Understanding the Nigerian Economy: Critical Issues for the Attention of an Incoming Administration

JANUARY 2023

Context setting

The aspiration of Nigerians since 1960 has been that by the 21st Century, Nigeria would have become a modern, upper-middle income, safe and secure developed democratic State motivated by transformational leadership. With successive general elections in the past, eleven known military coups, and the return to democratic rule in 1999, the hopes of Nigerians have been continuously dashed. The vision of a peaceful, prosperous, united, strong, and cohesive Federation where the rule of law prevails seems dimmed with today's formidable challenges.

Nigeria's age-long challenges are not unconnected with the macroeconomic instability experienced in the country over time. The unstable macroeconomic space is reflected in high inflation, exchange rate volatility, constricted fiscal space, weak external reserves, and balance of payments problems. This, in addition to social and political instability, has proved the extent of Nigeria's vulnerability to shocks. In 2021, Nigeria was ranked among the bottom half of African countries classified as less resilient to shocks by the African Development Bank (AfDB). Unfortunately, the country's vulnerability burden is borne by the people at the bottom of the income pyramid, which could aggravate the insecurity problem.

The year 2023 presents another opportunity to demonstrate a strong political will to tackle Nigeria's socioeconomic challenges. Hence, the NESG seeks to unveil the six critical challenges for the urgent attention of presidential aspirants: unemployment surge, substantial infrastructural deficit, fiscal weakness, human capital and skills gap, flawed security architecture, and corruption. This report also delves into the causes and implications of the highlighted critical challenges. It also highlights the policy imperatives to actualise a best-case scenario and transform Nigeria into a strong, corrupt-free, and globally competitive economy in 2023 and beyond.

Six Critical Challenges confronting the Nigerian economy

1. Economic growth remained weak over time, with an unabating rise in the unemployment rate and many people falling into the poverty trap

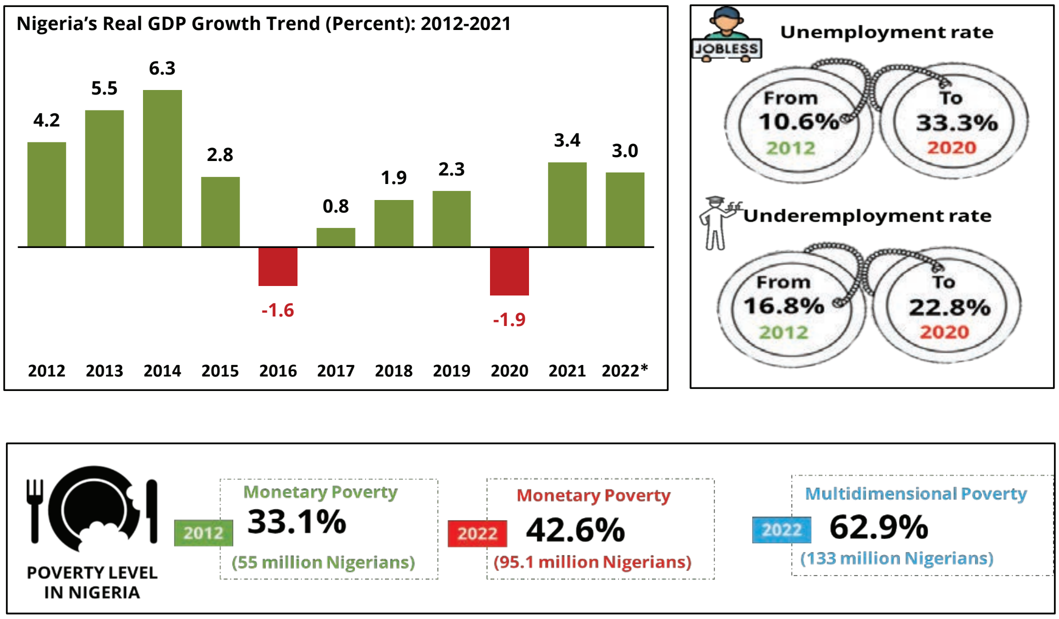
- Nigeria's economic growth started weakening since the oil price crash in 2014Q4, and its trajectory has not reverted to the pre-2014 levels. The non-oil sector has been the driver of growth, while the oil sector has been in contraction for most of the years and persisted in recession since 2020Q2.

- Weakening growth manifests into an unemployment surge, which rose sharply from 10.6 percent in 2012 to an all-time high of 33.3 percent in 2020. This makes Nigeria the country with the second-highest unemployment rate globally.

- The attendant macroeconomic instability (pressures on the inflation rate, exchange rate etc.) mainly undermines efficiency and penalises vulnerable groups. The extent of poverty is multidimensional as it accommodates all forms of socio-economic deprivation - including the lack of access to basic social services – health and education, poor living standards, unfavourable labour market outcomes and security shocks.

- The headcount of multidimensionally poor Nigerians rose 36 percent between 2019 and 2021. Correspondingly, the multidimensional poverty rate rose by 19.3 percentage points over a similar period. By the same token, the monetary poverty rate increased slightly to 40.9 percent in 2021 from 40.1 percent in 2019.

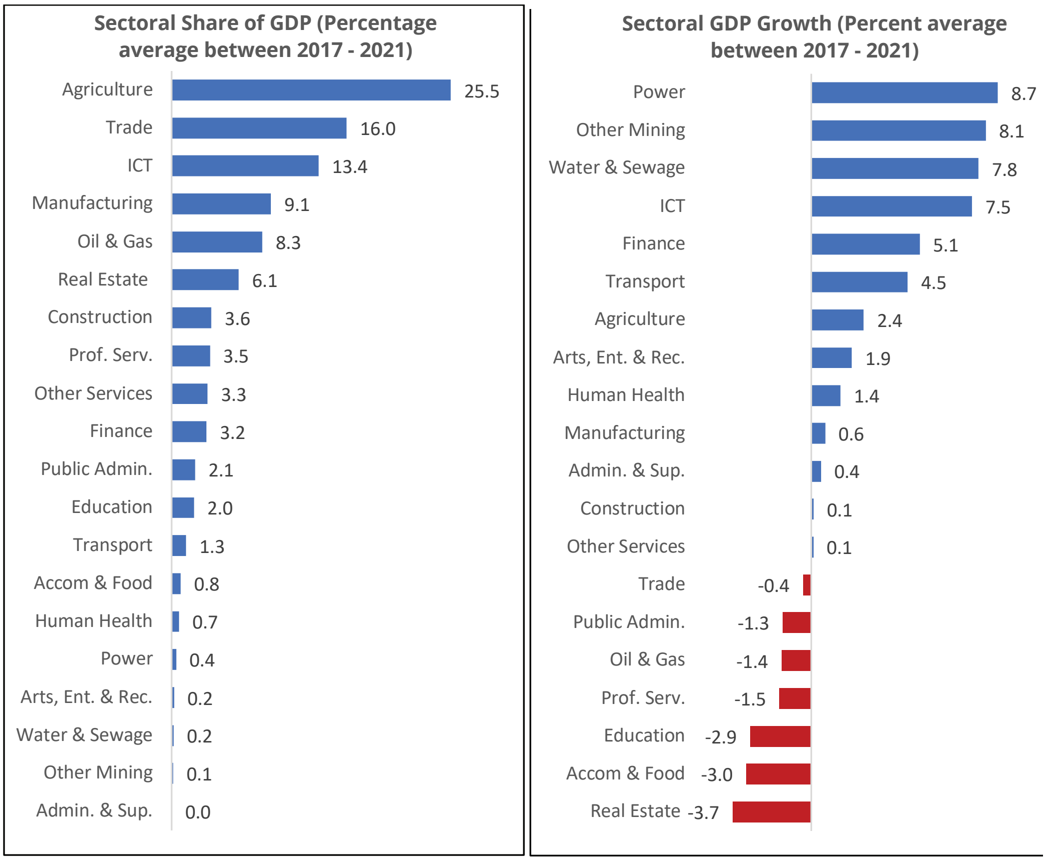
Figure 1: Real GDP Growth, Unemployment and Poverty in Nigeria (Percent)



Data: CBN, NBS; Chart: NESG Research

- Persistently weak economic growth is driven by slow growth in sectors with substantial contributions to the GDP and employment, such as Agriculture, Manufacturing and Trade. This is partly attributed to weak productivity and low investment inflows into these sectors. Meanwhile, ICT, a high-growth and the second-largest sector in Nigeria, have limited capacity to create jobs.

Figure 2: Sectoral Growth and Distribution of GDP in Nigeria (Percent)



Data: CBN, NBS; Chart: NESG Research

- In addition, industry-skills mismatch also contributes to the escalating unemployment rate. The absence of the required skills and unsatisfactory experience are primary reasons businesses cite in filling job vacancies .

- The scourge of unemployment and poverty culminates in a high crime rate, brain drain and loss of expertise. In 2022, Nigeria was ranked 143rd out of 163 countries on the global peace index.

2. Infrastructure and Social Sector Collapse

- Of 140 countries ranked on the Global Competitiveness Index in 2019, in terms of infrastructure, Nigeria ranked 133rd, and Nigeria is one of the countries with the worse infrastructure in the world.

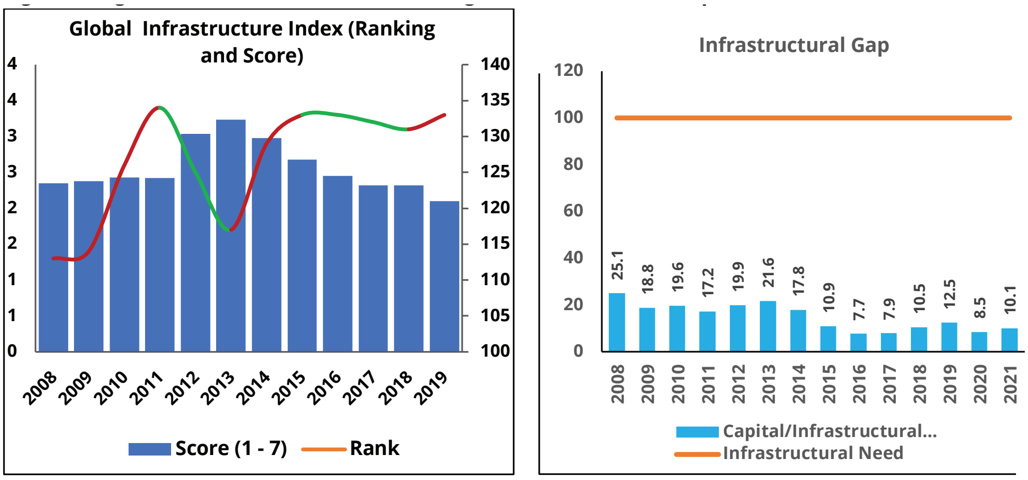
- According to Moody's (2020), Nigeria needs US$3 trillion over the next three decades (US$100 billion per annum) to cover its infrastructural deficit. However, the government could only meet about 12.7 percent of that annually.

[1] This is based on an Employer Skills survey conducted by United Nations Industrial Development Organisation (UNIDO) in Nigeria in 2015.

- The deplorable electricity supply in Nigeria has pushed many craftsmen and artisans out of employment. This is a significant reason for Nigeria's poor uptake of Technical Vocational Education and Training (TVET) professions.

- The infrastructural bottlenecks have put upward pressure on businesses' operating costs, thereby constraining the growth of businesses.

Figure 3: Nigeria's Infrastructure Index, Ranking and Infrastructural Gap



Data: WEF Global Competitiveness Index Report; Chart: NESG Research

3. Amidst divergence in fiscal and monetary policy, fiscal sustainability deteriorates.

- Tight monetary policy stance to mop up excess liquidity and rein in inflation becomes ineffective in the face of expansionary fiscal policy.

- At 6 – 7 percent, Nigeria has one of the lowest revenue-to-GDP ratios globally.

- The country has often missed revenue targets over the past decade, significantly underperforming projections. This is mainly due to the long overreliance on crude oil earnings, sluggish growth in non-oil revenue and low tax penetration.

- Government spending remains elevated, partly driven by higher spending on security and a massive cost of governance. This has motivated a widening fiscal deficit, mainly financed through borrowing (external, domestic and Ways & Means).

- As it stands, borrowing appears to be the only means of financing the government budget, to the point that borrowing projection has exceeded revenue expectations.

- Over the past decade, Nigeria's public debt stock increased by more than five folds, from N7.8 trillion in 2011 to N39.6 trillion in 2021. As of Q3-2022, the public debt stock stood at an all-time high of N44.1 trillion.

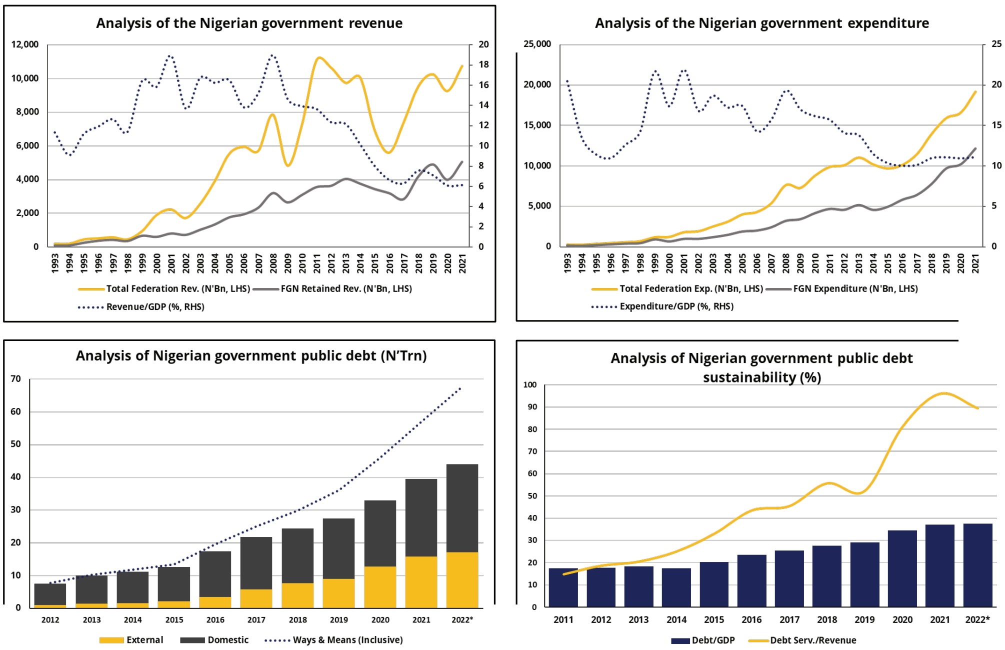
- Including the CBN's Ways and Means, cumulative public debt stock has reached N67.8 trillion. The CBN Ways & Means has increased from N134.8 billion in 2012 to N23.8 trillion in 2022.

- The implications for fiscal sustainability have been severe. While the debt-to-GDP ratio remains low at 37 percent relative to the IMF's 70 percent solvency threshold, the debt-service-to-revenue ratio at over 90 percent suggests a tight fiscal space for the next administration.

- More concerning, the share of borrowing spent on capital projects is less than 40 percent annually. The persistence of this trend portends the imminence of Nigeria's debt overhang and debt crises which could lead to an economic crisis.

- The shrinking fiscal space, alongside other issues bordering on poor policy choices, reflects in the quality of service delivery available to citizens across the country. Closing fiscal gaps, promoting domestic revenue mobilisation (including tax reforms), and optimising budget implementation are crucial for economic viability.

Figure 4: Nigeria's Fiscal Policy Profile



Data: CBN, NBS; Chart: NESG Research

4. Human Capital and Skills Gap

- Nigeria ranks among the bottom ten countries on the Global Human Capital Index (HCI). In 2020, Nigeria's HCI stood at 0.36 points, ranking 168th out of 174 countries.

Table 1: Health Care Financing, Personnel Adequacy Indicators and Health Outcomes as at 2017

Indicator	Nigeria	Global average
Out-of-pocket spending (percent of current health spending)	77.2	18.6
Physicians (per 10,000 people)	4	15*
Nurses and midwives (per 10,000 people)	12	20*
Under-five mortality rate (per 1,000 live births)	120	41.1
Maternal mortality (per 100,000 live births)	917	211

Source: WDI & Nigeria's Federal Ministry of Health; *WHO's global benchmark

- The weak human capital base could be attributed to inadequate funding for education and health sectors and limited capacity to harness citizens' human capital potential, resulting in brain drain, high school drop-outs and child labour.

- A decline in enrolment rates reflects rising school drop-out rates across the levels of education. From 2010 to 2018, school enrolment rates averaged 89.8 percent, 46.7 percent and 9.9 percent at primary, secondary and tertiary levels of education, respectively.

- Over a similar period, the school drop-out rate stood at 33.7 percent, above the global average of 8.5 percent . In addition, Nigeria accounts for about 25 percent of the global out-of-school children.

- Estimates also showed that internally displaced children, particularly in the Northern region, account for 54 percent of the out-of-school children in Nigeria . This has severe implications for the security situation in the country.

5. Flawed security architecture

- In 2021, Nigeria ranked 146th out of 163 countries on the Global Peace Index and was the 8th least peaceful in Africa.

- The Africa Centre for Strategic Studies illustrates the intricacy of Nigeria's current security concerns, which vary by region and ethnic makeup. Hence, the nation's security challenge is multi-complex.

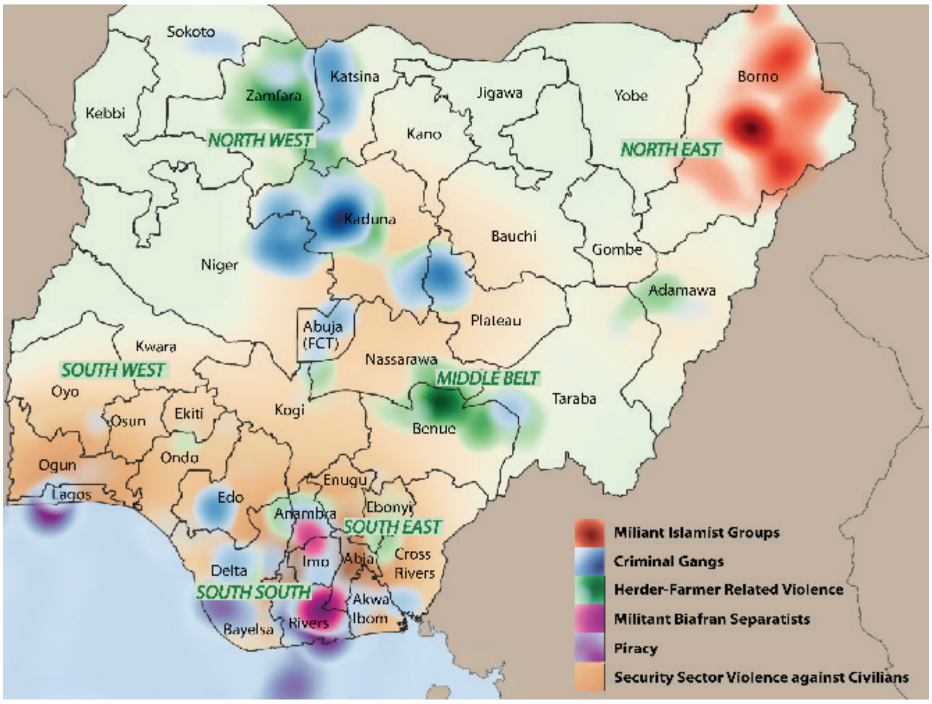
- Jailbreak attempts have resulted in 32 deaths and the escape of over 5000 inmates in 2022Q2. In the quarter, 1155 Nigerians and 71 security personnel were reportedly killed in violent attacks (SBM Intel, 2022).

[2] The Human Capital Index (HCI) is a metric used to measure the contribution of health and education to workers' productivity. The HCI comprises six sub-indices: the probability of survival to age five (5), expected years of schooling, harmonised test scores, learning-adjusted years of schooling, a fraction of under-five children not stunted, and adult survival rate. It ranges between 0 and 1 (an HCI of 0.5 and below is low, and above 0.5 is high (refer to the World Bank's Human Capital Index Report, retrievable via: https://databank.worldbank.org/source/human-capital-index)).

[3] World Development Indicators (WDI) Database, retrieved from: https://data.worldbank.org/indicator?tab=all

[4] Office of the Special Assistant to the President on SDGs (2020). Integration of the SDGs into National Development Planning in Nigeria: A Second Voluntary National Review, retrieved from: https://sustainabledevelopment.un.org

Figure 5: Location Mapping of Nigeria's Security Threats



Source: Armed Conflict Location & Event Data Project; National Geospatial-Intelligent Agency Maritime Safety Information

- Worsening socio-economic conditions – high unemployment, extreme poverty, and high-income inequality – have instigated criminal activities, such as kidnapping, banditry, and armed robbery.

- The elite-centred security architecture inherited from the British is a major limiting factor to security challenges in Nigeria. This design allowed people or communities to establish expansive, ad hoc private security systems.

- The country's security forces are less powerful and have a more constrained operational range due to poor investments in security infrastructure.

- Government failure to checkmate widespread corruption indirectly contributes to rising insecurity and ineffectiveness of the country's fragile security architecture.

6. Widespread corruption

- Of 180 countries assessed by Transparency International, Nigeria's corruption ranking dropped from 136th in 2016 to 156th in 2021, following a decline in the Corruption Perception Index score from 28 points in 2016 to 24 points in 2021.

- The persistence and aggravation of corruption have continued to worsen public finance, the effectiveness of governance, the business environment, and the standard of living in Nigeria.

- Corruption in public service, especially, plays out in different forms: contract inflation, budget padding, direct embezzlement, money laundry, bribery and kickbacks, syphoning of government resources, ghost-workers, and deliberate wastage of resources, to mention a few.

- With the strain on government revenue and fiscal weakness, endemic and monumental corruption will continue to restrain the government's fiscal capacity.

- Other implications of widespread corrupt practices include disincentive for foreign investors, stiffening productivity, weakening the economic growth prospect, and dampening the standard of living.

ADDRESSING THE SOCIO-ECONOMIC CHALLENGES: KEY POLICY IMPERATIVES

- Creating an enabling environment is critical for all sectors of the economy to realise their full potential and create jobs on a large scale. Hence, there is a need for reforms across sectors of the economy to attract private investment and enhance productivity.

- There is an urgent need for upskilling and reskilling youths to position them for decent employment opportunities.

- There is a need for a market-oriented policy framework that guarantees policy consistency, contract trust, transparency and accountability, and corruption-free PPP arrangement.

- Tax reforms are needed to harmonise and expand the tax net, enshrine fiscal discipline, cut governance costs, and adequately prioritise spending.

- There is a need to incentivise investments in the Health sector to attract requisite equipment and expertise, thereby reducing outbound medical tourism in Nigeria.

- There is a need to improve financing for research and development (R&D) in the Health and Education sectors. This could help reduce brain drain syndrome.

- There is a need to ensure that the National Health Insurance Scheme (NHIS) becomes operational at the sub-national level to improve access to adequate healthcare delivery.

- There is an urgent need to devise a practical and inclusive national security strategy that will unconditionally guarantee the safety of Nigerians' lives, livelihoods, and properties, irrespective of location.

- While establishing the Infrastructure Corporation of Nigeria (InfraCo) is acknowledged, it is imperative to ensure effective implementation of the Public-Private Partnership (PPP) framework facilitated through the company to ensure timely and successful delivery of infrastructural projects across the country.

- There is a need for continuous supervision and review of the activities of public officials to enhance transparency and accountability in public affairs. Therefore, the fight against corruption strategies should not be one-off measures.

- Establishing a new social contract between the government and the masses is required to reduce the existing trust deficit. Therefore, regaining public confidence in policies.

SCENARIO BUILDING FOR IMPACTS OF GOVERNMENT POLICY ACTIONS

- The NESG developed an integrated socio-economic framework to mirror various policy options/scenarios and the associated impacts on the country's development

- The Group deployed a futuristic perspective in presenting the possible outcomes. The policy options are shown in Table 2, and the associated outcomes are shown in Figure 6.

Table 2: Classical Policy Scenarios and Socio-Economic Impacts 2023 - 2030

	Best Case – **Drastic improvement in the policy environment**	Business as usual – **No significant change in the policy environment**	Worse Case – **Deteriorated policy environment**
Key Indicators (assumptions)	***Key Drivers of Economic Scenarios performance per annum 2022-2030***		
Private sector investment in Infrastructure	***30% increase***	***5% increase***	***20% decrease***
Production efficiency of key sectors	***5% increase***	***1% increase***	***20% decrease***
Foreign Direct investments inflow	***37% increase***	***6% increase***	***20% decrease***
Government spending on education, health, and emergency readiness	***20% increase***	***5% increase***	***24% decrease***
Security and National Cohesion (Global Peace Index -Score)	***15 basis points improvement***	***2 basis points negligible improvement***	***10 basis points deterioration***
Corruption Perception Index (Score)	***10% improvement***	***1% negligible improvement***	***7.5% deterioration***

Source: NESG Research

Best-case scenario

- Against the backdrop of a significant improvement in the policy environment, the best-case scenario projects a prosperous Nigerian economy that nearly doubles in size over the next seven years, growing from US$458.6 billion in 2023 to US$826.5 billion by 2030.

- GDP growth will accelerate rapidly from 2025 and peak at 11.1 percent in 2030. Over the next seven years, GDP will grow at an average rate of 7.2 percent per annum.

- The Industry's contribution to GDP will rise from 24.6 percent in 2023 to 33.2 percent by 2030. However, the contributions of Services and Agriculture will fall to 47.7 percent and 19.1 percent, respectively, by 2030 (from 53.2 percent and 22.2 percent, respectively, in 2023).

- The best-case scenario illustrates a case for 'Nigeria rising,' with unemployment and poverty rates falling to 8.9 percent and 8.5 percent in 2030, respectively, from 28.9 percent and 34.4 percent in 2023 (see Figure 1). It envisions Nigeria to become the world's 24th largest economy by 2030.

Business-as-usual scenario

- GDP will grow modestly to US$443.9 billion by 2030, with GDP growth rates as low as 0.7 percent and an average rate of 0.98 percent yearly. It signifies economic stagnation, with some socio-economic indicators worsening.

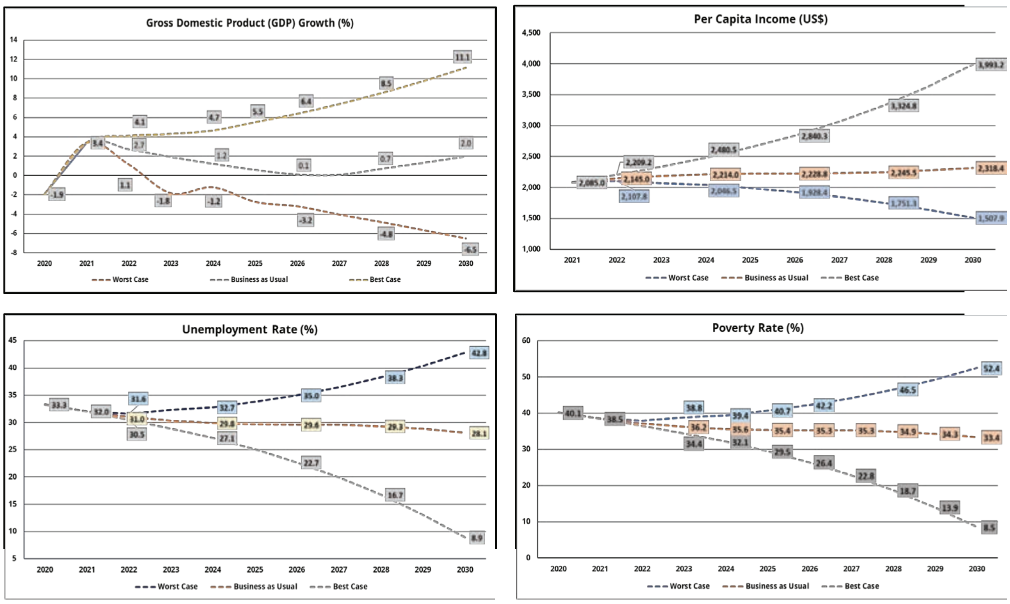
- The contribution to GDP is expected to be steady and dominated by Services (53.5 percent), followed by Agriculture (26 percent) and Industry (20.5 percent). The unemployment and poverty rates will fall to 28.1 percent and 33.4 percent, respectively, by 2030.

Worst-case scenario

- In the worst-case scenario, Nigeria enters a recession in 2023 and beyond, with an economy of US$336.5 billion by 2030. It sees Nigeria degenerate into a failed state.

- By 2030, the economy will become more agrarian, with agriculture contributing 40 percent of GDP, to the detriment of Industry (17.5 percent) and services (42.8 percent). In addition, the unemployment and poverty rates will rise to 42.8 percent and 52.4 percent, respectively, by 2030.

Figure 6: Socio-economic outcomes of various policy options



Source: NESG Research

Nigerian Economic Summit Group Selected Briefs

Policy Brief on the Nigerian Electricity and Alternative Electricity Power Supply Sector

The proposed way forward for the Nigerian Electricity Supply Industry – September 2022

Issues and Dimensions

- Nigeria has continued to battle epileptic power supply, with colossal revenue loss suffered by the Distribution companies (DisCos). The annual economic cost of power shortages and outages is estimated at US$28 billion, about 2 percent of the country's GDP.

- Power supply challenges have contributed to the rising poverty rate (at 40.1 percent as of 2019), unemployment rate (at 33.3 percent as of 2020) and weak economic growth (at an average of 1.3 percent, which is below the 5-6 percent target) .

- The Nigerian Power Sector has undergone structural reforms since the passage of the Electric Power Sector Reform Act (EPSRA) in 2005.

- These reforms paved the way for the unbundling and privatisation of the defunct government-owned National Electric Power Authority (NEPA)/Power Holding Company of Nigeria (PHCN) into six (6) power generation companies, one (1) transmission companies and eleven (11) power distribution companies.

- In March 2017, the Federal Executive Council (FEC) approved the N701 billion CBN facility for Nigerian Bulk Electricity Trading Ltd (NBET) to support the Nigerian Electricity Supply Industry. In 2019, the FEC also approved an additional N600 billion for expansion to the CBN facility.

- Additionally, the FEC approved continued talks with the World Bank Group (WBG) to secure power sector financial support of about US$2.5 billion for the Nigerian Electricity Supply Industry, out of which US$1.5 billion had been secured as of July 2022.

- Nigeria's generation capacity experienced a steady increase, from approximately 5,500MW in late 2014 to more than 10,500MW installed capacity by June 2022 .

- Of this installed capacity, the available capacity varies between 3,000MW and 7,500MW. However, the daily power output is limited by gas, water, and line constraints. This comes at the cost of lost revenue daily.

- However, power generation is constrained to a maximum of 5,800MW by transmission factors, which are beyond the control of power-generating companies. The power supply is premised on an On-Grid demand of 19,800MW as of June 2022.

- The electricity generation glut, combined with end-user consumer electricity scarcity, contributes to the massive financial liquidity challenges experienced across the Nigerian electricity supply value chains – the brunt of which is borne by the Federal Government.

[6]NBS's Labor Force Statistics: Unemployment and Underemployment Report (Q4 2020). NBS; 2019 Poverty and Inequality in Nigeria and NBS; Nigerian Gross Domestic Product Report Q4 2021 & Budget office of the Federation;

- The Electricity Supply Market faces vast challenges, including:
  - * **Financial Liquidity Constraints -** The DisCos record revenue deficits or losses worth more than N25 billion per month.
  - * **Infrastructure Bottlenecks –** Delayed completion of transmission and distribution projects due to insufficient funding.
  - * **Lack of Power Sector Market Data -** The absence of vital information to guide the fiscal design of the Nigerian electricity market is apparent.
  - * **Lack of contract-based market alignment -** The NBET Payment Assurance Facility (NBET PAF) Funds are exhausted; thus, this alignment cannot be achieved.
  - * **Distribution Issues -** Overleveraged DisCos focus on servicing loans rather than investing in new metering and transformers to enhance operational efficiency.
  - * **Weak Electricity Supply Industry Governance –** The absence of a workable business model and sovereignty issues along the electricity value chains have negative impacts and downside risks on the power sector.

Recommended Policy Interventions

(A) Short-Term Measures (3 – 12 months):

- Stabilise the Nigerian Electricity Supply at 4,500MW and address the financial liquidity constraints of the Electricity Supply Market by undertaking the following:
  - * Leverage the ongoing World Bank Power Sector Recovery Operation (PSRO).
  - * Float a long-term Bond (Nigeria Electricity Supply Industry, NESI, Bond), valued between 3-4 trillion Naira, to ensure sustenance of the electricity market.
  - * Reset the Nigerian Electricity Supply Industry by undertaking the recapitalisation of the eleven (11) DisCos within a 3-month timeframe, allowing States to participate in the ownership of the DisCos.

- Restructure the Multi-Year Tariff Order (MYTO) Model to ensure full Cost-Recovery by undertaking the following:
  - * Conduct an independent urban area building enumeration.
  - * Commercial deregulation/opening of consumer metering space.
  - * Proliferate intelligent metering systems to improve and assure market revenue.
  - * Restructure the MYTO model to ensure cost recovery without end-user electricity tariff increases, and
  - * Consider reintroducing a flat-capacity charge..

(B) Medium-Term Measures (1-3 years):

- Jump-start the Embedded/Off-Grid Renewable Energy Market.
  - * Work with NERC to increase the 1MW to 30MW limit for mini-grid systems permitted under existing regulations.
  - * DisCos' right to sub-franchise, without reducing their obligations, should be legally strengthened to ensure the bankability of sub-franchise deals.
  - * NERC should periodically delineate the commercial framework of Embedded/ Off-Grid/Mini-Grid developments to ensure protection from the Nigerian Electricity Supply Industry (NESI) waterfall.

[7]Based on the review of Historic NCC Daily reports

* Operationalise and expand the Rural Electrification Fund's implementation framework to include the creation of a project finance consortium and providing concessional funding and other appropriate financing instruments.

- Accelerate Implementation of the Presidential Power Initiative (PPI) - Accelerate the execution of Transmission and Distribution Infrastructure projects to utilise existing Generation Capacity via the rapid and successful Implementation of the Siemens Presidential Power Initiative.

- Centralise the Information Database of the NESI to ensure integrated planning and proactive management of the NESI. This will house all NESI data to achieve revenue assurance. In addition, the Ministry of Power and NERC should implement the availability of verifiable data. In addition, the database will capture all NESI infrastructure and customers.

- Commence and Conclude the Restructuring and Concessioning of Transmission Company of Nigeria - The Transmission (330kV/132kV) monopoly will need to be urgently unbundled to enable State and private sector concessioning Transmission networks.

(C) Long-Term Measures (3-5 years):

- Successful Review of Power Sector Laws and the conclusion of Reform Policy (Power Sector Recovery Programme, PSRP) - Codify the measures to meet the targets of 24hours-7day-365days a year electricity supply to Nigerians via the amendment of the Electricity Power Sector Reform Act.

- Successful Development and Implementation of Grid-Scale Solar Projects by undertaking the following measures:
  * The Federal Government, as a matter of urgency, should conclude the development and implementation of fourteen (14) utility-scale solar projects (Nigeria Solar IPP Projects) to supply approximately 1,525MW of power to the national grid.
  * The Federal Government should conclude the development and implementation of forty (40) 30MW Off-Grid Renewable Energy projects to supply approximately 1,200MW off-grid power target by 2025.

Policy Brief on the Nigerian Agriculture and National Food Systems

The proposed way forward for Nigerian Agriculture and Food Security– September 2022

Issues and Dimensions

- Agriculture is an essential sector of the Nigerian economy earning over N41.1 trillion (US$102.9 billion) for the country in 2021 from N19.6 trillion (US$101.5 billion) in 2015. The sector contributed 23.7 percent to the nominal GDP in 2021.

- The growth of the Agricultural sector has been benign and stood at 2.1 percent in 2021, amidst rising food demand as the population continues to grow at a constant rate of 3.3 percent (CBN projection). This has resulted in massive dependence on food imports.

- The sector faces myriad challenges, including:
    * Only 40 percent of the Arable Land is ready for cultivation.
    * Access to high-yield seeds is at a low ebb – about a 2 percent access rate.
    * Low farm mechanisation per hectare – about 0.3hp/ha.
    * Average yield gap of about 145 percent.
    * Post-harvest loss of about 60 percent.
    * Food Supply Deficit of approximately US$10 billion per annum.
    * Low commercial Lending to the Agriculture sector - about 4.5-5 percent access rate;
    * The usage rate of the irrigation system is low at 10 percent.
    * High food import propensity - Nigeria imported agricultural products were valued at N2.7 trillion in 2021, a surge of 57.5 percent compared to N1.7 trillion recorded in 2020 – the highest amount spent on agricultural imports over a decade ago.
    * Insecurity and supply chain disruptions have pressured food prices and stoked inflationary pressures. Over the last seven years (2015-2021), the average food inflation rose sharply from 9.9 percent in 2015 to 20.5 percent in 2021.
    * In addition, female smallholder farmers make up more than 60 percent of the agriculture labour force but are significantly and unequally excluded from input and output access.

- Consequently, Nigeria is not on track to achieve the second sustainable development goal (SDG 2) – "To end hunger" - for the following reasons:
    * Food-insecure Nigerians rose from 39.9 million in September 2020 to 55.8 million in September 2022.
    * About 36.8 percent and 6.8 percent of under-five children suffer chronic and acute malnutrition, respectively (World Food Programme, 2022).
    * In the 2021 Global Hunger Index, Nigeria ranks 103rd out of 116 countries, with a score of 28.3 points.
    * The index showed that about 14.6 percent, 6.5 percent, 31.5 percent and 11.7 percent of under-five children suffered undernourishment, severe malnourishment, stunted growth and high mortality rate (UNICEF, 2021).
    * The supply gap in essential agricultural and food commodities persists, resulting in over 60 million Nigerians engaged in crisis or above crisis-level coping strategies.
    * Nigeria produces 12 million tonnes of Maise as against the target of 15 million tonnes; 63,000 tonnes of wheat (which is significantly below the 6 million tonnes target); 7.5 million tonnes of Rice as against the 10 million tonnes, and 700,000 tonnes of soybeans (far below the target of 1.5 million tonnes).

Recommended Policy Interventions

- **Address the input and output-side challenges through the following measures:**
  - Improve the cultivation rate of arable land to 75 percent by 2030
  - This targeted cultivation rate should be supported by driving a Fertilisation Per Hectare of 350-400kg/ha by 2050;
  - Achieving soil fertility at 75 percent will necessitate a biannual national soil fertility survey and fertilisation action plan.
  - Target investment promotion in seed varieties and increase the access rate of high-yield seeds to 65 percent.
  - Raise mechanisation per hectare to mechanised nations' 8.0 hp/ha threshold.
  - Reduce the average yield gap to 25 percent.
  - Reduce post-harvest loss to less than 15 percent.
  - Reduce stable food supply deficit to less than 10 percent.
  - Raise the Irrigation Rate to 90 percent.
  - Reduce Food Insecure Nigerians to less than 5 percent of the population by 2030.

- **Improving access to finance**
  - Drive Commercial Lending to Agriculture to 20 percent of total loan disbursements.
  - Reduce the financially-excluded adult smallholder farmers to 5 percent.
  - Tap capital markets for long-term funding and securitise agricultural sector risks.
  - Deepen lending rate to agribusiness.
  - Facilitate investment-led export expansion and domestic market optimisation.
  - Provide innovative sustainable financing – such as impact investing funds.
  - Develop more cost-effective agro-specific insurance products.
  - Encourage access to funding for women in agriculture to bridge the gender gap.

- **Broaden markets and commodities exchange**
  - Improve the coordination and cooperation between State and Federal MDAs to develop institutionalised agro-markets and logistics infrastructure (storage, transportation, inland, border and seaports).
  - Expand the capacity of the Securities and Exchange Commission (SEC) to deepen and regulate commodities exchange while strengthening Agriculture-oriented asset classes.
  - Develop the Regulatory, Policy and Legislative Framework for Warehouse Receipts while expanding the competitiveness of the commodities exchange.

- **Improved partnership at all government levels -** Develop a comprehensive Federal and State Partnership for "ease of doing business in agriculture" that deepens access to land, land development services, and extensive services, expanding budget allocation to agriculture.

- **Infrastructure development**
  - Rethink the security of transportation corridors for effective domestic trade facilitation via road and rail networks that connect rural farmers to markets.
  - Improve water resource usage through a national irrigation system development plan that includes a collaborative framework with Water Resources MDAs for channelling dams and rivers towards achieving improved irrigation architecture.

- **Explore Inter-sectoral Linkages**
  * Fast-track the establishment of a technology-enabled warehouse receipt system to improve efficiency and transparency.
  * Create visible infrastructure acceleration within the Agriculture Commodity Exchange to elicit capital formation.
  * Achieve standardisation and quality control for agricultural products across the value chains of domestic and export markets.

- **Deepen knowledge, research and development in the agribusiness space**
  * Facilitate collaboration and coordination between research institutions, government policy and regulatory agencies and the private sector.
  * Institutional capacity development for evidence-based, scientific policy-led and market growth-oriented government programme design and implementation.
  * Encourage private sector investment in agricultural development research.

- **Mitigating threats to environmental sustainability**
  * Enable dissemination of geospatial data for climate-smart agriculture investment
  * Drive utilisation of renewable energy sources for farm and household use, and
  * Develop a climate index for farm insurance purposes.

- **Strengthen the institutions linked to ensuring adequate food security**
  * Achieve synergy and collaboration of MDAs across different areas, including environment, agriculture and rural development, water resources, Industry, trade and investment.
  * There is a need for speedy enactment of market-oriented and quality-enabling legislation and enforcement mechanisms that strengthen the quality of agricultural and agro-based products.
  * Expansion of innovative financing strategies, increasing investment across the agricultural value-chain and managing commodities exchange.

ORGANIZATIONAL BRIEF

The Nigerian Economic Summit Group (NESG) is a private sector-led think tank that promotes sustainable growth and development in the Nigerian economy using research-based advocacy methods. The NESG was incorporated as a not-for-profit/non-partisan organisation with a mandate to promote and champion the reform of the Nigerian economy into an open, private sector-led economy that is globally competitive on a sustainable basis. The NESG engages both private and public sectors across all sectors of the economy to achieve sustainable development and broad-based growth. Hence, the NESG is available to partner with the incoming administration towards delivering improved National Economic Outcomes.

The NESG currently serves as the host of the United Nations Global Compact (UNGC) National Secretariat and a UNGC Corporate Sustainability Champion, saddled with the leadership of advancing sustainability practices in corporate governance in Nigeria. NESG is also a member of the Steering Committee for the Presidential Committee for the Preparation of the Medium-Term National Development Plan (NDP) 2021-2025 and Nigeria Agenda 2050, the Private Sector Co-chair of the ECOWAS-World Bank-EU National Investment Scorecard Implementation Committee, the Private Sector Co-chair of the Nigerian Open Government Partnership (OGP) Forum, the Secretariat of the National Assembly Business Environment Roundtable (a collaboration between the NESG, the Nigerian Bar Association Section on Business Law, and the Nigerian National Assembly) sponsored by the UKAID and ACA Foundation, and the secretariat for the Nigerian Renewable Energy Roundtable sponsored by the Heinrich Böll Foundation, etc.

The NESG has driven several interventions: such as the Bill and Melinda Gates Foundation sponsored institutionalisation of a Policy Innovation Centre (PIC) within the NESG (the first public policy behavioural science nudge unit in Africa); the NESG-BMGF Fiscal Policy Roundtable (a platform to drive fiscal reforms in Nigeria which informed several policy actions taken by the government); the Nigerian Triple Helix Roundtable (co-created by the NESG, the Tertiary Education Trust Fund (TETFUND), and the Nigerian Universities Commission (NUC)); and the Debt Management Roundtable funded by Open Society Initiative for West Africa, and several others.

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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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