It’s Time to Transform Agriculture for Meaningful Diversification of the Economy

The agriculture sector in Nigeria employs no less than 70 percent of the labour force and accounts for 21 percent of GDP. Despite this level of importance, the sector has not received the attention it deserves. Possibly, this explains why it has remained so underdeveloped over the last several decades.

Considering the current state of the economy and negative socio-economic indicators, the question that should occupy policymakers ought to be how to develop the agriculture sector, alongside other significant contributors to GDP, such that it increases economic growth and promotes sustainable development. In recent times, there has been significant attention by government to diversification, with development of the agriculture sector at the centre of the discourse. Is this solely because revenue from oil is becoming increasingly unreliable and uncertain and the country needs an alternative cash cow? Or is diversification being pursued for the right reasons, namely, to develop the Nigerian economy to address unemployment, income disparities and poverty on an inclusive, sustainable basis?

Sadly, the development focus of government has not significantly impacted on the economy, and agriculture is not an exception. Perhaps the reason why development has not yielded the expected improvement in the lives of Nigerians could be due to the lack of content, proper planning and sustainable initiatives. If government is pursuing development initiatives but the citizens are not seeing the dividends, could it be that both have different ideas of development? What comes readily to the mind of the average person when government pronounces this word? To the average government official, it would possibly mean more physical infrastructure such as rail lines and road networks crisscrossing the country, more power stations, more schools, hospitals etc. To the average person, it probably, by contrast, means a better (paying) job, more electricity, more food on the table and clothes for the children, better housing and more disposable income.

Is there a universal definition of development? It is simplistic to see development purely in terms of physical infrastructure. Development is a more nuanced concept, as the UN’s definition shows: “Development is a multidimensional undertaking to achieve a higher quality of life for all people. Economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development”. It is arguable that not much thought has been given to development in this sense and this could explain the state of the Nigerian economy. The agriculture sector has fared poorly from the dizzy heights of the 1960s when production and export of cocoa, oil palm, groundnut, and cotton dominated international trade. Much has changed since: Oil has taken centre stage and the result is an agricultural sector in an abysmal state with 90 percent of output being attributable to subsistence farmers and over 70 percent of farmers living below the poverty line.

Clearly, the jump from agrarian to modern economy was ill-conceived and poorly planned. As a matter of fact, one could say agriculture development was truncated. The consequences of this, which the nation still grapples with, are unemployment, poverty, social dislocation, exclusion, and widening income disparity. Development policies and programmes should be framed as pathways to increased growth and sustainable development and that requires looking at the entire panoply of issues and challenges in creating an integrated plan to address and reform agriculture. After all, it definitely has the potential to be a leading driver for a more diversified economy. The idea is not to abandon the oil sector and focus solely on agriculture; real diversification requires transformation of a diverse range of sectors. To achieve this, linkages should be established with the oil sector and other sectors that can readily create value and jobs taking cognizance of our starting conditions (resources, labour preparedness etc.). If government had sufficiently invested oil earnings in enablers for increased agriculture productivity such as transport, energy infrastructure, superior farming techniques, the agriculture sector would have supported and spurred the development of the manufacturing sector with food for urban population and inputs for agro-allied and light manufacturing sectors. This in turn would spur additional investment in energy and transport infrastructure as industrial activities ramp up. Development in all three sectors would create jobs and drive economic growth and development.

How do we achieve all this? We have to start from where we are, which is an agriculture sector dominated by smallholdings and subsistence farming. A clear plan must have at its centre the transformation of the low-yield subsistence farmer into a productive commercial farmer with clear goals of increases in output, productivity and food security. Also, the development plan must be explicitly formulated as an expansion plan for exports and improved trade balances. Finally, the plan must also include a component to deepen agriculture value chains, to increase the benefits and returns that would accrue to the economy.

In investing in inputs that would drive sustainable growth in the agriculture sector, government will not be reinventing the wheel. Several developing countries have adopted this approach in transforming their agriculture sectors as engines for job creation, growth, and prosperity. Given that Nigeria’s agriculture sector in its current state absorbs two thirds of the labour force, it stands to reason that were deliberate investments and policies made to improve this sector, productivity gains and employment generation would, to a large extent, address the plethora of socio-economic challenges and problems Nigeria contends with.

Attention must likewise be paid to complementary issues and challenges that influence agricultural output albeit indirectly, but substantially. For instance: (i) health – we need to assess the impact of illnesses on agricultural output and productivity, ensuring better primary healthcare outreach to rural dwellers; (ii) education – we need to improve basic education and skills acquisition facilities to boost the use of superior farming techniques and augment interfacing with input and output markets; (iii) energy and transport– we need to provide the infrastructure to drive the transformation and efficient conveyance of input and outputs; and (iv) climate change – we need to promote conservation, proper land management and practices to reduce the adverse consequence of global warming. All of this combined will no doubt help subsistence farmers emerge from poverty and make their mark in a world of bi-seasonal crop production.

With the right amount of planning, investment and industry, achieving all this is possible; after all, this is a well-trodden path that transformed a good number of developed and emerging economies. According to a 2017 report by McKinsey, “almost every industrialised nation began its economic assent with an agricultural transformation. Recent examples include Brazil, China, and Vietnam, each of which at least doubled the value of its agriculture sector within 20 years of starting its transformation”. For Nigeria, diversification must go beyond the quest for supplementing government’s revenues and expending large quantities of scarce resources on politically expedient but unsustainable social investment programmes – and must instead be grasped as an opportunity to transform the economy for enhanced inclusive growth and balanced development for the nation.

Early Lessons COVID-19 has Taught Us

Seven months ago, the world seemed a steady place. Christmas holidays upon us. President Trump was ramping up for his re-election bid. Boris Johnson had just won a thumping majority. Brazil’s agro-industry was receiving massive government support. The Federal Government of Nigeria was gearing up to borrow US$30 billion for massive infrastructure projects: mainly railways, a smattering of main roads, a huge dam, (but no hospitals) blithely turning a blind eye to the already fast-falling oil price and the ever-contracting market for black gold. Suddenly, news started to seep out of Wuhan, and China, that premier destination of Nigerian wholesale traders of consumer electronics who then fly home with Emirates, Ethiopian, Qatar, or Turkish, seemed less alluring. Four months later flights from the US, UK and mainland Europe started to seem like a way of importing possible death rather than goods.

At the same time as it has reaped death on a large scale, COVID-19 has also ravaged economies. Just as it sent US unemployment figures through the roof, so it sent the price of oil – so key to Nigerian government revenues – from fast fall into free fall, and then straight through the floor. Gone are the days of borrowing US$ 30 billion – as the Senate approved – Abuja has now scaled back its loan requests by a factor of 10 and is being granted a loan in order to survive – promising the IMF to behave, much as it had to back in IBB's day. The IMF insisted "The focus should remain on medium-term macroeconomic stability, with revenue-based fiscal consolidation essential to keep Nigeria's debt sustainable and create fiscal space for priority spending. Implementation of the reform priorities under the Economic Recovery and Growth Plan, particularly on power and governance."

Fast forward to now. The Coronavirus has shown populist leaders to be ineptly disposed to handling a highly complex crisis. Or rather in some cases, the leaders showed themselves to be staggeringly foolhardy. Be it the maverick praise by Trump for self-injecting disinfectant, or an ignorant attitude toward testing and locking down London, or even Bolsonaro commenting "So what?" when being asked what he thought of the pandemic's death toll in Brazil. Indeed, Trump ignored early warnings and thus by the time the White House swung into action, the virus was fast spreading. Johnson felt initially that it sufficed to simply recommend that the 'vulnerable' stay at home and No. 10 placed its faith in 'herd immunity'. When it became clear that the death toll of such would be extremely high, he switched strategy in mid-stream. In Brazil, when confronted by the facts of a spreading virus, Bolsonaro simply sacked his health minister as the harbinger of bad news.

Indeed, it is fair to say that the virus has savaged single-slogan political solutions – be it "Make America Great Again and Drain the Swamp", "Get Brexit Done" or "Let's Make Brazil Great". Such populist appeals to the people (along with the claim that they are being hoodwinked by an 'elite'), do not deter virus spread. Nor, for that matter, does our own homegrown, broom-waving "Sweep out Corruption". After all, populism is all about pandering to the people's purported will, rather than imposing constraints on them, which is what the pandemic calls on governments to do. Pakistan's PM Imran Khan openly said the matter of lockdowns was so very complex as it entailed a dilemma of striking an intricate balance between locking down and stopping the poor among the people from starving to death.

Let’s look at the planning behind those simple solutions to the crisis a little more closely as this may cast some light on what went wrong in the crisis response centres of Washington, Westminster, and Brasilia, as opposed to Berlin, Madrid or Paris. The United States, the United Kingdom, and sadly Nigeria share key policy weaknesses: They are all guilty of testing too little and too late. And then failing to introduce widespread tracing and quarantining in time. To be fair, the US and the UK have an advantage and thus even less excuse: They have far greater health infrastructure in place. The Nigerian healthcare system has been neglected for years, so retrospective action is to upgrade hospitals is at best to gloss things over (again, the SDG recommendation is 15%, the reality in Nigeria 4.5%). In this regard, for Nigeria, with its dwindling resources, the rush to buy ventilators/ICU beds was a race to the bottom, in that the baseline was max. 0.6 beds per million inhabitants as compared to a figure of 1 per 10,000 in the main EU Member States. To be equally fair: Nigeria had an advantage it wasted: If it had closed its airports at an early date, or at the very least introduced testing (and not thermometer guns) at the entry points, it would have been in a better position to control the spread.

Regardless in such a situation you must mass test, isolate; mass test, isolate, and ensure people maintain personal hygiene methods. On the testing front: In Germany as many as 400,000 people are being tested a day (the actual capacity is 800,000 a day), in Nigeria the total number tested is 17,500, with 2,500 of that number testing positive (1 in 7). In the US, 7.1m have been tested with 1.15m positive (roughly 1 in 7), in the UK 1.2m with 187k positive (1 in 6.4). What of Europe’s “front-line” states. Italy has tested 2.1million 210k were positive or a 1-in-10 ratio), Spain 1.93million (217k were positive meaning 1-in-9) – and in Germany 2.5million have been tested with 165k positive (1 in 15).

Put bluntly, Europe has been very strong on testing and has, despite the awful number of deaths, kept the number of persons testing positive for Coronavirus down in percentage terms. That is the product of careful, methodical planning to ensure best use of resources under tough conditions. In Germany’s strongly federal system, coordination between the states has been an absolute priority to make sure everyone was on the same page, even if state policies differ. Remember, all three countries in mainland Europe imposed stark lockdowns as quickly as they could in line with existing plans for pandemics (for the record: Trump had disbanded the US agency responsible for drawing up such plans) and are only now starting to think of easing the regulations.

Not so Nigeria. Here the policy initially seemed to be ‘wait-and-see’. And when the response came it was not based on a prior plan, but a copycat of the lockdown Modi had ordained in

India. (causing a massive migration from urban areas to the villages and thus potentially spreading the disease very thoroughly). What did not go well in India was perhaps doomed to fail in Nigeria. Indeed, busy wrestling with a fiscal meltdown the government seems to have wilfully overlooked the fact that over 30% of the population are day-wage earners in the informal sector – and, therefore, if you 'lock them down' you condemn them to starvation. In other words, here advance planning should have involved not raising donations for new ICU beds but organizing a widespread system of getting food to people – and making certain there was fresh water everywhere so people could 'wash their hands'.

Abuja's strategy is also surprising because it flies in the face of the experiences we can assume the administration has garnered from both the IDP camps and the extensive social investment programmes; after all, the one field most definitely entails emergency/crisis management, while the other has hinged on the distribution of palliatives. Alternatively, we could conjecture that lockdown coordination has been so poor precisely because it was based on those experiences, and that precisely those programmes must therefore be deemed to have largely failed.

Be that as it may, in one thing there has been policy consistency: The incoherence of the initial lockdown has been matched by the incoherence in lifting it again although numbers of persons testing positive is starting to increase fast. Once again, a simple "open on Monday" may be sweet to the ears of those left starving by the earlier "We are closing on Thursday", but it doesn't help you plan and implement marketplace layouts that ensure social distancing, educate the populace on the right temperature at which to wash masks, etc. Allowing two people on the backseat of a taxi and one person in the front passenger seat may lower possible contact numbers, but few are the VW Golfs or Toyota Corollas where you can maintain a minimum of 1.5 metres between the front and the back. Likewise, reopening buildings with shared a/c systems is tantamount to encouraging the virus to buzz around…

What could have been done or should be done, even if some of the horses have long since bolted? The virus has illuminated the power of individual will and autonomy and its effect on health security. People have been asked to self-check, report their symptoms, self-quarantine, self-isolate in their homes, and self-connect themselves to public health authorities. This they have tried to do – in Nigeria, too. If the authorities cannot test, then home-testing must become the new norm, and indeed home self-testing, enabled in an affordable manner rather than as something only a very slender proportion of the population can afford. At the same time, government must effectively educate, explaining what the protocols must be, starting with how to wash masks properly, which test kits should be used, and which rejected, etc. And government should be ramping up pharmaceutical production capacity to enable it to produce the 10-minute test kits the Senegalese and British are busy developing together.

Nigerians, let's also us remember, are telco natives and tech-savvy. What do we all have smartphones for in a time of crisis? No, not for sending texts or instant messaging but likewise to report test results. Here, the mobile phone companies of this world can do far more than simply donate to hospitals. They can surely be involved in creating the special hotlines for free text-messaging. And then the phenomenon of citizens having to wait, in places for over a week, for government to ring them back, will become a thing of the past. Iceland has paved the way here, with Mrs Jakobsdóttir, the country's Prime Minister, stating a few days ago: "We have introduced a tracing app, but use of it is voluntary. And the app we have provided is under the strict supervision of the Institution for Personal Privacy. In back-tracing infections, we have found out where the infected persons have been infected in 93 percent of the cases."

It is time to allow data to deliver mass-testing, to allow and enable individuals to exercise their autonomy to self-test, in an technology-driven, inter-connected manner with the public health authorities elected and appointed to serve them. To put it bluntly, to implement a lockdown that is ineffective because of a lack of data and leaves more deaths through starvation than would have been caused by COVID-19 is to put a population through trials and tribulations to no avail.

Lessons to be learned: Plan before you act. Plan on the basis of data and analysis. The more data we have, the safer we can be. The more we test, the more we can trace and isolate. The virus has not gone away simply because the lockdown has been eased. Here, data is the soap that helps stop the spread of the virus. Remember, never before have citizens stayed in their homes, waiting for contact from the government, be it testing or education. Yet we all have bank verification numbers that could be used to trace, isolate… and save lives.

Resetting the Nigerian Economy: COVID-19 and Oil Price-Induced Impetus

A unique opportunity to restructure the Nigerian economy in favour of inclusive growth to address growing unemployment and poverty

The coronavirus pandemic is causing mayhem and serious havoc with public health and economies around the world. Less-developed countries (LDCs) with inadequate health infrastructures and less robust economies that are behind the incidence curve are bracing themselves, waiting with bated breath as predictions of the full impact range from bad to grave. The low cases reported by Sub-Saharan African (sSA) nations are met with reservation given the very low levels of testing in the region. The picture that emerges when adjustments are made for low testing and the limited resources at the disposal of authorities to mount a meaningful campaign against the scourge of the pandemic is one that leaves little room for optimism. For a number of resource-rich countries, the pandemic has made a dire economic situation worse as the oil price collapse buffeted governments' fiscal positions.

The pandemic has laid bare some unpalatable truths about sSA nations: fragility of health sectors and skewness of the economies, which can be said to reflect the political economies of these countries with economic power concentrated in a very few rent-seeking hands. Moreover, governments with threadbare fiscal positions have not been able to articulate or mount any convincing responses to the pandemic.

Implications of Covid-19 Pandemic and Oil Price Crash

Beyond Covid-19, a number of LDCs are in real dire straits, with public health and their economies exposed most to the ravages of the crises. While the novel coronavirus pandemic has put its finger on the weaknesses in the health sector, the problems have been further compounded by poor public health responses rooted in inadequate preparation, public education and infrastructure inadequacies. What the crash in oil price has shown is the lack of depth in the economy and headroom for governments to manage the crisis. Dealing with the pandemic will have to focus on rebuilding systems and the economy.

For this reason, therefore, the crises, which will irreversibly impact economies, should be viewed as presenting an opportunity to reset the political economy and reengineer economies to promote inclusive growth and development for the vast majority and not just the few. For Nigeria, the largest country in Africa, despite the gloom the pandemic portends, the authorities should perceive a silver lining and urgently start addressing the crisis as an opportunity to commence a reformulation of economic policies to reset the economy and recast the economic and social agenda. The questions that should be at the forefront of politicians' and policymakers' minds should revolve around the nature and scope of the reset.

The economic indicators are, without a doubt, unsettling and a source of deep concern: 60 percent of the country's earnings go into debt service; falling oil prices caused government budget to be cut by 30 percent, and may shrink further due to declining oil prices; a largely inefficient informal sector that accounts for more than 60 percent of the economy; very low tax-GDP ratio (5.7 percent compares unfavourably to average of 17.2, 22.8 and 34.2 percent for 26 African, Latin American and Caribbean and OECD countries, respectively); agriculture, which accounts for almost a quarter of the national GDP and engages between two-thirds and three-quarters of the labour force, is characterised by low yield, high wastage and lack of food security; capacity utilisation rate of the manufacturing sector stands at 55 percent; general and youth unemployment rates in 2018 estimated at 23.1 and 20 percent, respectively, were quite high. Factoring in population growth rate of 2.7 percent, which outstrips economic growth, indicates a situation that is unsustainable and in need of urgent transformation.

Transformation of the economy must start with overhaul of health and education

In this context, government must urgently focus on developing the social and economic infrastructure if medium to long term impacts on health and economy are to be muted. The key sectors that would need to be addressed are health, education, energy and transportation – these are enablers for inputs for enhanced economic growth and balanced development.

We can say that the novel coronavirus pandemic shows the importance of public health and its economic impact, a realisation that has been made more poignant under a strained economic environment caused by persistent downward trend in price of oil. The buoyancy of high oil prices distracted successive administrations from making good the commitment required for tackling poverty and promoting human development as enshrined in UN inspired MDGs and SDGs, which Nigeria signed up to.

WHO rightly emphasizes the interdependence of MDGs, namely, that all the MDGs influence health, and health influences all the MDGs. It posits that better health enables children to learn and adults to earn. Gender equality is essential to the achievement of better health. Reducing poverty, hunger and environmental degradation positively influences, but also depends on, better health."

While some LDCs have made progress, others especially sSA nations have not fared well in achieving MDGs, lagging behind in health and poverty metrics. This remains true for Nigeria where despite growing poverty and dilapidated social infrastructure, the priorities have been different, as reflected in allocation of resources. On average, Nigeria allocated 4.6 percent of its annual budgets to health between 2016 and 2019, and slightly more on education at an average of 8.13 percent between in the same time frame. Our neighbours in West Africa fared much better: Ivory Coast and Ghana spent more in excess of 80 percent more over the same period. In comparison, OECD countries spent on average 15 and 11 percent on health and education, respectively. Even at that, their health infrastructures have not held up well against Covid-19 pandemic.

Moreover, health and economic growth go hand in hand. The importance of economic growth is underscored in a DFRI/OECD report in which economic growth is posited as the most powerful instrument for reducing poverty and improving the quality of life in developing countries, and that rapid and sustained growth is critical for achieving MDGs – and not just the first goal of halving the global proportion of people living on less than US$1 a day. A recent statement by Nigeria’s National Bureau of Statistics puts this clarion call into perspective: in a report about poverty and inequality from September 2018 to October 2019, the bureau stated that 40 percent of people in the continent’s most populous country lived below its poverty line of N137,430 (US$381.75) a year. This represents 82.9 million people.

It is only inclusive economic growth that can address unprecedented poverty levels in the short to long terms as it generates virtuous cycles of prosperity and opportunity that incentivise parents to invest in their children’s education. Strong economic growth is a catalyst for human development, which, in turn, promotes economic growth. For growth to lead to poverty reduction the poor must perforce participate in the growth process and share in its proceeds.

Nigeria announcing a multibillion dollar package to address the health and economic impacts of the pandemic and oil price collapse would be welcomed – after all government disbursed at least N900billion between 2015 and 2019 to directly prop up electricity, an ailing market. Unfortunately, this is not possible as oil prices and the profligate public sector have blown a big hole in government finances. The fiscal position of government is precarious, and something urgent needs to be done. The war that must be fought is not just the transient one of the pandemic but the deep-seated socioeconomic ones that have blighted the country and its citizens for the past few decades. As this is not the last crisis the country would face, it is important to build resilience into the economy to minimise impact of subsequent future crisis.

While diversification is necessary, transformation provides compelling conditions

The Nigerian economy has been dominated by a few, and the state has struggled to build a society that produces equal opportunities for all citizens. Attempts to address this have not been sustained with any meaningful result to show. Indeed, recurring crises have shown that the country needs a root-and-branch change to address systemic issues and challenges that have skewed the economy. A radical departure from the old normal and different outcomes that will include and sustain the whole populace are what will enable effective buffering of future crises.

It is imperative that the zeal driving the war being waged against the novel coronavirus should be extended to addressing socioeconomic problems such as poverty and unemployment. While the general populace is clamouring for far-reaching changes to the economy, politicians and civil servants need to articulate appropriate strategies, policies and plans for comprehensive reform. Decision-makers must understand that in this war efforts must be visible and go far beyond piecemeal intervention.

With all the false starts we have had to transform the economy and address poverty, the current crisis should be regarded as an opportunity, a boon for a nation at a crossroads. To make good on the talk of alleviating poverty and economic transformation, there is an urgent need to change the current narrative, build a consensus with all social and political institutions, and come up with a New Nigerian Deal for social and economic reconstruction.

As the central backbone of a reset agenda the nation must formulate a comprehensive and sustainable plan, including financing, even if this means reallocating resources from traditional sectors and institutions that have gulped significant portions of the budget over the past two decades.

For the foreseeable future and as long as there is the spectre of an epidemic or pandemic even after we have successfully dealt with Lassa fever, Covid-19, cholera, tuberculosis, health is going to dominate public discourse. The readiness and efficacy of government responses to such hazards will hinge first and foremost on the robustness of the economy. One thing is clear: this is the time to rebuild systems and make them relevant to the people. When the entire nation is singing from the same hymn page, it makes for a compelling and harmonious rendition. This is a unique opportunity. It is imperative, therefore, that Nigeria as a leading light commence the formulation of appropriate policies and stimulate public discussions at home, across the region and the continent as most systems in sSA have been shown to be incapable of withstanding crisis. We should not let this opportunity go to waste or risk our economy emerging in a worse state, leaving us to limp forward into the new decade.

Diversification and the Dangers of Lip Service

In an article published in This Day newspaper, statements credited to the Minister of Finance and the Governor of the Central Bank of Nigeria (CBN) convey the impression that all that is wrong with the Nigerian economy is external shocks. According to them, the latest external shocks, which they called external headwinds, are the oil price crash and Covid-19 pandemic. While these are real issues, we should not let these admittedly concerning current global phenomena distract attention from the serious and perennial disequilibria that call for the deep reform and diversification of the Nigerian economy. The problems, issues and challenges underpinning the economic problems we contend with have been with us for a long time, and they are multidimensional. The impact of exogenous shocks reverberates disproportionately when the national economy is dysfunctional and its operation suboptimal. In other words, the above two factors simply serve to make a bad situation worse.

In a subtle but clear admission of the true state of the economy, CBN Governor, Godwin Emefiele stated that despite the measures undertaken (raising the minimum loan-to-deposit ratio, restrictions on access to open market operation (OMO) auctions) to force banks to lend more to the real sector to support growth, the economy still faces serious challenges. From 2015 to 2019, GDP growth was below the average annual population growth rate of 2.6 percent. The fact is that the sluggishness of the economy predates the two exogenous shocks. This is captured in the figure below.

Figure 1 GDP and population growth 1998 – 2019

The real issues identified here are population and GDP. The growth or trend of these two socioeconomic metrics alone might not always raise eyebrows. Who would say it is not good to have higher GDP rate? Who would deny people the opportunity to be more prosperous, find employment, close income gaps, reduce gender inequalities etc? However, such results can only materialise if the growth is engineered in the first place and managed properly. That said, it bears remarking that a lower population growth rate would, at a minimum, reduce pressure on the infrastructure and the public purse. Left alone, economic growth has mass, no vector. This explains why the economic growth Nigeria recorded over the past two decades in not inclusive.

It is in light of this reality that the interplay of the two variables is most troubling. With population on a stubborn and persistently upward trend, and no discernible effort to curb the trend, and GDP growth rates, timid at best, the problem is not difficult to fathom.

The interdependencies of the two highlight our present national predicament: Government depends heavily on oil revenues as a source of funds for expenditure. The bulk of government spending goes on recurrent items (salaries and debt servicing), with capital expenditure being at best negligible relative to requirement.

We seem to be pursuing diversification of the economy, to the extent we are not doing so systematically at all, not as a framework to mop up the shockingly high levels of unemployment and income inequalities but in a desperate quest to find alternative sources of revenue to shore up the government expenditure. This is not the first time government has espoused diversification. One of the continent's leading industrialist, Aliko Dangote, alluded to the fact that the toll of diversification bell has been ringing since 1979. The question this begs is why has there been no meaningful, tangible or sustained progress over four decades? The short answer is "lip service". We should not expect anything different this time round. Without a doubt, there will be a bit of rebound in price of oil, government coffers will swell, and policymaking will go back to the default setting of "business as usual".

It is imperative that policy pronouncements have real content and are devoid of lip service. A hard look at the Nigerian economy calls to mind the legend of Sisyphus in Greek mythology who was condemned to repeat forever the same meaningless task of pushing a boulder up a mountain, only to see it roll down again. Is it that the nation has been condemned to suffer the absurdity of successive administration pushing the diversification boulder up a mountain while doing nothing about the dominance of oil on the economy?

This needs to be unpacked. Does diversification make sense? Yes, it does. This position is made more than patently clear by the teeming number of unemployed people. If one then factors in demographic change, then it is obvious we urgently need to create jobs by the millions, and sustainable jobs at that, not temporary jobs based on brief stipends. The second issue that must, therefore, be of concern is which sectors can provide the breadth and scope to create those urgently required millions of jobs in the short and medium term – for the long term? As we need real jobs and opportunities rather than stop-gap initiatives or measures destined to satisfy a quest to shore up government revenues quickly. As much as the current insistence on diversification is right, the proof of the pudding is in the eating, that is, we have to make sure it is different from similar strategies declaimed in the past. This will require detailed analysis, fastidious planning and dogged implementation – all the things we normally shy away from and have not proved ourselves adept at.

Government will need to avoid unhelpful conflation of responsibilities of the fiscal and monetary authorities. As insightful as cross-sectional interactions that bring together authorities of the real, monetary and fiscal sectors are, restoration of institutional integrity is necessary to strengthen the roles these distinct sectors have to play in getting the economy out of the doldrums. We cannot understate the importance of the creative tension and constructive scrutiny that are brought to bear in formulating and promoting public policies, judicious resource management, overriding public choice and efficient budgetary expenditure.

It is in this spirit that the statements credited to Aliko Dangote and Mele Kyari (GMD NNPC) resonate. Their statements quintessentially highlight the imperative of diversification and the need to make NNPC cost-competitive. Their voices should be heard as a clarion call to the authorities, as their positions are central to the relevance of the Nigerian economy in delivering growth and development.

What should we do? No one will disagree that we are at a crossroads. Should the nation continue like Sisyphus or embark on meaningful diversification to solve the socioeconomic problems of surging unemployment, rampant poverty, ever increasing income inequalities, and ongoing rural flight, etc.? This current tempest (and some might see it in combination with the COVID-19 pandemic and oil price crash as a perfect storm) provides policy formulators with a unique opportunity to undertake a deep reset and solve some fundamental problems that have bedevilled the economy for several decades. The much-needed reform must start without a doubt with sincerity and clarity of purpose.

To Ban or To Plan: What is the Better way to Solve Socio-Economic Issues?

Public officials in Nigeria seem enamoured with banning. Something about the high-handed authoritarian style of tackling problems seems to appeal to each successive administration as we now find ourselves yet in another era of bans. It would appear that when faced with socio-economic challenges, the knee-jerk reaction of those at the country’s helm is to ban. The question is if banning is effective, how come the very activities they are meant to curb persist?

Let's take the banning of trucks in Lagos as a case in point. Last May, the Federal Government issued a 72-hour vacation notice to truck drivers parked on the roads leading to the Apapa ports. The congestion problem in the vicinity caused by the large number of trucks, in the already gridlocked roads of Lagos, without a doubt needed to be tackled. Rather than holistically look at the issues and proffer effective solutions, the unimaginative option of banning was chosen. Another case in point is the recent banning of keke-NAPEPs in Abuja. The same government that introduced the tricycles onto the Nigerian roads under the auspices of poverty alleviation programme woke up one day and banned what has come to be accepted as affordable means of transportation. Or take the proposed open-defecation ban, which one must admit is appealing but in the absence of public toilets, the executive order will amount to nought. The list of "bans" goes on.

When government makes unilateral decisions without consideration for the raft of issues to contend with, one can only wonder if there is adequate grasp of problem solving and policy formulation. Generally speaking, prohibition of an act rarely leads to its elimination. Although the rationale is to increase social benefits, more often than not, the immediate consequence of banning is reduction in private welfare such as loss of livelihoods, hardship wrought on those who depend on the banned activity, and general socio-economic impact. Sometimes, a ban not well thought through simply exacerbates the problem and consequences. Addressing socio-economic problems calls first for careful analysis of the issues, innovative thinking, and above all grasp of the overall context and wider ramifications.
In other words, effective resolution of problems starts with proper understanding of the problem and comprehensive analysis of the options, including costs and benefits. Implementation and feedback mechanism must also be factored into problem solving. All of this requires not just prudent perspective but first and foremost holistic planning, in advance.

If we do not embrace the logic behind planning as an integral part of problem solving and policy formulation, spurious and of out-of-hand banning when faced with challenges, the issues and problems the country that confront the country will remain unsolved.

We have to get rid of the banning mentality and learn to plan if we hope to foster Nigeria's socio-economic development. When all is said and done, bans merely serve as window dressing, and not for very long at that. The trucks are back on the streets of Lagos. The keke-NAPEPs are happily plying the streets of Abuja, again. And just how the government intends to stop open-defecation remains to be seen.

To Invest or Not to Invest: That is not the question

The Premium Times of 23 February 2019caught the eye with a headline claiming ***"Investments in Nigeria reduced by 204% in 2019 -NIPC"***. This certainly seems like bad news, as investment is the lifeblood of any economy, and foreign direct investment is often taken as a yardstick of progress in developing countries.

Sadly, as often observed with such reporting, the picture is in fact much worse at second glance. While the article reports some things correctly, the emphasis is placed on sensationalism and the real issues that flow from the "NIPC Report" are not analysed with due care nor reported accurately.

NIPC states that US$29.91 billion were tracked as "investment announcements" for the year 2019 and stemmed from a total of 76 projects announced across 17 states, FCT and offshore Nigeria. A careful read of the article indicates the report does not highlight the trend for FDI in Nigeria but only of "investment announcements." The immediate problem is that announcements in themselves are not the same as investments. I may say I'm off to get a coffee, but that doesn't guarantee I'll buy one…" Closer examination of the investment announcements reported reveals they total about a third of the 2018 amount of US$90.89 billion. This is a significant reduction. This drop, which was attributed to 2019 being the election year for presidential and gubernatorial polls, may have been caused by investor uncertainty and economic instability generally observed post-election as new administration settles in.

However, what counts is not supposition but a closer inspection of the actual figures and trend of much needed FDI. The NIPC Report states that in terms of value, US$19.8 billion (66 percent) worth of the total was for projects offshore Nigeria, US$2.6 billion (9 percent) destined for Lagos, and US$1 billion (4 percent) heading for Ondo. Put differently, what can be inferred from NIPC is that of the $29.91bn in investments announced in 2019, two-thirds were destined for offshore (exploration and production of oil and gas), while approximately US$10.11bn was designated for the rest of the economy.

Indeed, in the report's breakdown of onshore investments on a sector basis, it states that overall funds heading for "mining and quarrying" amounted to $21.5 billion or 72 percent).

This is misleading as the oil industry is classified under “mining and quarrying” in Nigeria, meaning that the figure includes offshore investments.

For a country seeking to diversify its economy away from oil and gas, what thus counts most is the volume of investment that remains for the non-oil sectors. According to the report, the destination of US$2 billion or 7 percent of the investments is transportation and storage. Although this does not sound reasonable, the fact of the matter is that it is all primarily one investment, namely the Lagos Free Trade Zone project. The report leads us to believe that domestic investors were the most active, with about 39 projects announcements valued at a total of US$10.8 billion (36 percent). Again, the breakdown of figures reveals the item to be one and the same: the Lagos Free Trade Zone project by Tolaram, China Harbour and Lagos State.

Most interestingly is the US$2.3 billion (8 percent of total FDI) the report identifies as being ear-marked for electricity, gas and water supply. It bears noting that electricity investments would have had to be either in new IPPs – none were announced in 2019 – or in distribution companies’ networks – although the DisCos were known to be so cash strapped as to not be able to spend. Preliminary research shows that the investment announced for the power sector is nuclear technology, and as of date, nothing has developed in that regard.

“The Nation” reported on October 16, 2019 that:

“Nigeria and a Canadian firm, TREDIC StarCore, may sign a US$2.3billion power deal to boost power generation by 1,652 megawatts (MW) of electricity. The firm’s representative in Nigeria, Mr Abayomi Olushola Falana, who dropped the hint yesterday said the deal will improve generation as well as ensure that 23 micro-power stations are built across the country. In a statement he had said the selection of the locations is based on the strategic areas of economic activities, which include heavy manufacturing, mining operation, large-scale agricultural undertaking, industrial clusters, among others. According to him, the company had earlier written a proposal to the modular reactors (SMR) which help in producing nuclear energy in the country.”

In other words, the US$2.3 billion classified by NIPC as an “investment announcement” is a proposal for a set of modular 30MW nuclear power plants. As at the end of 2019, the company in question StarCore had not built a single modular high-temperature gas-cooled power plant world-wide.

On the other hand, the breakdown of offshore projects from the report showed the Netherlands had one project worth US$10 billion (33 percent); Canada, three projects worth US$2.4 billion (8 percent); Morocco, two projects worth US$2.1 billion (7 percent); Malaysia, two projects worth US$1 billion, and Singapore one project worth US$1 billion (3 percent).

Again, upon close scrutiny of these figures, we can emphatically state that the Canada projects alluded to is the StarCore project which has already been shown to be not an investment but a proposal. The Moroccan projects are actually just that, albeit not quite: US$ 2.1billion (7 percent) but the US$ 1.5bn investment made by the OCP Group, which is a potash producer, and of that figure, US$ 1.3bn is for an ammonia plant in Enugu State. While the Singapore project is nothing other than the Lagos Free Trade Zone.

NIPC's "Intelligence Report" betrays a singular lack of intelligence**.** If we eliminate the US$ 2.3 billion for the nuclear power station, the figure is US$ 26.61 billion. If $ 19.8 billion is offshore, then the total figure of investment announcements relating to onshore projects is US$ 6.81 billion. If we eliminate the Lagos FTZ (US$ 2billion) and the ammonia plant (US$ 1.3 billion), we are left with total investment announcements in onshore Nigeria of a staggeringly low US$ 3.51 billion for 2019.

Compare that figure to the annual requirement of $31billion for the next ten years estimated by to address the infrastructure deficit, and jobs created whilst diversifying from the dominant oil and gas sector.

Because the underlying figures and realities are missed or underestimated, the picture NIPC paints for the 2019 economy glosses over the underlying crisis, namely the dearth of FDI in Nigeria. It is a moot point whether this is due to a lack of statistical care or to a wish to ignore the enormity of the economic challenges at hand. If we stretch confidence and assume NIPC got their numbers right for 2018 and the figure was accurate at US$ 90.89 billion, FDI of US$ 3.51 billion in 2019 for investment for "onshore" Nigeria is abysmally low. The difference is as staggering as the implications for the Nigerian economy of a yawning investment gap as wide as the Niger River is long.