Why Agriculture Keeps Getting Output Scrambled

The recent scarcity of eggs across in parts of the country is indicative of just how much the poultry sector is in disarray. Is this symbolic of a deeper malaise in our agriculture industry as a whole?

The egg drought, as it has been dubbed in some quarters, has captured the interest of Nigerians from all walks of life as one would imagine; this is attributable to the fact that apart from being a dietary staple, eggs are versatile and have a large variety of functions in food production. There have been several discussions in various media on this confounding situation and most of them rightly attribute it to the hike in the cost of poultry feed.

The egg scarcity is indeed a direct consequence of the production (cost, and poor quality, of available feed) and marketing of the product. Poultry farmers had previously sounded alarm bells over this situation, stating that the escalating prices were adversely affecting poultry farming and it was becoming near impossible to produce and deliver quality eggs to consumers. It stands to reason that if the birds are not properly fed they are neither able to develop well nor able to lay eggs. From climate change to supply chain disruptions there are several factors that can potentially affect feed prices. The crux, however, is the availability or lack of inputs used in the feed production.

According to the February 6 publication of Premium Times, the cost of soybeans, which is a crucial component of the feed, rose by almost 100 percent in the space of one year, the high rise in cost a clear consequence of its scarcity. Soybeans and maize which are currently in short supply are the main ingredients for poultry feed in Nigeria and constitute about 75 percent of the feed composition. The scarcity of these grains has compelled feed manufacturers to reduce the soybean content, which is a rich source of protein for birds. This has in turn affected the output of the poultry subsector: reduction in yield of lean meat from broilers and poor-quality egg from layers. This translates to output shortage in the market for consumers.

When considering the extremely low yields of the grains (in subsistence farming that dominates agriculture in Nigeria) and its attendant disruption to the entire value chain, which spells suboptimal production and attendant losses to the economy, it is clear that the agriculture sector is in very dire straits. Despite the number of government schemes and initiatives the sector has witnessed, low output and inefficiencies still characterize agriculture, it would seem that it must therefore be a function of inefficiency on the parts of the farmers. However, these schemes such as the Agri-Business/Small and Medium Enterprise Investment (AGSMEIS), under the auspices of The NIRSAL Agric Loan, and the Anchor Borrowers Programme have been far from impactful on a large scale. There have been isolated cases of success but these are negligible in terms of the big picture. The bulk of rural farmers do not have access to these loans and do not sell their produce to 'anchor' processing companies. In many cases, there are no roads in place to enable the very transportation of produce. In other words, the realities of farming and the challenges faced will not be resolved by merely making some capital available to 'anchors'. Private-sector initiatives such as Babban Gona, Crop2Cash, or FarmCrowdy all prove that less centralization and less government delivers greater results.

Looking at the situation holistically, there are number of factors that affect farming and in particular, the cultivation and successful yield of the grains in question in the country. From insecurity and its attendant consequences on farmers, banditry and kidnapping, the drought in the soybean-producing states in the North Central, and of course the pandemic, these shocks to the agriculture industry, in addition to the resurgence of the pathogenic avian influenza (bird flu), have effectively crippled the poultry subsector.

Attempts have been made by the Federal Government to alleviate the situation by releasing five thousand metric tonnes of maize, a step in the right direction but a drop in the proverbial ocean, as grossly inadequate as the quantity is insignificant in the scheme of things considering that the annual maize requirement for the poultry industry is about 1 million metric tonnes. The Central Bank of Nigeria also weighed in by causing maize importation to be halted in the hope that local productivity would be boosted, again a rather premature decision. Although in the long run, importation of this fairly simple to cultivate grain should not be an option, a prudent stance could be to gradually phase out importation whilst putting measures in place to tackle local production issues and other efficiency challenges that render outputs uncompetitive. Research by the International Institute of Tropical Agriculture (IITA) indicates that maize production could be much higher and efficient than the current yield of 1.77 tonnes per hectare, peer countries such as Indonesia yield 5.33 tonnes per hectare. This can easily be replicated in Nigeria were the political will and market structures present. Production of soybean on the other hand is not as low in comparison with peer countries but could also benefit from implementation of research.

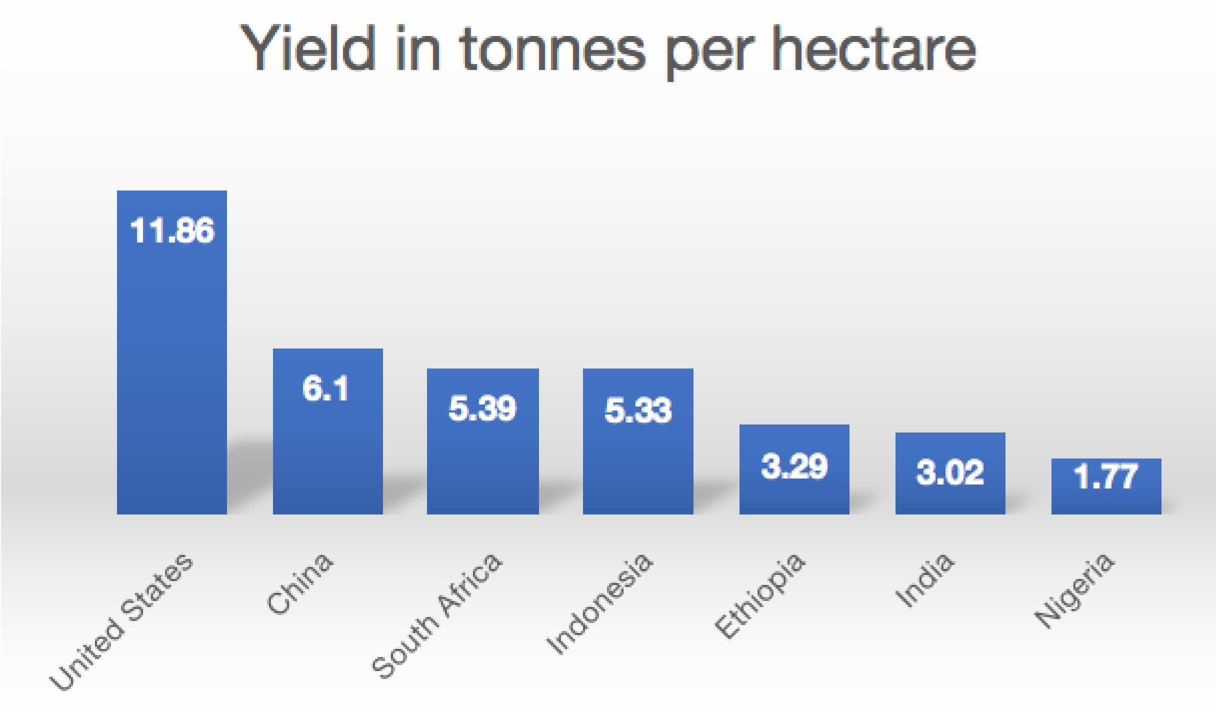


Table 1: Maize production yield in tonnes per hectare

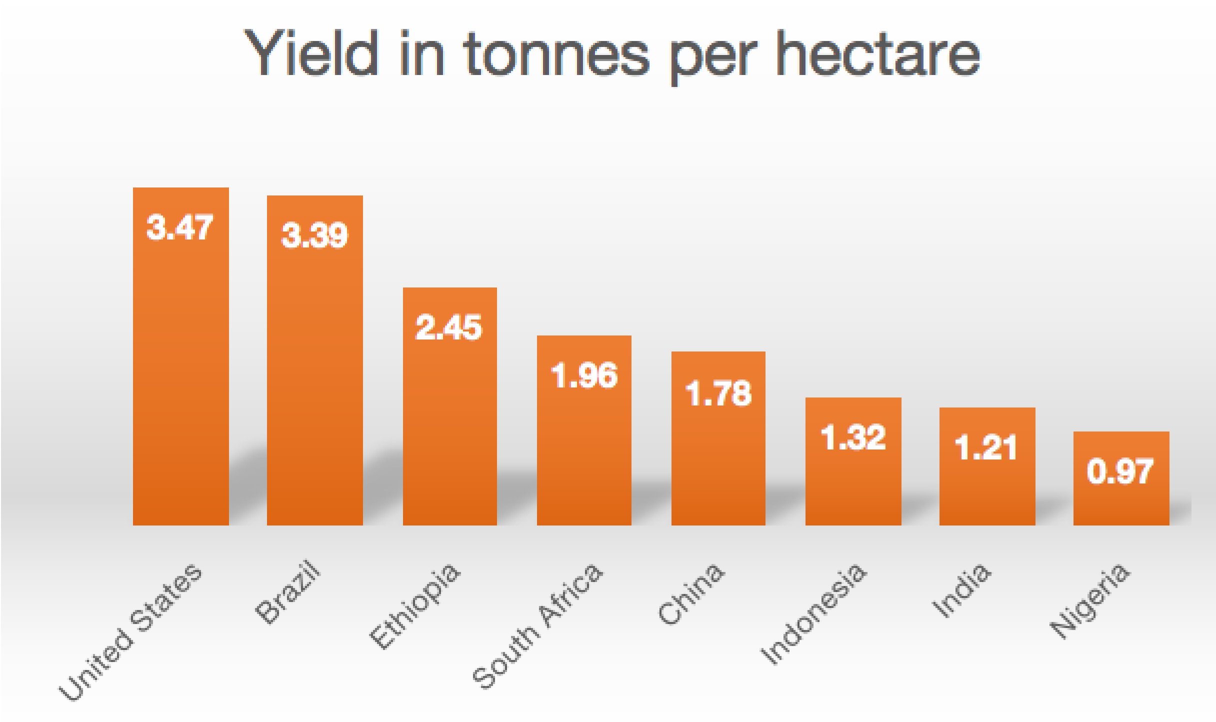


Table 2: Soybean production yield in tonnes per hectare

With the ever-expanding global narrative on agriculture as a vehicle to achieve the Sustainable Development Goal of food security and Nigeria's failure to attain the same staring the nation with deepening of poverty and sceptre of hunger; disturbing statistics from

UNICEF reveal 37 percent of children under 5 are stunted due to malnutrition and 14 percent suffer from acute malnutrition. This situation can only be rectified in the long term if the stability and expansion of the agriculture sector in the short- and medium-term, respectively, are foremost in the plans of policy makers. In order to attain this stability and food security, the following solutions must be implemented:

- Insecurity in rural and agrarian communities must be tackled once and for all.
- Promote efficient production and expansion of key inputs for animal feed.
- Increase research on other options of protein and carbohydrate components of poultry feed should be undertaken by appropriate institutions in the country.
- Formulate appropriate initiatives for climate change and effective soil and water management should be factored into the cultivation and harvest of crops.
- Wastage in agriculture should be cut down by adopting efficient and sustainable storage and transportation mechanisms.
- Introduction of sustainable farming practices should be made to farmers.

These issues besetting the agriculture sector should be properly deconstructed and dealt with otherwise the country may not be able to achieve food security, a situation that would worsen the poverty crisis. Today, it is eggs that are in short supply; this feels fairly harmless and there is in fact a somewhat light-hearted, mirthful air about it. However, as the poultry farmers who already feel the direct impact of this situation would attest to, there is nothing remotely amusing about this state of affairs, as it is symbolic of a deep-seated malaise of low productivity and high protectionism in Nigerian agriculture sector. It needs to be addressed with the urgency and pragmatism required by a sector that is central to the economy.

Poverty, Insecurity and Conflict Mitigation – The Nigerian Special Case?

I The conflict trap

While it may seem intuitive that a correlation exists between poverty and insecurity, there is a dearth of empirical studies to establish the extent or causal relationship. Over the last 25 years a substantial body of research has arisen around the issue of whether there is a causal link between poverty and conflict, and if so, in which direction the influence runs. The studies in question tend to be written by economists and political scientists and draw on empirical investigations mainly of civil-war scenarios, and mainly based on research in sub-Saharan Africa. The studies show quite clearly that in the region large populations and low-income levels have to date often correlated with civil war. By contrast, the ethnic and religious diversity that often goes hand in hand with such large populations does not align with such a propensity for internal conflict.

In light of the above, it might seem plausible to expect a pronounced propensity for conflict in Nigeria, which has not only the largest population of any African country but over 100 million citizens living below the UN-defined ‘poverty line’. Indeed, of late Nigeria has donned the dubious mantle of ‘poverty capital’ of the world. The main question we shall explore here is whether it is possible to say that in Nigeria the greater the poverty the greater the insecurity. A subsidiary question is whether efforts to obviate conflict by government spending on security forces can lead to any long-term meaningful improvement in insecurity and by extension whether this ‘investment’ has paid off. In seeking answers to these two questions we shall first define “insecurity” and a yardstick for “poverty” before going on to assess whether or how the two correlate in the Nigerian case.

1 Security

In her seminal paper on development and security, Frances Stewart defines insecurity as follows:

“…*insecurity* consists in inter-personal violence or the risk of it. Inter-personal violence may have criminal or political objectives (or both). I am defining *insecurity* as arising at the individual or community level. Hence it is not the same as national insecurity, since it is experienced at the level of the individual, community, or group, rather than that of the nation.”

This definition is apt for the Nigerian case, as while insecurity is considered a national problem in Nigeria, it is not conflict that occurs at the national level. Rather, irrespective of whether the insecurity occurs for commercial or political gain or not, we can distinguish between banditry (in-state or cross-border, and including kidnapping), herder/farmer conflicts, Boko Haram/ISWAP incursions, pipeline sabotage, and overt political thuggery during elections, all of which occur at the community/group level. In what follows we shall ignore the last point as the phenomenon is very transient. If we concentrate on the first three categories, we find a sustained pattern of incidences in recent months. While one might be tempted to describe incidences of Boko Haram/ISWAP attacks as ‘national’, if only because many of them are cross-border insurgencies, the attacks always target specific communities as opposed to an entire state or nation. The attacks thus likewise fit into Stewart’s definition. In the first half of 2020 total incidents of insecurity in Nigeria were as follows: Banditry: 784 casualties; Boko Haram/ISWAP: 1,390; Farmer/Herder conflict: 1,174; Unknown causes: 358.

Are these incidents of conflict somehow related to the fact that the Nigerian economy features little diversification, and the key source of revenue (oil is the predominant export commodity) is subject to the vagaries of world market prices, exposing pricing within the economy to exogenic shocks that spill through into exchange rates. This reliance on oil is noted as a key indicator for causes of civil war conflict in one of the benchmark studies on the subject, namely, Collier and Hoeffler’s “Greed and Grievance in Civil War”.

“The effect of primary commodity exports on conflict risk is both highly significant and considerable. At peak danger (primary commodity exports being 33% of GDP), the risk of civil war is about 22%, while a country with no such exports has a risk of only 1%. The effect is sufficiently important to warrant disaggregation into different types of commodities. …”.

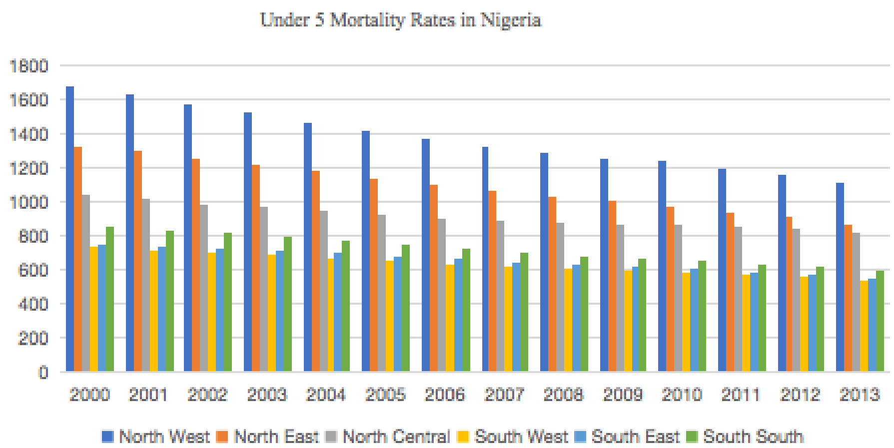
By contrast, they found that political or social factors played less of a part in driving the grievances that led to conflict: “While it is difficult to find proxies for grievances and opportunities, we find that political and social variables that are most obviously related to grievances have little explanatory power. By contrast, economic variables, which could proxy some grievances but are perhaps more obviously related to the viability of rebellion, provide considerably more explanatory power.”

It would follow from the above that oil-price fluctuations, and the economic impacts thereof or ineffective policies could combine to amplify poverty – thereby, if we follow Setwart’s argument, accentuating the spectre of conflict in Nigeria. The conflicts had, consistent with her argument, remained localized phenomenon. This leads us to the issue of what constitutes the socio-economic conditions under which insecurity reaches flashpoint, that is, how do we define poverty in the Nigerian setting and how does it correlate with localized conflict to date?

2 Poverty – horizontal inequalities

We rely on a multi-dimensional definition of poverty. Following Amartya Sen we assume that “the basic foundational issues force us … toward understanding poverty and deprivation in terms of lives people can actually lead and the freedom they do actually have.” Adopting this definition means finding indicators that are multi-dimensional rather than monocausal, such as the standard low-income yardstick of “one dollar a day”. To this end we shall use as the indicator of poverty for the purposes of this paper the infant mortality rate (IMR). The thinking behind this choice is that we assume that infant mortality reflects a combination of deprivation (lack of freedom of opportunity) in the fields of healthcare, access to nutrition, and education. The under-5 mortality rates are shown in the two historical tables below. Again, there is a lack of some data to enable complete comparability over time, but we assume the data suffices for meaningful comment. The figure below shows a significant North/South divide in this regard in the period 2000-2013:

Fig. 1: Under 5 Mortality Rates in Nigeria (IHME 2000-2013)



More recent statistics do not point to any emphatic change in this geographic bias. If anything the situation in the Northwest has become even worse compared to the peer geopolitical regions:

Table 2: Under 5 Mortality Rates in Nigeria (IHME 2016-2017)

Region	Neonatal mortality rate	Post-neonatal mortality rate	Infant mortality rate	Child mortality rate	Under 5 mortality rate
North Central	**43**	**29**	**72**	**33**	**103**
Benue	41	28	70	14	82
Kogi	29	20	49	28	75

Kwara	27	12	40	6	45
Nasarawa	47	34	81	43	121
Niger	59	41	100	54	149
Plateau	34	20	55	27	80
FCT – Abuja	27	17	44	28	71
North East	**33**	**29**	**62**	**56**	**115**
Adamawa	21	28	49	37	8
Bauchi	41	40	81	87	161
Borno	26	15	42	42	82
Gombe	35	56	90	78	162
Taraba	22	41	64	45	105
Yobe	44	20	64	41	102
North West	**45**	**41**	**87**	**83**	**162**
Jigawa	37	46	83	120	192
Kaduna	28	38	66	18	82
Kano	69	44	112	103	203
Katsina	35	32	68	72	135
Kebbi	55	56	111	70	174
Sokoto	28	23	51	72	119
Zamfara	53	51	104	118	210
South East	**26**	**20**	**46**	**22**	**67**

Abia	32	23	55	30	83
Anambra	23	16	39	15	53
Ebonyi	30	18	47	15	62
Enugu	(†)	(†)	(†)	(†)	(†)
Imo	35	30	66	33	96
South South	**22**	**17**	**39**	**21**	**59**
Akwa Ibom	21	21	42	32	73
Bayelsa	29	27	57	41	95
Cross River	20	18	38	15	52
Delta	28	19	48	16	63
Edo	(†)	(†)	(†)	(†)	(†)
Rivers	27	14	41	18	58
South West	**36**	**16**	**52**	**16**	**67**
Ekiti	46	24	69	18	86
Lagos	29	16	45	6	50
Ogun	28	20	49	19	66
Ondo	30	6	37	32	67
Osun	56	21	78	25	101
Oyo	42	17	59	15	73

A brief look at the above table shows evidence of strong *horizontal inequality* within Nigeria. Horizontal inequality is understood here as the forced inequality between groups solely as a result of their different identities, be it their religious affiliation (Muslims and Christians) or their geographical / geopolitical location. Not only are there marked differences in IMR from one region to the next, the degree to which improvements were seen in the period 2000-13 also differed, as did the degree to which as of 2017 gains made were subsequently lost, in particular in the North West region. What is clear from this definition of poverty as measured by IMR is that specific states in the North, particularly those in the Northwest were hardest hit by poverty. We shall return to this below in our discussion of how it correlates with the insecurity as outlined in our first chart above (table 1).

Empirical research shows that poverty also compounds the vulnerability to insurgency at the individual and community level by lowering the opportunity cost of mobilising for violence. In other words, unemployment and the horizontal inequality mentioned above (combined, for example, with the high levels of multi-dimensional poverty evidenced by the IMR indices) would appear to make it easier for insurgent groups or internal bandits to recruit fighters and motivate them to continue. Such groups then offer a 'manifest future' which, more to the point, enables young men to earn a living. In their empirical study of the reasons behind participation in the rebellion (led by the Revolutionary United Front, [RUF]) against the rule of the All People's Congress in Sierra Leone, Macartan Humphreys and Jeremy Weinstein concluded that came to the conclusion that "the estimated effect of poverty is statistically significant and sizeable."

II Insecurity in Nigeria: Unemployment & Insecurity.

In light of the correlation mooted above between poverty and insecurity, it bears establishing whether there is a significant correlation between the incidents of insecurity given in Table 1 and the unemployment/underemployment rates. We find that the treble-digit casualty incidents in the Northwest, North Central, and Northeast zones correlate in all instances with state unemployment figures in excess of over 29%. Moreover, figures from the National Bureau of Statistics show that unemployment nationally is highest among the male, rural population. Of the ten states with the treble-digit incidents in questions, six have a combined rate of unemployment and underemployment (UUR) of over 65%, while the remaining four have combined rates of 52.9%, 57.7%, 61.7% and 62.9% respectively.

The correlation does not obtain in the same way for the worst rates of under-five and infant mortality. However, this may be attributable to the fact that no reliable data on the number of insecurity incidents were available for the three 'front-line' states of Bauchi, Gombe, and Kano. In other words, one could tentatively conjecture that unemployment rather than multi-dimensional poverty correlates more accurately with higher incidents of casualties attributable to insecurity in the three geopolitical zones in question. More detailed analysis and, moreover, more detailed data would be required to ascertain whether this speculative assumption is borne out by quantitative assessment.

We can draw on the figures for the states in the three southern geopolitical zones by way of a control group. The statistics reveal that in the Southeast while there is a strong correlation between the IMR and UUR, this does not translate into anything other than low double-digit figures for casualties attributable to insecurity. In other words, there seems to be a positive correlation between high UUR and high incidents of insecurity. Conflict could then possibly be read as a product of primarily rural, male unemployment or underemployment.

While the above discussion has in part suffered from a lack of data for some states, the suffering from the twin evils of poverty and insecurity is unambiguous. **What we can say is that poverty differs within the country**: While the infant and under-five mortality rates are among the worst in Africa (and with them the HDIs on health, education, environmental degradation, etc.), and the total percentage of the population in extreme poverty is the highest in the world, given the horizontal inequalities from one geopolitical zone to the next, the country in its entirety has not been affected to such an extent that conflict has escalated.

Likewise, **it would seem that the key driver of insecurity varies from one state to the next**. Indeed, in the absence of further data, we could conjecture that it is simply economic grievance that is the criterion behind banditry in the north (Zamfara) and the ‘genocide’ in South Kaduna given the correlation with UURs. However, Zamfara has only a medium UUR and is exposed to an international border that is not secured and to spillover from Katsina and Kano. By contrast, it has by far the highest IMR in the country – and we can therefore classify it as having the greatest extreme poverty. Is this then the cause of the banditry? By contrast, Kaduna has a comparatively low IMR, but its UUR is 72.7% and therefore places a close second highest in the Federation. **In other words, more than one key indicator comes into consideration when determining the ‘poverty’ side of the poverty/insecurity nexus and further detailed empirical studies would be needed to establish with precision the specific causes on a state-by-state basis**.

IV Conclusions

The issue facing Nigerian policymakers is what the lessons are that they should learn from the above as regards defining a holistic methodology for tackling insecurity. More poignantly, in light of the correlation mooted between poverty and insecurity, the focus in combatting insecurity needs to be realigned toward breaking the cycle of poverty begets insecurity begets poverty. Since, as we have seen, there is most clearly empirical evidence (IMRs, UURs) for a connection between insecurity and poverty in the North of Nigeria, any policy must endeavour to combat both if it is to succeed in breaking the linkage – by alleviating poverty and disincentivizing insecurity. Moreover, given that the correlation discerned above is especially strong in those states where UURs are high, effective intervention in the field of job creation might well be lay far more appropriate foundations on which 'policing' can then ensue.

What we can infer from the discussions thus far for policymaking going forward is fourfold:

1. Relying mainly on military solutions and/or the security apparatus cannot work, as they address a symptom, not a cause.

2. Relying on palliatives as a strategy to combat poverty has not worked because it cannot work. This is manifest from the fact that during the five-year period in which this strategy has been pursued, government spending in absolute terms on the security forces has skyrocketed. Palliatives cannot work because they cannot reduce either the IMRs or the UURs in the medium or longer term. Indeed, in the five years in which the current administration has doggedly pursued its policy of distributing palliatives in a variety of forms (cash, cheap loans, etc.), the IMRs have deteriorated and the UURs have risen.

3. Both the military/policing and the palliatives strategy should be discontinued on their current scale and the monies freed up re-allocated to paying frontline workers in local development – staff in primary healthcare facilities and teachers in primary and vocational education facilities.

In the current situation, a concerted effort must be made to stop the potential 'security collapse' of the North – viz banditry in Zamfara/Katsina, etc. – given the degree of immiseration there. Such an effort must be holistic and include a raft of instruments, starting with fast and effective climate change mitigation (e.g., Great Green Wall), local job creation by incentivizing investments in agriculture and putting in place last-mile infrastructure, securing and patrolling the border, cancelation of rail projects and rerouting of the attendant investments into low-interest financing for local irrigation and renewable-energy projects, etc. Jobs pull job training, which in turn lowers UUR. With a view to overcoming the North/South divide, a conscious effort needs to be made to engage strongly with young people in the North and explain the interlinkages to them. Tackling high IMRs as a means of long-term amelioration of poverty is something to be assigned fully and firmly to the states – and for which they should be held accountable.

"We also find that after controlling for per capita income, more ethnically or religiously diverse countries have been no more likely to experience significant civil violence in this period." Fearon, J. D., & Laitin, D. D. (2003). Ethnicity, insurgency, and civil war. American Political Science Review 97(01): 75-90, cited from https://fsi.stanford.edu/publications/ethnicity_insurgency_and_civil_war

Frances Stewart: "Development and Security," being CRISE Working Paper, no. 3, Univ. of Oxford

Source: TAPI, compiled on the basis of figures given weekly by Council of Foreign Relations Nigeria Security Tracker, https://www.cfr.org/nigeria/nigeria-security-tracker/p29483. Note that no data is available for Bauchi, Borno and Kebbi states. This is attributable to the fact that there was no press coverage of casualty incidents, no that there were none. Figures such as the number of persons who fell victim to the SARS unit are not included as they have not been statistically monitored.

p. 580.

Paul Collier & Anke Hoeffler, "Greed and Grievance in Civil War," in: Oxford Economic Papers, vol. 56 (2004), pp. 563-95, here p. 563

Amartya Sen, Development as Freedom, (OUP: Oxford, 1999), pages 87, 92.

Humphreys, M. and Weinstein, J. M., 'Who Fights? The Determinants of Participation in Civil War', American Journal of Political Science, vol. 52, no. 2 (2008), pp. 436-455, p. 447.

The difficulties in finding solutions to the herder/farmer issues may likewise be attributable to the fact that causes differ by state – presence of water/waterholes, impact of climate change, UUR figures, etc.

Demise of the Social Contract – Covid-19, Fridays For Future, and the EndSARS Protest

The COVID-19 Pandemic

One lesson that nations the world over have had to learn from the COVID-19 pandemic is that certain parts of their populations are more vulnerable than others. The ageing societies typical of the Global North have had to devote much effort to shielding their senior citizens and those with underlying health conditions from possible contact with the virus. The science seems to suggest that the under-60s have less of a chance of succumbing to the disease. The same pattern has been in evidence in the Global South in countries such as Nigeria, where the death toll has been particularly pronounced among the country's elders. Among many governments specifically in the Global North much of the effort to contain the spread of the virus has gone into protecting the elder citizens by expecting or compelling younger citizens to temporarily forgo some of their civil rights (e.g., freedom of movement, employment, pursuit of enterprise, etc.).

What the virus has, in other words, brought back into the limelight is the degree to which government and/or the social fabric relies on what the political philosophers called the "social contract". Individuals give up specific rights/liberties and allow the government to choose for them in exchange for 'benefits', e.g. protection of their other rights. In the classic construction, the individuals accord the government the right to rule over them through law. John Rawls in his famous "Theory of Justice" argued as follows: If we all put ourselves in what he calls the "original position" (where we are shrouded in what he terms a "veil of ignorance" and cannot therefore know whether we personally might not gain more or less from a specific right) then there is no notion of privilege and to protect yourself you have to protect everyone else.

In that light, we would choose the following concept of justice for our society: We would all have equal rights to basic liberties in line with a similar system of liberty for all and, more importantly for the discussion here, all social and economic inequalities would be structured such that they are to the greatest benefit of the least advantaged. Now, if one group consciously disadvantages itself in order to advantage the other group, it would only be 'just' for this to be based on a horizontal trade-off. In other words, the latter group would need to 'repay the favour'.

If we look at the COVID-19 pandemic, what it illustrates is the importance to construe the social contract for a 'just' society' for ourselves not in terms of a horizontal structure, but a vertical one. This is innate in the “veil of ignorance” Rawls postulates, as theoretically speaking we don’t know our age and are forced to argue and act on behalf of the weakest amongst us because, randomly chosen, it might be us. The vertical social contract is one agreed between different generations. Such a social contract already exists covertly as the underpinning for most pension systems. I pay into a state pension system now from which I will benefit at a time when the next generation is working to pay the taxes that keep that pension system afloat. It likewise exists within families in rural communities where the parents have a sufficient number of children if only for the sole reason that they need to ensure there are enough people who will take care of them once they are physically incapacitated and no longer able to work.

The question in the COVID-19 context is whether governments take the vertical social contract into account when expecting the younger generation to give up going to school or sports, or leisure time pursuits in order to protect the generation of the elderly. If they did, then there would be more discussion of the anticipated trade-off that will be forthcoming.

Fridays For Future

This notion of a vertical contract that runs ‘downwards’ as it is transgenerational is structurally similar to the arguments put forward by the “Fridays For Future” (3F) movement. Personified by the person of Greta Thunberg, 3F is a campaign by school pupils and young people insisting that the future that is endangered by a ‘business as usual’ approach that does not try and stop global warming/climate change is ‘their’ future. In other words, it does not belong to those who reap the main benefits from the “business as usual” approach now, namely, the older generation. If we go back to Rawls’ notion of a contract underpinning justice, then 3F is saying if we put ourselves in the position of those young people, and we have to if society is just, then we, too, would do our utmost to prevent climate change. For them, further along the ineluctable path of Time’s Arrow, climate change may be a matter of life and death unless we alter our habits of exploiting natural resources now.

In fact, if we look at 3F from the vantage point of the COVID-19 pandemic we could imagine a scenario in which the two opposing ends of the age spectrum rebalance the otherwise respectively skewed social contract. The elder sections of the population who have been advantaged by the lockdowns are in many countries the section of the electorate least predisposed to vote for the ‘radical’ changes necessary to at least reduce the impact of climate change – I write ‘reduce’ as with each month that passes so climate change becomes a one-way street of irreversible planetary damage, or so the scientists insist.

Now, the main 3F groups are precisely those swathes of the population that have most had to change their behavioural patterns during lockdowns – no parties, no hanging out, no football, no new job entry opportunities, in part no exams, and thus, no qualification, no immediate social or economic future, etc. The trade-off would logically seem to be that coming out of lockdown for the second wave will be 'payback' time: In return for the one singular natural resource of their lives having been protected, the older generation will vote to protect the natural resources (nature, the globe) to enable the young generation to have the prospects of enjoying that singular resource much later in time.

#EndSARS and the intergenerational social contract

Now there is an obvious parallel I would suggest between the 3F movement and the #EndSARS movement in Nigeria. The 3F member fears a future that is uninhabitable; the #EndSARS member fears a future where she or he may be abducted or even murdered for no reason. Over and above that, both are the victims of a failed social contract.

Let us look at the basic statistics in the Nigerian case, ten years ago, according to the report Nigeria: The Next Generation published by the British Council, the statistical split in the population was as follows:

"***Today, over 40% of Nigerians are under fifteen, while 3% are over retirement age. That means there is only slightly more than one adult of working age available to take care of each dependent in the population, a ratio that worsened after independence and is now barely higher than it was in 1960.***"

Since we are discussing those who can participate in a hypothetical 'vertical social contract', let us only consider those members of the population who are past the age of majority and, therefore, can register to vote. In the 2019 presidential elections there were potentially 84,004,084 persons registered to vote. Of that number, more than 15 million were first-time voters. Indeed, young voters formed a majority, as more than half of the registered voters – 51.11 percent – were aged between 18 and 35. Assuming a birth rate of 2.5 percent, that percentage will have risen further. By the same token, the 36-50-year-olds (the age bracket traditionally regarded as the most productive in the economy) accounted for only 29.97 percent of the votes. In other words, only 18.92 percent of the electorate were aged over 50 years.

It is an indisputable fact that among the young people, there are pronounced differences in interests/outlook now visible between those in the geographical South of the country, and those in the Middle Belt and North. Those in the South have tended to go out on the street in protest, those in the North have not. Some pundits suggested this was because the SARS force was not seen negatively in the North. The argument would seem specious as young people in the North encounter insecurity that is more dramatic than in the South and the percentage of them unemployed or underemployed is worse. One might therefore conjecture that the difference can be attributed to socio-psychological reasons. Young people in the North, it should be recollected, voted overwhelmingly for President Buhari in the 2015 election and to a lesser degree in 2019, presumably placing their hopes in his promises for change. It is only logical that they are now psychologically unable to accept that his government may have failed them, even if their lived reality says it has. Instead, they are forced inwardly to deny the fact; the alternative would be to admit their hopes and faith was misplaced. Such disillusionment would be strongly to the detriment of their short-term psychological balance. While in the long run such an acceptance of reality and rejection of denial is a good thing for the maturation of the mind, the consequences of such an inner loss for socio-political stability are potentially awful.

In terms of the thought exercise on the vertical social contract being undertaken here, those differences are of no import and we shall simply subsume both groups of young people under the category of the #EndSARS age-group. In economic terms, as regards the over 50-year-olds we can assume that it is the section of the current population which benefited (if any large swath of the population did) from the sale of Nigerian natural resources (oil) in the past. In the absence of efficient national infrastructure and functional health and education systems having been put in place using that revenue, the #EndSARS age group is not benefiting materially from the oil money, although that revenue is a national asset and, therefore, likewise owned by them. Indeed, in terms of the figures for unemployment and underemployment, they are suffering more than any other age group in the workforce. So over and above the fact that both 3F and #EndSARS have made masterful use of the social media, there is a true structural parallel between the 3F group and the #EndSARS group – both face uncertain futures owing to the way natural resources have been exploited by a prior generation. And in both cases governments have tried to ignore the two groups' respective demands or denounce them as misguided or unrealistic.

In the case of the #EndSARS group, the exclusion of the one (majority) group by a minority elder age-group is replicated in the political space. In this domain, to take one example, the "political over-50s" in the geopolitical North, namely the Northern governors, seek to constrain the freedoms of the under-25s: in this instance: their freedom of expression in the social media and their freedom of assembly based on communication through the social media. As with the economy, here, too, the situation is skewed against the younger generation. In other words, in terms of political economy, Nigeria's 'vertical social contract' has apparently failed completely. Governance has ignored the intergenerational matrices

If we construe politicians as representatives of the electorates, then the majority being represented is the #EndSARS generation. In such a situation, is it not strange that protest was required before the politicians decided to 'seek a dialogue' with the #EndSARS generation? They were, after all, supposed to have been representing them and, therefore, to be cognizant of the interests of that majority from the first day they entered into office. Indeed, in light of the above contractarian definition of justice, surely it is payback time for the younger generation in Nigeria. At present, in this context political leadership would seem unable to realize that it is emphatically jeopardizing the social contract by not devoting all its efforts to supporting that majority of the population. It hardly bears stating that in the absence of a social contract there is rarely social peace.

On Rail Construction to Niger Republic

On Wednesday September 23rd 2020, the Federal Executive Council (FEC) announced the decision that the Federal Government had approved the construction of a $1.959 billion 284-kilometre single track standard gauge rail line from Kano to Maradi in Niger Republic **with a 93-kilometre branch line from Kano to Dutse, the capital of Jigawa state**. The 377 km rail line will have stations in Dutse, Gaya, Wudil, Dambatta, Kazaure, Daura, Shargale, Marshi, Katsina, Jibia and Maradi in southern Niger republic.

Based on the official announcement, the 387-kilometre single track rail line will cost about $5million per kilometre according the official announcement, which is in the same range as the dysfunctional dual-track rail line from Lagos to Ibadan that costs about $10.1 million per kilometre and includes 4 extra-large bridges, 11 large bridges, 4 medium bridges 2 steel bridges, 10 frame bridges, 207 culverts, 40 railway crossings, no level crossings, and 31 pedestrian overpasses.[i]

While the approval of the project has been heavily criticised as a misplaced priority by many, it did not come as a surprise. President Buhari had earlier announced it to the public in his 2018 New Year's speech when he said that "negotiations are also advanced for the construction of other railway lines, firstly from Kano to Maradi in Niger Republic passing through Kazaure, Daura, Katsina, Jibia to Maradi".[ii] Provision for the project had also already been made in the 2019 Appropriation Bill.

A European contractor and a Chinese loan

The rail line is scheduled for completion within 36 months and is arranged under a 14-year buyer credit and long-term commercial loans. Financing will be provided by China, no surprise there. Contract details such as the interest rate on the loan or enforceable *repayment clauses* are not known or readily available in the public domain.[iii] Borrower and guarantor is the Federal Ministry of Finance of Nigeria on behalf of the Federal Government. Financial advisors to the project are KfW IPEX-Bank and Africa Finance Corporation (AFC).[iv]

The contractor handling the Engineering-Procurement-Construction (EPC) project, which leaves all the risk of the project with the Federal government, is Mota-Engil, a Portuguese company listed on the Portuguese Exchange, Euronext Lisbon. The company was designated as preferred bidder for the project in October 2018 after a due diligence mission conducted by a delegation composed by the Ministry of Finance (MoF), the Nigerian Railway Company (NRC) and the Infrastructure Concession Regulatory Commission (ICRC). [v] Mota-Engil also recently formed a joint venture with the Nigerian oil company Shoreline Group. Under the new venture, Mota-Engil will hold 51% of Mota-Engil Nigeria. [vi]

Positive social and economic effects for the population

Quoting Mota-Engil "the new railway line will impact a population of approximately 8.8 million people with many positive social and economic effects, including encouraging economic development through ease of access to goods and services, facilitate transport of raw materials and manufactured goods, and creation of employment for a wide range of personnel."[vii] What these positive social and economic effects for the population are, will have to be put to the test in the future.

So far, the Government's justification for the project has been underwhelming for Nigerians. The rationale for constructing infrastructure deep into foreign territory remains unknown to the people – who are the ones ultimately paying for this. The public announcement was made by the Minister of Transportation, Rotimi Amaechi on Independence Day, only days before the Spokesperson to the President Garba Shehu had denied this fact via his Twitter handle, where he wrote that the rail project is part of an agreement between Nigeria and Niger that has been coordinated by the Nigeria-Niger Joint Commission for Cooperation and is part of the 2015 ‘Kano-Katsina-Maradi Corridor Master Plan, (K2M).[viii] This Master Plan needs to be made accessible to the public.

Purely economic reasons as rationale

Back in 2018 the public was told that the rail line, when completed, would assist the supply of crude oil from Niger Republic to a new refinery being built in the border town between both countries.[ix] [x] Selling the project has also been linked to a refinery project in Mashi, Katsina State,[xi] and to a planned refinery in Maradi. Why crude should be moved to a refinery by rail has neither been disclosed or justified yet.

The Government’s latest justifications for the rail line are economic and commercial benefits for Nigeria. The attempt by the Minister of Information and Culture, Alhaji Lai Mohammed, to explain the rail extension by citing “economic advantages of import and export of Niger Republic, Chad and Burkina Faso, which are landlocked countries” also stating that “there has been a lot of disinformation and total lack of information” over the rail line amounts to no more than a statement as he did not specifically state how Nigeria stands to benefit. Fair enough to inform the people that Niger to date has no functioning rail line at all. Neither has Chad, while Burkina Faso has a rail line with a narrow gauge that is not compatible with the narrow gauge in Nigeria.

It is not clear if the minister was airing an opinion when he implied that Nigeria will be able to take over the imports and exports from the mentioned countries with the rail link by connecting them to Nigeria’s ports. The simple reason, is to strengthen the economy of Nigeria he said. [xii] Days before, spokesperson to the President Garba Shehu had written on Twitter that the objective of the rail is the harnessing of raw materials, mineral resources, and agricultural produce.

The Maradi region is known as the breadbasket of Niger – predominant crops there are millet and sorghum.[xiii] But the country imports food to meet its needs and is on the FAO list for countries in crisis requiring external assistance for food. As the justification for the rail line is predominately premised on purely economic grounds, one should ask what quantum of trade is needed with Niger, a very poor country of 24 million inhabitants, to justify a US$2bn investment in economically difficult times. Nigeria imported mainly mineral fuels, oils, distillation products from Niger with a net worth of $75.53 million and exported mainly agricultural goods worth around $110 million in 2018. [xiv] A mere 5 per cent of Nigeria’s intra West African trade passes through the border with Niger Republic.

The question how the 8.8 million people in the region will benefit also remains to be seen. The railway will have a station in every little town between Dutse and Maradi but the internally generated revenue of Kaduna, Katsina, Kano and Jigawa will be around $300 million in 2020 which translates into $30 for each of the 8.8 million people Mota-Engil had talked about. How many people will be able to afford a rail ticket in that region at a price that allows the National Railway Corporation to break even on the route? Difficult to see the economic justification from this perspective.

A question of interest

While many justifications for the project have been shared, it is therefore not clear how it is in the interest of Nigerian people and that is why Nigerians have every reason to be ask questions. The country is re-developing its railways since 2002. Guiding documents are the 25-Year Strategic Vision of the Nigerian Railway System formulated under the Obasanjo presidency and the 2015 National Integrated Infrastructure Master Plan (NIIMP). As the new rail line is not mentioned in the NIIMP, people should be permitted to question the rationale behind the project that was inaugurated in the absence of recommendation on the viability.

The money now spent for the new rail line could also have been used on building and connecting the much-needed dry ports, food processing zones and existing industries to the nation's growing rail network. A rail network that lacks locomotives, coaches, waggons, trained staff, and money to entertain it. As Donald Duke said on Saturday at a 60th Independence Day Celebration Symposium, "As long as we continue to outsource our development, we will never gain the confidence to develop our nation. It has to be developed by ourselves. …We need to take it head-on, be prepared to make the mistakes, build those rail lines, build the things that you require. We talk more of investment in infrastructure than skills and that ought not to be and the skills also should involve technology." That is what money should be spent for.

An uneconomic explanation for the newly announced rail line is, that in the usual practice of Nigerian leaders, it is just a part of Buhari's personnel legacy to his homeland, the Daura Emirate. That it is a gift to connect his hometown, and the North with no real benefits? A gift like the Federal University of Transportation, the Air Force referral hospital or the National Directorate of Employment (NDE) that all went to Daura. [xv]Ironically, Buhari came in on the argument of integrity and propriety and as such should have put an end to this tradition. This sort of wastage of national resources and bequeathing legacies that potentially cost future generations large sums must stop if the country itself is to move forward.

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[ii] https://punchng.com/full-text-muhammadu-buharis-2018-new-year-address/

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[xiv] https://tradingeconomics.com/nigeria/exports/niger

[xv] https://dailytrust.com/for-buharis-sake-so-many-projects-go-to-daura

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The cost of port gridlock: When Apapa has congestion, the nation gets pneumonia.

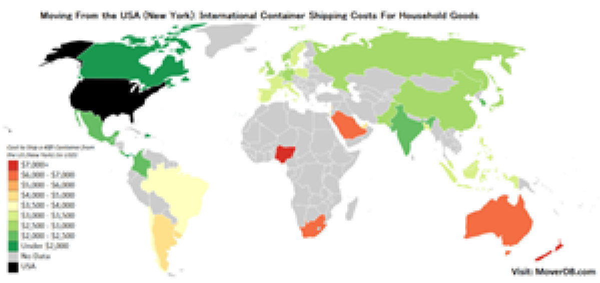
Possibly the only mark of distinction Apapa Port at present has is that its name can be read from left to right or from right to left. Nothing much else makes it stand out – positively, that is. The negative aspects are quite overwhelming. As a port, it is dysfunctional because, today, it is quite simply in the wrong place: It is captured by the city on its landside and, therefore, has no functioning, adequate evacuation route. The dual carriageway as is, to the extent that it is passable – given its wretched state (the black-top in places has so many pot holes as to resemble a honeycomb) – leads traffic northwards in order to then plough all the container-bearing lorries and petrol tankers into the daily East-West traffic.

To make things worse, this is the case not because of a lack of attention, but despite there having been a Presidential Task Team now in place for over a year dedicated to solving the problems. This is despite all sorts of pre-election promises, flurries of proclamations and official site visits. This is despite having the Minister of Works (a Lagosian, and former governor of the state), the Minister of Transport, and the Vice President involved, not to mention the Dangote Group. So, what is going wrong or why can't things be put right?

The cost of the Apapa gridlock

Let us start by addressing the cost of the constant gridlock, so that we all appreciate the issues and the sheer scale of the problem becomes apparent. Most recently, the National President of the National Council of Managing Directors of Licensed Customs Agents complained that the cost of doing business at the Lagos ports has increased by 500 percent as a result of the intractable Apapa gridlock.[i] That is disastrous in an economic situation as dire as that in which Nigeria currently finds itself post-oil-price-crunch and COVID-crash. In case the cost is considered improbably high, MoverDB, the online platform that compares the costs of international shipping and forwarding, computes in its analysis of overseas cargo and freight expenses that the cost of shipping both 20-foot and 40-foot containers to Lagos ports from New York is the most expensive in the world![ii] As the table below shows, shipping from Cape Town to the New York costs half the price.

Cost from Eastern United States (New York)



DESTINATION COUNTRY (PORT CITY)	20FT	40FT
Nigeria (Apapa)	$4,982	$7,436
Saudi Arabia (Jeddah)	$3,086	$4,606
Australia (Sydney)	$2,797	$4,175
New Zealand (Auckland)	$2,645	$3,949
South Africa (Cape Town)	$2,542	$3,795
Argentina (Buenos Aires)	$1,993	$2,975
Lebanon (Beirut)	$1,943	$2,900

Indeed, it is four times more expensive to ship goods from the European Union to Nigeria, compared to other African countries like Ghana and South Africa.[iii] If that were not bad enough, Dynamar B.V., the Dutch marine information experts, in its recent in-depth study of ports in West Africa, believes that the economic consequences of the congestion now exceed US$55 million daily, and the situation has increased the cost of inland connections (2020).[iv] If we take the official exchange rate of N384 to the US Dollar, and an average year as 360 days, **the economic impact is ₦ 7.603 trillion**. By way of comparison: The adjusted Federal Government Budget as passed by the Senate for 2020 is ₦ 10.805 trillion. In other words, the economic impact is thus **on a par with more or less 70 percent of the budget**. Or in relation to another benchmark: According to the National Bureau of Statistics (NBS) 2019 GDP ran at ₦ 19.53 trillion – the economic impact of the Apapa gridlock is the **equivalent of 36% of Nigeria's GDP** before it fell prey to the double whammy of oil price drop and COVID-19, and is over **three times the size of the ₦ 2.3 trillion stimulus package** the Federal government has stated it will inject into the economy.

There is only one possible conclusion in light of these numbers: The Apapa gridlock is indeed an economic disaster.

The chronology of disastrous disaster relief

Yet the problem is not new, and its well known. Back in 2018 alarm bells were ringing: On 19 July, State Commissioner of Police, Mr Imohimi Edgal said that the Lagos State Police Command and other relevant agencies are to begin 'Operation Restore Sanity' on Friday to free Apapa of gridlock, telling newsmen the Apapa gridlock was a "national disaster''. The problem which gave rise to the sorry state of roads linking the ports is not limited to mere blocking of roads or activities of tank-farms with no holding bays for trucks.[v]

The news reached Abuja and on 2 August 2018, Minister of Transport Amaechi, who is lord over the ports, stepped in to the fray. He visited then Governor Ambode – and revealed that work on the Apapa corridor of the Lagos-Ibadan Rail project would commence the following week. A typical case of closing the stable door after the horse had bolted. He proudly declared "What we are trying to do there is to get a good road to evacuate cargos, but it would be faster with the rail. So, while we are working hard to ensure that the rail is delivered by this year ending, the Federal Government has also awarded the contract to deal with the road from Apapa and Tin Can to enable us to evacuate cargos freely which is an addition to the rail." The rail project was awarded to China's CCECC and was not delivered by year-end 2018.[vi]

Eight months lapsed until, just prior to inauguration day, namely on 24 May 2019 Vice President Osinbajo gave the Presidential Task Force two more weeks to clear the traffic. "The task force which commenced its assignment on May 24 had up to June 7 to complete the assignment but is now expected to present a formal report at the end of its extended mandate on June 24."[vii] No doubt not wanting to be outdone by Abuja and in an effort to outshine his predecessor, o**n 4 June 2019**

Lagos State Governor Babajide Sanwo-Olu weighed in, vowing to end the Apapa gridlock within 60 days of his administration. This "coincided with a presidential order to truck and tanker drivers who parked their vehicles on all access roads and bridges to the Apapa ports and environs to vacate within 72 hours."**[viii]**

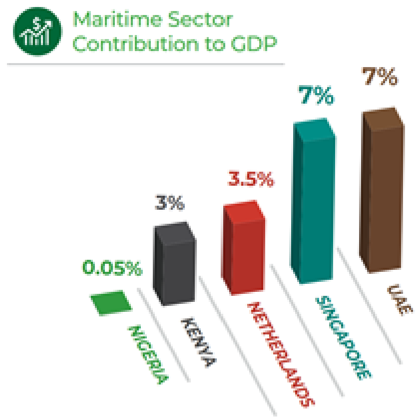
On 16 August, 2019, over six months after his Minister had promised the port rail link would be in place, the Managing Director of Nigerian Railway Corporation (NRC), disclosed the December deadline in response to stakeholders' calls for proper integration of rails to ports nationwide.[ix] **And another 10 months passed before, on 12 June 2020,** Lagos District Manager of NRC, Jerry Oche, said: "A train is made up of 19 wagons and each of the wagons can take one 40-feet or two 20-feet containers. So, if we are doing 40-feet, that is 19 trucks off the road and if it is 20-feet, that is 38 trucks off the road per trip. We are starting with two trips per day and we hope to increase it in no distant time."[x] One might be forgiven saying that such a rail service is firstly a drop in the ocean and secondly hardly likely to be cost-effective.

Another two months lapsed before, on 30 August 2020 the press reported that "ongoing reconstruction work on Creek Road and Liverpool Road in Apapa, Lagos, may have compelled the Presidential Task Force on Apapa gridlock to force the Federal Ministry of Power, Works and Housing to temporarily open the Tin Can Island truck transit park to ease the perennial gridlock along the port access road. It was gathered that the presidential task force managing the Apapa gridlock has directed that the transit park be opened to take trucks off the roads, though the park is yet to be completed and officially handed over to the Nigerian Ports Authority (NPA). The truck park has been under construction for more than ten years. The project has, however, suffered delay despite repeated assurances by the Federal Ministry of Power, Works, and Housing that it would be completed in April 2019.''[xi]

The price of the lack of a solution

What is at stake? Lagos's ports handle about 80 percent of all shipping traffic. And the problem is not just outside their gates, but inside them. The difficulties include:

- Failure by shipping firms to provide holding bays for empty containers. This is responsible for ports' congestion, operators have said.[xii]
- Existing terminals are not used at full capacity[xiii] Apapa runs at 82 percent, Tin Can Island at 44 percent.
- Low port capacity utilisation: Only 38 and 40 percent of installed stevedoring and other port-related capacities are deployed regularly at dockyards and approximately 40 percent of businesses located around the port communities have either relocated to other areas, or have scaled down [xiv][xv]
- The maritime sector's contribution to GDP in Nigeria is a minimal 0.05 percent.[xvi]



• The maritime ports sector currently employs about 35,000 Nigerians. This is low when compared to South Africa where maritime and allied sectors currently provide about 700,000 direct and indirect jobs.[xvii]

• And last but not least, the Nigerian economy is currently losing about N600bn in customs revenue, an estimated US$10bn in non-oil exports and about N 2.5 trillion in corporate revenue in the ports industry on an annual basis according to the Lagos Chamber of Commerce and Industry (LCCI) and other members of the Organised Private Sector (OPS) in 2018.[xviii]

Solutions in sight?

Does it surprise anyone that Apapa Port, Lagos State, has lost its status as West Africa's leading and busiest container port to Lome Port in neighbouring Republic of Togo? Data from Dynamar reveals that Lome Port upstaged the Lagos facility largely as a result of wide-ranging implemented reforms, as well as container traffic. Consequently, the port's earnings have grown more than threefold since 2013.[xix].

Given such a massive hit to the economy, surely one of the first things that a clear-thinking Federal government would be doing is solving the Apapa gridlock as quickly as possible and not letting first weeks, then months, then years slip by. Such delays are tantamount to gross negligence. Today, admittedly, Apapa Port is (like Lagos Airport) simply in the wrong place – unless you reactivate the rail network big time that is. The geography is always going to be a challenge if you try and funnel the containers out by road. A few years ago, one proposal was to route road haulage toward Badagry and then up a new outer ring road heading for Ijegun and then Ota. The proposal was not taken up because of the cost. In light of what the economy is losing each day, that cost appears insignificant. Admittedly, even such a silver bullet might not have worked, because given the speed at which Lagos is growing and the sloth’s pace at which right-of-way issues get resolved, by the time such a proposal would have been realized, with all the pile-driving required across the in part marshy terrain, what was conceived as an ‘outer’ ring might well have become ‘a second inner ring’ running parallel to the Apapa-Oworonshoki Expressway – and, therefore, potentially not an expressway at all.

Be that as it may, despite the government being cash-strapped, the erstwhile cherished government cash cow, the National Ports Authority (based at Marina opposite Apapa and thus in full view of the problem), is forgoing revenue by the day. The underlying reason for this financial turpitude seems to be a mixture of two factors. Firstly, the two ministries involved are acting to type and therefore as silos: The Ministry of Transport is focusing on trophy rail projects and not on port efficiency, cargo evacuation, etc. And the Ministry of Works is busy with Federal roads elsewhere. Secondly, and perhaps even more worryingly, there seems to be a complete absence of any integrated forward planning. (One consequence is that another quango, the Presidential Task Force, has long since mutated into a permanent institution like the erstwhile task force on power.)

The same combination of factors already threatens to ensure that the new deep-sea port in Lekki, once operational, will face similar issues. Surely the Chinese PPP partners, who may be hoping to take over ownership should there be any default on repayments, are aware of the difficulties and assume this will also be a reason for default and for them to claim ownership. Remember, that the Chinese Habour Engineering Company, who is the main player in the Lekki Deep Sea Port and has already nominated the CEO for the project company, has previously claimed a piece of the sovereign territory of Sir Lanka as its own in the form of the seaport it built there – after the Sri Lankans had to default on payment. The Lekki-Epe Expressway is in part almost impassable and given that it is not even dualized just down the road from the Free Trade Zone the potential for congestion is already firmly in place.

The net result of such institutional torpidity is that when the country can least afford to lose money and is searching frantically for internally generated revenue, it is seemingly quite oblivious to the single greatest source of such: Apapa. And consequently, tous ca change mais tous c’est la meme chose: Members of the task force come and go. While the hapless residents of Lagos State suffer from the permanent traffic congestion and gag on diesel fumes of the trucks, the Nigerian economy gags on the astronomical losses And even when you think you have escaped the traffic snarl, a peek in your rear-view mirror of the chaos still reads Apapa correctly. It is surreal.

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[ii] *https://moverdb.com/freight-costs-usa/*

[iii] *https://www.sbmintel.com/2020/03/chart-of-the-week-comparison-of-shipping-costs/*

[iv] *https://guardian.ng/business-services/nigeria-loses-55-million-daily-to-port-congestion/*

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[x] *https://allafrica.com/stories/202006120065.html*

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[xii] *https://thenationonlineng.net/npa-warns-shipping-firms-over-empty-containers/*

[xiii] *https://drive.google.com/file/d/1xBCYjNr190M-jQSvueE3pqlTFwgJqGYO/view*

[xiv] *https://www.portstrategy.com/news101/world/africa/inefficiency-and-corruption-in-nigerian-p*

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[xv] *https://www.proshareng.com/news/Doing-Business-in-Nigeria/Port-Reforms–Why-Nigerian-Ports-Lose-Mo/47340#*

[xvi] *https://www.tralac.org/documents/news/2287-costs-of-maritime-port-challenges-in-nigeria-lcci-september-2018/file.html*

[xvii] *https://www.tralac.org/documents/news/2287-costs-of-maritime-port-challenges-in-nigeria-lcci-september-2018/file.html*

[xix] https://guardian.ng/sunday-magazine/inefficiency-high-charges-infrastructure-dearth-de-marketing-nigerian-ports/ ; needless to say, the border closure impacted on that growth.

Image by Anja from Pixabay

Reversing the Economic Downturn in Nigeria: Realign Markets to Spur Growth and Jobs

Nigeria should brace itself for impending recession. Or so the World Bank suggests. Specifically, the bank in a recent report stated that Nigeria is facing "potentially the most severe downturn in four decades… even if the outbreak is contained."

Apart from the series of foreign loans the government recently added to its debt stock, the devaluation of Naira, dwindling revenues, etc., there is little being discussed publicly to suggest a crisis is imminent or that measures are being put in place to avert it. Are we missing something or is the government deliberately taciturn to avoid causing alarm? Or perhaps people are so overwhelmed by so many mundane issues, which non-Nigerians familiar with the situation cannot comprehend, that they have no time for even worse news.

Lest we kid ourselves otherwise: The only solution to our predicament lies in the economy, but this time that does not mean praying for oil prices to somehow return to the dizzying heights of yesteryear. No, the only way Nigeria can avert the impending crisis is, firstly, to get the economy working, at an accelerated rate, creating jobs, and, secondly, to ensure that the economic growth is inclusive to improve the lives of Nigeria, not just statistically (as in: higher GDP per capita) but in a way that sees poverty decrease and HDIs increase.

Are we looking for the silver lining in these dark stormy clouds? It is there, and government must make hay with urgency. We should agree, at least in our resolve going forward, that successive administrations have not only been remiss in fixing socioeconomic problems but have been in denial as regards the scope and scale. Everyone, from the citizens, politicians to ministers, seems transfixed on the waiting for Godot in the hope that he will arrive with the panacea to cure all socioeconomic ills.

Put bluntly, the Nigerian economy is in dire need of structural change. And this goes far beyond mere reform and minimal tinkering with the system. No, what is required is the construction of a new economy that can provide prosperity and jobs for all. Central to this new economy must be clarity on the socioeconomic problems we face, on the desired realistic outcomes, and on the resources required to achieve this. You cannot leave a nation of 200 million people to contend with the twists and turns of a nascent democracy and not expect chaos, unless you harness resources and organise markets that function properly.

Today’s reality is, by contrast, one of informal markets. Which is why there are very limited avenues for job creation, why the preponderance of transactions are in cash, why black market thrives, why the tax base is extremely narrow, why the government’s monetary policies are blunt, why fiscal policies and expenditures do not impact on the majority of the citizenry. This is why subsidies meant for the poor are enjoyed by the wealthy middle class, this is why taxes and charges are inordinately increased – for the hapless few. The harsh social and economic realities the country groans under today are the only too predictable result of a casual laissez faire approach to the economy by various administrations, when deliberate and more purposeful management of the economy was called for.

Let the truth be told, government is not doing enough to diversify the economy. Indeed, diversification must go far beyond merely reducing the reliance on oil. Diversification must put all average Nigerians squarely in the centre, front and back of the economy in terms of their needs, jobs and wealth creation. The economy we currently run is for a few and to a large extent a dichotomous one: oil and non-oil economy. The oil and gas sector that is the cynosure of all Nigerians, with everyone seeking to get a slice of the cake, has not served the nation; instead it has lined the pockets of businessmen and feathered the beds of politicians and bureaucrats, the custodians of our national patrimony. The sector has shut its doors to the majority. Indeed, to think that the sector we clamour to enter to “hammer” accounts for less than 10 percent of our GDP. Thank God for GSM and the spinoff industries that breathed a lease of life into the real sector of the economy. Even then, the predominance of foreign interests and investments mean the bulk of the money that would ordinarily stay in the economy constitutes a leakage – as dividends, fees, debt servicing, etc., are repatriated to foreign countries. Further, the capital intense nature of ICT has limited the scope for job creation. So, yes, ICT has been a boon, its impact on job creation and inclusiveness has, however, been limited. We need more sectors to breakthrough.

So whither way forward? To be very frank, we look as if we do not know where to start. What we have done to date is to throw money at the symptoms rather than the causes in the form of social investment programmes. Obviously, these cannot make any meaningful impact on the underlying and fundamental problems. The latter tend to be simply be ignored, yet they are staring us all in the face. We need to square up to them, go back to the drawing board, start from the known and proceed to the unknown.

The knowns

• The informal sector of the economy is remarkably large.

• Services dominate GDP while manufacturing is shrinking.

• Agriculture is characterised by high wastage, low productivity, and small holders.

• Physical infrastructure is inadequate: poor electricity services and limited transportation network and linkages.

• Limited access to credit and dearth of long-term development/investment capital.

• Shockingly high level of unemployment.

• A widening income gap, increasing inflation, growing inequalities, and high population growth rate, the condemnable epitaph “the capital poverty of the world” conferred on Nigeria may find long term residence here if care is not taken.

• Rampant corruption, inefficient uses of public resources.

• A fundamental lack of security and unstable business environment.

In light of these knowns, it seems clear that we need to redefine the economy and the various constituent markets. And by this we are not limiting “market” to “marketplace” but the embodiment of people, their needs, production and distribution of goods and services. Businesses invest using personal funds or borrowings. Savings typically account for the bulk of investment. What if domestic savings are insufficient to meet investment requirements? This is where foreign investment comes in. The role of government in mobilising savings and spurring investment is not trivial. The mechanism for this is usually the management of public resources and taxation, both spheres were the Nigerian governments have not fared too well creating a situation in which government has had to increase taxation on those already in the narrow tax base and reliance on domestic and foreign borrowings to meet revenue shortfalls.

More needs to be done to address the challenges of the economy, starting with the basics. First, the generality of the populace must be included. To this end, we must start by reducing the informal sector. The rationale for this is twofold: a) enhancement of financial inclusion and effectiveness of macroeconomic policies; and b) expansion of the tax base and enhanced efficiency of fiscal policies and public expenditure.

There are many ways to achieve this. Bearing in mind that commerce and trade are common economic activities in Nigeria, and marketplaces play key roles, these activities should be formalised. Government should develop and formalise markets with suppliers, traders (petty, retail, wholesalers), etc. for example, by registration. Trading in markets, on the streets without registered trade number should be prohibited in phases. Incentives should be considered. The authorities could provide stalls etc. Think of the hundreds of billions of Naira worth of transactions taking place on a daily basis in markets all over the country, and the amount of VAT government could thus potentially collect. Government may initially have to incentivise the collection and payment of VAT with rebates or so on purchases of essential goods and services such as kerosene and healthcare. A key policy objective will be fiscal sustainability. We need money. Money for what purpose? Surely not merely to meet recurrent expenditures and pay off debts but for real economic activities – production of goods and services – to create jobs and wealth. It will be incumbent on government to make stakeholders see that this is a win-win strategy.

Where to start? Possibly with all state capitals and major cities. Markets can play a central role in the development of infrastructure on a meaningful and sustainable basis. They can be used as catalyst for job creation, poverty reduction and rural development. And by extension they will pull in infrastructure as they develop.

Placing markets at the centre of economic activities is deliberate. Markets do not just facilitate the exchange of goods and services but play a critical role in their production and consumption. An efficient market provides goods and services consumers want, and it sends price signals to consumers and suppliers. It promotes efficiency in production and consumption, and, therefore, assures efficient allocation of resources. Moreover, Nigerians by habit and disposition are intrinsically suited to market economy. So, government must see getting markets to work efficiently as an imperative for the economy to deliver growth, job creation and therefore prosperity.

The Nigerian economy today is characterised by imperfect markets whose proper functioning is impeded. This is one main reason why the Nigerian economy cannot in its present form serve its people. Policymakers need to ask fundamental questions of how the economic functions are managed. Put differently, is the purpose of the economy primarily to serve the people of the government? Should the economy be structured in such that it continues to cater to the interests of this small segment of society at the expense of generality of the country? Should production or exchange of goods and services be promoted to encourage domestic production or importation?

Any attempt at answering these questions will reveal that the status quo is not meeting the needs of the people. Apart from a handful of goods, there is a heavy reliance on imports, and consumers have to contend with goods and services limited in scope and quality. Agriculture and rural areas receive little attention, despite accounting for half the populace, which explains why wastage remains high and low productivity persists.

To all intents and purposes, Nigeria runs a mixed market economy, and it does so improperly. A market economy is defined as an economic system in which the decisions on what to produce, distribute and invest are determined by price signals that come from the interplay of demand and supply forces. Central to market economy is existence of an input or factor market. This is important in determining the allocation of factors of production, namely, capital, labour and land, to economic activities.

Market economies range from laissez-faire markets at the one end of the spectrum, where government focus on provision of public goods and promote private ownership, to arrangements where government is more actively involved in correcting market failures and promoting social welfare. Market economies that are state-directed (dirigiste economies) in which government uses industrial policies to guide the market – but not as substitute for economic planning – are broadly termed mixed economy. At the other end of the spectrum of market economies are planned economies. These are arrangements where investment and production decisions are integral variables in holistic economic plans. In centrally planned economies, government is responsible for allocating resources to firms rather than leaving it to.

Although the Nigerian economy from the colonial days to the present is best defined as a mixed economy, the role of market as mechanism for allocating resources has been largely ineffectual. This is due to several reasons ranging from, among others, a lack of clear economic direction, inadequate factor markets, insufficient enablers such as energy and transportation infrastructure, etc. Rather than government's efforts directed at ameliorating market failures so that markets can function better, interventions have supplanted measures that tilt the balance towards a planned economy. These shortcomings, undoubtedly, explain the preponderance of the failings of the economy.

Markets are pivotal to economic activities. Reviving or reconstructing the Nigerian economy must leverage on markets to enhance efficient and prudent utilisation of resources in production and distribution of goods and services. At the same time, with the focus on addressing a myriad of social and economic challenges, the economy must be guided. Identification of key sectors to revamp the economy is key, here. Addressing shortcomings in factor markets is important for efficient decisions in investment, production and distribution. This must be preceded by clarity on what needs to be produced, identification of the necessary factors of production, and ensuring their availability. The role of properly functioning markets cannot be overemphasised. Shortages in financial and physical capital have blighted the activities of MSMEs, inadequate infrastructure has amplified distortions of factor and output markets making outputs expensive and non-competitive.

The market economy has played a key role in countries that have successfully transformed their economies and simultaneously lifted significant numbers of people out of poverty by creating jobs and prosperity, prime examples being Turkey and to a lesser extent India. The less said about centrally planned economies, the earlier Nigeria can focus on the task on hand. While a market system offers Nigeria the best and realistic option to create socioeconomic challenges, efforts must be on efficiency and efficacy of factor and product markets. This will require an alignment of needs, resources and enablers for both factor and product markets with all the fiscal, monetary and real sector policies geared to achieving this overarching goal. Government must promote the market economy, eliminate distortions where they exist, and nudge, but only nudge, markets in the appropriate directions such that jobs and prosperity are produced to address poverty, unemployment, income- and genderinequalities. The problems we contend with are neither random nor spurious; they are the outcomes of a dysfunctional system.

While it may be too late in the day for Nigeria to completely escape the ravages of the economic downturn predicted by the World Bank, the focus of government must now be on immediately minimising the buffeting of the economy, shortening the painful period and priming the economy to embark on a strong and inclusive steady growth path. The authorities will not only need, as a matter of urgency, to get on with the arduous business of fixing, nay, constructing a new economy that works for all, but be seen to be doing so to bolster responsiveness to the plight of the people and legitimacy.

Image by Erin Johnson from Flickr

Electricity Tariff Increases: Celebration or Cause for Concern?

A lot seems to have happened in the power space over the last few days. First came the CBN announcement laying down specific rules for DMOs on what they can and cannot do with monies received on behalf of electricity distribution companies. We were also regaled with the efforts by FGN to avoid defaulting on payments to Azura IPP. Then came the bombshell, at least in the opinion of some industry watchers: The President approved significant electricity tariff increases – 73 percent in the first instance and by the time the second increase kicks in, total rise from the current position would be in excess of 130 percent. These news, alongside a series of other sobering headlines from last week (one in two Nigerians in the labour force is either unemployed or underemployed; inflation is on the increase; Nigerians now spend about 60 percent of their income on food, Nigeria borrows grain from ECOWAS to feed her citizens, etc.) are bound to agitate, or be of great concern to discerning minds.

Before dissecting the various issues, let us look at why these headlines elicit agitation and concern. Agitation because the consequences could have been avoided: The desperation and urgency of the authorities are apparent in the Azura case. If the same level of diligence had been accorded the negotiations in the first place, it is doubtful government would be where it is today. Likewise, if the way the tariff is calculated had been properly scrutinised, it is doubtful the clamour by the owners and financiers of the PHCN successor companies would have received such attention. Perhaps doing the right thing from the start is quite un-Nigerian. The default setting is to attempt to solve self-created problems that could have been avoided in the first place.

Why concern? The probability that the above developments will have a devastating impact on the wellbeing of the citizens of the “poverty capital of the world”. The expected consequences are higher prices of goods and services, leading to higher inflation, further unemployment, etc. A situation that will presumably be compounded if the looming recession materialises as the economy has reportedly contracted by 6.1 percent, having barely recovered from the last recession.

Of the series of recent news, the following three are noteworthy: the CBN announcement, the Azura payments, and the tariff increases.

CBN appears to be taking centre stage in running the economy. As the banker to the Federal Government, it became, by default, the de facto banker to the electricity industry. First, it played a key role in persuading the banks to provide finance to the would-be investors on the eve of the privatisation. Later, the liquidity problem caused by technical and non-technical losses led the Federal Government to mandate CBN to provide “market support” to the electricity industry. It is the inability of government to continue providing the credit support, considering its own revenue challenges, that must have driven the CBN to safeguard its exposure. No one seems to be asking the question of the causes of the shortfall.

What may come across as CBN using its regulatory powers to breathe some sanity into the financial position of the electricity industry is, to all intents and purposes, an overreach, as CBN has simply relegated the sector regulator to a casual bystander. CBN has stepped beyond its mandate and assumed a key function of NERC, namely, supervision of the electricity market. And that does not bode well for the future of the electricity industry and the real reform required to provide the energy to drive the economy.

As for Azura, the authorities were remiss in their responsibilities. The risks and contingent liabilities the PPA, PCOA and PRG were meant to mitigate or manage were not contingent. They were real risks merely waiting to happen, and happen they did. Alarm bells were sounded as far back as 2015, but evidently fell on deaf ears. Government was more focused on the willingness to provide what was considered the necessary mitigation required to facilitate the development of the power plant and less on its capability to fund or manage the expected liabilities.

Perhaps if more attention had been placed on capability, the necessary inquiries would have caused the spotlight to be focused on assumptions and parameters on which the financial viability of the plant was based. This would have led to financial modelling and sensitivity analysis not only to underpin the viability of the arrangement but would have thrown up issues and challenges that would allow the authorities to manage the situation better. Unfortunately, the level of diligence the developers and financers undertook to safeguard their interest was not replicated on the government side.

The second issue is the tariff increases, which ostensibly are to facilitate access to a US$1.5 billion facility from the World Bank to augment the financial position of the industry given the revenue challenges of government. One must ask whether an adequate assessment was undertaken to determine the implications and effects of tariff increases of 73 and 60 percent respectively, that is, the possible deleterious consequences on the economy and welfare of Nigerians.

Consider this: The bottom line is that a consumer who is currently paying ₦20,000 per month for electricity will end up paying ₦34,600 per month when the initial price increase takes effects in September 2020. The amount the same customer will pay in 2021 when the second increase is implemented is ₦46,600 per month for the same amount and quality of energy. This is a staggering increase. With the current realities of GDP contraction, lower oil prices, etc. we should brace ourselves for some serious economic challenges as real income declines, with a higher proportion expected to be spent on electricity and food already accounting for 60 percent of household income, food prices will tend upwards especially those that depend on electricity.

The distribution companies have been clamouring for tariff increases from inception on the grounds of non-cost reflective tariffs. However, what is ‘cost-reflective’ if there is no consensus on the areas that must be tackled to improve operational and financial performance by the authorities who are meant to balance the interests of consumers and service providers.

On the argument that prices are not cost reflective, the focus should be on appropriate pricing principles and efficient cost of production – after all, no one would support persistent disequilibrium of costs and price. The debate must, therefore, be on addressing the underlying systemic and structural deficiencies that consistently cause costs to diverge from set tariffs. Assuming a tariff increase will cure the myriad of sectoral challenges is naive. The overwhelming evidence is that any cure attributable to tariff increase is temporary at best. People adjust their consumption patterns in line with their disposable income. The implication is price increases that please service providers cause consumers to reduce consumption. This is basic economics.

Without addressing the underlying factors that drive cost to diverge from price, consumers will face further tariff increases in the future; this will negatively impact aggregate demand and cause shrinkage in supply and production. The factors which directly or indirectly influence costs and, consequently, prices), include: (i) technical losses, (ii) non-payment/theft of electricity, (iii) low capacity utilisation, and (iv) high operating and capital costs. Then there are unfavourable macroeconomic parameters, such as: high interest rates; a dearth of long-term development capital; the regular depreciation and devaluation of the Naira and heightened foreign currency exposure increase prices for imported equipment (virtually everything) utilised in electricity production and supply; denominating gas supply purchases in US dollars despite the fact that it is produced domestically; the lack of adequate risk mitigation instruments; and finally, inappropriate trading arrangements for electricity that add to cost of services, etc.

Moreover, the knock-on effect of tariff increases does not receive the attention it deserves. The fact that factories and businesses are regularly closing is not unconnected with epileptic and expensive power supply. There is a presumption on the part of the authorities and operators in the industry that prices can be increased inordinately. This may be applicable to most residential consumers: they have low price elasticity of demand, that is, they have little or no choice on source of power and their consumption is not that sensitive to price changes. The reality for job- and wealth-creating commercial and industrial consumers is the opposite: with higher elasticity, when faced with increased power prices that can make their products more expensive and less competitive they respond by investing and switching to self-generation or closing up shop.

It is worth noting that the various tariff increases the industry has witnessed in the past did not solve any of the electricity supply challenges in Nigeria. Neither have tariff increases improved operational or financial performance of the sector or supplied more energy to the economy. The authorities still need to decide how to make electricity available at a fair price to enhance competitiveness, create jobs and spur economic growth. Nigeria is at a crossroads: Urgent attention must be paid to addressing growing poverty, unemployment, the flagging economy and HDIs that are negatively correlated to economic growth, an electricity is a critical infrastructure that must be available. The issue is not just about the electricity industry. No, it goes beyond that: The basic economic welfare of the citizens and society will be pulverised if business as usual approach is maintained. Our welfare is imperiled with dire consequences for society simply because we have failed to diligently attend to the economy and balance the interest of all stakeholders. We should be deeply concerned and agitated by these recent developments.

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*Photo by **Miguel Á. Padriñán** from **Pexels***

Is Nigeria Derailed?

If Nigeria is to address its dire economic realities, it must diversify and intensify production activities. Transportation is crucial to this. Development of transportation infrastructure must be prioritised, and the focus should be on moving people and goods cost-efficiently and swiftly. Rail has an edge over road because of the economies of scale.

In recent times, rail infrastructure in Nigeria has received a lot of attention, largely due to the controversial loans being taken up for its construction. Concerns about the practicality of the routes and economic viability have been expressed, these concerns are of course valid. The question foremost in the minds of most is: Why is the country taking out loans for projects that are of questionable feasibility and viability?

The justification adduced for the specific projects that are being developed is that the existing lines are being expanded to carry more passengers and more cargo, and new routes will be added to enhance the system, which would ultimately aid economic development. However, when looking at the plans and structure in place, this does not seem to be the case. Undoubtedly, there is need for rail infrastructure, but can we really say that the form proposed serves the interest of the people or promotes economic growth? Take for instance the Abuja- Kaduna rail line, the commercial or economic rationale behind its existence is difficult to see. It has no haulage provision, which means cargo cannot be transported even assuming there were bulk goods to move this way or that. It simply conveys a fraction of the passengers that travel between Abuja and Kaduna at high operational costs that cannot be justified or recovered – even with the recent 100 percent price hike.

The existing rail infrastructure must be understood within the context of British colonial rule. In fact, to understand rail infrastructure in Nigeria in its entirety one must go back to its inception towards the tail end of the 1800s and in the early 1900s. Two major routes were built – the Western Line and the Eastern Line. These were not for the benefit of the country, but rather to facilitate the transportation of agriculture produce and mineral resources such as coal from the hinterlands to ports for ships bound for Britain, a model the British deployed in all their ‘colonies’ and which greatly helped the British economy develop. It is worth noting that the Jos-Kaduna spur, for example, was built solely to move tin from the mines in Jos to port in Lagos. The tin companies requested the track be laid, and the investment soon paid off. Over a hundred years later, with the affairs of the country in Nigerian hands and with a completely different take on what would make the economy thrive as opposed to what would favour those at the helm, the country surely should be building a railway system that will enhance production, expedite movement of goods and people, and have a positive impact on prices.

The Eastern Line, also known as the Port Harcourt – Maiduguri Rail Line, is another problem child. It was originally built to transport coal mined in Enugu to ports, in Port Harcourt, specifically created for the export of coal. The coal mines have long since been moribund and perhaps more pertinent is the fact that no exportation of coal will take place in the foreseeable future due to environmental concerns. It is quite difficult to see the bulk goods to be moved south from Maiduguri or Bauchi in the North East of the country. Is the project to resuscitate the Eastern Line linked to a focus on opening up the mineral reserves in Bauchi and Gombe, perhaps as part of the much talked about economic diversification? Based on the recent antecedents, it is safe to assume that emphasis has been placed on passenger traffic. The pertinent question is: How many passengers actually move regularly from Maiduguri southwards to justify the enormous investment, and more to the point, in order to recoup it? It is important to note that the estimated cost of the Port Harcourt- Maiduguri rail is US$15 billion, a non-insignificant amount for a project with questionable viability.

Rail infrastructure should not be built for its own sake or to give a semblance of development. The primary purpose of infrastructure is to aid economic growth; this is one of the key drivers in investing in transport infrastructure. Therefore, when embarking on any project, clarity on the purpose, who the infrastructure will serve, its positive impact on the economy, economic viability, etc. must be ascertained at the conceptualisation stage. It is important to make sure that these certain conditions are in place before embarking on such projects.

To achieve the above, transportation infrastructure (road networks, rail, ports, etc) must be planned and constructed to connect areas of production to markets. Achieving this will enhance trade as well as reduce waste, and there would be a marked increase in production. Imagine the economic implication of moving a staple such as tomatoes from farms in Maiduguri to markets in the south at minimal cost and optimal level of freshness due to increased speed of delivery. This simple action would invariably reduce cost as high transportation cost increase prices and drive inflation. Even as appealing as the arguments on quality and cost are, it is still important to undertake the viability studies to ascertain that the volume of tomatoes (and other commodities for that matter) that can be grown in Borno State and others along the rail corridor justifies the multi-billion-dollar investment.

Apart from improving quality and cost efficiencies, an effective working transport system also promotes competition and market development and would create a multiplier effect spurring the creation of warehousing, logistics, manufacturing business growth, etc. As such, studies and analyses should perforce focus on reducing the cost of transportation and ensuring inter connectivity of routes for viable trade and carriage of passengers and commodities, job creation and poverty reduction. Other factors that as a matter of routine be considered before embarking on such investment include pricing and recovery of investment, not to mention regulation and coordination. It is not until these conditions are fulfilled that viability of the infrastructure can be ascertained. This way, there would be certainty in meeting debt obligations without adding more to the growing debt burden Nigeria is dealing with. To date, sadly, there has been no mention in the public domain that such serious studies have been made or how best to deal with contingent liabilities that default poses.

*Photo by **Johannes Plenio** from **Pexels***

Why the Electricity Industry Fails to Serve the Nigerian Economy

Clear Disconnect between Electricity Industry and Nigerian Economy

As any economist or industrialist will tell you, electricity is a key enabler of the transformation of goods. Most transformation of goods and productive activities cannot take place without energy, and electricity is ranked as the main form of energy. The positive relationship between energy and economic growth is a given. There is ample evidence to this effect – a recent study of 10 Latin American countries over a 36-year period showed that for every 1% in energy consumption, there is 0.59% increase in GDP. What, however, is not unambiguous is what is cause and what is effect? While the preponderance of empirical evidence establishes a unidirectional run from energy consumption to economic growth, some countries exhibit the converse. Nigeria is one of those. The obvious conclusion must be: Electricity has crippled the Nigerian economy. Not because of the erratic and inadequate nature of electricity supply but the fact that the main sectors that dominate the Nigeria economy – agriculture, manufacturing and services – are rarely the focus of electricity industry supplies. Put differently: The national grid to which we dedicate large proportions of national resources to rehabilitating first and foremost serves residential customers and then only those who are close to the distribution lines.

Myriad of Problems

This is a problem that policymakers have consistently eschewed. Even if we manage to increase power generation and distribution to 6,000, 7,000 or even 10,000MW, the effect on the economy can be expected to be negligible. The main reason for this is not complicated: Usually, industrial and commercial consumption form the hub of any electricity grid. In Nigeria, however, the grid has metamorphosed into a network serving primarily domestic consumption. This transformation was largely brought about by poor electricity services as factories and industries have suffered under the weight of irregular power supplies, very high prices relative to cost of service and as a result either closed down or sought alternative, reliable supply sources, usually investing significantly in own-generation. , However, it would be misleading to focus on poor power supply as the sole culprit. There are other issues and challenges ranging from the lack of other critical infrastructure and transportation, the absence of a supporting national industrial development plan, inconducive macroeconomic conditions, lack of economic goals etc., all of which are factors relevant to explaining the parlous state of the Nigeria economy.

That said, there are most definitely operational and systemic issues that come within the ambit of the electricity supply sector and have hobbled its ability to help drive economic growth. These include a lack of knowledge of the country's demand and power requirements (believe it or not, the operations and development of the sector are based on guesstimates and not on any rigorous demand study), high technical and commercial losses, the misalignment of constituent sectors, the narrow choice of generation technologies, etc. Moreover, we should not forget the regulatory issues such as the flawed tariff methodology that consistently causes prices to diverge from an efficient cost-of-service delivery, and wrong-headed policy or practice of gas industry placing the power industry further down the pecking order. Or the simple fact that generating companies pay for their gas and purchases of equipment in dollars but are paid in Naira for electricity supplied and consumed.

From the above, it follows that the poor electricity supply has blighted the socio-economic landscape. Yet, if fundamental changes are not made to redirect the role electricity should play in promoting economic growth, job creation and poverty alleviation it looks set to continue to wreak havoc. At present, the Nigerian electricity supply industry (NESI) functions like a disguised version of the old subsidy on petrol at the pump. The government is busy subsidizing residential electricity users rather than focusing on the economy. For manufacturing and agriculture, NESI has long since become our Nessie (the elusive monster of Loch Ness) – given that it has been a long time since they last experienced adequate and reliable electricity. Yet the government ploughs over half a billion dollars just into covering NBET's bills each year and is about to use a similar amount for the Presidential Power Initiative.

We Need to Create Prosperity and Jobs Urgently to Address Socioeconomic Problems

This being where we are today, we should endeavour to make sure this is not where we remain. Central to this is the need for inclusive economic growth. Why inclusive? The growth the economy posted between 2000 and 2015 did not create jobs, and that is why despite an increase in national GDP, the incidence of poverty increased substantially. Indeed, with the recessions since then, Nigeria has emerged as the “Capital of Poverty” in the world, and unemployment has risen at an alarming rate especially among the youth.

What is overly obvious is that a change of approach in addressing the problem is required. As things stand without focusing on how to generate prosperity and employment to improve the welfare of Nigerians, more people will fall into poverty with all the attendant dire social consequences. The latest releases on unemployment and inflation – and they shockingly stand at 27.1 percent and 12.82 percent, respectively – are sad testimonies to this reality. According to the latest NBS unemployment report, one in every two Nigerians in the country’s labour force is either unemployed or underemployed. At the same time, updated data from the World Economic Forum shows that Nigerians spend more on food than any other country in the world. Food takes up an astonishing 58.9 percent of Nigerians’ income. Talk about a disconnect. These statistics are grim as inflation and weak economy continue to erode household income.

Creating productivity and jobs will require improving productivity and expanding the economy’s productive base. Electricity has a crucial role to play here in the growth of the key sectors that will drive the growth, namely agriculture, manufacturing, and services. For electricity to perform this function a vastly different approach to generation and supply would be required. The improvement in productivity and expansion of agriculture require irrigation, mechanization and storage facilities – and these activities require energy and not all of it electricity and where electricity is most efficient form of energy, it need not be grid-supplied. Modern technologies that can be harnessed abound – at costs that are comparable to grid electricity. Manufacturing requires not only energy but energy that is provided efficiently and at reasonable costs. Only then will our industries be able to compete with imports from China etc. and will we be able to stop the drain of foreign currency out of the Treasury. It is important to state that while adequate and reliable power is critical and needs to be planned carefully, it must be complemented by an efficient transportation infrastructure, access to capital, an upskilled productive labour force etc.

Addressing the problem must be from a holistic perspective: Clear outputs and outcome-based indices must comprise the goals and targets in a comprehensive economic plan. Resources must be allocated to address specific problems, with a clear monitoring and evaluation framework to ensure there is enhanced performance. Nigeria must once and for all stop spending scant government revenues in the hundreds of billions of Naira in a way that does not address the fundamental problems of the industry and, moreover, further deprives other sectors such as education and health of much needed funds. Throwing money at the electricity industry without demanding a commensurate improvement in services that is transparently linked to addressing unemployment and income generation is in essence throwing money down the drain. Worse still, it simply delays the underlying socio-economic problems for a later day.

Image by Tom Swinnen from Pexels

AKK: The Project Pipeline or The Pipeline Project?

A vital aspect of economic success in any developing country is the development of its infrastructure as this spurs industrial growth and socio-economic development. This has been FG's justification for the Ajaokuta-Kaduna-Kano (AKK) gas pipeline project it embarked upon earlier in the year and for which a US$2.51 billion loan was taken up. The project is expected to be completed by mid-2022. The project financing structure is 15% equity, contributed by NNPC, and 85% debt, provided by China's Sinosure at 3.7% (repayable over 12 years, with a moratorium of 3 years) – meaning the total repayment is US$ 3.1537 billion.

Although it is ostensibly NNPC repaying the debt (it cannot meet its cash-call obligations to the IOCs most of the time), the Ministry of Finance has issued a sovereign guarantee for it. The most compelling of reasons given for the construction of this gas pipeline is that it will drive economic growth by providing gas for generation of electricity for towns and industries in its general vicinity, bring to life collapsed and moribund industries which would in turn have a multiplier effect on commercial activity in the area. This certainly seems appealing as it is meant to be 614km long and would cut across at least 3 major states – Kogi, Kano and Kaduna. How exactly does it intend to deliver on all it has promised?

Is the AKK pipeline project commercially viable and will it pay for itself? Claims have been made that the project will pay for itself within a 10-year period, long before the 15-year repayment term as contained in the contract. The reason for this optimism is that if implemented properly, gas pipelines are very lucrative, there are the tariffs to be paid by those who use the pipeline to transport gas and on the other hand the money to be earned from the gas off-takers. Clearly, the very premise on which its viability rests is dependent, however, on so many external factors and conditions.

Firstly, the gas off takers would need to be in place. Talks about power plants meant to be built by NNPC that would provide 3,600MW of power to the area are part of the equation, so also are the methanol and fertilizer factories, the textile factories and so on.

The NNPC press release claimed that the pipeline would "*support the addition of 3,600MW of power to the national grid and revitalize textile industries which alone boast of over 3 million jobs in parts of the country*." All very laudable. The release added that the AKK project would support "*the development of petrochemicals, fertilizer, methanol and other gas-based industries thereby generating employment opportunities and facilitating balanced economic growth*."

However, without these in place this project would quite simply be another white elephant project embarked upon by government. And if these conditions are not in place the country would be making a loss at the outset and that loss needs to be factored into the sum total of the loan as the government is paying the mortgage.

Consider this: Power plants cannot be designed and built anywhere near that fast and there has not been any ground-breaking for NNPC's own claimed power plant. The average construction time for comparable projects worldwide is 54 months, factoring all the red tape, completion of tenders and so on we can realistically round its delivery up to 5 years.

Considering that the project would be complete in 2 years the pipeline would therefore make a loss for at least the first 3 years of its existence as the operators will not be able to sell any major gas volume. We need to know: does FG have to reimburse them for their losses? If so, then that figure needs to be added to the total. Another point to consider is whether NNPC can find customers for its 3,600 MW in the vicinity. Presumably, if it does not, but is still injecting the power into the grid, then NBET will have to reimburse NNPC and will end up in a far worse condition than it is in presently. Would it not be better to take the money and build hydropower plants and other renewables? After all, the north is well endowed with hydro resources that can be harnessed for power generation, irrigation etc. Building more on existing architecture does not take cognisance of the limitations of the grid that undermine its viability. The economics on which the project is based should be made public, and if one does not exist, it is not too late to work on one. This way, we know exactly what we are dealing with: an eagle or albatross.

What started out as a seemingly straightforward loan of US$2.51 billion may amount to a much greater figure when all is said and done. Sadly, it may very well end up being a millstone around the country’s neck. If the raison d’etre for infrastructure of any kind is economic growth, and the pathway to growth is not clearly defined from the outset then it makes no sense to further embroil the country in debt. This again is discussion for another day.

The Real Size of Loans

Interest on debt grows without rain: or so the old chestnut goes. This has certainly been the case for Nigeria over time and it seems no lessons have been learnt for all the angst and anguish debt and debt servicing have caused in the past.

Nigeria has been doing a lot of borrowing in recent times and between 2015 and 2020, Nigeria’s debt profile rose from US$9.7 billion to US$27 billion. Interestingly, these figures only show the amounts taken up as debt, the principal, and do not depict the full picture which should include the amount that the country has to pay as interest on loans.

Interest on loans is most times overlooked and not given the proper consideration it ought to receive as discussions on loans by the government and indeed the entire country is always at net price. This is less than ideal for a country like Nigeria which is neck-deep in debt. Take for instance, the P&ID case which was not properly handled and ended up costing the country an additional US$3 billion, in addition to the initial amount of US$6.6 billion, on interests accrued.

Borrowing to fund infrastructure projects is not itself wrong but it is important for the government to study the feasibility of loans taken up, and consider the interest that will be owed as an important aspect of the transaction, looking at the entire picture in a holistic manner and understanding the real implications of what it is getting into.

Earlier in the year, Nigeria entered into an agreement with Chinese lenders to fund a big gas pipeline project estimated to cost US$2.5 billion known as the AKK natural gas pipeline. This pipeline when complete would be a full 614km long and would pass through Ajaokuta-Kaduna- Kano hence the name AKK. The Ministry of Finance stated that the loan required for the project was US$2.51 billion, at a 3.75% interest rate over a period of 12years; in other words, the total sum the country will need to pay is actually approximately US$3.15billion. And that is the figure which should be talked about in the public space, because that is what the project will cost the country directly.

A similar approach should be taken to all project loans, so the country knows exactly where it stands in the real scheme of things. Yet strangely it is not. Consider the current loan in contention in the public space namely the US$500 million from China's Exim bank for railway construction and other transport-related infrastructure. There is public outrage because of a clause in the agreement waiving immunity as a sovereign state. The Minister of Transport has tried to downplay the enormity of the implication of defaulting asserting that FG has the capacity to repay the loan within the 20-year timeframe as the incredibly low interest rate of 2.8 percent is favourable to Nigeria.

However, if one does the maths, at the 2.8% interest rate, repayment of the loan would mean payment of a total of US$659.79 million, factoring in annuity of US$32.99 million and interest of US$159.79 million. This might not be the most pragmatic of decisions as there is no guarantee that the railway would recoup even its operating costs (ticket prices have just been hiked by 100%, which can be read as a sign of the difficulties) and government would have to subsidize the project from oil revenues, further diminishing the treasury.

That is a discussion for another day- the possibility of the rail infrastructure paying for itself. Whilst the public worries about the sovereign clause it would do well to have the entire picture, as interest always mounts up over time and if ignored will at some point in the future invariably take the nation by surprise.

Corruption – Same As It Ever Was?

Nigeria is in the news again. Not for anything remotely positive or suggestive of a nation going through rebirth but for corruption and financial crimes. When going through news regarding Nigeria and Nigerians on any medium, one is bombarded with reports on cybercrime, misappropriation, and looting of public funds by the very individuals who are meant to safeguard them. As the nation was coming to terms with the shocking allegations of graft leveled against the head of the Economic and Financial Crimes Commission (EFCC), it was only for its senses to be assaulted yet again by mind-boggling revelations of corruption made by the erstwhile head of the Niger Delta Development Commission. The supervising minister of the commission, perhaps having been implicated in the rapacious looting of public funds in the agency under his charge or wanting to distract attention or show how they have democratised looting, lifted the lid with the claim that beneficiaries of the wanton looting of NDDC were mainly NASS members. Without a doubt, the crimes get more brazen within each news cycle, which leads one to invariably conclude that corruption and financial crimes are much more deeply entrenched in the public place than one might suspect.

Take the ongoing scandal of the Acting Chairman of EFFC who was hauled before a committee set up to investigate allegations of corrupt practices, detained and suspended for alleged looting of public funds – recovered as looted funds in the first instance. This allegation shocked the public due to the sheer audacity and irreverence of the head of the agency that is meant to fight corruption, secure, and return looted funds to the treasury. Much of this outrage stems from the fact that the current administration came into office with a hard stance on corruption. Indeed, the fight against corruption was an integral part of its campaign to address the ills plaguing the country including stemming insecurity and reviving the economy. There was resonance with the electorate as factors attributable to corruption had combined to slow down economic activities and retard gains made in socio-economic development.

As things stand, Nigeria has lost more than its fair share to looting, Chatham House estimates that US$582 billion has been stolen from Nigeria in the decades since its independence in 1960, which translates into approximately 19 times the current national budget. This is not taking funds lost through other illicit means into consideration. Imagine what Nigeria would have been in terms of development if those resources were at its disposal to address mammoth problems in education, health, infrastructure provision and so on. Due to decades of theft alongside mismanagement and other challenges, the Nigerian economy is in very bad shape, the country should not have to continue contending with theft and crime that make it difficult to attract foreign investment, to create jobs and prosperity, and get millions of people out of poverty.

Corruption and its attendant consequences are incredibly corrosive, the impact on the polity, on social mores, on socio-economic development are pernicious and far reaching, likewise its impact on international relations, international trade and commerce, and diplomacy.

Given the economic challenges they are having to contend with, Nigerians must at this juncture pause and ask difficult questions: questions that may throw up responses that are uncomfortable and unpalatable. Why has tackling this pervasive phenomenon, which every administration has sought to achieve, not had any impact? If anything, it seems to be getting worse. Does this mean the country is going about it the wrong way? What is the right way? Why is Nigeria not as effective and successful in tackling this crime as its peer countries? Or is Nigeria as ‘fantastically corrupt’ as suggested by a former UK prime minister?

For Nigeria to make progress, it must delve into the problems and understand the nature, issues and challenges that need to be tackled beyond chasing a few people and recovering looted funds only for the looted funds to be re-looted again, a paradox of unparalleled proportions. A recent report by PriceWaterHouseCoopers (2017) estimates that corruption could cost the Nigerian economy 37% of its GDP by 2030. Urgent reform of the anti-corruption landscape is therefore imperative. Nigeria has a multiplicity of agencies (Nigeria Financial Intelligence Agency (NFIA), Independent Corrupt Practices Commission (ICPC), Code of Conduct Bureau (CCB) and the more widely known EFCC), legislation, regulations and so on and so forth to suggest unambiguous resolve to fighting corruption. Unlike the other anti-corruption agencies, the EFCC possesses the most extensive collaborative mandate: firstly, the composition of the EFCC Board is wider than the others and comprises representatives of about 16 law enforcement agencies with a strategic mandate to combat economic and financial crimes. Secondly, unlike others – with the exception of the ICPC – it is understood that EFCC is the only agency that is statutorily mandated to liaise with others, hence more bureaucratic overlap requiring competence and integrity provide more room for the likely internal corruption going on now. Also worthy of note is the jurisdictional overlap between the powers of the anti-corruption agencies particularly between EFCC, the Special Fraud Unit and the Financial Malpractice Unit of the Nigeria Police Force (NPF), and overlapping jurisdiction amongst the EFCC, NPF, ICPC and CCB in respect of public-sector corrupt crimes. This overlap of functions cause abuse of legal process and lack of direction within the agencies.

Much has been made about political interference being the bane of the EFCC. It stands to reason that since politicians constitute the bulk of people prosecuted, they will try and unduly influence the office of the Attorney General which oversees the EFCC and other anti-corruption agencies. After all, the Minister for Justice who is appointed by the President is also the head of public prosecution. It would possibly make a lot of sense for the country to therefore carve the Office of the Attorney General of the Federation, and its attendant responsibilities for public prosecution, from the Ministry of Justice. A standalone office, similar to the Office of the Auditor General, would be independent, minimising direct political interference. Otherwise the anti-corruption fight looks set to remain a pipe dream.

Another major challenge is that there is no protocol for efficient administration of confiscated assets. This is strange as it can be easily rectified with the passage of the ‘Proceeds of Crime’ bill into law.

Other capacity deficiencies have been identified as obstacles to the efficiency of the EFCC, such as lack of technical capacity of staff in terms of training and expertise that enables crime detection and the conduct of credible and forensic investigations; and operational incapacity which is supposedly due to insufficient funding. Some of these shortcomings have apparently made it difficult for international counterparts to interact with the EFCC.

Ultimately, these challenges give rise to a rather muddled and weak system which clearly does not work. The question this begs is how can Nigeria get rid of corruption? A close look at peer countries show that corruption is indeed not peculiar to Nigeria as so many other countries battle with it, albeit in varying and higher degrees of success. A 2018 World Bank study showed that in countries such as Sierra Leone and Paraguay the poor pay as much as 13 percent and 12.6 percent respectively of their income in bribes.

Developing countries are not entirely left to their devices in the fight against corruption. The World Bank acknowledged that corruption is a major threat in the realization of sustainable development goals and it routinely gives support to developing countries combating corruption, it assists member developing countries via e-procurement, forensic and biometric support. In 2015, Guinea, for the first time since the country's independence, documented all employed civil servants with the assistance of the World Bank by implementing a biometric identification system to conduct a census of civil servants to eliminate fictitious and fraudulent positions and potentially save more than US$1.7 million through the discontinuation of salary payments. This has by no means entirely solved the corruption problem, but it is certainly a step in the right direction. Perhaps it's time for Nigeria to start thinking in terms of simple solutions such as how the Bank Verification Number, which is already in place, could be given relevance alongside other solutions. Also to be utilized is the National Identification Number scheme which essentially aims to capture every Nigerian on a master database, because how does one embark on such a task if people are not documented and as such cannot be easily traced when solving these crimes.

For effective tackling of the corruption problem, a concerted effort led by a combination of the government, the private sector, civil society organizations and the very populace is imperative. Often, corruption to the average Nigerian is understood in terms of theft or misappropriation of public funds by those who are at the helm of affairs. However, corruption comes in different forms and if this pervasive phenomenon is to be tackled, these forms should be understood and distinguished. As stated earlier, corruption seems deeply entrenched in the society, looking at more common-place and as such seemingly acceptable forms of corruption such as the police officer who expects you to pay for your right of way, establishments producing and selling counterfeit drugs, government agencies who rather than practice meritocracy reserve top paying jobs for children of the elite, it is clear that stamping out corruption is not solely an issue of ‘political will’. Rather, it requires all stakeholders working in synergy because this problem quite simply exacerbates the gaping inequalities amongst the populace which lead to resentment and distrust of authority, which in turn lead to violence, instability and a general breakdown of social order. Maintaining the status quo is not an option to be considered as the situation is clearly degenerating, urgent reform is imperative. The constitution and all legislation setting up these agencies must be amended to address modes of appointment, structural issues within the agencies, institutional overlaps, accountability, and so on.

Moreover, given that financial crimes have evolved, it is key that we adopt up-to-date technologies to capture, prevent, detect, and deter corrupt practices. It is an indictment on the country that most of the high-profile fraud cases that have been brought to light have been conducted by international investigative agencies. From the much celebrated case of James Ibori, a one time governor, to the case of a former Minister of Petroleum Resources, even the more recent case of the fraudster apprehended by the Dubai authorities – each instance involved the use of high-tech tracking and forensic tools.

To effectively and sustainably fight corruption the country needs to focus on building strong institutions with proper structures in place, cultivating public trust and credible leadership. Nigeria can certainly turn the corner on this endemic phenomenon, but it must start by understanding it in its entirety.

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