sustainable development and the imperative of economic inclusion further

underscores the significance of this pursuit.

The NES29 perspective is the blueprint for this visionary journey, incorporating a multidimensional analysis of Nigeria's current economic landscape, economic transformation dynamics, and inclusivity imperatives. It draws upon an array of data, insights, and expert perspectives to chart a course toward a US\$4 trillion economy that is prosperous but also sustainable and equitable.

NAVIGATING THE PATHWAYS

But what pathways will guide Nigeria's progress? These pathways constitute the cornerstone of our approach, enabling us to anticipate the future and craft resilient and adaptable strategies. We aim to navigate Nigeria toward a more prosperous and inclusive economic terrain, untangling complexity while enhancing dynamic capabilities.



Our pathways delineate three distinct approaches to achieving economic transformation and inclusion in Nigeria. These pathways are intrinsically linked to the strategic objectives outlined in the President's 8-point agenda and associated initiatives, Nigeria Agenda 2050 (Nigeria in 2050) and the AU Africa's Agenda 2063.

Furthermore, we factor in domestic and international influences that could shape Nigeria's economic destiny across the short, medium, and long term.

This comprehensive analysis encompasses the multifaceted dimensions of economic transformation and inclusion, acknowledging Nigeria's distinct domestic challenges and opportunities and considering evolving dynamics within Africa and on the global stage. By dissecting these factors through the prism of various paths, our project aspires to deliver a holistic roadmap, illuminating the route to sustainable economic

transformation and inclusive development in Nigeria by 2035.

As the government navigates the path to economic transformation and inclusion, the specific objective of this report is to:

- **Dissect three distinct pathways for achieving economic transformation and inclusion in Nigeria. It will highlight viable pathways for Nigeria to achieve its goal of becoming a US\$4 trillion economy by 2035 while ensuring sustainable economic transformation and inclusion.**

This section lays the foundation for a comprehensive exploration of Nigeria's path to economic transformation and inclusion. Subsequent sections will delve into the intricacies of the current economic assessment, the envisioned Nigeria in 2035, and the strategies and policies required to achieve this monumental goal.



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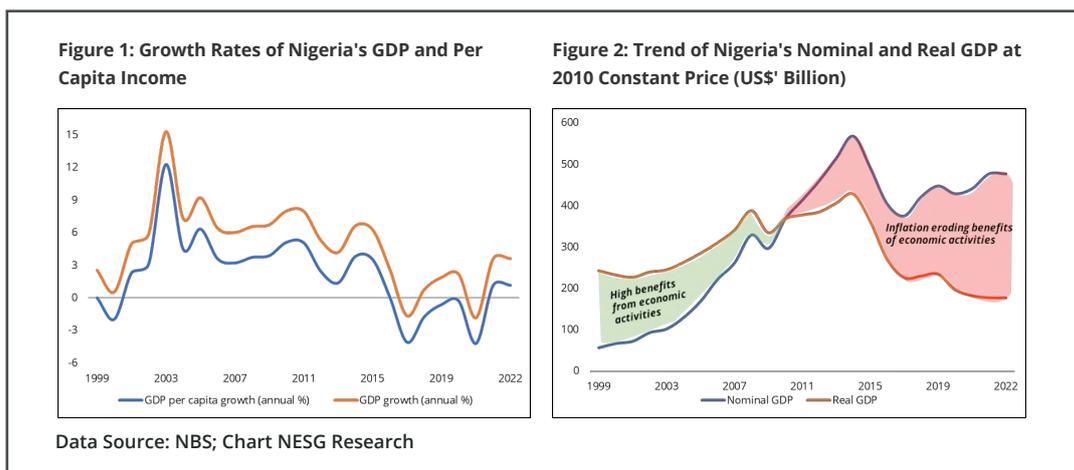
**CURRENT
ECONOMIC
ASSESSMENT**

A. ECONOMIC PERFORMANCE AND WEALTH CREATION

The synergy of the nation's production resources, including labour, capital, natural resources, and technology, has resulted in suboptimal national output and abysmal social outcomes. Since 2010, the positive welfare effects of Nigeria's economic growth have been eroded by the persistent impact of inflation. Moreover, apart from the fact that the real size of the Nigerian economy has not improved significantly since 1999, ongoing structural challenges have consistently resulted in minimal or even no net improvements in the socioeconomic conditions of the population.

In the last decade, Nigeria has witnessed two economic recessions and a period of low

GDP growth despite experiencing an average growth of approximately 7.0 percent in the previous decade, which was short-lived owing to the inability to build domestic resilience for transformational recovery. The cumulative average growth rate (CAGR) of 2.28 percent for the economy over the last decade is meagre and fragile for a developing country or a frontier market like Nigeria, considering the current population trajectory. The strong correlation between Nigeria's real Gross Domestic Product (GDP) growth and per capita income growth (the presumed annual income available to each Nigerian) affirms that the country's wealth is eroding (see Figure 1).



Consequently, it is evident that the average Nigerian now has diminished access to economic wealth compared to the previous decade. This predicament could be exacerbated further if the structural factors undermining economic prosperity remain unaddressed.

B. JOB CREATION AND SECTORAL GROWTH

The current state of sectors' performance reveals that Nigeria's productivity framework is inherently incapable of delivering the

desired socioeconomic outcomes, particularly regarding job creation and quality jobs. Most key sectors have failed to surpass their peak performance levels from 2010, except the Financial and Arts and recreation sectors. In that case, the current level of sectoral productivity falls significantly short in terms of generating jobs in quantity and quality.

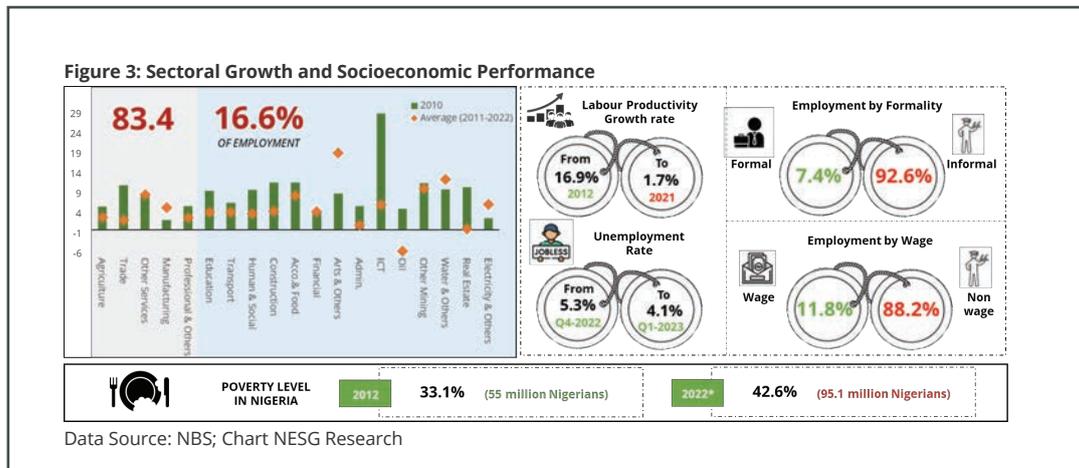
As depicted in Figure 3, the sectors responsible for about 85 percent of the country's employment face significant challenges in achieving robust performance.

Nigeria's Manufacturing sector, in particular, has become heavily reliant on imports due to its weak economic competitiveness. This dependence is especially evident in the two (2) significant sub-sectors, namely Food, Beverages & Tobacco, and Textile, Footwear, & Apparel, which heavily rely on imported intermediate inputs. Consequently, domestic binding constraints have continued to undermine the job creation potential of the country's Manufacturing sector as value addition across sectors is relatively poor owing to poor economic complexity.

This has significantly contributed to the elevated poverty and deprivation levels in Nigeria. In 2022, an estimated 42.5 percent of the population, representing 95.1 million

Nigerians, lived below the poverty line. This statistic is not surprising given the recent Labour Force Statistic Report released by the National Bureau of Statistics (NBS).

Based on a new methodology, the report suggests that the unemployment rate stood at 4.3 percent in the first quarter of 2023. Meanwhile, 92.6 percent of the labour force is employed in the informal sector, mainly in Agriculture and Trade. In addition, only 11.8 percent of the employed labour force is in wage employment, while the remaining 88.2 percent earn unstructured income.



According to the World Bank, about 4 million Nigerians were impoverished in the first five months of 2023. This brings the poverty headcount to 93.8 million from 89.8 million at the beginning of the year, implying that the current jobs, as indicated by the new employment rate, are not decent enough to lift people out of poverty.

Approximately 133 million Nigerians in 2022, accounting for approximately 63 percent of the nation's population, are grappling with or experiencing more than a quarter of all conceivable deprivations. The northern part of Nigeria is home to 65 percent of the country's multi-dimensionally impoverished population, with the southern region hosting the remaining 35 percent.

C. INFRASTRUCTURE AND SOCIAL SECTOR

The availability of essential production-supporting infrastructure in Nigeria currently lags behind the World Bank's international benchmark of 70 percent of GDP by a significant margin, standing at only 35 percent. This deficiency persists despite substantial capital allocation for infrastructure development in recent times.

According to the 2019 Global Competitive Index report, Nigeria was ranked 130th out of 141 countries regarding the quality

of its available infrastructure facilities. This assessment highlights a considerable infrastructure deficit of over 50 percent in Nigeria.

Over the past five years (2017-2022), Nigeria has made gradual progress in infrastructure development across critical sectors, including Transportation, Power, Information & Communication Technology (ICT), as well as water and sanitation. However, despite these evident improvements, Nigeria still lags behind 23 other African nations.

Table 1: Nigeria's Performance on the Africa Infrastructure Index

| | 2015 | 2019 | 2020 | 2022 |
|---------------|-------|-------|-------|-------|
| Egypt | 85.62 | 87.23 | 88.39 | 89.91 |
| South Africa | 75.9 | 78.43 | 79.34 | 81.67 |
| Ghana | 25.44 | 29.51 | 30.13 | 31.81 |
| Senegal | 24.59 | 28.3 | 29.22 | 31.3 |
| Nigeria | 20.45 | 23.28 | 24.18 | 24.9 |
| Rwanda | 20.45 | 22.76 | 23.27 | 24.53 |
| Cote d'Ivoire | 18.85 | 20.97 | 21.7 | 22.66 |

Data Source: AfDB

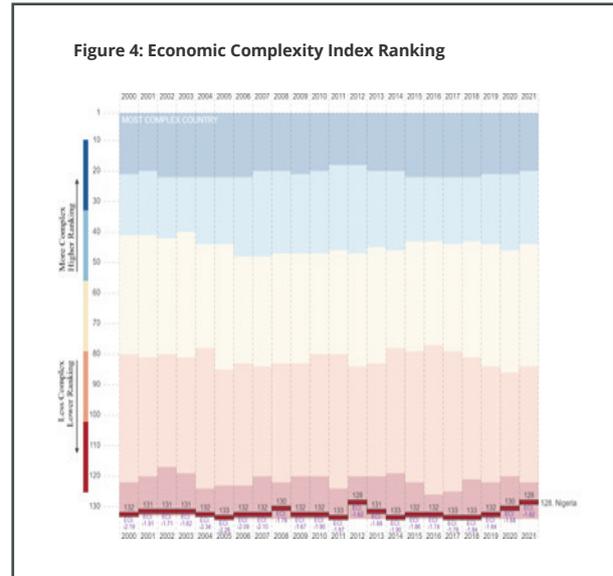


Additional records concerning access to basic social amenities reveal a dire situation for most Nigerians. The average life expectancy for a Nigerian is 54 years due to various factors, including limited access to electricity (with 100 million Nigerians off the national grid), inadequate access to quality healthcare services (ranking 178th out of 192 countries according to the World Health Organization), and insufficient human capital development, with one out of every five out-of-school children globally being a Nigerian.

D. ECONOMIC SOPHISTICATION AND COMPETITIVENESS

Over the past two decades, Nigeria's economy has witnessed a relative decline in complexity, sliding from the 102nd to the 126th position in the Economic Complexity Index (ECI) ranking. As of 2021, Nigeria held the 30th position globally in terms of GDP (current US\$), the 52nd position in total exports, the 50th position in total imports, the 141st position in terms of GDP per capita (current US\$), and the 126th position in economic complexity according to the Economic Complexity Index (ECI).

Nigeria's Economic Complexity (EC) performance has stagnated, maintaining the same ranking it held in 1995 when compared to other economies, including aspirational peers (countries that Nigeria intends to be like in terms of size of GDP, per capita income, export diversification, and economic



complexity) and structural peers (countries that exhibit similar economic structure and achieved economic transformation). The country has struggled to move up five positions in the last ten years, from 132 to 128.

Beyond the economic complexity, Nigeria is also lagging in the performance of crucial macroeconomic indicators. This abysmal performance necessitated charting a new developmental course for the country. Nigeria is underperforming and still at the crude level of development by many metrics (see Table 2). This explains why Nigeria is experiencing fragile economic growth, subdued government revenue and debt problems, lack of economic opportunities, multidimensional poverty, income disparity, etc.

Table 2: Economic Transformation Indicators – Nigeria Vs Peer Countries

| | Nigeria | | | Structural Peers in the medium term | | | Aspirational Peers in the long term | | |
|---|------------|------------|------------|-------------------------------------|-----------|-----------|-------------------------------------|-----------|-----------|
| | 2015 | 2020 | 2022 | Brazil | Indonesia | Mexico | Japan | China | Germany |
| Nominal GDP (US\$' Bn) | 493 | 432.2 | 477.4 | 1,920 | 1,319.1 | 1,414.2 | 4,231.1 | 17,963.2 | 4,071.19 |
| Per Capita Income (US\$) | 2,679.6 | 2,074.6 | 2,184.4 | 8,917.7 | 4,788 | 11,091 | 33,815.3 | 12,720.2 | 48,432.46 |
| Agriculture (% of GDP) | 20.6 | 24.1 | 23.7 | 6.8 | 12.4 | 4.1 | 1.0* | 7.3 | 1.1 |
| Manufacturing (% of GDP) | 9.4 | 12.7 | 13.4 | 11.1 | 18.3 | 18.8 | 20.5* | 27.7 | 18.5 |
| Services (% of GDP) | 58.1 | 52.4 | 55.4 | 58.9 | 41.8 | 58.8 | 70 | 52.8 | 62.7 |
| Consumption (% of GDP) | 84.5 | 72.6 | 67.3* | 81.1 | 60.7 | 79.7 | 74.9* | 53.9* | 73.1 |
| Investment (% of GDP) | 15.5 | 27.5 | 33.8* | 18.1 | 29.7 | 21.6 | 25.6 | 43.1* | 24.8 |
| Labour Productivity (US\$/hr) | - | - | 8.3 | 17.4 | 13 | 20.1 | 39.6 | 13.5 | 58.31 |
| Percentage of Working Population in Agric.*** | 37 | 35.8 | 35.2 | 9.7 | 29 | 12.3 | 3.2 | 24.4 | 1.3 |
| Export Diversification Index | - | 88.1* | 86.62** | 103.2** | 96.7** | 108.1** | 123** | 144** | 136.8** |
| Rank (of 106 Countries) | - | - | 99 | 38 | 63 | 25 | 8 | 2 | 3 |
| Economic Complexity Index | 1 | -1.68 | -1.62 | -0.16 | -0.09 | 1.14 | 2.26 | 1.33 | 1.94 |
| Rank (of 133 Countries) | 133 | 130 | 128 | 70 | 64 | 22 | 1 | 18 | 4 |

Source: World Bank, UN ILOSTAT, GrowthLab. Note: *A year earlier than actual date; **2020-2021; ***GDP per hour worked (GDP constant 2017 international \$ at PPP) in 2021



3

**ENVISIONING
AN ECONOMIC
TRANSFORMATION
AND INCLUSION**

3.1 CONCEPTUALISING ECONOMIC TRANSFORMATION AND INCLUSION

Drawing upon the preceding analysis, it becomes evident that Nigeria stands at a pivotal juncture, necessitating a comprehensive agenda for economic transformation and inclusion. This strategic imperative is underpinned by the profound objective of fostering sustained economic growth, catalysing job creation, and alleviating poverty. Within this context, economic transformation assumes a paramount role.

Economic transformation embodies the continuous process of structural evolution and heightened productivity enhancement

across sectors. It hinges on the adept incorporation of cutting-edge technologies, innovative practices, and efficient operational methodologies. Moreover, it necessitates judicious resource reallocation towards sectors with elevated productivity potential while embracing trade diversification and fostering value augmentation within the export domain. Notably, with its capacity to cater to burgeoning markets, the manufacturing sector emerges as a pivotal driver of economic transformation.

This multifaceted journey towards economic transformation encompasses elevating labour productivity, a dimension characterised by its manifold facets.

- *First and foremost, it entails facilitating structural shifts within the workforce, directing it towards higher productivity sectors, such as manufacturing and high-value services, while progressively diminishing dependence on agriculture.*
- *Secondly, it mandates the cultivation of heightened production sophistication within and across sectors through the infusion of cutting-edge technology and superior management practices.*
- *Lastly, it aspires to cultivate economic complexity through the diversification and sophistication of export products. This transition, heralded by a shift from primary commodities to high-value-added manufacturing and exports, assumes centre stage in the economic transformation narrative.*

Effective economic transformation catalyses inclusivity, fostering equitable access to its manifold benefits. It is pivotal to recognise that as individuals augment their productivity within economic transformation, a virtuous cycle ensues, characterised by diminishing poverty rates and elevating

living standards. This transformative impact transcends demographic boundaries, embracing individuals regardless of gender, age, ethnicity, or background. In essence, all Nigerians, as both beneficiaries and contributors, partake in the dividends of economic growth.

However, the pursuit of inclusiveness within the paradigm of economic transformation warrants a sequential trajectory. It commences with the creation of gainful employment opportunities, subsequently progressing towards enhancing working conditions as productivity surges. Ultimately, this transformative journey culminates in providing dignified and sustainable employment, underpinning an elevated quality of life for all citizens.

In conclusion, Nigeria's pursuit of inclusive economic transformation embodies a multifaceted strategy that not only propels the nation towards sustained economic growth but also uplifts the lives of all its citizens, thereby realising a future marked by shared prosperity and equitable opportunities.

3.2 ECONOMIC TRANSFORMATION AND INCLUSION: A MULTIFACETED PERSPECTIVE

In the pursuit of comprehending the contours of economic transformation and its inherent inclusivity, exploring the subject reveals a set of multifaceted characteristics. These characteristics, instrumental in structuring the economic landscape, underpin the transformation journey.

- **Reconfiguration of the Agricultural Landscape:** At the heart of economic transformation lies a discernible shift in the composition of output and employment. This transformation is marked by a decrease in the relative share of agriculture within the economic landscape. Importantly, this shift does not signify a decline in the nominal value of agriculture but reflects the recalibration of sectors within the broader

economic context, with the agricultural sector significantly providing the resources inputs to the industrial sector.

- **The Momentum of Urbanisation:** An inherent facet of economic transformation is the phenomenon of urban drift and the concurrent rise in urbanisation. This dynamic demographic shift reflects the migration of individuals from rural to urban areas, shaping the landscape of economic activities within burgeoning urban centres.

- **The Ascendancy of Industry and Services:** A prominent hallmark of economic transformation is the substantial expansion of the industrial and service sectors. This elevation reflects the increasing contribution of these sectors to overall economic output, signifying a broader diversification of economic activities for shared prosperity.

- **Demographic Evolution:** The journey towards economic transformation is intricately linked with a demographic transition. This transition is characterised by a shift from high birth and death rates to a pattern typified by lower rates, indicative of evolving demographic dynamics with improved quality of life.

- **Knowledge-Driven & Tech-Advanced Transformation:** Contemporary economic transformation hinges on a knowledge-driven economy and the proactive adoption of technology. This involves acquiring, applying, and disseminating knowledge and tech innovations across sectors, ensuring agility and competitiveness in a rapidly evolving global economy."

In addition to these foundational characteristics, economic transformation encompasses a spectrum of other essential elements:

- Enhancing Productivity and Competitiveness:** A pivotal dimension of transformation is the enhancement of productivity and competitiveness within existing sectors and firms. This facet emphasises the imperative of improving the efficiency and competitiveness of established economic players.
- Fostering Novel and Dynamic Sectors:** A dynamic economic transformation journey entails the cultivation of new and vibrant sectors. This not only enriches economic diversity but also instigates innovation and economic dynamism.
- The Transition to High-Income Status:** Economic transformation encompasses

the monumental transition from low-to-middle-income status, signifying a shift from economies with per capita incomes ranging from US\$1,136 to US\$4,465, to the distinguished realm of high-income economies, characterised by per capita incomes exceeding US\$13,845.

In conclusion, this multifaceted characterisation of economic transformation and inclusion underscores the intricate fabric of this transformative journey. It is imperative to recognise these dimensions as integral elements in the broader narrative of economic development, one that shapes the contours of nations and holds the potential to elevate living standards, foster innovation, and fuel sustainable growth.



3.3 BENCHMARKING NIGERIA WITH GLOBAL PEERS: A STRATEGIC IMPERATIVE

In calibrating Nigeria's transformation pathways, we must gauge our progress against countries that have made significant strides in economic transformation. Our benchmarking exercise discerns two distinct

categories: structural peers in the medium term and aspirational peers in the long-term perspective.

The structural peers, comprising nations such as Indonesia, Mexico, and Brazil, share analogous economic structures with Nigeria before their substantial transformation endeavours. These countries serve as pivotal

reference points, offering insights into the evolution of economies.

Concurrently, our aspirational peers embody countries currently occupying the position Nigeria aspires to attain. This vision encompasses factors such as GDP size, per capita income, export diversification, and economic complexity. In this context, peers like Japan, China, and Germany emerge as guiding beacons.

As illustrated in the figure below, structural peers like Brazil and Mexico and aspirational peers like Japan, China, and Germany have etched their names as global leaders,

marked by remarkable growth and economic transformation. It is imperative to recognise that these peers are in a constant state of progression, emphasising the urgency for Nigeria to quintuple the size of its economy to secure a position among the world's top 15 nations.

Nigeria's journey towards global prominence is underscored by the need for rapid economic growth and transformation, echoing our commitment to ascend to a coveted status among the global community of nations.

Table 3: The envisioned future for Nigeria sees the economy among the top 15 global economies in 2035.

World's Largest economies (measured in USD)

| Ranking | 1980 | 2000 | 2022 | 2027 | 2030 | 2035 |
|---------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 1 | United States | China |
| 2 | Japan | Japan | China | China | China | United States |
| 3 | Germany | Germany | Japan | Japan | Japan | Japan |
| 4 | France | United Kingdom | Germany | India | India | India |
| 5 | United Kingdom | France | India | Germany | Germany | Germany |
| 6 | Italy | China | United Kingdom | Canada | Canada | Brazil |
| 7 | China | Italy | France | France | France | France |
| 8 | Canada | Canada | Canada | Brazil | Brazil | Canada |
| 9 | Argentina | Mexico | Italy | Italy | Italy | Italy |
| 10 | Spain | Brazil | Brazil | United Kingdom | United Kingdom | United Kingdom |
| | Nigeria (28) | Nigeria (46) | Nigeria (29) | Nigeria (20) | Nigeria (15) | Nigeria (12) |

Aspirational Peers

Structural Peers

Source: NESG Research

An aerial photograph of a city skyline, likely Lagos, Nigeria, with a green color overlay. The image shows various high-rise buildings and a dense urban landscape under a cloudy sky.

4 THE ENVISIONED NIGERIA IN 2035

4.1 A VISION UNVEILED: NIGERIA'S JOURNEY TO A US\$4 TRILLION ECONOMY BY 2035

In the heart of Africa, Nigeria, a nation with a population surpassing 220 million, finds itself at a pivotal juncture. Its current GDP of approximately US\$450 billion yields a per capita income below US\$2,000, categorising it as a low-income country. This classification, however, casts a long shadow over Nigeria's performance across various socioeconomic indicators.

Nigeria's GDP and per capita income lag significantly behind its structural peer nations, Brazil, Indonesia, and Mexico, which share similar human and mineral resources and historical economic foundations. These peer nations have recorded three to five times higher figures for their citizens. This glaring divergence permeates Nigeria's economic landscape, impacting its structural composition, investment levels, economic complexity, export diversity and quality, labour productivity, and the composition of its labour market.

Yet, Nigeria's horizon is adorned with ambition, as articulated in the Nigeria Agenda 2050 (NA 2050). The audacious goal is to attain a per capita income of US\$33,328 per annum by 2050, positioning the nation among the world's elite high-income nations. This vision places an urgent responsibility on the new government, necessitating steadfast efforts to drive economic transformation and lay the groundwork for this objective, even if it means striving to meet the minimum threshold of a high-income nation in the interim.

As the structural peer nations unrelentingly continue their growth trajectory into the next

decade, there is an anticipation that their economies could ascend to a remarkable US\$6 trillion by 2035. With a visionary alignment of policies and strategic optimism, Nigeria's economy possesses the potential to soar to US\$4 trillion within the same time frame. Such growth promises expanded access to economic opportunities, uplifting millions from the depths of poverty. Poverty would recede by an average of 10 million individuals annually as Nigeria navigates its path towards a US\$4 trillion economy.

This remarkable trajectory embodies more than economic expansion; it signifies a metamorphosis. Nigeria emerges not only as an African industrial epicentre but also as a global economic powerhouse characterised by its exceptional competitiveness. This transformation embodies diversity, underpinned by economic sophistication, a commitment to knowledge-driven progress, and embracing digital innovation.

4.2 PATHWAYS TO ECONOMIC TRANSFORMATION AND INCLUSION

Strategies for the Envisioned Nigeria
The government's overarching goal is crucial to formulating and prioritising policies and reforms and identifying focus areas. Therefore, the NESG proposes the following policy strategies for Nigeria to transform its economy and achieve a US\$4 trillion economy by 2035.

- Export Diversification and Sophistication Strategy – Nigeria becomes a global export hub and regional integration champion of AfCFTA
- Innovation and Digital Transformation Strategy – Nigeria becomes a central global innovation hub and exporter of knowledge products to the world

- Subnational Economic Integration Strategy – develop competitive and viable regions/sub-national economies

While each strategy appears distinct in its framing, they are non-mutually exclusive. Table 4 presents the opportunities and growth drivers open to Nigeria to explore and the policy priorities and focus areas for Nigeria on achieving a US\$4 trillion economy by 2035. The strategic paths are non-mutually

exclusive in that all the growth drivers, policy priorities, and focus areas are essential for Nigeria to achieve a US\$4 trillion economy by 2035. They, however, differ in their overarching goals, philosophical background, target opportunities, and priority placed on the policies and focus areas (in terms of finance, human capital, time and other resources).

Table 4: Target Opportunities and Policy Priorities for Nigeria

| Target Opportunity and Growth Drivers | Policies Priorities and Focus Areas |
|---|---|
| <ul style="list-style-type: none"> • Large market size • Considerable working age and youth population • Growing entrepreneurship ecosystem • Fast-evolving innovation and technology ecosystem • Coastal positioning (access to the sea) • Geographic location (opportunity to be the supply hub for sub-Saharan Africa) • Land mass for agriculture • Atmospheric advantage (favourable weather for agriculture, opportunity to for renewable energy hub) • Diverse mineral and natural resource endowment (crude oil, gas, gold, lithium, etc.) • Membership of the AfCFTA | <ul style="list-style-type: none"> • Industrialisation enhancing infrastructure • Targeting employment elastic sectors' growth • Product diversification and sophistication • Product value chain development • Market Reform & Competitiveness • Transformation readiness enhancement • Startup and entrepreneurial development ecosystem • Digital infrastructure development • Industrially relevant skills and education • Innovation in healthcare services • Framework for the intergovernmental economic relationship • Regional infrastructural development • Regional economic commissions • Regional shared services and clustering • Regional value chain development |

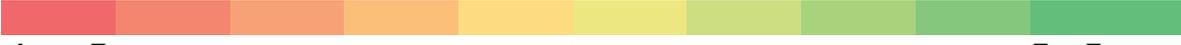
EXPORT DIVERSIFICATION AND SOPHISTICATION STRATEGY (EDSS) (MAKING NIGERIAN MARKET COMPETITIVE)

By making the Nigerian economy globally competitive, the EDSS pathway entails achieving export diversification and economic sophistication through rapid industrialisation. Industrialisation will solely position Nigeria to take advantage of the global trade value chain by manufacturing diverse and high-value products for export. This involves the establishment of a competitive market

economy for manufacturing companies to evolve and produce various goods with various levels of sophistication and value-addition. In the face of persistent external vulnerability, the EDSS allows Nigeria to strengthen its external exposure, take advantage of the AfCFTA agreement, its geographic location, the market size with potential for massive job creation (predominantly blue-collar jobs) and so on (see Table 5).

Table 5: Heat Presentation of Target Opportunities Across Strategies

| Target Opportunities | Export Diversification and Sophistication Strategy | Innovation and Digital Transformation Strategy | Subnational Economic Integration Strategy |
|---|--|--|---|
| International Market (AfCFTA) | Light Green | Yellow | Light Green |
| Geographic Location | Light Green | Orange | Red |
| Coastal Positioning | Light Green | Red | Orange |
| Large Market Size | Light Green | Yellow | Light Green |
| Fast-evolving Innovation & Technology Ecosystem | Orange | Light Green | Red |
| Large Working Age & Youth Population | Red | Light Green | Yellow |
| Growing Entrepreneurship Ecosystem | Red | Light Green | Orange |
| Atmospheric Advantage (Farming, energy) | Red | Light Green | Light Green |
| Diverse Mineral and Natural Resources | Yellow | Orange | Light Green |
| Land Mass | Yellow | Red | Light Green |



Least Target Opportunity

Top Target Opportunity

Going by this path, the government will aim for Nigeria to be a global export hub leading the way in the AfCFTA implementation. The major drivers of this strategy will be companies, especially those in the manufacturing sector. As such, the government will focus policies and interventions on supporting companies involved in large-scale production, such as providing industrialisation-enhancing infrastructure, targeting employment elastic sectors' growth, promoting product diversification and sophistication, market reforms and competitiveness and value-chain development (see Table 6).

Innovation and Digital Transformation Strategy (IDTS) (Developing the People)
 Developing the People as an economic transformation agenda involves the

development of globally competitive citizens offering various products and services worldwide. This agenda will be anchored on achieving Innovation and Digital Transformation. It involves an intense and broad-based drive for citizens' capacity building and the development of a workforce with a pool of 21st-century industry-relevant skills to leapfrog into the evolving world of innovation and the fourth industrial revolution. This economic transformation strategy will tap into the vibrant and youthful Nigerian population, fast-evolving innovation & technology ecosystem, and growing entrepreneurship ecosystem (see Table 5). According to NBS, 93 percent of employed Nigerians work informally because of a lack of or low capacity for the majority. This strategy is particularly well-suited to help Nigeria effectively reap demographic dividends. The

major development drivers under the IDTS are the citizens, startups, entrepreneurs and SMEs whose innovations will propel economic transformation.

The adoption of this strategy by the government is for Nigeria to become a significant global innovation hub and exporter of knowledge products to the world. The government will provide a favourable

environment for knowledge (innovation) development and scale-up of millions of small businesses and startups. This includes investment in transformation readiness enhancement initiatives to drive innovation, digital infrastructure, industrially relevant skills and education, innovation in healthcare services and support the startup and entrepreneurial development ecosystem (see Table 6).

Table 6: Heat Presentation of Priority of Policies Across Strategies

| Target Policies and Focus Areas | Export Diversification and Sophistication Strategy | Innovation and Digital Transformation Strategy | Subnational Economic Integration Strategy |
|---|--|--|---|
| Industrialisation enhancing infrastructure | Green | Light Green | Light Green |
| Targeting employment elastic sectors' growth | Green | Red | Orange |
| Product diversification and sophistication | Green | Orange | Orange |
| Product value chain development | Green | Yellow | Red |
| Market Reform & Competitiveness | Green | Light Green | Yellow |
| Transformation readiness enhancement | Yellow | Green | Light Green |
| Startup and entrepreneurial development ecosystem | Orange | Green | Red |
| Digital infrastructure development | Yellow | Green | Yellow |
| Industrially relevant skills and education | Light Green | Green | Orange |
| Innovation in healthcare services | Red | Light Green | Red |
| Framework for the intergovernmental economic relationship | Red | Red | Green |
| Regional infrastructural development | Light Green | Yellow | Green |
| Regional economic commissions | Red | Red | Green |
| Regional shared services and clustering | Orange | Orange | Green |
| Regional value chain development | Orange | Orange | Light Green |



SUB-NATIONAL ECONOMIC INTEGRATION STRATEGY (SEIS)

This pathway stresses optimising Nigeria's abundant human and natural resources at the sub-national levels or states. The sub-national Economic Integration involves a deliberate attempt to tap into the mineral and natural endowments and economic

advantages of all regions, states and local governments in Nigeria. Economic activities in Nigeria are often concentrated, which has created undue poverty concentration and massive rural-urban migration. The SEIS emphasises the need for collaboration between the Federal Government and State Governments through integration among

states to develop the local economies and improve economic opportunities for the people. This strategy requires state and resources mapping, which aims at developing competitive and viable regions/ sub-national economies that optimally exploit the resources of each region/state alongside the export market to create an equitable spread of opportunities across the country

4.3 NIGERIA'S ECONOMY IN 2035

4.3.1. SOCIOECONOMIC PROJECTIONS TO 2035

The ambition to hit US\$4 trillion in GDP by 2035 is behind a sustained double-digit real GDP growth rate over the next decade, which should range between 10-15 percent per annum. This is achievable considering the historical experience of Nigeria's aspirational peers, such as China,

(see Table 5). The policy priority for the government includes developing a framework for the intergovernmental economic relationship, inter-state infrastructural development, establishing regional economic commissions, developing regional shared services and clustering, and strengthening regional value chain development (see Table 6).

Japan, and Germany, during the initial stage of their transformation. China maintained an average real GDP growth rate of 10.3 percent (from 1982 to 2011). Similarly, Japan and Germany maintained average growths of 10.5 percent (1956 to 1973) and 9.2 percent (1951 to 1960), respectively, which set them as developed countries. Table 7 presents the trajectory of critical socioeconomic variables till 2035.

Table 7: Trajectory of major socioeconomic indicators

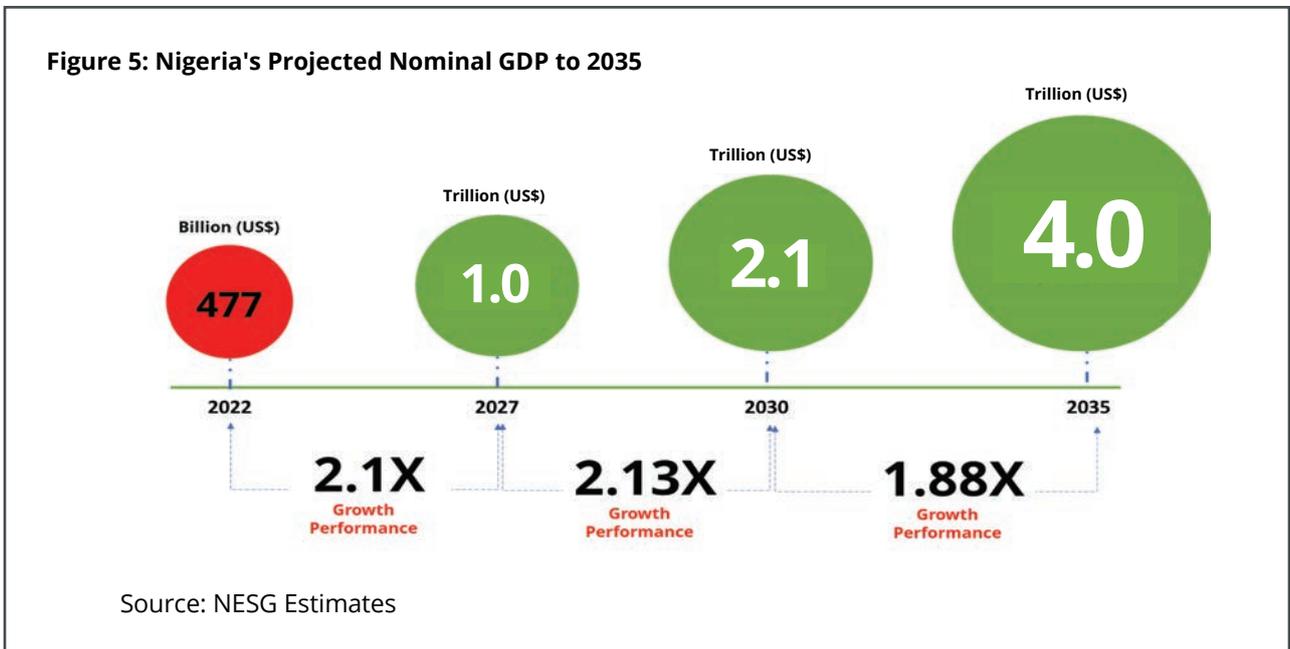
| | Economic Outcomes | 2023 | 2027 | 2031 | 2035 |
|----------------------|---------------------------------|-------------|-------------|-------------|-------------|
| GDP Size | GDP (Nominal US\$Bn) | 414 | 1,000 | 2,500 | 4,000 |
| | GDP (Nominal N'Trn) | 240 | 800 | 2,000 | 3,200 |
| | Nominal US\$ GDP Growth (%) | - | 24.82 | 25.96 | 12.48 |
| | Real GDP Growth (%)* | 3.1 | 8.6 | 14.1 | 13.5 |
| | Per Capita Income (US\$) | 1,863.2 | 4,105.4 | 9,453.2 | 14,041.5 |
| Investment | Investment (% of GDP) | 33.8 | 34.6 | 35.6 | 36.3 |
| | <i>Government</i> | 6.1 | 6.3 | 6.6 | 7.2 |
| | <i>Private</i> | 27.7 | 28.1 | 29.0 | 29.3 |
| Economic Structure | Agriculture (% of GDP) | 22.3 | 20.1 | 17.7 | 16.7 |
| | Industrial (% of GDP) | 19.8 | 25.3 | 29.7 | 33.1 |
| | <i>Manufacturing (% of GDP)</i> | 9.4 | 14.1 | 16.6 | 19.8 |
| | Services (% of GDP) | 57.9 | 54.6 | 52.6 | 50.2 |
| Employment | Job Creation (Mn)** | - | 8.1 | 11.7 | 12.2 |
| | Informal employment (%) | 91.4 | 77.6 | 43.1 | 29.3 |
| | Labour Productivity (US\$/hr) | 9.2 | 16.7 | 29.4 | 39.5 |
| | Lab. Force (% in Agric.) | 34.9 | 28.8 | 17.8 | 11.7 |
| Poverty & Inequality | Poverty (% of the population) | 42.8 | 29.46 | 17.70 | 8.06 |
| | Inequality Reduction. (Income) | 35.1 | 34.2 | 29.1 | 28.5 |

Source: NESG Estimates | * represents outcomes based on periodic averages after 2023, which are as follows: 2024-2027, 2028-2031 and 2032-2035. | ** represents outcomes based on periodic cumulative figures after 2023, which are as follows: 2024-2027, 2028-2031 and 2032-2035.

While the strategic paths aim to achieve a US\$4 trillion economy by 2035, they are also expected to drive improvement across socioeconomic indicators. Irrespective of the strategic path, this study anticipates specific mutations in the fundamental structure of the economy that accompany a transforming economy. Moreover, this study recognises the possibility of potential differences in the outcomes across the strategies. EDSS could be better at driving manufacturing, IDTS could deliver a better service sector, while the SEIS could strongly influence the mining

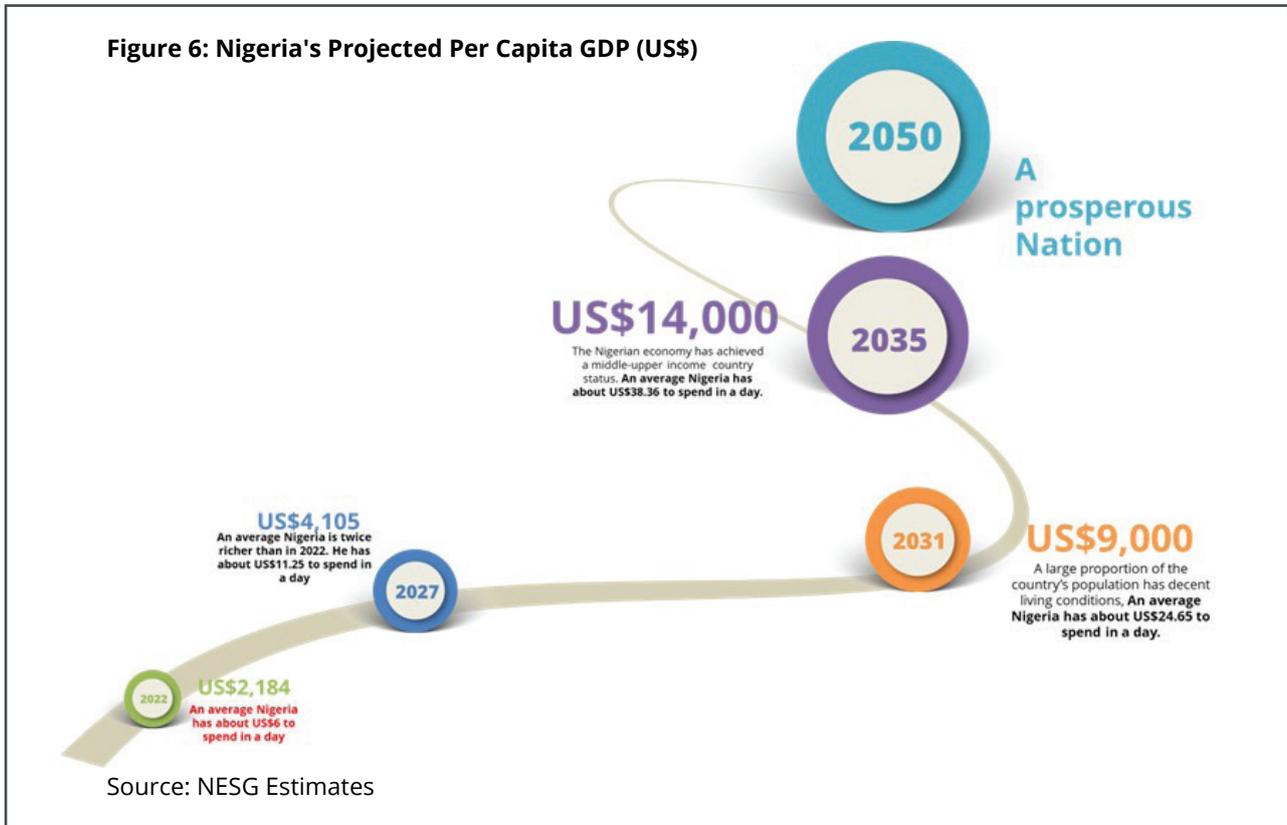
and agriculture sectors. Nevertheless, to the extent of this study, the strengths of each of the strategies are modelled and expected to deliver robust sectors and inter-sectoral value chain development without necessarily yielding different results.

Moving towards the US\$4 trillion economy, and based on the country's political cycle, the Nigerian economy could cross critical milestones of US\$1 trillion, US\$2.5 trillion, and US\$4 trillion by 2027, 2031, and 2035, respectively (see Figure 5).



Furthermore, Nigeria's per capita income is expected to cross US\$5,000, US\$10,000,

and US\$14,000 by 2028, 2032, and 2035, respectively (see Figure 6).



4.3.2 IMPLICATIONS FOR ECONOMY

As Nigeria hits the US\$4 trillion economy by 2035, there will have to be fundamental changes in the structure of the economy. The policy priorities and focus area are all targeted at supporting and strengthening the economy to expand productivity, outputs and overall GDP. Besides, the following highlights some of the economic characteristics of the Nigerian economy in 2035:

- By 2035, Nigeria's economy will deepen to generate robust and sustainable economic growth accompanied by improvement across socio and macro-economic indicators.
- Nigeria becomes Africa's industrial and manufacturing hub, producing and

exporting diverse mineral and agricultural products, high-end products and knowledge products for the large AfCFTA market and the globe.

- Nigeria becomes an industrialised nation with an industrial output of over 33 percent of GDP and a mechanised and commercialised agricultural sector. This will be accompanied by a robust service sector offering high-end services to the industrial and agricultural sectors.
- Nigeria becomes the favourite investment destination in Africa because of the established and well-developed market system and efficient operating environment.

- Nigeria becomes the economy with the most stable macroeconomy. As Nigeria moves toward economic transformation, it builds economic resilience and reduces vulnerability; it grows revenue capacity, foreign exchange earning capacity, and massive production of necessities. This shores up government revenue, drastically reduces the need for borrowing, maintains a stable exchange rate market, and douses inflationary pressures.
- Nigeria becomes a global economic powerhouse as it moves from its current 29th ranking to become one of the top 15 economies in the world.
- Nigeria's GDP of US\$4 trillion will set Nigeria as a high-income country with a per capita income of over US\$14,000 annually (at the current exchange rate of N770/US\$, this amounts to N10.8 million).

4.3.3 IMPLICATIONS FOR ECONOMIC INCLUSION

The central crux of inclusion is equitable access – productive activities, capacity development, healthcare, finance, and social welfare. Of course, as people move on the path to economic transformation, the level of access improves, and people are lifted out of poverty. Significant recipes to the projections of this study, as highlighted by the policy priorities and focus areas, are targeted at improvement in the various forms of access. Many policy priorities and focus areas are targeted at expanding and strengthening the access to productive activities and economic opportunities that a transformed economy will avail Nigerians. Specifically, policy priorities and focus areas such as targeting employment elastic sectors' growth, strengthening the startup & entrepreneurial development ecosystem, engendering industrially relevant skills & education, and

innovation in healthcare services are targeted at the people, improving their chances of contributing to economic development. The following highlights some of the economic inclusion characteristics of the Nigerian economy in 2035:

- By 2035, Nigeria will have a reformed education system that emphasises capacity building and skills development for all Nigerians. Nigeria would have built a globally competitive workforce and become a global innovation centre and exporter of knowledge-based products.
- The Nigerian health sector would have transformed, guaranteeing equitable access to every citizen and moving from health tourism outflow to health tourism inflow.
- An over US\$14,000 per capita income annually implies an expansion in the middle-income class and a shrinking of the low-income class. Therefore, there is a drastic lifting of existing poor people out of poverty, with lesser people falling into poverty and pushing the poverty headcount below 10 percent.
- On the Human Development Index, Nigeria would have moved from its current Low Human Development Status of 52.7 years of life expectancy at birth, 7.2 years of schooling and US\$2,000 per capita income to be among High Human Development Status countries with averages of 72.1 years life expectancy at birth, 14 years schooling and US\$13,232.1 per capita income .
- Following robust and sustainable economic growth, the economy would have built the inherent capacity to deliver jobs as it grows. Therefore, the economy will generate an average of 3 million jobs

annually, cutting across different jobs, mainly in the industrial and manufacturing sectors.

- The level of informal sector employment would have drastically reduced as more people moved from agriculture to industrial and manufacturing activities and high-end services. Hence, the share of informal employment would have shrunk below 30 percent, and the share of the labour force in the agriculture sector would have shrunk to 11.7 percent.
- As the labour force gets sophisticated and productivity improves, the average productivity of the Nigerian workforce will be among the highest in the world at about US\$40/hr.

4.3.4 IMPLICATIONS FOR THE PRESIDENT'S 8-POINT AGENDA

With the swift ending of the fuel subsidy regime and harmonising the exchange rate market, the new government has shown a commitment to reform the economy, however daunting it might appear. Besides, the government has also announced an 8-Point Agenda that the government will run within the short to medium term. The President has highlighted food security, ending poverty, economic growth and job creation, access to capital, inclusivity (drawing on all skills base), security, fairness and the rule of law, and anti-corruption as his policy priorities over the next four years. The 8-Point Agenda of the President aligns closely with the expected outcomes of an economy experiencing economic transformation. In achieving the 8-Point agenda, the government needs to lay the groundwork for a long-term economic transformation agenda that meets the people's aspirations and improves their standard of living.

The outcomes of this scenario analysis will answer the question of how to achieve the agenda. The NESG has set an Economic Transformation Agenda of achieving a US\$4 trillion GDP by 2035 and lifting 10 million people out of poverty annually over the next decade. In light of Nigeria's current strengths and opportunities, three strategic pathways (Export Diversification and Sophistication Strategy, Innovation and Digital Transformation Strategy and Subnational Economic Integration Strategy) have been identified for the government to transform the economy and achieve its 8-Point agenda. The strategic paths, however, are not mutually exclusive; they differ in their overarching goals, philosophical background, target opportunities, and priority placed on the policies. The government's visionary alignment of policies and strategic optimism will drive transformative change across all paths. Moreover, the government's overarching goal will be crucial to its preference for one path over the other and in formulating and prioritising policies and reforms.

4.4. FUNDING THE ENVISIONED ECONOMY

Nigeria must spend an average of US\$140 billion yearly on capital projects. Expanding from a sub-US\$500 billion economy to a US\$4 trillion GDP by 2035 has cost implications. Over the next 10 – 13 years, the Nigerian economy needs to mobilise a cumulative total of US\$8.82 trillion. This comprises 18.8 percent (US\$1.66 trillion) of investment directly from the government, specifically on capital and infrastructure investment. The remaining 81.2 percent (US\$7.21 trillion) will be mobilised through the private sector, comprising existing and new capital accumulation and domestic and foreign investment flow. As such, the government needs to spend US\$185.16

billion and mobilise US\$841.00 billion in private investment over the next four years (2024-2027) to set the pace for a transformed economy (see Table 8). Subsequently, the government needs to spend US\$501.46 billion and mobilise US\$2.24 trillion in private investment between 2028-2031.

In the following cycle (2032-2035), the government must spend US\$957.04 billion while mobilising US\$4.05 trillion in private investment. On average, the government has to spend US\$138.49 billion annually to achieve the envisioned US\$4 trillion GDP by 2035.

Table 8: Investment and Funding Need Projections

| | 2024-2027 | 2028-2031 | 2032-2035 | Cumulative Total (2024-2035) | Annual Average |
|-----------------------------|-----------|-----------|-----------|---------------------------------|----------------|
| Investment (US\$'Bn) | 1,028.12 | 2,740.95 | 4,952.57 | 8,823.03 | 737.16 |
| Government | 185.16 | 501.46 | 957.04 | 1,661.94 | 138.49 |
| Private | 841.00 | 2,239.37 | 4,045.45 | 7,208.95 | 598.67 |

Source: NESG Estimates; Note: Investment is a combination of existing and new investment; Each period represents a cumulative investment, and Private investment includes Foreign capital inflows

With a cumulative funding need of US\$8.82 trillion within the next 10-13 years and an average of US\$737.16 billion annually, financing Nigeria's US\$4 trillion GDP by 2035 appears daunting; however, not impossible. Nigeria needs to massively mobilise saving to drive investment, as is the case for most countries that have experienced economic transformation over the past five decades. But then, the continual erosion of the value of earnings due to the persistent inflationary pressure has limited Nigeria's capacity to mobilise adequate savings. Recent fuel subsidy removal and the exchange rate devaluation accompanying the unification of the Forex markets have nearly wiped out the middle class, as most people spend over 80 percent of their earnings on food and transport with little to zero room for savings.

Hence, the government must attract capital from diverse sources to drive investment. The following highlights funding strategies and mechanisms the Nigerian government can adopt to mobilise resources and finance investments to drive economic

transformation and inclusion. While some are operational, the institutional framework for their efficient utilisation must be strengthened.

- **Sovereign Wealth Fund (SWF):** Establish a well-governed SWF to accumulate and prudently manage oil and other natural resources revenue. Utilise the SWF to finance critical infrastructure projects and strategic investments.
- **Public-Private Partnerships (PPPs):** Expand the use of PPPs to attract private sector investments in crucial infrastructure projects. Leverage private sector expertise and resources to fund and develop infrastructure.
- **Domestic and International Bonds:** Issue bonds in domestic and international markets to raise capital for infrastructure development. Utilise bond proceeds to finance large-scale projects with long-term paybacks.

- **Development Finance Institutions (DFIs):** Collaborate with DFIs to access concessional finance and technical assistance for priority sectors. Leverage the expertise and resources of DFIs to fund projects with social and economic impacts.
- **Public Investment Funds:** Create dedicated investment funds for specific sectors, such as agriculture, technology, or renewable energy. Attract private sector co-investment and provide targeted financing for sector-specific growth.
- **Multilateral and Bilateral Cooperation:** Collaborate with international financial institutions and bilateral partners to access concessional loans, grants, and technical expertise. Engage in mutually beneficial partnerships to support economic transformation initiatives.
- **Infrastructure Bonds:** Issue infrastructure bonds specifically earmarked for financing large-scale infrastructure projects. Attract investors interested in long-term, low-risk investments tied to infrastructure.
- **Road (Infrastructure) Annuity Plan:** This involves grouping infrastructure facilities into packages to be bid for by private consortia to design, build and maintain in exchange for an annuity payment.
- **Tax Increment Financing (TIF):** Implement TIF mechanisms to fund infrastructure projects using future incremental tax revenues. Channel increased tax revenues generated by project-related economic growth back into the investments.
- **Resource Mobilisation and Diversification:** Diversify revenue sources by reducing dependence on oil revenue. Mobilise domestic resources through effective tax collection and anti-corruption measures.
- **Infrastructure Concessions and Asset Recycling:** Explore opportunities for asset recycling by leasing or selling underutilised government assets. Use proceeds to finance new infrastructure projects.



BOX 1: DATA AND METHODOLOGY

The future of Nigeria is set at a US\$4 trillion economy by 2035 and the removal of an average of 10 million people from poverty annually. The paths to achieve this have been grouped into strategies: 1) Export Diversification and Sophistication Strategy – Nigeria becomes a global export hub and regional integration champion of AfCFTA; 2) Innovation and Digital Transformation Strategy – Nigeria becomes a central global innovation hub and exporter of knowledge products to the world; and 3) Subnational Economic Integration Strategy – develop competitive and viable regions/sub-national economies. Herein, there is no worse case or business as usual as this analysis seeks to envision a glorious future for Nigeria. Therefore, all the paths are targeted at delivering a glorious future. Beyond funnelling Nigeria towards the envisioned future, the pathways provide a philosophical approach to targeting the future.

This study's underlying macroeconomic multi-sectoral model is a 30-year recursive dynamic computable general equilibrium (CGE) model. The computable general equilibrium model has been widely applied for development planning. CGE models are simulation economy-wide models that can measure the efficiency and equity implications of alternative policies over a medium to long period.

The CGE model utilised a 2014 Social Accounting Matrix (SAM) of the Nigerian economy. The SAM shows a snapshot of the Nigerian economy. It quantitatively summarises the inter-sectoral transactions between major sectors and commodities and economic agents in the base year. The 2014 Nigeria SAM comprises 23 productive sectors, 23 commodities, two factors of production, four types of households, a representative firm, a government and five regions of the world. The model is implemented to generate economic outcomes based on policy shocks from the 15 highlighted policy priorities and focus areas (see Table 6).



5 BINDING CONSTRAINTS

Binding Constraints are implementation bottlenecks/stagnating issues which are non-economic but have far-reaching implications for achieving economic transformation and inclusion irrespective of the pathways, including financing gap, institution, capacity and politics.

DEVELOPMENT FUNDING

The sustainable investment and financial sector is an essential driver of economic transformation and inclusion; however, the current assessment of the Nigerian economy suggests financing needs to be expanded in size and scope to have a significant impact and leapfrog economic transformation and inclusion aspiration. Based on our estimation, the Nigerian government must spend around US\$140 billion annually on capital and infrastructural investment over the next thirteen years to achieve the envisioned Nigeria. Much more is expected from the private sector stakeholders harping on incentivising the docile foreign capital inflow (which accounts for 40 percent of private investment). Attracting and sustaining the inflow of foreign investment could ramp up financial stability benefits as they are less sensitive to short-term returns. Beyond traditional investment, the government must develop effective institutional frameworks for emerging private and public funding sources such as Public Private Partnership (PPP), Impact Investing, Public Works Annuity Programme and others to attract investors.

PUBLIC SERVICE REFORM

There is a general 'inadequacy' of skills among public sector workers to appreciate and articulate necessary measures to ease the business environment for businesses across sectors. Over the years, the capacity gap has stifled Nigeria's economic progress. The capacity gap has led to a sustained poor implementation of reforms. If the capacity shortage is not addressed, Nigeria cannot achieve any significant milestone on any pathways of transformation.

INSTITUTION REFORMS

Every government in Nigeria has taken a shot at development reforms, but all have struggled due to the country's weak institutions. The primary role of government institutions in the business environment is to enforce property rights and competition laws and ensure market efficiency. However, the bureaucratic system in Nigeria is mainly transactional and punitively designed against the private sector instead of being an enabler. Hence, the government must embark on massive reform of the institutions to guarantee efficiency and optimum outcome of policy reform. There are many recommendations for the government to take cues from, particularly the Oronsaye Report.



6

**POLICY
IMPERATIVES**

Having harped on a conceptual framework that domesticates three (3) non-exclusive pathways to Nigeria's economic transformation and inclusion, it is essential to highlight the various policy enablers. We identify fifteen policy initiatives (see Table 6) for each pathway, albeit with varying priorities. For the competitiveness-focused path, the EDSS, the first five (5) policy initiatives will ignite transformation; for the people-centred path - IDTS - digital infrastructure development, skilling of labour for industrial expansion, entrepreneurial development, and R&D are top priorities. Meanwhile, for SEIS, the first step to transformation includes intergovernmental relationships, resource mapping (value chain development and shared service clustering), infrastructural development and regional economic commission.



To achieve the economic transformation and inclusion agenda, the government must deliberately ensure that the necessary foundation is laid in the short to medium term to optimise economic benefits and outcomes. Successful offtake of an economic transformation agenda rests on the following priorities:

- **Provide a National Economic Policy**

Guideline: There is a need for Nigeria to optimise the federal system of government it practises, given the peculiarity of opportunities and economic challenges faced by the different regions. The government need to develop a framework to communicate the specific policy

actions of the government to MDA as well as the specific role of subnational governments in the government's reform endeavours. This is important for proper policy implementation, policy and regulatory consistency and driving a long-term agenda.

- **Provide Investment Promotion**

Framework: Given that the investment target is heavy on the private sector, the government must identify the specific investment it seeks to promote across sectors. This is important for the private sector to know where and how to tap into the government's drive for transformation.

- **Implement Civil and Public Service**

Reform: Effective economic transformation rests on civil and public servants' readiness to carry out the government's plans to the letter. Implementing previous plans suffered setbacks due to improper, saboteur and un-nationalistic disposition towards policy implementation by public and civil servants. Many of the recommendations of the Oronsaye Report on Civil Service Reform continue to be relevant. For instance, there is a need to institute a performance and merit-based management of MDAs and harmonise their activities to effectively drive the implementation of the government's plans.

- **Ensure Macroeconomic Stability and Policy Coordination:**

Given the expected commitment from the private sector, the decisions of the government and MDAs need to signal confidence in the macroeconomic space. This is important for the private sector to commit to the economy in the long term and support economic diversification and socially inclusive economic growth.

- **Implement Capital Mobility Reform:** One of the banes to foreign investment inflows in Nigeria is the ad hoc nature of capital transfer

policy and regulation and the entire financial system. The government needs to provide clarity concerning cross border movement of capital. Without this, private investments from foreign investors will be limited.

- **Strengthen the regulatory framework for PPP:** The Public-Private- Partnerships (PPP) funding model has become a significant avenue to mobilise resources to finance infrastructural development. The government needs to establish a legislative framework for PPP arrangements to thrive and create a legal backup for PPP projects in the face of changing government.
- **Improve the Security Situation:** The government must mobilise a cumulative estimate of US\$7.21 trillion in private investment over the next 10-13 years to achieve US\$4 trillion in 2035. To encourage a private sector investment of that magnitude, lives and properties must be safe. Continued elevation of security threats and crimes will be a disincentive and limit private investment.

15 POLICY PRIORITIES AND FOCUS AREAS OF THE NES#29 SCENARIO ANALYSIS

1. Market Reform & Competitiveness: A functional and competitive market system drives efficient, cost-effective production and service delivery across sectors of the economy. It guarantees a seamless flow of economic activities and business operations across value chains for firms and businesses to thrive, regardless of size, industry or origin. For Nigeria to achieve economic transformation, the market system must guarantee business opportunity, business competitiveness, enabling environment and private investment. Reforms in this regard could be in the form of policy & regulatory consistency, market linking & sector-specific infrastructure, security, effective judicial process & guarantee of intellectual property rights, curtailing non-state

actors' encumbrance, transparency in public services, training & reorientation of public officers to facilitate market efficiency and retooling & upskilling of the workforce.

2. Target employment elastic sectors' growth:

Employment elastic sectors create more jobs as they expand. The NESG 2020 Macroeconomic Outlook report outlined criteria identifying sectors with strong potential for economic growth, employment and poverty reduction. The criteria include that the sectors must account for a sizeable share of employed individuals, have the potential to grow and expand their outputs, have strong backward and forward linkages, and have a solid link to inclusive growth. Hence, the report identified six (6) crucial sectors besides Agriculture, which include Manufacturing, Construction, Trade, Education, Health and Professional Services, while the ICT and Renewable energy sectors serve as enablers.

3. Product diversification and sophistication:

Diversification results from increasing the number of goods and services produced and exported (horizontal diversification), measured by the number of active export lines. Nigeria's diverse natural endowments can diversify production and exports from crude oil-dominated to other minerals, agriculture, and manufacturing. On the other hand, product sophistication refers to improving the quality of products and exports. In order words, it involves value addition to the existing product lines, driven by innovation. Nigeria must start refining its crude oil to produce and export petrol, diesel, and other petroleum products. Also, the Nigerian government must facilitate value addition in agriculture products among other natural endowments.

4. Product value chain development:

Product value chain development focuses on

improving process efficiency, competitiveness, and sustainability, which turns raw materials into finished products or services. In other words, it can be called vertical diversification – forward and backward linkages or moving up or down an industry's supply chain. This is important for Nigeria to enhance product quality and standards, enhance productivity and competitiveness, link small-scale producers to larger markets, and aid rural development and poverty reduction.

5. Industrialisation enhancing

infrastructure: Industrialisation involves the growth of manufacturing and other value-added sectors. Infrastructure development in the context of industrialisation encompasses creating an enabling environment that boosts domestic capacity concerning physical, sector-specific, trade and social infrastructure. Hence, investing in infrastructure (energy, transport, and communication) will birth a competitive sector, increase industry productivity, support technological advancement and promote more significant industrial linkages, resulting in low production and transaction costs. Specifically, the government needs to connect major cities, industrial ports and border points through cargo train networks and provide market-linking infrastructure ranging from transport (road, water, air) to storage and warehouses, standardisation facilities, ports, industrial power supply, industrial complexes and special economic zones etc.

6. Create a framework for the inter-governmental economic relationship:

This enables the three levels of government (federal, state and local) to collaborate, coordinate, cluster and align their efforts toward improved economic outcomes for Nigerians. It involves economically optimising the federal system of government to drive economic transformation. This requires a standard governance structure which clearly

states roles and responsibilities for all tiers of government, inter-government coordination mechanisms, shared economic vision and strategy, adequate data and information sharing system, and seamless resource allocation & fiscal coordination.

7. Regional infrastructural development:

This focuses on enhancing the physical and digital infrastructure within specific regions of the country. Strategically investing in regional infrastructure attracts domestic and foreign investors, facilitates trade, boosts agricultural productivity, reduces regional disparities, promotes healthy cluster development, improves gender-sensitive infrastructure, fosters public-private partnerships, and increases economic activity and job creation. In summary, Strategic planning, targeted investments, and an emphasis on sustainability and inclusivity are essential to maximise the positive impact of regional infrastructure development.

8. Regional Economic Commissions

(RECs): RECs are intra-national regional organisations established by the government to optimally harness economic potential, promote infrastructural development and facilitate economic development in the assigned region of the country. To achieve economic transformation and inclusion, leveraging regional economic commissions can promote regional infrastructural development, rural economic development & investment, harmonise education & skills development policies, and harmonise industrial agenda, among others, across multiple states. The Niger-Delta Development Commission (NDDC) and the North-East Development Commission (NEDC) are typical examples of such RECs, the operation of which still needs to be strengthened to drive development at regional levels.

9. Regional shared services and clustering:

Regional clustering encompasses a group of institutions and organisations in a particular region that draw productive advantages from their mutual proximity and connections. Clustering promotes collaboration, resource optimisation, and the concentration of economic activities in a specific region. Regional shared services involve multiple organisations, both private and public, sharing standard support functions. Many Nigerian states have specific resources in common or need what other states have in abundance. Regional and state clustering can help facilitate the efficient use of these resources to promote inclusive development in Nigeria.

10. Regional value chain development:

Regional value chain development focuses on optimising the production and distribution of goods and services within a region – interstate forward and backward linkage of sectors. Regional value chain development requires a comprehensive and collaborative approach among all relevant stakeholders to realise its full potential in driving regional economic development and social inclusion.

An integrated regional value chain requires a larger workforce, which leads to job creation across various sectors. In addition, policymakers must create an enabling environment for value-chain development to achieve economic transformation and inclusion.

11. Transformation readiness

enhancement: Transformation readiness enhancement involves establishing a broad framework to drive the Nigerian economic transformation agenda. It involves Research and Development (R&D), which drives innovation, creates new products and services, fuels growth, and boosts business competitiveness. R&D addresses societal challenges, fosters inclusivity, and benefits stakeholders. Beyond R&D, this involves positioning all government institutions, influencing public opinion and guiding policy changes targeting economic transformation.

12. Digital infrastructure development:

Digital infrastructure development is the creation and maintenance of a technological strength for the Internet of Things (IoT), Virtual



and Online operations, including internet backbone, broadband, data centres, cloud services, and security measures. Digital integration is a policy imperative that aligns all aspects of a business, from customer service to IT, for seamless information flow and smarter knowledge use, enhancing stakeholder experiences and optimising operations.

13. Industrially relevant skills and education: Developing industrially relevant skills and education is crucial for economic transformation and inclusive growth. Governments should align curricula with industry demands, foster public-private partnerships, and expand vocational training programs. Developing apprenticeships and promoting lifelong learning are also essential. Targeted education subsidies, information dissemination, and inclusive policies are essential for economic growth.

14. Healthcare innovation in healthcare services is crucial for economic transformation and inclusion. Expanding Nigeria's healthcare capacity involves creating and adopting new ideas, products,

and personal care corridors. However, swift adoption and domestic commercial success are challenging. Critical considerations include funding, information sharing & governance, and medical device regulation. The World Health Organisation (WHO) acknowledges the surge in digital healthcare innovations, such as artificial intelligence, gene editing, 3D printing, and virtual reality, which can potentially improve patient outcomes. However, ethical considerations must be addressed for responsible and beneficial healthcare applications.

15. Startup and entrepreneurial development ecosystem: A proposed taxonomy systemises startup ecosystems, aiding policymakers in targeted interventions. Prioritising high-potential startups within regional ecosystems requires extensive support, mentoring, business incubation, and acceleration programs. Private sector initiatives and virtual platforms are crucial. Policies should focus on risk capital, connections with conventional expansion sources, and enhanced stock market access.



7 CONCLUSION

The emergence of the new government allows Nigeria to re-evaluate its economic management strategy and paths to economic transformation. On this note, the 29th Nigerian Economic Summit (NES #29) is themed "Pathways to Sustainable Economic Transformation and Inclusion" to convene government, business, politics, development and civil society leaders, and the academia leaders to deliberate on the way to economic progress. To adequately set the context of the discussion and discussions at NES #29, the NESG conducted a Scenario Analysis that set a transformation agenda of a US\$4 trillion economy by 2035 and to pull an average of 10 million people out of poverty annually.

The scenario analysis dissects three pathways for achieving economic transformation and inclusion in Nigeria. This includes an Export Diversification and Sophistication Strategy to set Nigeria to become a global export hub and regional integration champion of the AfCFTA, an Innovation and Digital Transformation Strategy to set Nigeria to become a significant global innovation hub and exporter of knowledge products to the world; and a Subnational Economic Integration

Strategy to develop competitive and viable regions/sub-national economies. While the strategies appear distinct in their framing, they are non-mutually exclusive as they only differ concerning priorities across overarching economic transformation goals, opportunities, policies and focus areas.

The analysis projects an annual economic growth rate of 10-15 percent and a per capita income of US\$14,000. The analysis further revealed that the three transformation strategies can deliver the Nigerian Agenda of a US\$4 trillion economy by 2035 with implications across various socioeconomic indicators. In addition, the government must mobilise a cumulative total of US\$ 8.82 trillion of investment over the next 10–13 years to reach the goal. On the government's side, it needs to spend an average of US\$140 billion yearly on capital and infrastructural projects while incentivising the private sector for the remainder. The report identifies the funding gap, public service capacity and institutional weakness as binding constraints and highlights policy imperatives to galvanise the economy.

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ABOUT THE NESG

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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