

# Recipes For Shared Prosperity In Nigeria

NESG Research



## Abstract

Nigeria has been characterised by improving economic growth with no considerable impact on the living standards of its citizens. The country has, over time, been grappling with weak economic growth, accompanied by high poverty, increasing cost of living, rising unemployment and widening income gaps. Reversing this unimpressive socioeconomic narrative requires the need for shared prosperity. As proposed and domesticated for Nigeria by the NESG in the 2023 Macroeconomic Outlook Report<sup>1</sup>, the *Shared Prosperity Agenda (SPA)* entails achieving broad-based economic growth, job creation, poverty reduction, and reduced inequality for all Nigerians. The SPA framework relies on *two (2) core objectives* – a competitive and sustainable economy and economic prosperity for all, twelve (12) *guiding principles*, four (4) strategic thrusts, eight (8) *enablers*, and *measurable targets*. This article outlined the fundamental requirements to foster shared prosperity in Nigeria.

## Introduction

Overtime, Nigeria's economy has faced a wide range of challenges that have shaped its socioeconomic outcomes. While the economic gains and progress of early 2000, due to a wide range of economic and policy reforms, unleashed a new optimism however the overall socioeconomic performance of recent years have been abysmal. Going by different projections, the economic outlook for 2023 - 2025 remains pessimistic for Nigeria, with only moderate economic growth — which is not enough to tackle unemployment, reduce poverty incidence, and address other socioeconomic challenges. Nigeria has vast opportunities considering its resource endowments and large population size. However, the physical and human resources remain underutilised, with implications for the country's realisation of shared prosperity. Gauging the performance of the Nigerian economy overtime against the shared prosperity targets is critical to identifying the outcome-target gap and tackling the underlying drivers of the wedge between the actual and the desired states of shared prosperity in Nigeria.

First, Nigeria's quest for structural economic transformation is age-long. The country depends mainly on crude oil as its primary source of foreign exchange, although the sector contributes less than 10 percent to the national output and little to job creation. Economic growth averaged 2.2 percent from 2013 to 2022. Similarly, the Industrial sector remains underdeveloped, contributing an average of 23 percent to national output and negatively to growth over the same period. This reflects the skewed sector growth in favour of the Agricultural and Services sectors, which accounted for over 70 percent of the national output and contributed substantially and positively to economic growth in the past decade (2013-2022). Nigeria's slow pace of industrialisation is also reflected in the sub-optimal manufacturing capacity utilisation, which has hovered around 50 percent over the years. This has, in turn, undermined the potential of the Industrial sector to contribute significantly to national output, economic growth and job creation.

Furthermore, the Industrial and Manufacturing sector's contributions to the total employment as of 2017 stood at 9.6 percent and 7 percent, respectively. However, the Agricultural and Services sectors accounted for 48.2 percent and 42.2 percent of the total employment, respectively. This suggests that Nigeria requires structural economic transformation and growth led by the private sector to achieve a strong and globally competitive economy. This is imperative, considering Nigeria accounted for a meagre 0.4 percent and 0.6 percent of the global output in 1990 and 2021, respectively. Similarly, the country's share of global external trade value is low, at 0.3 percent and 0.2 percent, respectively, in 1990 and 2021. In addition, Nigeria is still ranked among the bottom 20

<sup>1</sup>The Report is accessible via: [https://nesgroup.org/download\\_resource\\_documents/2023%20Macroeconomic%20Outlook\\_1674012875.pdf](https://nesgroup.org/download_resource_documents/2023%20Macroeconomic%20Outlook_1674012875.pdf)

countries on the Global Competitiveness Index (GCI), with its global ranking hovering around 112th and 127th between 2015 and 2017. Specifically, with 48.3 out of 100 points, Nigeria ranked 116th out of 140 countries on the GCI in 2019.

Moreover, sharing the economic pie is as complex as building the economic pie in the first place. The oil-rich Africa's largest economy is now home to many global poor, surpassing India in 2018. Nigeria is also battling the highest prevalence of severe malnutrition in Africa, with about 2 million children being affected. As of 2018, about 44 percent of children have stunted growth in the country (World Bank, 2018). Nigeria ranked 103rd out of 121 countries on the global hunger index in 2022. These unimpressive social statistics directly result from acute food insecurity, rising internally displaced persons, an unhealthy environment, and a lack of access to quality healthcare (World Bank, 2017). Consequently, Nigeria has one of the world's poorest human capital indices (education and health outcomes). Aside from the considerable health infrastructural gap, Nigeria has lost many medical professionals to brain drain, leading to personnel inadequacy in the Health sector.

The low presence of infrastructural development and wide access gap reinforces that Nigeria's economic pie remained primarily skewed in favour of the high-income class and the political elite. As of 2019, about 60 percent of Nigerians have access to electricity. Meanwhile, being connected to the national grid does not guarantee a stable power supply. Owing to the inefficiencies in the Power sector, Nigeria could only distribute about 4,000 MegaWatts (MW) to end-users, far below the installed power generation capacity of 16,384MW. The country requires investments worth US\$100 billion over the next 20 years to provide a stable power supply<sup>2</sup>. Compounding the country's socioeconomic woes is the vast regional disparity in development outcomes. The Northern region is Nigeria's poverty capital, having the worst socioeconomic indices, including poverty, literacy rate, primary school enrolment, per capita income, mortality rates, out-of-school children, and income and gender inequality.

In addition to worsening socioeconomic conditions as highlighted above, the poor and vulnerable groups appear excluded from enjoying the economic pie. Currently, the national social register has only profiled about 50 million beneficiaries, representing about 38 percent of the 133 million Nigerians suffering from multidimensional poverty as of 2021. This suggests that leaving many people behind would continue to threaten the country's social stability and elevate insecurity, as statistics depict. In 2021, the pace of conflicts in the Northern region at 3,188 cases far outweighed the Southern region's 1,744 cases (World Bank, 2021). In 2022, Nigeria ranked 16th out of 179 countries on the Global Fragile States Index and 143rd out of 163 countries on the Global Peace Index. To curtail insecurity, the Nigerian government has, over time, spent hugely on the security architecture at the expense of social services and infrastructural development.

To this end, comprehensive and system-driven economic reforms are needed to change Nigeria's economic trajectory from a weak, non-inclusive and highly vulnerable narrative to one with the guiding principle of creating economic value and benefits for all. However, driving this economic agenda requires reforms that ensure a conducive and enabling environment for generating economic benefits and prosperity. It also requires that no one is left behind in this process. Accordingly, Nigeria needs an economic vision driven by clear, implementable, consistent policy reforms and an agenda for shared prosperity.

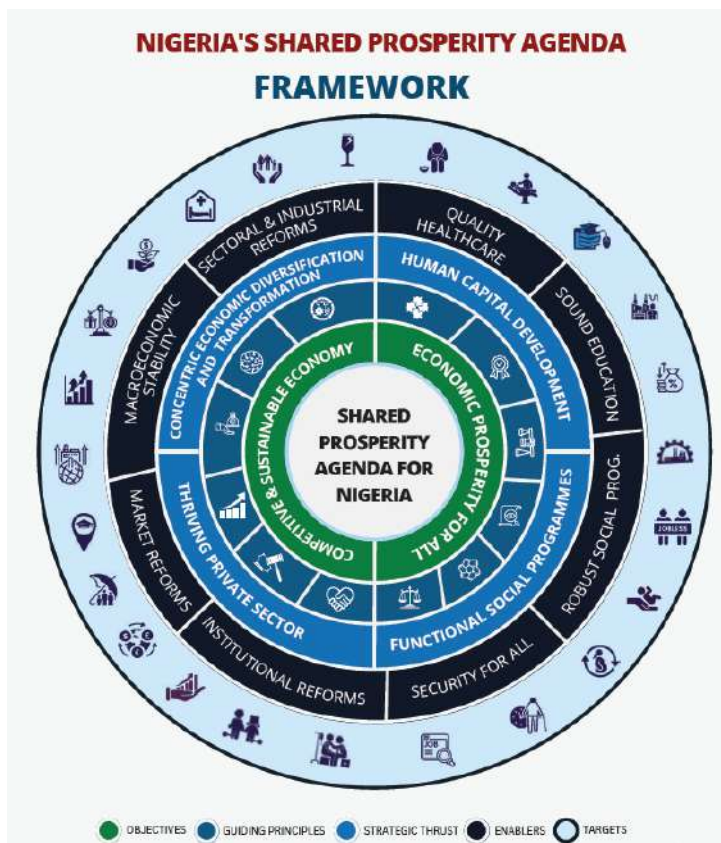
<sup>2</sup>See Nigeria country commercial guide, Electricity and power systems, retrieved from: [www.trade.gov/country-commercial-guides/nigeria-electricity-andpower-systems](http://www.trade.gov/country-commercial-guides/nigeria-electricity-andpower-systems)

## Shared Prosperity: What It Means For Nigeria

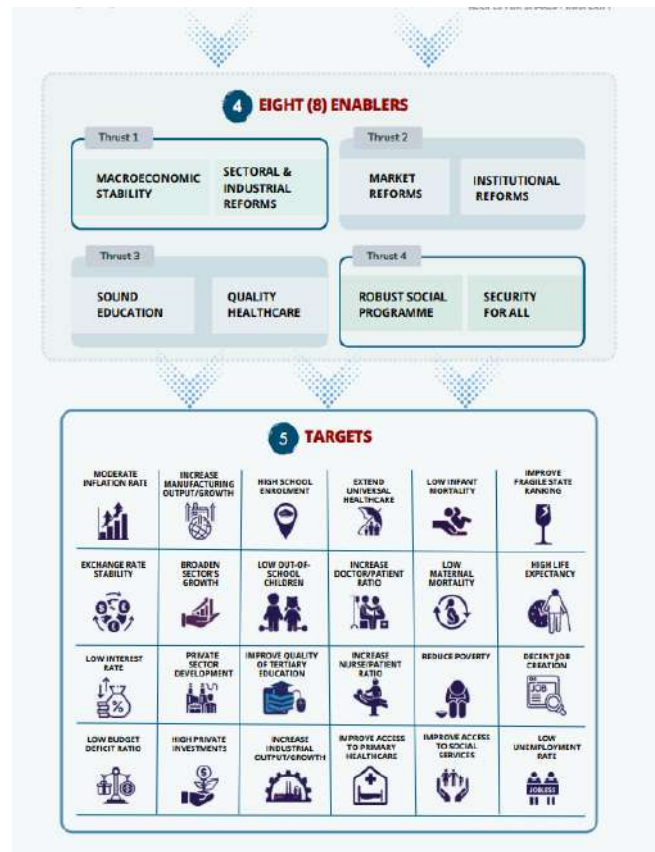
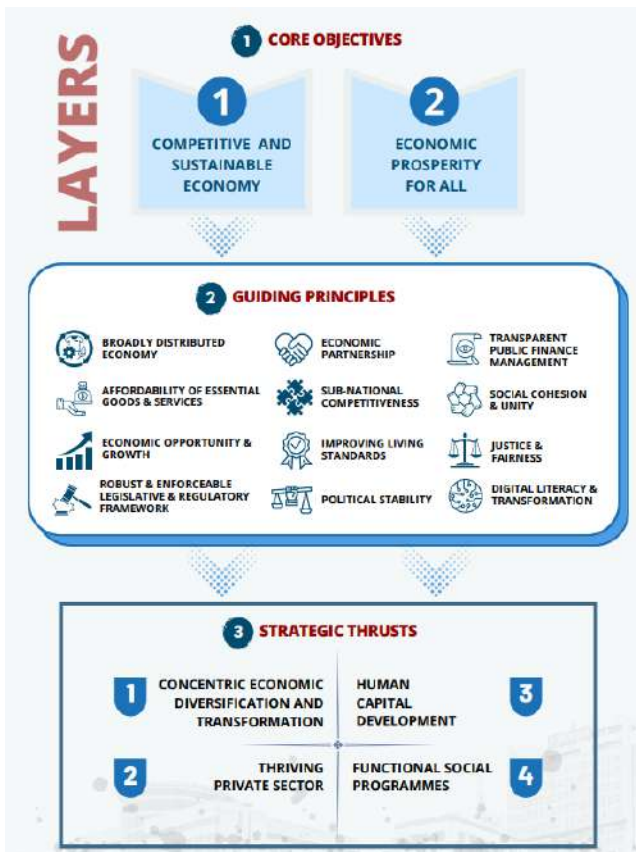
Generally, Shared Prosperity aims to address developmental imbalances, including widening economic inequalities. Due to this, Shared Prosperity's measures, strategies, and focus can be tailored for each country based on its unique characteristics and needs. In light of Nigeria's developmental needs and goals, the NESG conceives **Shared Prosperity** as a *"situation or state in which every Nigerian enjoys a decent standard of living measured by equitable access to economic opportunities, including decent jobs, quality education and health care, along with the protection of lives and properties"*.

The first component is *creating a competitive economy with high and sustainable growth*. If realised, the targets - which align with the country's long-term development goals in the National Development Plan 2021-2025 and Nigeria's Agenda 2050 - could revitalise the private sector to drive economic wealth creation needed to be shared. The second component focuses on *creating an equitable and inclusive society, both economically and socially*. This component brings to life the establishment of a robust institutional structure and systems that support the construction of a united, peaceful, and prosperous nation.

The **Shared Prosperity Agenda** (SPA), as proposed by the NESG, is not only based on expanding the economic pie to be shared but also ensuring that the income disparity is narrowed. The underlying principle is not to redistribute a percentage of an existing pie but to continuously expand the size of the pie and share it to improve the citizens' quality of life. Sustainably expanding and sharing prosperity entails monetary and non-monetary dimensions of economic efficiency and well-being for the current and future generations. The SPA proposes reforms that promote broad-based economic growth, create jobs, reduce poverty and inequality, and ensure prosperity for all. If well implemented, the SPA could transform Nigeria into a prosperous country with a thriving middle-income class.







## DISSECTING SHARED PROSPERITY AGENDA FOR NIGERIA

### Objective 1: Competitive and Sustainable Economy

Nigeria's aspiration to build a competitive economy and achieve sustainable economic progress has not been attained. Successive administrations since the 1960s have outlined these goals - building a competitive economy and achieving sustainable economic growth - as their focal points. The state of the Nigerian economy now confirms that these goals are far from being achieved and still relevant to the country's development. In the proposed SPA framework for Nigeria, achieving these goals are essential in increasing productivity across all sectors, creating new opportunities and economic wealth. The potential outcomes of building a competitive and sustainable economy are robust economic growth, job creation and a reduction of the extreme poverty rate in Nigeria. This objective has two (2) strategic thrusts - concentric economic diversification & transformation and a thriving private sector - that are needed to achieve this core objective.

#### Strategic Thrust 1: Concentric Economic Diversification and Transformation

The heavy concentration of economic growth in a few sectors; Low growth and productivity across sectors of the economy; The slow pace of industrialisation and economic transformation; and low investment inflows into productive sectors of the economy. Nigeria needs to achieve broad-based growth and improved productivity across all the sectors of the economy to create wealth that will be available for all to share.

Consequently, improving the country's economic dynamics by achieving concentric economic diversification and transformation is a significant milestone in creating economic prosperity. This is so because achieving this strategic thrust - concentric economic diversification and transformation

is a prerequisite for higher investments (domestic and foreign), high economic growth, and improved sectoral performance. The main enablers of this thrust are (1) Macroeconomic Stability and (2) Sectoral and Industrial Reforms. In addition, to achieve shared prosperity through concentric economic diversification and transformation in Nigeria, the NESG proposes the following recipes<sup>3</sup>.

Action Points for Macroeconomic Stability	Action Points for Sector Reforms
Boost foreign exchange availability	Step-up industrialisation through digitalisation
Ensure appropriate pricing and management of foreign exchange	Facilitate trade by removing all export and foreign exchange restrictions
Improve government revenue to shore up the fiscal space	Develop an agricultural value chain that integrates agro-processing industries
Inflation control	Reduce infrastructural deficit by leveraging alternative financing

### Strategic Thrust 2: Thriving Private Sector

Nigeria's development experience and the quest for prosperity have attested to the critical role played by the private sector in realising these dreams. In addition to creating well-functioning markets, the private sector drives economic growth, which improves social and income mobility for the poor. Improving the social and economic mobility of the poor through equitable economic opportunity distribution is critical to achieving Nigeria's Shared Prosperity. It is, therefore, critical to position the private sector as a significant player in the country's pursuit of poverty eradication and shared prosperity.

Nigeria's private sector, proxied by the Micro, Small and Medium Enterprises (MSMEs) industry, accounted for 49.7 percent of the Gross Domestic Product (GDP), 96.7 percent of firms and 87.9 percent of the labour force (SMEDAN & NBS, 2021). The ecosystem is generally expanding but is dominated by small businesses operating in the informal economy. Growing Nigeria's private sector is important for two (2) major reasons: (a) Creation of economic opportunities and prosperities; (b) Strengthen Nigeria's pursuit of pro-poor economic outcomes such as job creation, and reducing poverty, among others.

The enablers of a thriving private sector are as follows (1) Macroeconomic Stability; (2) Market reforms, mainly accentuating the role of the private sector, appropriate pricing, and a stable business environment; and (3) Institutional reforms. In addition, to achieve shared prosperity through a thriving private sector in Nigeria, the NESG proposes the following recipes<sup>4</sup>.

Action Points for Market Reforms	Action Points for Industrial Reforms
Review trade policies to support and deepen competition	Improve institutional efficiency
Deepen and broaden the standard of goods produced	Adequate training and re-training of law enforcement agencies
Reform the tax system for improved tax mobilisation	Expand access to legal services and create awareness of the same

<sup>3</sup> For full details on the recipes for shared prosperity, refer to the NESG Macroeconomic Outlook for 2023, retrievable via: [https://nesgroup.org/download\\_resource\\_documents/2023%20Macroeconomic%20Outlook\\_1674012875.pdf](https://nesgroup.org/download_resource_documents/2023%20Macroeconomic%20Outlook_1674012875.pdf)

<sup>4</sup> Ibid

## Objective 2: Economic Prosperity for All

Ensuring shared prosperity requires inclusive growth and development that bridges economic and income disparities. Promoting socioeconomic inclusion and leaving no one behind is possible by building resilience through social programs and interventions. As highlighted in Nigeria's Shared Prosperity framework, the objective of economic prosperity for all revolves around two (2) strategic thrusts - human capital development and functioning social welfare programmes.

### Strategic Thrust 3: Human Capital Development

One of the major factors inhibiting Nigeria's economic development has been the brain drain and knowledge gap in human capital. Knowledge as a significant driver of economies of scale can be increased by investing in education and providing better health services, which is the nation's human capital formation. An equipped labour force, a stable economic environment, a thriving private sector and robust social welfare programmes are crucial in attaining Shared Prosperity in Nigeria. However, developed human capital will only be actualised if some fundamental enablers operate efficiently. These fundamental enablers of human capital development include:

- (1) The Education sector with a target to improve access to essential skills, improve the quality of higher education, and reduce the number of Youth (aged 15-24 years) Not in Education, Employment or Training (NEET) and,
- (2) The Health sector with a target to increase health service delivery, extend Universal Health coverage, and reduce infant and maternal mortality.

Unless the huge regional disparity in human capital outcomes in Nigeria is urgently addressed, the actualisation of SDG goal 3–equitable access to quality healthcare– and SDG goal 4– equitable access to quality and affordable education–would remain a daunting exercise. In addition, to achieve shared prosperity through human capital development in Nigeria, the NESG proposes the following recipes<sup>5</sup>.

Action Points for Education	Action Points for Health
Empower Youth with skills and talent development	Encourage the digitisation of healthcare services
Improved education funding to prepare the Youth for the fourth industrial revolution	Encourage massive investment inflow into the health sector
Need to embrace digitalised learning	Better working conditions are needed to avert brain drain
Need for a school curriculum that reflects specific and dynamic industry needs	Collate relevant health-related statistics regularly for adequate planning

### Strategic Thrust 4: Functional Social Programmes

Robust Social Programme underlined by social protection targeted at the most vulnerable group. Security for All eliminates all national security threats and delivers peace and national cohesion. The assertion of the Nigerian President, in the 2020 new year's message, to lift a hundred million Nigerians out of extreme poverty over the next ten years has been a wild goose chase as poverty headcount has since increased to 90 million people in 2022 from 82.9 million people in 2019 (World Bank, 2022). A major inhibiting factor has been the oblivious existence of poorly captured and weak social programmes exhibited in poor social welfare programmes and insecurity and safety.

<sup>5</sup> Ibid

To set the foundation for realising Shared Prosperity, Nigeria must develop and ensure a well-functioning social welfare programme, developed human capital, a competitive economic environment, and a thriving private sector considering their interrelatedness. Furthermore, a functioning social programme is contingent on essential enablers, including (1) Robust Social Programme underlined by social protection targeted at the most vulnerable group; (2) Security for All that eliminates all national security threats and delivers peace and national cohesion. In addition, to achieve shared prosperity through functional social programmes in Nigeria, the NESG proposes the following recipes<sup>6</sup>.

Action Points for Robust Social Programmes	Action Points for Security for All
Capacity building for program delivery at scale at the sub-national level	Boost security capacity and reduce threats and counter-terrorism
Support participation in the informal sector by extending the reach of social safety nets	Explore forensic and digitalised security system
Increase the number of vulnerable Nigerians that are captured	Reform governance and minimise corruption through accountability and digitalisation
Further advances in the development and use of data systems	Partnership and coordination for rapid response

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<sup>6</sup>Ibid