AN ASSESSMENT OF THE EFFECTIVENESS OF GOVERNMENT POLICIES AND PROGRAMMES ON ECONOMIC GROWTH AND DEVELOPMENT

2015-2019

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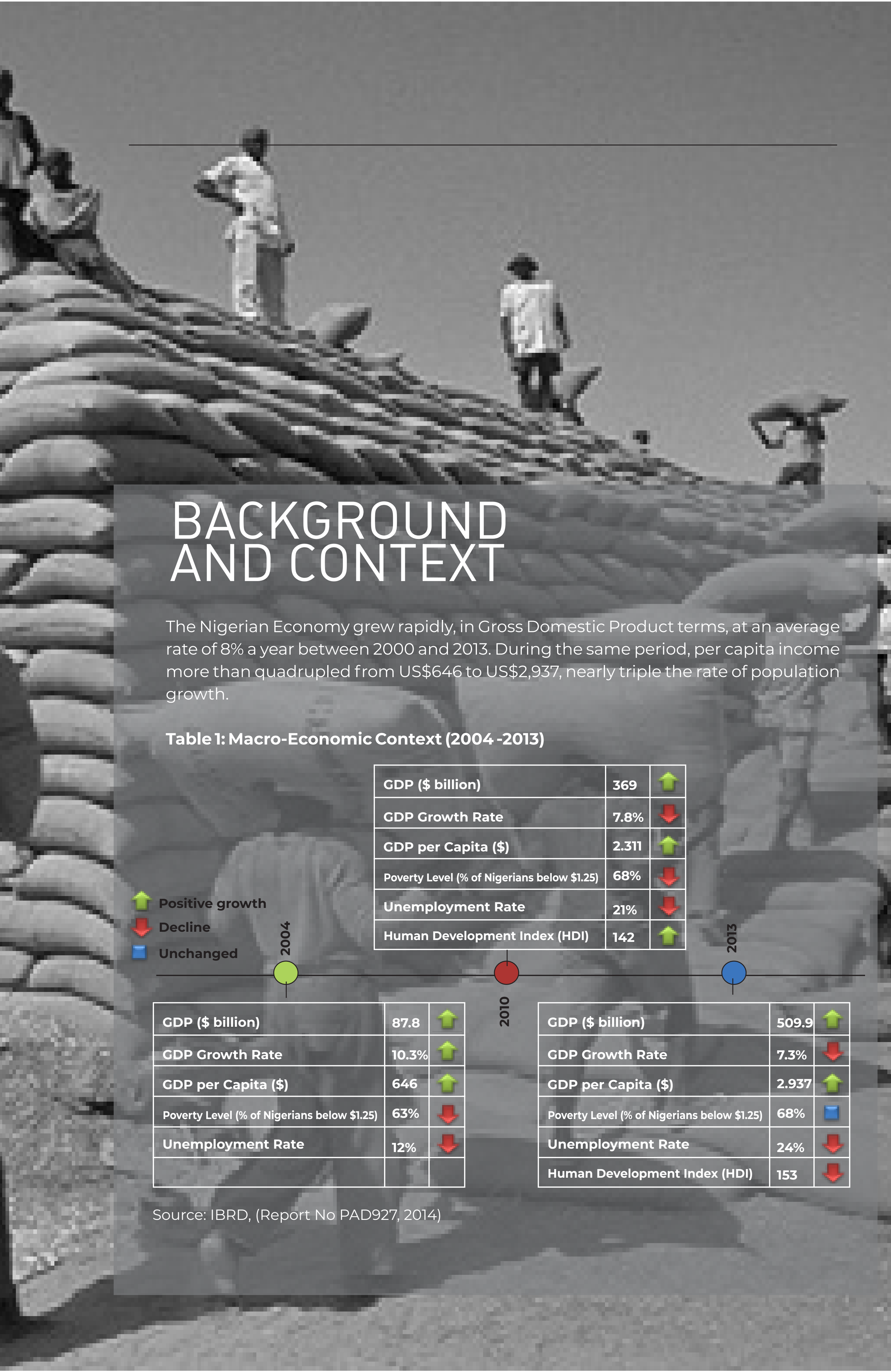
INTRODUCTION

The purpose of the paper is to review the main economic goals of the current government, examine the implementation of policies and programmes and broadly assess their effectiveness. The economic strategies and goals of the government can be gleaned from the Economic Recovery and Growth Plan (ERGP) 2017-2020, annual budgets, the Medium Term Economic Framework, Fiscal Strategy Papers and the stated monetary policy objectives of the Central Bank of Nigeria (CBN). It should be noted that the ERGP was developed in 2017, after the two annual budgets of 2016 and 2017. However, the processes of consultations were such that the priorities of the budgets fed into the ERGP and the ERGP in turn informed the subsequent budgets and strategy documents of the government. Hence, there is no sequential syllogism or absurdity in assessing the policy and programme performance of the government in 2016 and 2017, based on the objectives of the ERGP, even though the document itself had not been published.

Since there are many dimensions to the policies, the scope of the paper will selectively focus on the different dimensions of fiscal policy, monetary policy, as well as some specific key programmes such as the National Social Investment Policy (NSIP) and the many quasi-fiscal interventions implemented by the CBN. Broadly speaking, the effects of policies on growth, diversification, employment generation, monetary and financial stability will be discussed. Some of the strategic developments in the global economic scene have not been brought into the discussion. Much of the data that can be used as evidence for the effectiveness of the policies will be for the limited period, 2016-2018, but even then there are many gaps in the data. In particular, some of the information on revenue and expenditure, may be regarded as fairly tentative, since different sources can provide different figures due to differences in definition and conceptualisation. It is obvious that, in many cases, impact cannot be judged within this short time period, but only tentative trends may be discerned. It is hoped that the discussions can provoke much more rigorous introspection and evaluation, which can then encourage changes in design, approach, style, or even conception, as needed.

The paper discusses the background and context, before analysing the vision and objectives of the ERGP, and then the fiscal policy objectives and targets of the government. This is followed by a review of monetary policy and intervention programmes. The effectiveness of the fiscal policies is then assessed, including the social investment programmes and the Ease of Doing Business. The effect of monetary policy implementation is then reviewed, after which the dynamics of the employment situation is discussed. A brief summary and conclusion are used to draw out the reports main recommendations.



BACKGROUND AND CONTEXT

The Nigerian Economy grew rapidly, in Gross Domestic Product terms, at an average rate of 8% a year between 2000 and 2013. During the same period, per capita income more than quadrupled from US$646 to US$2,937, nearly triple the rate of population growth.

Table 1: Macro-Economic Context (2004 -2013)

↑ Positive growth
↓ Decline
■ Unchanged

2004

GDP ($ billion)	87.8	↑
GDP Growth Rate	10.3%	↑
GDP per Capita ($)	646	↑
Poverty Level (% of Nigerians below $1.25)	63%	↓
Unemployment Rate	12%	↓

2010

GDP ($ billion)	369	↑
GDP Growth Rate	7.8%	↓
GDP per Capita ($)	2.311	↑
Poverty Level (% of Nigerians below $1.25)	68%	↓
Unemployment Rate	21%	↓
Human Development Index (HDI)	142	↑

2013

GDP ($ billion)	509.9	↑
GDP Growth Rate	7.3%	↓
GDP per Capita ($)	2.937	↑
Poverty Level (% of Nigerians below $1.25)	68%	■
Unemployment Rate	24%	↓
Human Development Index (HDI)	153	↓

Source: IBRD, (Report No PAD927, 2014)

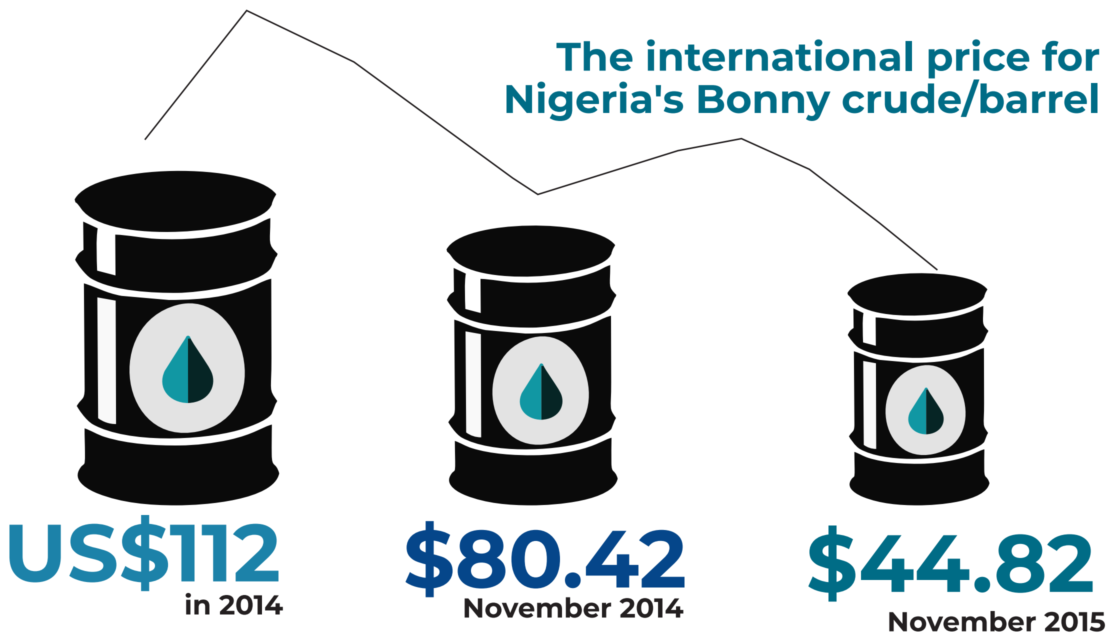
This rapid growth has however failed to transform the structure of the economy and society. Indeed, the poverty level had worsened and the unemployment rate has doubled in the same period (IBRD, 2014). This goes against the grain of conventional economic thinking, which expects a trickle-down effect from the top to the bottom. Moreover, if GDP growth has been rapid, while poverty and unemployment had increased, it follows ineluctably that income distribution and the disparity between the rich and the poor had sharpened. How can these contradictory trends be explained?

Firstly, a significant part of the propulsion for growth emanated from the oil sector. Between 2004 and 2013 the sector accounted for about 25% of GDP and over 90% of export revenues. However, crude oil production is a capital-intensive activity and with the failure to substantially develop a petro-chemical industry it operates as an enclave, minimising domestic linkages and limiting employment opportunities.

Secondly, the period after 1990 was characterised by the continuation of the long-term trends of both de-industrialisation and the weakening of primary exports. De-industrialisation emanated from the acute foreign exchange shortages, the post structural adjustment Naira devaluation and the wrong fiscal policies. The collapse of primary exports was largely attributable to the macro-economic effects of Dutch Disease which undermined tradable goods. Both de-industrialisation and the undermining of production of primary export commodities generated unemployment and sowed the seeds for subsequent fall in GDP growth.

Thirdly, the inadequate development of physical infrastructure has also been an important factor in explaining the structural development of the Nigerian economy. Major roads constructed were not well maintained; feeder roads were generally neglected; the railway system collapsed; investment in power generation and distribution was well below optimum. This meant that substantial potentials for job generation were not exploited and degraded or underdeveloped infrastructure inhibited future growth as the stock of capital rapidly degraded.

Fourthly, the micro, small, and medium enterprises (MSME) sector was substantially underdeveloped. This sector has perhaps the highest potential for generating jobs and also for promoting equitable growth. In 2014, the sector contributed about 52% of GDP and employed 82% of Nigeria's workforce. In terms of access to credit for development though, less than 5% of credit from financial institutions went to MSMEs, leaving about 89% of the 37 million enterprises in this sector without access to credit from the formal financial sector. This severely limited their capacity to grow, increase value addition, modernise processes and technology and boost employment creation (DBN, 2017).



Fifthly, there have been widespread reports that the educational system in the country has been inadequate in both quality and quantity. Only about 26% of applicants to tertiary institutions in the country in 2010-2015 have been able to get a place, mostly due to inadequate capacity of the Universities. (Kazeem 2017); It has not adequately responded to the needs of the burgeoning population; nor has it sufficiently developed in content and structure to suit the evolving market needs.

This is an indicative, rather than exhaustive, narration of factors explaining the specific characters of development in Nigeria. But it helps to explain the circumstances under which the new Buhari administration took over power in May 2015 and thereby the imperatives of economic policy needed to address the challenges encountered.
By the time the new government came into office in 2015, the challenges were clear.

The fall in oil prices had exposed the hollowness of the unsustainable economic growth model. Growth was petering out and the country was facing stagflation. The international price for Nigeria's Bonny crude, which averaged US$112 in 2014, was at $80.42/barrel in November 2014 and had halved to $44.82/barrel a year later in November 2015. Output also started dropping in Q3 2015. Given the overwhelming effect of oil on the Nigerian economy, despite its reduced share of GDP, GDP growth fell from 6.3% in 2014 to 2.11% in Q4 2015 and had descended into negative territory at -0.36% in Q1 2016. External reserves had fallen from US$ 34.24bn in Dec 2014 to US$29.85bn by December 2015.

...diversification which had been identified as the second anchor for restoring growth largely focused on promoting the non-oil productive sector, particularly agriculture, energy and MSME

ECONOMIC RECOVERY AND GROWTH PLAN

The budget statements and the EGRP provide the objectives of macroeconomic, fiscal and monetary policies of the government and the plans aimed at achieving sustained, inclusive growth (ERGP, 2017). The strategic objectives for achieving this vision centre around the necessity of restoring growth, investing in people, and building a globally competitive economy.

Restoring growth is linked to the other two strategic objectives but is specifically deemed to involve two main dimensions: macro-economic stability and economic diversification. Macro stability is needed to create and sustain the right environment and the ERGP believes it will be achieved through the fiscal stimulation of the economy, achieving monetary stability and improving external trade balance. Economic diversification which had been identified as the second anchor for restoring growth largely focused on promoting the non-oil productive sector, particularly agriculture, energy and MSME-led growth in industry and services.

The second strategic objective - investing in people - mainly involved the implementation of social investment programme, job creation and youth empowerment programme, along with increased investments in health, education and infrastructure.

The third strategic objective involved various schemes to attract foreign direct investment (FDI), facilitate trade and improve international competitiveness and more generally improve the ease of doing business in the country.

To achieve the objectives set out in the ERGP, specific targets were developed. GDP was projected to grow by an average of 4.62% between 2017 and 2020, reaching 7% by 2020.

To attain the growth objective, as well as to ensure sustainability, diversification, job creation and social equity, fiscal and monetary policies were specified by the authorities.

FISCAL POLICY: OBJECTIVES AND TARGETS

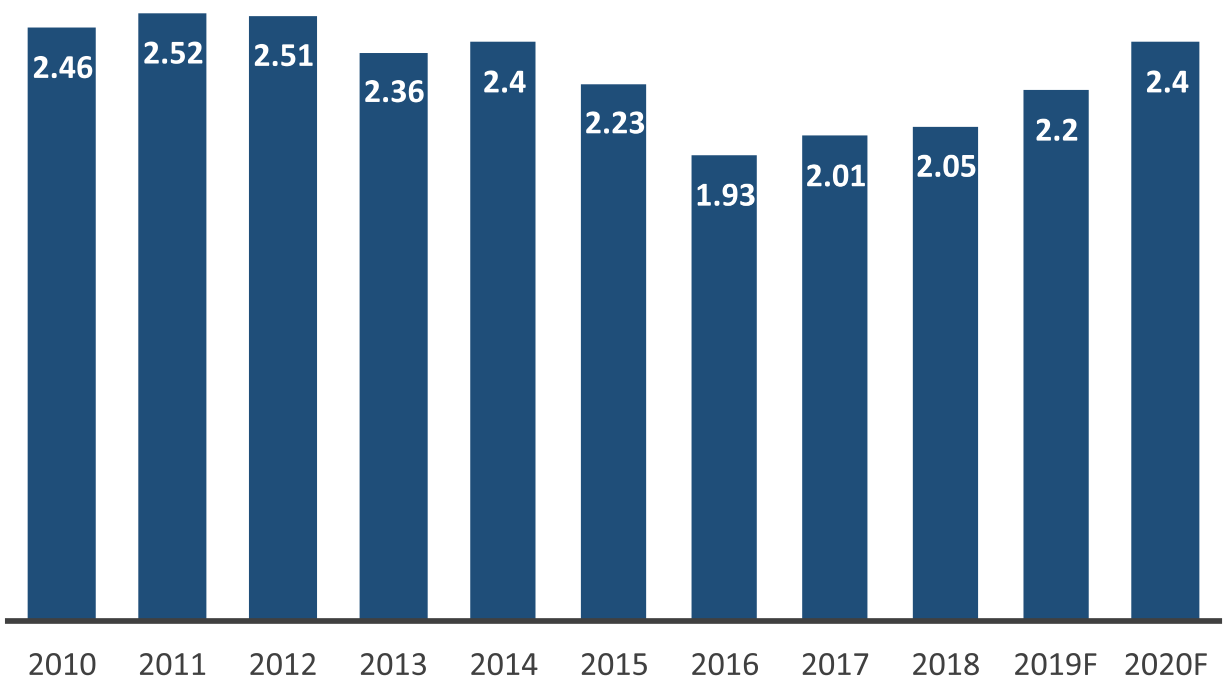
In accordance with the ERGP and the annual budgets and fiscal strategy papers, the fiscal stimulus was implemented through a number of sources.

Firstly, through improved oil earnings as well as a robust capital investment programme. Domestic crude oil production was expected to increase to 2.2mbd in 2017 and 2.5mbd by 2020, with prices ranging from $42 to $52/barrel during the period.

Secondly, through increasing Value Added Tax and Company Income Tax revenues by at least N315bn every year as well as improving revenue from taxes from the current 6% of GDP which is very low by both ECOWAS and international standards, to 15% by 2020. Together these measures were intended to increase government revenue at a rate of 12.8% a year between 2017 and 2020.

Thirdly, the increased revenue, along with a more robust capital expenditure programme of at least 30% of budgetary resources every year, was seen as key in delivering a strong stimulus and to help the economy to generate growth momentum.

Figure 1: Total Crude oil Production



...the federal government budget was raised from N4.45 trillion in 2015 to N6.06 trillion in 2016—a 36% increase.

The Annual Budget of 2016 to a certain extent, and to a greater extent the 2017 budget, even though preceding the ERGP, reflected the main thrusts of fiscal policy, which were to be encapsulated in the ERGP. The Medium Term Expenditure Framework and Fiscal Strategy Paper 2016-2018 of the government identifies areas of fiscal policy focus to include the improvement of revenue from non-oil sources, economic diversification, low inflation and job creation through social intervention programme. Particular areas of emphasis identified included the strengthening of the electric power supply, mainly through upgrading of transmission networks, and closing the gap in supply of gas for power generation; improving revenue generation from the oil sector by stopping oil theft and pipeline vandalisation; passing the Petroleum Investment Bill to catalyse investments in the sector; energising the housing sector, mainly through a dramatic expansion of housing mortgages by the Federal Mortgage Bank and incentives to commercial banks; and improving domestic credit.

Budgetary provisions and allocations also reflected the same approaches. In a bid to deliver a sharp economic stimulus, the federal government budget was raised from N4.45 trillion in 2015 to N6.06 trillion in 2016—a 36% increase. The increase in capital expenditure was even higher—an increase of about 223% in one year. Capital budget reached 26.19% of the total budget, up from around 16% in 2015. However, despite a projected oil output of 2.20 mbd, total projected revenue was expected to be only N3.855 trillion, resulting in a huge deficit of N2.14 trillion: the biggest for 34 years. The deficit was intended to be financed through both domestic and foreign borrowing. Inflation was expected to average 9.81% during 2016 and 15.7% in 2017 (NILDS, 2017, 2018).

In continuation of the policy to stimulate the economy out of recession, total expenditure under the 2017 annual budget of the federal government was further raised to N7.44 trillion, an increase of more than 20%, with the capital component of the budget constituting 28.21%, close to the minimum target of 30% set out in the ERGP. Capital expenditure prioritised the Works, Power and Housing, Transportation, Defence, Agriculture and Rural Development ministries. These were considered critical for regenerating growth, improving security and creating jobs. To finance the allocations, substantial increases were budgeted to be earned from oil, mineral revenues, corporate income tax, VAT and customs duties. To help improve business and investment efficiency, the Presidential Enabling Business Environment Council was set up in 2017.

In the 2018 budget cycle, the objectives of fiscal policy remained the same. However, much greater effort was made to raise taxes, through the implementation of the Integrated Tax administration system and stronger enforcement and better monitoring of ministries, departments and agencies (MDAs). Budgeted expenditure shot up by 22.6%, compared to 2017, to N9.12 trillion, with the capital component increasing by 2.2% to reach 31.5% of the total budget. Consistent with the previous year, Power, Works and Housing, Transportation led in terms of priority. Defence and Agriculture also got a significant share of the total budget. Revenue was expected to increase to N7.17 trillion, as compared to actual revenue of N4.226bn in 2017.

Partly to raise the resources to finance the budget deficit and later, with the express intention of re-balancing government debt in favour of the foreign component, which was considered cheaper, Eurobonds totalling U$7bn were to be raised in 2017-18. A massive increase in VAT collection and custom duty was also targeted in 2018. VAT on luxury items was to be raised to 15%. The tax amnesty programme was also expected to raise tax revenue substantially. Apart from external borrowing, which was projected to be higher than internal borrowing, as much as N311 billion revenue from the privatisation and the sale of government assets was expected to help fill the budget deficit.

GDP growth was expected to bounce back to 3.5% - in line with oil output increasing to 2.3mbd and price of Bonny crude to $51/barrel. Expectations of higher levels of production of crude oil were built on the plans to revive and extend discussions with Niger Delta militants.

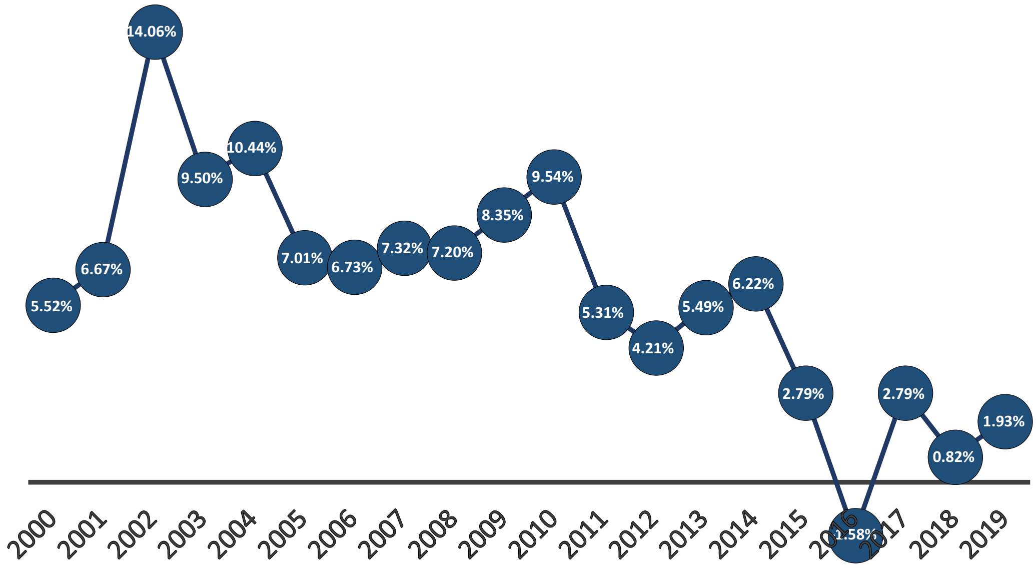
MONETARY POLICY

Overall, the objective of monetary policy in the 2016-2018 period has been to promote growth and achieve price and financial stability. This is not different from the main thrust of the function of the CBN in general, but its specific application has been nuanced to respond to the particular circumstances arising from 2015. By the end of 2015, growth had weakened significantly,

inflation was rising, government revenue was falling due to a fall in oil prices and foreign reserves were also dwindling. All this put increased pressure on the Naira exchange rate. Government borrowing was soaring, thereby forcing interest rates up.

Unemployment was also rising. GDP growth had, as indicated earlier slowed and had fallen to negative by Q2 2016, reaching a low of -1.58% for 2016. By end 2015, the external sector balance had reached a deficit of 3.5% of GDP; external reserves had fallen to U$28.29bn, down 21% on end of 2014 figures; and the value of the Naira had depreciated by 31.5% at the Bureau du Change. Consequently, monetary policy instruments were deployed in 2016-2018 to promote the establishment of a stable and competitive exchange rate, build external reserves, ensure the maintenance of a sound financial system and improve credit availability to the private sector (CBN, 2017,2018).

Figure 2: GDP Growth Rate, 2000- 2018



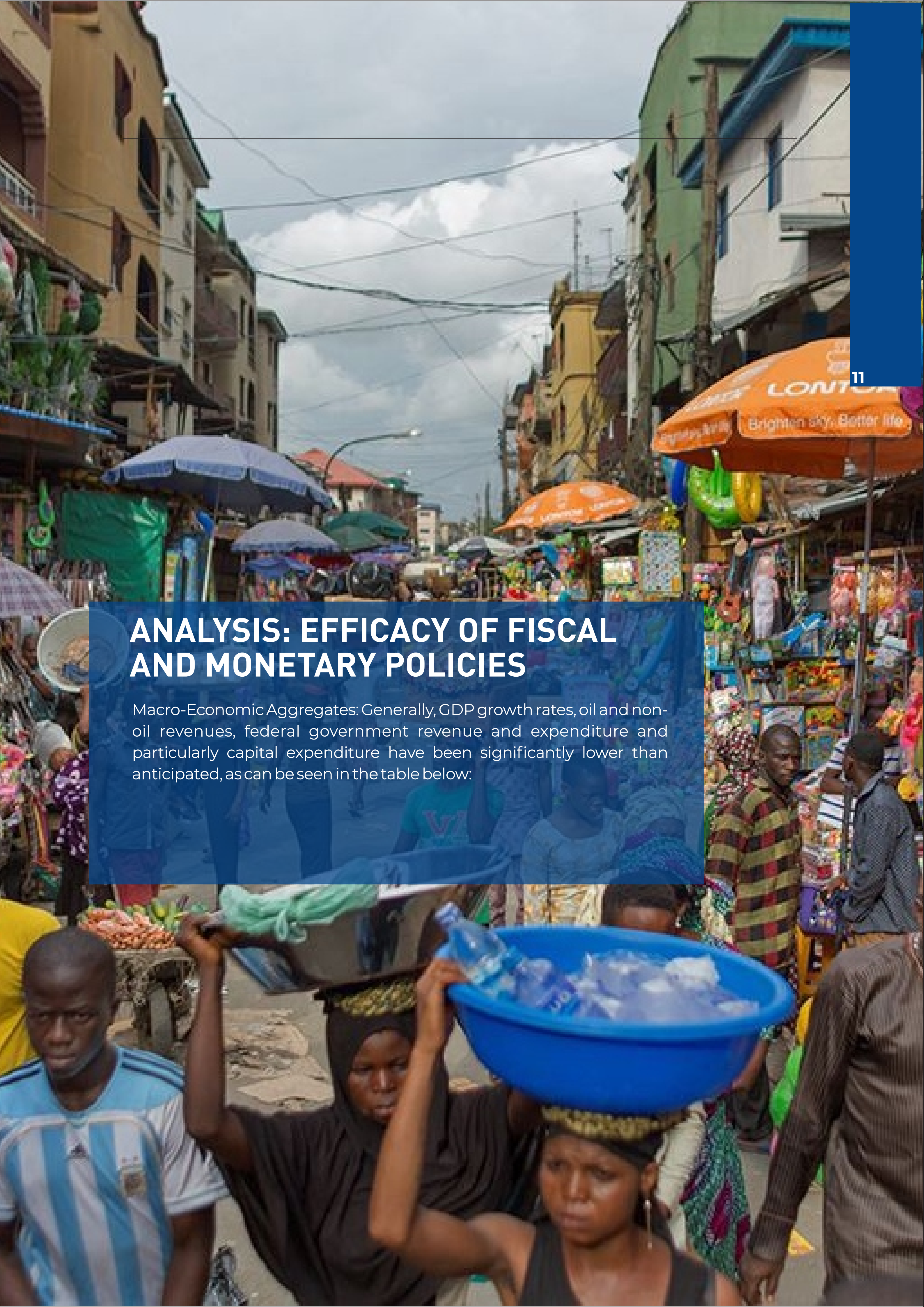
Nigeria's inflation target was set at 6-9% for 2017. Due to the continued pressure on the Naira exchange rate, the W/Das and r/Das windows which were used for foreign exchange auctions by the CBN were closed in 2015, while the CBN continued to intervene through the inter-bank market. Subsequently, the CBN in 2017 introduced the Importers and Exporters Window to increase liquidity in the foreign exchange market and ease the pressure on the Naira. Interest rates were to be market determined, although, here also, the CBN tried to influence this through the setting of the Monetary Policy Rate (MPR), which mostly affected inter-bank rates.

Initially, between September and November 2015, the CBN, eased monetary policy to try to revive the flagging economy. The cash reserve requirement was reduced to 25% in September, and to 20% in November. The MPR was also reduced from 13% in September 2015 to 11% in November 2015. However, when prices surged, the CBN decided to focus more on stemming inflationary pressures and therefore raised the MPR to 14 %; a level at which it remained until the end of 2018. To help achieve its inflation targets and ease the pressure on the Naira/US$ exchange rate, the CBN extensively used liquidity management. The main instrument for liquidity management was open market operations (OMO), which mainly involved the sale of CBN bills. Other instruments included the cash reserve ratio; discount window operations and liquidity ratios imposed on deposit money banks.

A programme for financial inclusion was also introduced by the CBN as a means of generating growth and stemming the tide of income inequality. The targets to be achieved included the raising of access to payment services from 21.6% in 2010 to 70%; raising access to savings accounts from 24% to 60%; and, access to pensions from 5% to 40%, all by 2020. To this end, Deposit Money Banks (DMB) branches, microfinance branches and ATMs were all to be dramatically increased.

One of the most significant decisions taken by the CBN was to introduce, revive or strengthen a whole suit of interventions, which would provide or increase credit facilities and support to sectors that were deemed important for growth and employment generation. These include:

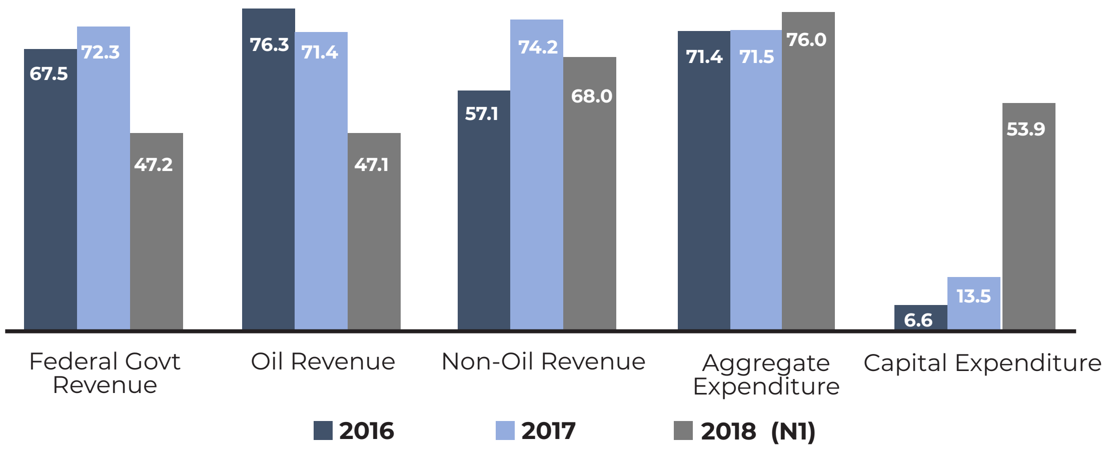
- the National Collateral Registry, which would facilitate the use of movable assets as collateral;
- the Real Sector Support Facility - N300bn - to support large enterprises in the manufacturing, agriculture value chains and some service sectors;
- SMEs Credit Guarantee Scheme -N200bn - to guarantee loans issued by commercial banks to SMEs and manufacturing sector;
- the MSME Development Fund of N220bn; set up to provide support for Microfinance banks/institutions to lend to MSMEs;
- the Commercial Agriculture Credit Scheme - N200bn, funded through a bond issue by the Debt Management Office but to be operationalised by the CBN - in support of large scale activities in the agriculture value chain;
- The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), set up to support the development of the agricultural value chain through risk-sharing, technical assistance, incentive and rating mechanisms for banks,
- the Agribusiness/SME Investment Scheme, set up on the initiative of the Bankers Committee, under which all Banks would allocate 5% of their profits after tax to a fund to finance small and medium scale agricultural firms;
- the Accelerated Agricultural Development Scheme was established to hire 10,000 youth across all states of the federation to accelerate food production;
- the Youth Entrepreneurship Development programme was launched in 2016 - entirely financed by the CBN - to promote youth entrepreneurship in new agricultural and non-agricultural enterprises;
- the Paddy Aggregation Scheme, set up in 2017, to support rice millers, with a view to improving the competitiveness of local rice;
- the Power and Airline Intervention Fund - N300bn - set up in 2016/2017 to lend to the power and aviation sectors;
- the Nigerian Electricity Market Stabilisation Fund to provide liquidity to the power sector to pay off legacy and other debts, for gas supplied to the Power Holding Company of Nigeria (PHCN) and its successor generating companies;
- the re-establishment and proposed re-invigoration of Entrepreneurship Development Centres to support entrepreneurs acquire skills to establish and expand business geared to support job creation (CBN, January 2018).



ANALYSIS: EFFICACY OF FISCAL AND MONETARY POLICIES

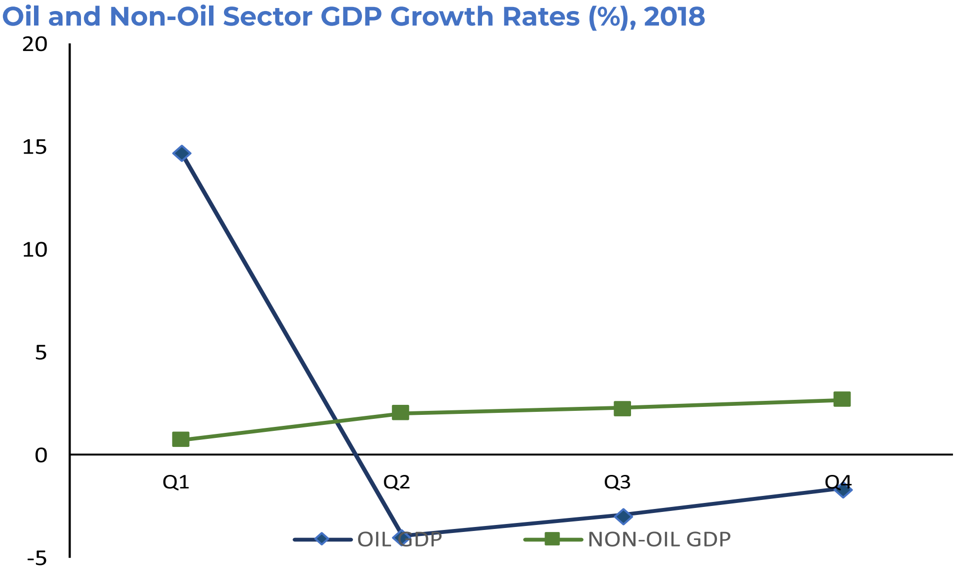
Macro-Economic Aggregates: Generally, GDP growth rates, oil and non-oil revenues, federal government revenue and expenditure and particularly capital expenditure have been significantly lower than anticipated, as can be seen in the table below:

Figure 3: Federal Government Budget (% of Actual), 2016-2018 (H1)



It is clear that the estimates, projections and expectations for GDP growth have been significantly different from the actual outcome, although the performance in Q4 2018 and Q1 2019 are more encouraging. For the last one year, the impetus for growth has mainly come from the non-oil sector.

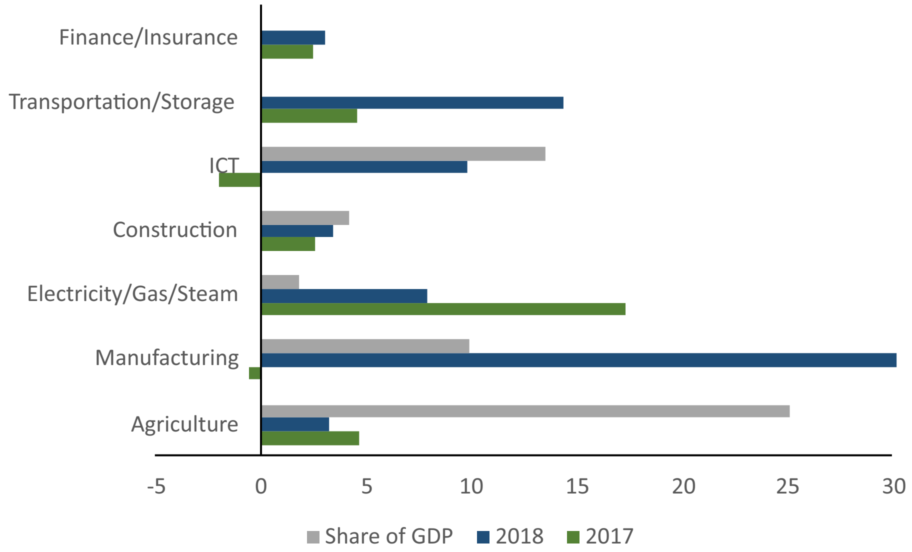
Figure 4: Oil and Non-Oil Sector GDP Growth Rates (%), 2018



Source: National Bureau of Statistics, 2018 Full Year GDP growth Rates

There a number of implications from the data presented. First, oil GDP growth rates have been negative in the last three quarters of 2018. They cannot be relied upon to power sustainable growth and recovery. Second, although non-oil GDP growth has been positive, it still remains relatively low. Much stronger growth is needed from this sector to achieve the envisaged diversification and rapid economic recovery. Some of the most important sectors that play a critical part in both growth and employment generation have not been growing rapidly enough.

Figure 5: Sectoral Growth Rates (%), Selected sectors



Source; NBS, 2018 Full Year GDP Sectoral Growth

Although the agricultural sector experienced sharp growth in 2017, this declined in 2018, and is a concern given the concentration of credit and intervention activities in the sector. However the performance of the sector did improve to 3.17% growth in Q1 2019, but experienced a substantially reduced growth rate of 1.79% in Q2 2019. Manufacturing, while recovering from negative growth in 2017, is still not growing as fast as needed, and appears to have experienced a substantial slow down to 0.81% growth in Q1 2019 and a decline of 0.13% in Q2 2019. The performance of the finance and insurance sector, while positive, remains steady and low. Only the information and communication and the transportation sectors experienced a significant surge in 2018.

As far as the contributions of the oil sector to the GDP are concerned, this has nothing to do with the oil prices for 2017, 2018, and 2019, where the average prices have been higher than budgeted prices. It is largely because output, which is within the control of the government, has been consistently lower than the budgeted amount, to the extent that the positive price differences have not been able to compensate for the low production figures. Consequently, oil revenues have fallen, by an increasing rate over the 2016-18 period, below the budgeted amount.

The most significant sector accounting for the relatively low level of oil production, especially in 2016 was the militancy in the Niger Delta, accompanied by sabotage of the oil infrastructure. The main trigger for this of course had to do with the removal or substantial reduction of budgetary allocation in 2016 for the amnesty programme, which signalled to the militants that amnesty-related payments would soon be stopped. Once negotiations were concluded with them under the Osinbanjo-led initiative in the second half of 2016, oil output recovered to a certain extent in 2017 and 2018 but not up to budgeted amounts.

Non-oil revenues have also consistently fallen below budget targets, but have actually improved in 2017-2018. The biggest improvement achieved is with respect to revenue from customs and excise tax, as can be seen in the Table below:

Table 3: Tax Revenue: Budget Implementation (%)

	2017	2018
income Tax	67	85
Value Added Tax	54	68
Custom and Excise	94	98.7

Source; 2019-2020 MTEF/FSP, Min of National Planning.

Relatively low progress has been achieved with respect to value added tax. Part of the challenge is that there have been some policy uncertainties on whether to raise VAT from the current level of 5% to around 15%, or whether to raise VAT only for luxury items, tobacco and alcohol. The option of raising VAT substantially is a bad idea because increasing such taxes during a recession would serve to further stifle growth and complicate the already strong stagflation pressures.

Selective increases of VAT targeting certain goods is acceptable but would not, by itself, achieve the significant increase in revenue that is needed to deliver a strong stimulus on the economy. The most viable approach is to significantly expand the tax base, particularly to bring the informal sector into the tax system. States, such as Lagos and Ebonyi are instigating efforts to bring the informal sector into the tax system through a series of incentives, service delivery initiatives and institutional arrangement through their unions and associations (IOD, 2019). Many lessons can be learnt from these efforts.

On the other hand, the proposal to raise substantial revenue through wholesale privatisation of government assets does not appear to have been thought through. Privatisation by itself will not provide an appropriate solution. Firstly, this will provide revenue on a one-off basis and does not provide a sustainable way of raising budgetary resources. Secondly, the history of privatisation in Nigeria has been a challenging one. Some concerns have been expressed on the risk of selling enterprises to privileged groups at below market prices, undermining the subsequent services and exacerbating income inequalities (Eke, 2017; Sahara Reporters, 2011). In some cases the new owners are alleged to have stripped off and sold the assets, with the companies failing or being rendered comatose soon thereafter. More intelligent ways of leveraging public assets are needed, which will generate revenue streams and provide options for future government ownership.

A better approach to privatisation may involve a number of options as set out below (Teriba, 2019):

> *First, parts of equity of selected government-owned enterprises can be sold, after a careful analysis to determine whether to sell all, majority shares, or a small part of the shareholding, depending on other policy considerations. Sale of equity in government entities can be targeted at both local, as well as diaspora investors, so as to attract local*

currency as well as foreign exchange resources through FDI and remittances.

Secondly, it can involve a comprehensive census of unused government lands and buildings, some of which can be placed on lease or rented out, or used for joint ventures involving public-private partnerships.

Thirdly, it may be possible to relocate a large number of government owned building from high value commercial areas to lower value commercial areas in order to use the land as described above. The operation of most of the institutions occupying such areas will not be affected by such relocation. It has been suggested that many prisons, barracks and educational institutions may fall into this category.

Revenues anticipated to be earned from taxes on solid mineral production activities in 2017 and the first half of 2018 have come to nothing. Budget under-performance has been 100%. This is a puzzle since there appears to be many mining activities going on in the country, with many of the licenses issued by the Federal Ministry of Solid Minerals.

The other anticipated source of revenue has been the recovery of stolen funds. Clearly, the government, through the Economic and Financial Crimes Commission (EFCC), has made substantial progress in this area. Between November 2015 and November 2018, The EFCC has indicated that it recovered N794 billion, US$261m and £1.1m from "looters"(Vanguard Newspapers, 12 Nov 2018). In the first quarter of 2019, an additional amount of N117 billion was said to have been recovered (Channels TV, 2019). However, not all the amounts have been finally forfeited to the government, and have therefore not been sufficient so far, to cover the revenue gaps.

For the moment, the solutions being proffered have not been able to make a major contribution to the achievement of the substantial increase in non-oil revenue/GDP ratios that have been anticipated in the ERGP and annual budgets.

Since revenue projections have been under-achieved, expenditure has also fallen substantially below the budget. It was barely more than half of the budgetary projections in the first part of 2018. Whenever there are shortfalls in revenue, the recurrent expenditures, particularly salaries and other emoluments take precedence.

Consequently, it can be seen from Table 4 below that capital expenditure, which is critical for promoting growth and generating jobs has floundered and is well below the 24% achieved in 2015. Allocation of the capital budget has been prioritised for the sectors that are critical to growth and jobs - Agriculture and Rural Development, Works, Power and Housing, Education and Health. Unfortunately, the actual expenditure in 2017 on agriculture was only 15.2% of the budgeted amount; for power, works and housing 10.53% and for transport 6.3%.

Table 4: Capital Expenditure: Actual Implementation (Actual/Budget) %

	2016 (%)	2017 (%)
FG Total Capital Expenditure	16.6	13.48
Agriculture	67.07	15.2
Power, Work/Housing	71.16	10.53
Transport	71.41	6.3
Defense	72.85	57.6
Solid Minerals	61.14	1.71

With respect to power, the challenge is not just the shortfalls in capital expenditure. There is also some evidence that the privatisation of the sector may not have been done in the right way. It appears that some of the entities may have been sold to persons based on their political connections rather than their capacity to make the significant long- term capital investments that are necessary to make the business viable (Conversations with U. G Mohammed; MD, Transmission Company of Nigeria, 2018).

This is particularly true with respect to the distribution companies, most of whom have not been able to make the necessary capital investments to develop the capacity to buy enough power, adequately distribute and collect the revenue. They argue that this is due to the failure of the government to implement the tariff structure agreed upon.

Clearly, the current model is not viable. While a review of the whole structure is needed in the long term, it may be necessary for the government, as an interim measure, to pursue a policy of consolidation of the DISCOs (similar to what was done for banks) so that they can combine their financial resources to achieve economies of scale and make the necessary investments in the energy distribution sector. This is the minimum that is needed to substantially improve power supply, which is so critical for supporting stronger growth.

As part of the agenda for diversification, some effort has been put into promoting non-oil exports. Exports in general have fluctuated over the last three years, as is evident from the Table below;

Table 5: Exports as a % of Total Trade

	2016	2017	2018	2019(Q1)
Exports/Total Trade	49.2	58/7	58.5	55
Crude Oil Exports/Total Exports	82	81.1	81.8	74.5
Non-oil Exports/Total Export	4	4.6	6.4	13.3
LNG Exports/Total Export				11.57

Source: NBS, GDP Report Q1, 2019

Crude Oil Exports have gradually tended downwards but took a dive in Q1 2019. Non-Oil exports on the other hand increased significantly, more than doubling in Q1 2019 as compared to 2018. More recently, solid minerals exports are assuming importance. Their exports increased by 16.88% in Q1 2019 as compared to Q4 2018.

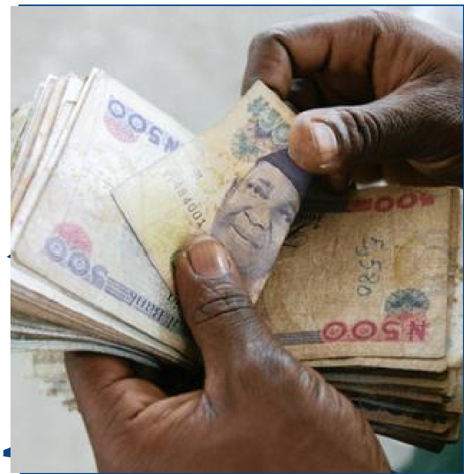
Sesame seeds lead in the expansion of non-oil agricultural exports. Other important agricultural exports include cocoa beans and cashew nuts. In the manufactured exports category, the main products have been instant noodles, detergents, tobacco, plastics, dairy products, soya bean meals, soft drinks and fertiliser. Most of the manufactured exports are destined for other ECOWAS countries. While the progress in respect of primary exports is clearer, it is a little more complicated on the issue of manufactured exports to the ECOWAS region. This is because it is difficult to distinguish between actual expansion of these exports and the formalisation of what had previously taken place as informal trade.

On the whole, it can be said that most of the objectives of fiscal policy were either only partially attained or not at all attained. Nigeria did well to begin to recover from recession after one year of negative growth, which is better than other oil-producing countries in Africa, Algeria notwithstanding. However, recovery from recession has been painfully slow. Efforts to substantially raise revenue have not yielded the desired results and consequently the actual size of the stimulus has not been attained by way of government expenditure and capital spending.

THE SOCIAL INVESTMENT PROGRAMMES

One of the flagships of the government is the Social Investment programme. This suit of programme, developed in 2015, primarily draws on what had been presaged in the All Progressive Congress (APC) campaign manifesto. It comprises mainly of the N-power programme, the National School Feeding programme, the National Cash Transfer programme and the Government Enterprise and Empowerment programme. Broadly it is aimed at responding to the challenge of poverty, inequality and unemployment in the country by implementing programme to help improve livelihood for the poor, improve access to health and education, reduce youth unemployment, eradicate child malnutrition, improve financial inclusion including through better access to credit for MSMEs and promoting productivity (NSIO, 2019).

The main components of the programme and achievements (as of end of 2018) so far are summarised below:



National Cash Transfer programme: This aimed at lifting poor and vulnerable households out of poverty. It involved the payment of N5,000 a month to households and an additional N5,000 for participants active in human development and sustainability activities. By the end of 2018, after three years of implementation, 279,973, beneficiaries were being paid in 20 states of the Federation. 5,917 savings groups/cooperatives had been formed to ensure sustainability. The National Safety Net Coordinating Office had captured data for 755,112 households in the 20 states; valuable information for future programme and initiatives.

The National Home Grown School Feeding programme: The purpose of this programme was to boost primary school enrolment, lift child nutrition levels in the country and, as a by-product, help boost the incomes of cooks and farmers. So far, 9.5 million pupils have been fed in 52,604 schools across 30 states, while 101,913 cooks are being employed.

Government Enterprise and Empowerment programme: The goal was to help improve financial inclusion by providing small loans to small scale traders, farmers and businesses. The focus was on traders, women cooperatives, market women, youths, farmers and agricultural workers. So far, 1.7 million petty traders, farmers, artisans have received support. The loans range from N10,000 to N350,000, with a tenor of 6 months, a 2-week moratorium, at zero interest rate, but with an administrative fee of 2.5-5%.

N-Power: A work and training programme for unemployed graduates and non-graduates, aged between 18-35 years. For graduates, the scheme employs them to work in education, health, agriculture, tax and monitoring professions and in return they can receive a N30,000 monthly allowance, plus their wages. For non-graduates, it involves training and internships in construction, automobile, hospitality and technology industries. 500,000 graduates have been engaged and deployed under the scheme, while 26,000 non-graduates have been enlisted in the training and internship programme. Attempts have been to promote gender balance, such that 40.4% of the beneficiaries are female and 2.17% are people living with disabilities. The N-Power junior programmer has been devised to re-model and re-equip 10,000 schools per year to promote the development of modern skills and knowledge in the school system. Just 12 primary schools have benefited so far. The National Social Investment Office has acknowledged implementation problems - including poor internet access, diversion of resources and extortion of illegal fees by officials at the state level - that have limited its impact.

Overall, the NSIP appears to be an excellent initiative that tries to simultaneously address inequality of opportunities, regional and gender disparities, inadequate access to credit for micro economic operators, child malnutrition and unemployment. It has the potential to become one of the enduring legacies of the current government. It also appears that significant progress has been made during the last three years of its implementation.

Nonetheless, there are some issues related to its design based on the experience of other developing countries (Rawlings and Rubio, 2003; Stampini and Tornarolli, 2012; De la Briere and Rawlings 2006). For example, it is quite difficult to ensure that the National Cash Transfer programme actually succeeds in lifting households out of poverty rather than serve as a short-term cash infusion for the beneficiaries. The greatest challenges are therefore to extend and expand nationwide; to develop the right institutional mechanisms for its long-term implementation; and, to develop a sustainable funding plan. As it is, once the current government is no longer in power, there is a significant risk that it will not continue.

The National Social Investment Office in the office of the Vice President that is currently responsible for the programme, is clearly aware of these challenges of sustainability. It is therefore considering the establishment of a National programme Coordination Office to be responsible for the overall programme, with much of the actual implementation to rest with relevant agencies and institutions. This is unlikely to work in the long run. As political transitions occur, different agencies may or may not prioritise the focus of social investment.

It may therefore be necessary, at the risk of entrenching a bureaucracy, to develop a major structure responsible for implementing the core programme, with the inter-connected and related programme handled by the relevant agencies of government and, if needed, through working with the private sector. With significant visibility, the backing of legislation, links to state government and even local governments, plus an established funding source, it stands a better chance of long-term survival.

But raising the capital required will not be easy. Three possibilities are being proffered. The first is the imposition of a small surcharge of around US$5-US$10 either on airline fares or for airport tax. This represents a small, tolerable cost for the traveller, but can add up to a significant amount, estimated at around N17b per year, which can make a useful contribution (own estimates). The challenge is that air travel is already subject to so many different taxes, that it may appear burdensome.

The second proposal is the imposition of a small fee for inward remittances. In 2017 remittances were estimated at U$22 bn, up 10% on 2016 figures and higher than earnings from crude oil exports in that year. There is significant scope for increasing such remittances, especially from the diaspora. There is also significant scope for reducing the cost of such remittances, which at the moment are higher than the global average of 6.9%. The cost is 5.4% for Asia and 9% for sub-Saharan Africa (WB, 2018). The SDG set a target at 3%. Efficiency gains obtained from changes to the arrangements with Remittance Services Providers and more competition could be utilised to fund social investment programme. This may mean that the current costs to the remitters does not reduce, but the margins could, after launching the necessary marketing and communication programme, be used as a reliable and long term source of funding for the SIPs. Of course, its success will depend on the establishment of a credible institutional arrangement as well as effective communication.

The third option is a 2% increase in general VAT with the designation of the additional income to fund social investment projects. However, unlike the two proposals above which are inherently income-redistributive, VAT is inherently regressive, unless it is levied only on specific luxury items. It is also inflationary. Moreover, social investments would have to compete with other initiatives for support from the additional resources of VAT.

THE EASE OF DOING BUSINESS

Over time, Nigeria has been regarded as a country where doing business is difficult. As part of the objective of attracting FDI, facilitating trade and improving international competitiveness, the government set out in 2016, a presidential initiative, called the Presidential Enabling Business Environment Council (PEBEC) to focus on improving the ease of doing business in the country.

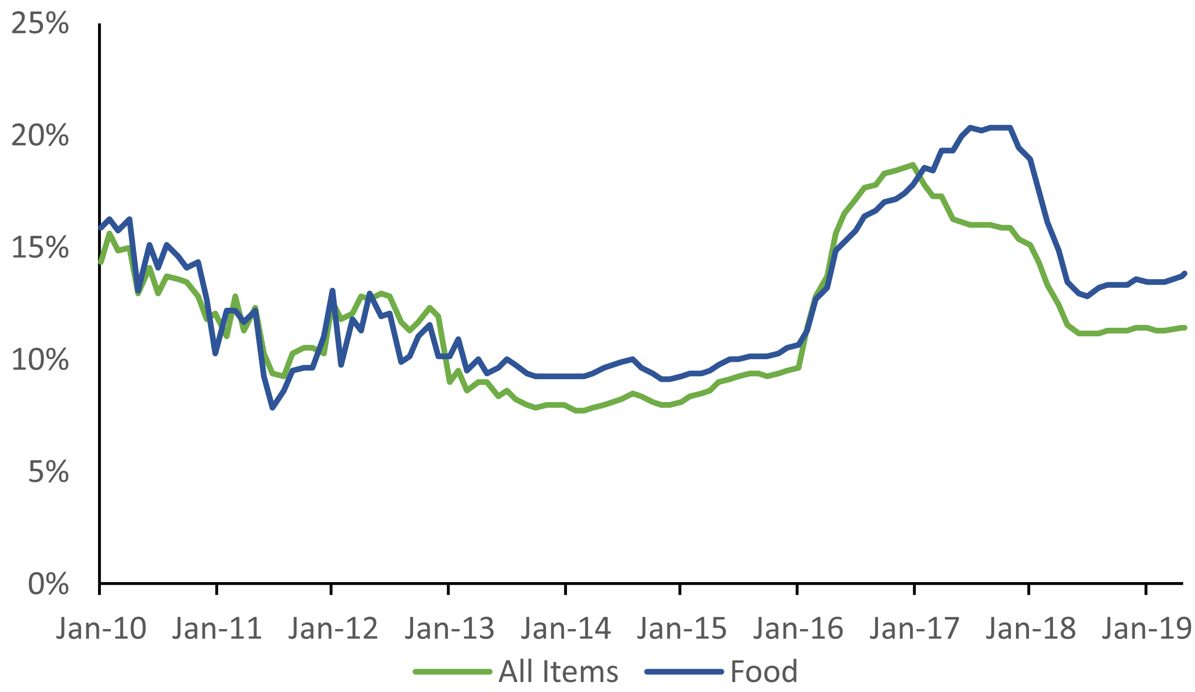
Over 140 reforms have been executed over the last three years. Some of the main improvements that have been implemented include: making Apapa Port open 24/7 and reducing the number of agencies and documents required at the ports; introducing “on arrival” visas; the improved efficiency of the Small Claims Court; quicker turn-around for electricity connections (down 30 days from 176 to 146); the improved ease of registering property titles, which can now be done online and in seven days in Lagos and Kano states; and building plan approvals and water connections are now doable online with waiting times reduced to seven days in Kano states.

The overall effect of the reforms carried out up was to improve Nigeria's position in the World Bank's Ease of Doing Business 2017 report to 145 out of 169. However, the country has slipped one place in 2018, not because any reforms have been reversed, but because other countries are improving faster. This emphasises the critical importance of intensifying reforms. Success in this area is not only important for the global image of the country, but also for the success of other

THE EFFECT OF MONETARY POLICY IMPLEMENTATION

Monetary policies have also obviously affected the outcome of fiscal policies. One of the major dilemmas facing the monetary authorities in Nigeria in 2016 and 2017 has been strong inflationary pressure, emanating from cost push factors, excess liquidity, infrastructure deficits, security challenges and inappropriate incentive systems. At the same time growth was negative in 2016 and slow to recover thereafter. The implications of this conundrum is that monetary policies aimed at curbing excess liquidity to control inflationary pressures are likely to put downward pressure on growth, by raising interest rates and lowering credit. The CBN decided to focus on monetary and financial stability, for which it has some of the instruments and in the conviction that this would also have a positive impact on growth.

Figure 6: Consumer Price Index, 2010-2018



Source: NBS GDP Report Q1, 2019

A combination of tight monetary policy, including massive levels of Open Market Operations (N3.9 trillion worth of CBN bills were issued in H1 2018 as compared to N3.7 trillion in H1 2017), some progress on food production, low credit growth and low imported inflation have contributed to the gradual easing of inflationary pressure. Nevertheless, the price pressures have been mainly driven by increases in food prices. Moreover, the single digit inflation rate has still not been attained with inflation at 11.22% in June 2019

-Table 6: Some Monetary Policy Indicators

	2016	2017	2018
Net Credit to Govt (% growth)	68.6	-26.7	-9.74
Net Credit to Private Sector (%growth)	17.4	1.4	-0.07
M2/GDP (%)	23.3	21.1	
Aggregate Credit/GDP (%)	26.5	22.7	
Aggregate Credit to private sector/ GDP (%)	18.3	20.7	
Average Industry CAR	14.8	10.2	12.08
NPLs	12.8	14.8	12.45
TB rate (182 days)	12.7	16.9	10.91
Maximum Lending Rate(end month)	28.5	31	30.8
External Reserves ($bn, end period)	29.9	39.35	47.16
BDC Naira FX rate	490	363	362

Source: CBN January 2018 Monetary Circular no 42; CBN Half Year Report 2018

Table 6 shows that net credit to government and to the private sector have been falling. The component of credit to the private sector that goes to the agriculture sector is small and has not really changed for the last two years, inching upwards from 3.09% in June 2016 to 3.41% by June 2018.

Moreover, net credit to the economy and to the private sector as a proportion of GDP, which can be regarded as an indicator of financial inclusion, have also been falling. M2 (currency outside banks + demand and savings deposits)has also been falling. Maximum lending rates, already quite high, have increased further. These have been negatively impacted by tight monetary policies and slow overall growth in the economy.

They may have also impacted negatively on growth. Domestic borrowing by government has forced the rate for treasury bills upwards and this has had a significant contractionary effect on aggregate credit to the private sector since it reduces the incentive of banks to deploy resources to the riskier parts of the economy, particularly MSMEs.

On the other hand, after the depreciation of the Naira in June 2016, the Naira exchange rate has steadied through 2017, 2018 and H1 2019. This has been achieved mainly through the building up of external reserves. The build-up of external reserves has been made possible due to the recovery of oil prices and through a number of policy initiatives; foreign borrowing, currency swaps, restriction of access to foreign exchange for the importation of some commodities and foreign portfolio investments. This has been a key achievement of monetary and fiscal policy over the last two years, since it has also helped reduce inflationary pressure and encouraged foreign direct, and foreign portfolio, investment.

However, an important challenge remains unresolved. There are too many exchange rates (such as the CBN official rate, the

Importers and Exporters window rate, the BDC rate), and this provides lots of opportunities for arbitrage and corruption, while serving to discourage remittances and undermine financial intermediation by commercial banks. The introduction of the Exporters and Importers window has helped a bit, but it is necessary to work towards a more unified exchange rate.

Further threats to the stability of the banking system which emerged after the establishment of the Assets Management Company of Nigeria (AMCON), related to the stiff fall in oil prices and the on-set of recession in the country in 2016, are being progressively addressed by the CBN. Since 2016, there have been improvements in the capital adequacy ratios and non-performing loans ratios of the commercial banks and specific threats posed by a few institutions have been addressed.

The effort to maintain financial stability has therefore been largely successful. Going forward, the financial inclusion agenda should now be pursued more vigorously

INTERVENTION PROGRAMMES

With respect to commercial bank credit to the private sector, including the agricultural sector, it has been shown that this has been quite low, and has not been improving. What the government and the CBN have therefore been doing is to develop new or strengthen existing programmes of subsidised lending and support for some economic activities considered important for generating growth and jobs, particularly in the agricultural and SME sectors (CBN; January 2018). The programmes and preliminary results achieved from their implementation are outlined:

The Agricultural Credit Guarantee Scheme: under which the CBN guaranteed most of the loans provided by financial institutions for agricultural production, including livestock. Under the scheme, which had been set up since 1977 but was rejuvenated in 2013, the number of loans disbursed declined by about 30% from 58,548 in 2016 to 41,341 in 2017 and by value from N8.1bn in 2016 to N5.85bn in 2017. There was a drop of an additional 43% in 2018. 98% of the loans were granted by microfinance banks, while commercial banks accounted for only 2%. The scheme has clearly run out steam and appears to have been supplanted by other initiatives.

Agri-business/SME Investment Scheme: set up by the Bankers Committee in February 2017 to be funded by contributions from commercial banks with 5% of their profits after tax. By the end of 2018, N111.81 bn had been disbursed to 365 enterprises (CBN 2018)

Anchor Borrowers Programme: This is currently the star agricultural intervention scheme. It was established in 2015 to link small scale farmers to agricultural processors. By mid-2018, implementation had expanded to all the 36 states of the Federation. The main commodities financed under the scheme included rice, maize, wheat, soya beans, cotton, sesame, oil palm, cassava, tomatoes, sugar cane, poultry and fish. By the end of 2017, 883,657 direct and 2.7 million indirect jobs had been created under the scheme. N91.9bn had been disbursed by mid 2018. Participating anchors had reached 140; 13 of them state governments and the rest private firms. According to CBN, 2m metric tons of rice had been produced under the scheme (CBN, 2018).

Paddy Aggregation Scheme: A working capital facility set up in July 2017 to provide loans to rice millers, so as to strengthen their competitive position. It was observed that the price of the locally produced and milled rice was too high. The loans have a 6 months tenor and an interest rate of 9%. It does not appear that any impact evaluation has so far been done to determine the effect of the subsidised lending on the price of local rice

MSME Development Fund: In place since 2013 and operationalised in 2014-2015, to support participating financial institutions to lend to MSMEs, its activities have substantially reduced. Only N4.3bn was disbursed in 2017, a reduction of 81.3% from 2016 and by mid- 2018, disbursements had further reduced to N1.77bn. The level of participation of commercial banks has been low at only 8.8%. State governments and microfinance banks have been the main intermediaries.

National Collateral Registry: This was set up to facilitate the use of movable property as collateral for bank borrowing, particularly to support MSMEs. By mid- 2018, 369 financial institutions, including 340 Micro-finance banks, 21 commercial banks, 4 merchant banks and 4 development finance institutions had enrolled in the registry.

Power Sector programmes: These include the Nigerian Electricity Market Stabilisation Facility, established since 2014 and under which N120.2bn has been disbursed to gas companies, generating and distribution companies for capital investment. The resources have facilitated the recovery of 1,193 MW of generating capacity and the installation of 704,928 electricity meters. The Power and Airline Intervention Fund, has disbursed N158.6bn through the Bank of Industry for 43 power projects. Finally, the Nigerian Bulk Electricity Trading Payment Assurance Facility, which is an assurance facility for the Nigerian Bulk Electricity Trading Company to ensure a certain level of payment to the generating companies in order to enable them to pay the gas companies. By the end of 2017.N109.7 billion had been disbursed to support this by the CBN.

The intervention programmes are generally appropriately focused on growth inducing and job generation sectors. However, the programmes are mostly implemented by the CBN and this presents important challenges. These quasi-fiscal programmes may be appropriate during a period of recession to help stimulate the economy and assist in recovery.

However, they should be increasingly shed off the balance sheet of the CBN as the economy begins to recover, to allow the Central Bank to focus its human resources, knowledge, financial resources and tools in the areas of its primary mandate and competence. But as it is the Bank is expanding its activities in these areas to cotton production and in establishing a microfinance bank together with NIRSAL.

Another issue is that these programmes may not be sustained over the long term. For example, the Bank of Agriculture was established precisely to undertake some of the agricultural credit support programmes that are currently being undertaken by the CBN. It is much better to make the radical changes at the Bank of Agriculture that are needed to enable it to function properly. Many of these changes have been proposed by the Committee on Privatisation since 2013 (IBRD, 2014). Once reformed it can be held to account for effective implementation through an oversight system. There is no effective mechanism at the moment to hold the CBN accountable, outside of its own reporting mechanisms when it comes to assessing the effectiveness of the intervention programmes. It is necessary to independently evaluate each programme and determine its effectiveness as many have been operating for a long time, and are fizzling out, whilst other similar programmes are being initiated.

It is also observed that, for the most part, the participation of commercial banks has been weak when it comes to MSMEs and farmers. Even in the case of the Anchor Borrowers Programme, the participation of commercial banks had been deemed disappointing by the CBN, despite the guarantee of about 75% of loan amounts by the CBN and NIRSAL.

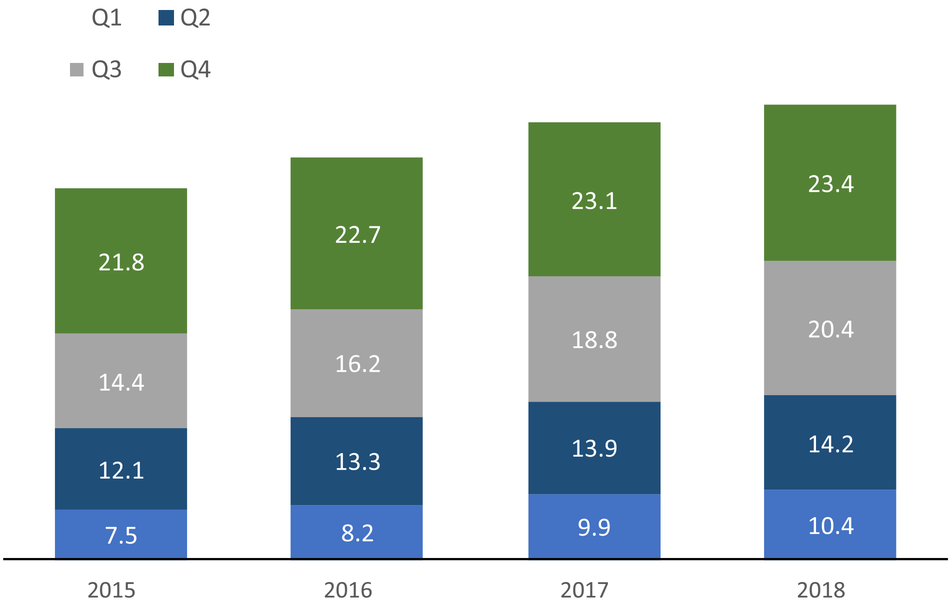
The microfinance banks and DFIs are more active in this area. Yet, the participation of commercial banks is needed to deliver support to MSMEs and the agricultural sector on a scale, sufficient for widespread transformation to take place. The right incentives for their participation therefore need to be developed.

In this regard, it would be essential to remove interest rate caps on lending from funds provided or guaranteed to the commercial banks by the CBN and other institutions, which has limited their enthusiasm for such loans. Secondly, commercial banks would be encouraged to increase their lending to SMEs if the collateral security provided by them against loans from DFIs for MSMEs are excluded from the calculation of prudential liquidity requirements of the CBN. Thirdly, the CBN could allow Commercial banks to draw a portion of their reserve requirements deposited at the CBN, for the express purpose of lending to the MSMEs. An expansion of commercially based, rather than the administratively based guarantee arrangements, would also help incentivise commercial bank lending

JOB CREATION

One of the greatest challenges to the social dynamics of the country relates to the issue of unemployment, which has remained at the forefront of the priorities for the current government. But have the attempts to stimulate growth and diversify production and exports, as well as the patterns of capital expenditure began to have an effect on employment generation as Nigeria emerges slowly from recession?

Figure 7: Unemployment (% of workforce)



Unemployment has climbed consistently since early 2015 (before recession took hold). It has also continued unabated even with the tentative economic recovery. This is to be expected, since unemployment generally starts to increase up to six quarters or more after recovery has begun. In the case of Nigeria, this is compounded by the fact that recovery has been slow and that unemployment was an issue even when the economy was buoyant. It has now reached nearly a quarter of the workforce (NBS 2019).

But unemployment is not increasing because no jobs are being created. After all, the number of persons employed has been rising. However, the average yearly growth in the number of persons employed is about half a percent in the three year period between Q3 2015 to Q3 2018, while the number of persons in the labour force has increased at an average rate of 6% during the same period, i.e at more than ten times the rate of increase in the number of persons employed.

It is also noticeable that youth unemployment has been expanding at a faster rate than general unemployment. The rate surged continuously until Q1 2018 when the rate of increase (second derivative) decreased and then the rate for the first time in at least 3 years showed a slight drop. Similarly, the rate of graduate unemployment showed a significant drop in Q3 2018.

From these figures, it would appear that many of the policy initiatives being deployed by the government appear to have begun to have a small positive effect on graduate and youth employment. Overall unemployment however is still climbing, although at a slightly slower rate than in 2018. Both youth and graduate unemployment are still too high, providing continued justification for the focus of many of the government's programmes on youth and graduate employment.

Are the policies inadequate, inappropriate, or is it because it is still early days yet and the effect will strengthen in the next one year? These matters must be carefully examined and necessary changes and adjustments made, since the issue of jobs is fundamental to the economic and social progress of the country and critical for the dignity and self-respect of the citizens.

One of the things that can certainly be done in a much bigger way, is increasing the focus on MSMEs, given their central role in employment generation and economic growth. One example in this regard is the establishment of the Development Bank of Nigeria. The idea of the Bank was developed in 2014-2015, under the Goodluck Jonathan government but was only able to take off with the support of the Buhari administration, given its focus on MSMEs.

It was intended to transcend the limitations of the government owned development financial institutions through a wider ownership structure and independent operation. Its main objective is to support MSMEs and small corporate firms by providing wholesale financial support, credit guarantees and capacity building. It has had only about two years of operations but has already disbursed more than N70bn and impacted on more than 50,000 micro, small and medium enterprises.

The model appears to be working well in view of the strong government support, the support of the CBN, the active participation of international development partners such as the African Development Bank, the World Bank, the European Investment Bank, KfW of Germany and AFD of France, who serve either as equity holders or lenders.

Moreover, it uses a wholesale model under which lending is market competitive and only made through participating financial institutions - commercial banks and microfinance banks. Management, staff and the directors of the Board, apart from those representing equity holders, are all selected through an open competitive process of advertisements, tests and interviews, thereby promoting competence and independence.

If this approach succeeds as it already appears to be doing, then it may provide a convincing model for supporting MSMEs. It is designed to encourage financial institutions to lend their own resources in this sector, thereby providing the necessary scale to make a big difference at the national level.

This may be a way forward for the future.

SUMMARY AND CONCLUSION

The ERGP, which has provided the strategic context for the government's economic development policies and programmes, has properly focused on the right vision and strategic objectives. Its specific targets with respect to growth, revenue, output and employment have largely been overtaken by developments on the ground. What should happen now is that the plan should be revised and extended for the next five years. In so doing, it is essential to use the right macro-economic model, to make a careful estimate of financial and human resources needed for execution and to establish robust institutional arrangements for implementation, monitoring and evaluation

Flowing from and feeding the ERGP, the fiscal policies have encapsulated the main challenges of the time: economic recovery and growth, economic diversification, employment generation and competitiveness.

Growth rates, while turning positive, have been lower than stated targets. This is partly due to slow or uneven growth of key sectors such as crude oil, agriculture, manufacturing and power. Revenue shortfalls appear to pose the biggest challenge inhibiting the delivery of a strong enough stimulus and capital investment to engender rapid growth. To respond to this, renewed efforts need to be made to expand the tax base, partly through more vigorous enforcement and partly through incorporation of MSMEs and the informal sector into the tax net. New areas of generating revenue, such as commercialisation, part-divestment, securitisation, joint ventures, combined with efforts to attract diaspora investments into these areas, should be explored. It must be noted that previous attempts at privatisation in Nigeria have, in most cases not yielded the right results. The necessary steps must therefore be followed to avoid the known pitfalls.

RECOMMENDATIONS

1. The power sector needs both increased capital investment and reforms in order to deliver the energy needed to promote rapid growth. At a minimum, DISCOs must be incentivised to both consolidate and re-capitalise.

2. For the oil sector, Nigeria can do little about international prices. It must therefore focus on increased production and local processing, since this sector by itself and through its inter-linkages with many other sectors of the economy can contribute to both growth and diversification.

3. On diversification, there have been promising trends of increased production and exportation of agricultural products to the US, EU and Asia, as well as manufactured goods to the ECOWAS region. These should be nurtured through continuous progress in the areas of exchange rate stability, export incentives and in continued improvements to the ease of doing business.

4. With respect to the Social Investment programmes, the objectives have been salutary and the results achieved so far very encouraging. Sustainability requires appropriate institutionalisation and a reliable funding source. In this regard, a major, visible institution needs to be established, with appropriate legal backing, and should be funded through taxes on air travel or remittances.

5. On the critical issue of unemployment, it is appropriate that both general unemployment and its more pernicious components such as youth and graduate unemployment are addressed. The measures deployed so far are positive, but the impact so far is marginal. Much more, on a much bigger scale, must be done. Extending the model of the Nigeria Development Bank, which seeks to leverage on the vast resources and reach of commercial and microfinance banks to support MSMEs, appears to be a viable option.

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