Pathways for Achieving a US$4 Trillion Economy in Nigeria

NESG Research[1]

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Abstract

Nigeria is at a crossroads, brimming with potential yet grappling with the complexities of its historical socioeconomic performance. Endowed with abundant human capital and vast economic resources, Nigeria's current position on critical socioeconomic indicators has not been impressive, compelling it to chart a transformative course towards a brighter future. This article paints a vivid picture of Nigeria's transformed and inclusive future. By 2035, Nigeria's economy is poised to rank among the top 15 global economies, boasting a Gross Domestic Product (GDP) of US$4 trillion and a per capita income of US$14,041.5, thereby propelling the country into the high-income category. To this end, the current paper presents three pathways for Nigeria to achieve economic transformation: economic diversification and sophistication, innovation and digital transformation, and sub-national economic integration strategies.

Introduction

Endowed with substantial human capital and economic resources, Nigeria has historically faced suboptimal socioeconomic performance. Critical macroeconomic and social indicators underscore the compelling need for a thorough and all-encompassing rejuvenation of the economy. The impetus behind achieving a US$4 trillion economy by 2035 is rooted in the acknowledgement of Nigeria's immense potential, abundant resources, and the necessity to expedite economic development to meet the burgeoning demands of its populace. In an era characterised by rapid global economic changes, digital disruptions, and evolving geopolitical dynamics, Nigeria's vision for 2035 is set against a backdrop of formidable challenges and unparalleled opportunities. The global community's commitment to sustainable development and the imperative of economic inclusion further underscores the significance of this pursuit.

As the government navigates the path to economic transformation and inclusion, the specific objective of this article is to dissect three distinct pathways for achieving economic transformation and inclusion in Nigeria. It will highlight viable pathways for Nigeria to achieve its goal of becoming a US$4 trillion economy by 2035 while ensuring sustainable economic transformation and inclusion. This comprehensive analysis encompasses the multifaceted dimensions of economic transformation and inclusion, acknowledging Nigeria's distinct domestic challenges and opportunities and considering evolving dynamics within Africa and on the global stage. The proposed pathways are intrinsically linked to the strategic objectives outlined in the President's 8-point agenda, Nigeria Agenda 2050 and the African Union's Africa Agenda 2063.

The Envisioned Nigeria in 2035

Socioeconomic Projections to 2035

The ambition to hit US$4 trillion in nominal GDP by 2035 in Nigeria serves as a bedrock to achieving a sustained double-digit real GDP growth rate over the next decade until 2035, which should be in the range of 10-15 percent per annum. This is achievable considering the historical experience of Nigeria's aspirational peers, such as China. The policy priority for the government includes developing a framework for the intergovernmental economic relationship, inter-state infrastructural development, establishing regional economic commissions, developing regional shared services and clustering, and strengthening regional value chain development. During the initial stage of its economic transformation, China maintained an average real GDP growth rate of 10.3 percent (from 1982 to 2011). Similarly, Japan and Germany maintained average growths of 10.5 percent (1956 to 1973) and 9.2 percent (1951 to 1960), respectively. **Table 1** presents the trajectory of critical socioeconomic variables in Nigeria until 2035.

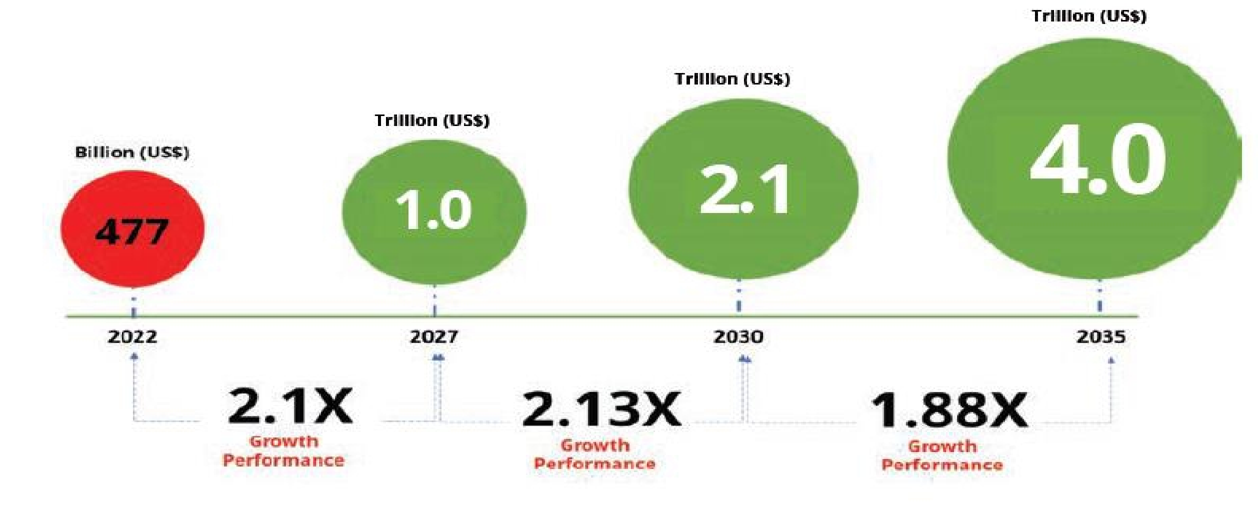
Table 1: Trajectory of Major Socioeconomic Indicators

	Economic Outcomes	2023	2027	2031	2035
GDP Size	GDP (Nominal US$Bn)	414	1,000	2,500	4,000
	GDP (Nominal N'Trn)	240	800	2,000	3,200
	Nominal US$ GDP Growth (%)	-	24.82	25.96	12.48
	Real GDP Growth (%)*	3.1	8.6	14.1	13.5
	Per Capita Income (US$)	1,863.2	4,105.4	9,453.2	14,041.5
Investment	Investment (% of GDP)	33.8	34.6	35.6	36.3
	Government	*6.1*	*6.3*	*6.6*	*7.2*
	Private	*27.7*	*28.1*	*29.0*	*29.3*
Economic Structure	Agriculture (% of GDP)	22.3	20.1	17.7	16.7
	Industrial (% of GDP)	19.8	25.3	29.7	33.1
	Manufacturing (% of GDP)	*9.4*	*14.1*	*16.6*	*19.8*
	Services (% of GDP)	57.9	54.6	52.6	50.2
Employment	Job Creation (Mn)**	-	8.1	11.7	12.2
	Informal employment (%)	91.4	77.6	43.1	29.3
	Labour Productivity (US$/hr)	9.2	16.7	29.4	39.5
	Lab. Force (% in Agric.)	34.9	28.8	17.8	11.7
Poverty & Inequality	Poverty (% of the population)	42.8	29.46	17.70	8.06
	Inequality Reduction. (Income)	35.1	34.2	29.1	28.5

*Source: NESG Estimates I * represents outcomes based on periodic averages after 2023, which are as follows: 2024-2027, 2028-2031 and 2032-2035. I ** represents outcomes based on periodic cumulative figures after 2023, which are as follows: 2024-2027, 2028-2031 and 2032-2035.*

While the strategic paths aim to achieve a US$4 trillion economy by 2035, they are also expected to drive improvement across socioeconomic indicators. Irrespective of the strategic path, this study anticipates specific mutations in the fundamental structure of the economy that accompany a transforming economy. Moreover, this study recognises the possibility of potential differences in the outcomes across the strategies. Economic Diversification and Sophistication Strategy (EDSS) could be better at driving a highly competitive Manufacturing sector; Innovation and Digital Transformation Strategy (IDTS) could deliver a better Services sector, while the Sub-National Economic Integration Strategy (SEIS) could strongly influence the Mining and Agriculture sectors. Nonetheless, the strengths of each of the strategies are modelled and expected to deliver robust sectors and inter-sectoral value chain development without necessarily yielding different results. Moving towards the US$4 trillion economy, and based on the country's political cycle, the Nigerian economy could cross critical milestones of US$1 trillion, US$2.5 trillion, and US$4 trillion by 2027, 2031, and 2035, respectively **(see Figure 1)**. Furthermore, Nigeria's per capita income is expected to cross US$5,000, US$10,000, and US$14,000 by 2028, 2032, and 2035, respectively.

Figure 1: Nigeria's Projected Nominal GDP to 2035



Source: NESG Estimates

Funding the Envisioned Nigeria

Expanding from less than a US$500 billion economy to a US$4 trillion GDP by 2035 has cost implications. Over the next 10 – 13 years, the Nigerian economy needs to mobilise a cumulative total of US$8.82 trillion. This comprises 18.8 percent (US$1.66 trillion) of investment directly from the government, specifically on capital and infrastructure investment. The remaining 81.2 percent (US$7.16 trillion) will be mobilised through the private sector, comprising existing and new capital accumulation and domestic and foreign investment flow. As such, the government needs to spend US$185.16 billion and mobilise US$841.00 billion in private investment over the next four years (2024-2027) to set the pace for a transformed economy. Subsequently, the government needs to spend US$501.46 billion and mobilise US$2.24 trillion in private investment between 2028-2031. In the following cycle (2032-2035), the government must spend US$957.04 billion while mobilising US$4.05 trillion in private investment.

On average, the government has to spend US$138.49 billion annually to achieve the envisioned US$4 trillion GDP by 2035. With a cumulative funding need of US$8.82 trillion within the next 10-13 years and an average of US$737.16 billion annually, financing Nigeria's US$4 trillion GDP by 2023 appears daunting; however, not impossible. Nigeria needs to massively mobilise savings to drive investment, as is the case for most countries that have experienced economic transformation over the past five decades. But then, the continual erosion of the value of earnings due to the persistent inflationary pressure has limited Nigeria's capacity to mobilise adequate savings.

Recent fuel subsidy removal and the exchange rate devaluation accompanying the unification of the foreign exchange markets have nearly wiped out the middle class, as most people spend over 80 percent of their earnings on food and transport with little to zero room for savings. Hence, the government must attract capital from diverse sources to drive investment. The following highlights funding strategies and mechanisms the Nigerian government can adopt to mobilise resources and finance investments to drive economic transformation and inclusion. While some are operational, the institutional framework for their efficient utilisation must be strengthened.

- **Sovereign Wealth Fund (SWF):** Establish a well-governed SWF to accumulate and prudently manage oil and other natural resources revenue. Utilise the SWF to finance critical infrastructure projects and strategic investments.

•**Public-Private Partnerships (PPPs):** Expand the use of PPPs to attract private sector investments in crucial infrastructure projects. Leverage private sector expertise and resources to fund and develop infrastructure.

• **Domestic and International Bonds:** Issue bonds in domestic and international markets to raise capital for infrastructure development. Utilise bond proceeds to finance large-scale projects with long-term paybacks.

• **Development Finance Institutions (DFIs):** Collaborate with DFIs to access concessional finance and technical assistance for priority sectors. Leverage the expertise and resources of DFIs to fund projects with social and economic impacts.

• **Public Investment Funds:** Create dedicated investment funds for specific sectors, such as agriculture, technology, or renewable energy. Attract private sector co-investment and provide targeted financing for sector-specific growth.

• **Multilateral and Bilateral Cooperation:** Collaborate with international financial institutions and bilateral partners to access concessional loans, grants, and technical expertise. Engage in mutually beneficial partnerships to support economic transformation initiatives.

• **Infrastructure Bonds:** Issue infrastructure bonds specifically earmarked for financing large-scale infrastructure projects. Attract investors interested in long-term, low-risk investments tied to infrastructure.

• **Road (Infrastructure) Annuity Plan:** This involves grouping infrastructure facilities into packages to be bid for by private consortia to design, build and maintain in exchange for an annuity payment.

• **Tax Increment Financing (TIF):** Implement TIF mechanisms to fund infrastructure projects using future incremental tax revenues. Channel increased tax revenues generated by project-related economic growth back into the investments.

• **Resource Mobilisation and Diversification:** Diversify revenue sources by reducing dependence on oil revenue. Mobilise domestic resources through effective tax collection and anti-corruption measures.

• **Infrastructure Concessions and Asset Recycling:** Explore opportunities for asset recycling by leasing or selling underutilised government assets. Use proceeds to finance new infrastructure projects.

Pathways towards Achieving the Envisioned Nigeria in 2035

With a visionary alignment of policies and strategic optimism, Nigeria's economy possesses the potential to soar to US$4 trillion within the same time frame. Such growth promises expanded access to economic opportunities, uplifting millions from the depths of poverty. According to the World Bank Group (2024), more than half of Nigeria's population is living in poverty as of 2024. Meanwhile, as Nigeria navigates its path towards a US$4 trillion economy, poverty would recede by an average of 10 million individuals annually. This remarkable trajectory embodies more than economic expansion; it signifies a metamorphosis. Nigeria emerges not only as an African industrial epicentre but also as a global economic powerhouse characterised by its exceptional competitiveness. This transformation embodies diversity, underpinned by economic sophistication, a commitment to knowledge-driven progress, and embracing digital innovation.

Therefore, the NESG proposes the following policy strategies for Nigeria to transform its economy and achieve a US$4 trillion economy by 2035.

• Export Diversification and Sophistication Strategy – To become a global export hub and regional integration champion of AfCFTA.

• Innovation and Digital Transformation Strategy – To become a central global innovation hub and exporter of knowledge products to the world.

• Subnational Economic Integration Strategy –To develop competitive and viable regions/sub-national economies.

While each strategy appears distinct in its framing, they are non-mutually exclusive. **Table 2** presents the opportunities and growth drivers open to Nigeria to explore and the policy priorities and focus areas for Nigeria on achieving a US$4 trillion economy by 2035. The strategic paths are non-mutually exclusive in that all the growth drivers, policy priorities, and focus areas are essential for Nigeria to achieve a US$4 trillion economy by 2035. They, however, differ in their overarching goals, philosophical background, target opportunities, and priority placed on the policies and focus areas (in terms of finance, human capital, time and other resources).

Table 2: Target Opportunities and Policy Priorities for Nigeria

Target Opportunity and Growth Drivers	Policies Priorities and Focus Areas
• Large market size • Considerable working age and youth population • Growing entrepreneurship ecosystem • Fast-evolving innovation and technology ecosystem • Coastal positioning (access to the sea) • Geographic location (opportunity to be the supply hub for sub-Saharan Africa) • Land mass for agriculture • Atmospheric advantage (favourable weather for agriculture, opportunity to for renewable energy hub) • Diverse mineral and natural resource endowment (crude oil, gas, gold, lithium, etc.) • Membership of the AfCFTA	• Industrialisation enhancing infrastructure • Targeting employment elastic sectors' growth • Product diversification and sophistication • Product value chain development • Market Reform & Competitiveness • Transformation readiness enhancement • Startup and entrepreneurial development ecosystem • Digital infrastructure development • Industrially relevant skills and education • Innovation in healthcare services • Framework for the intergovernmental economic relationship • Regional infrastructural development • Regional economic commissions • Regional shared services and clustering • Regional value chain development

(1) Export Diversification and Sophistication Strategy (EDSS) (Making Nigerian Market Competitive)

By making the Nigerian economy globally competitive, the EDSS pathway entails achieving export diversification and economic sophistication through rapid industrialisation. Industrialisation will solely position Nigeria to take advantage of the global trade value chain by manufacturing diverse and high-value products for export. This involves the establishment of a competitive market economy for manufacturing companies to evolve and produce various goods with various levels of sophistication and value-addition. In the face of persistent external vulnerability, the EDSS allows Nigeria to strengthen its external exposure, take advantage of the AfCFTA agreement, its geographic location, the market size with potential for massive job creation (predominantly blue-collar jobs) and so on (see **Table 3**).

Table 3: Heat Presentation of Target Opportunities Across Strategies

Target Opportunities	Export Diversification and Sophistication Strategy	Innovation and Digital Transformation Strategy	Subnational Economic Integration Strategy
International Market (AfCFTA)			
Geographic Location			
Coastal Positioning			
Large Market Size			
Fast-evolving Innovation & Technology Ecosystem			
Large Working Age & Youth Population			
Growing Entrepreneurship Ecosystem			
Atmospheric Advantage (Farming, energy)			
Diverse Mineral and Natural Resources			
Land Mass			

Least Target Opportunity **Top Target Opportunity**

Going by this path, the government will aim for Nigeria to be a global export hub leading the way in the AfCFTA implementation. The major drivers of this strategy will be companies, especially those in the manufacturing sector. As such, the government will focus policies and interventions on supporting companies involved in large-scale production, such as providing industrialisation-enhancing infrastructure, targeting employment-elastic sectors' growth, promoting product diversification and sophistication, market reforms and competitiveness, and value-chain development (see **Table 4**).

Table 4: Heat Presentation of Priority of Policies Across Strategies

Target Policies and Focus Areas	Export Diversification and Sophistication Strategy	Innovation and Digital Transformation Strategy	Subnational Economic Integration Strategy
Industrialisation enhancing infrastructure			
Targeting employment elastic sectors' growth			
Product diversification and sophistication			
Product value chain development			
Market Reform & Competitiveness			
Transformation readiness enhancement			
Startup and entrepreneurial development ecosystem			
Digital infrastructure development			
Industrially relevant skills and education			
Innovation in healthcare services			
Framework for the intergovernmental economic relationship			
Regional infrastructural development			
Regional economic commissions			
Regional shared services and clustering			
Regional value chain development			

Least Priority **Top Priority**

(2) Innovation and Digital Transformation Strategy (IDTS) (Developing The People)

Developing the People as an economic transformation agenda involves the development of globally competitive citizens offering various products and services worldwide. This agenda will be anchored on achieving Innovation and Digital Transformation. It involves an intense and broad-based drive for citizens' capacity building and the development of a workforce with a pool of 21st-century industry-relevant skills to leapfrog into the evolving world of innovation and the fourth industrial revolution. This economic transformation strategy will tap into the vibrant and youthful Nigerian population, fast-evolving innovation & technology ecosystem, and growing entrepreneurship ecosystem (see **Table 3**). According to the National Bureau of Statistics (2023), about 91 percent of employed Nigerians work in the informal sector. This strategy is particularly well-suited to help Nigeria effectively reap demographic dividends. The major development drivers under the IDTS are the citizens, startups, entrepreneurs and SMEs whose innovations will propel economic transformation. The government's adoption of this strategy is for Nigeria to become a significant global innovation hub and exporter of knowledge products. The government will provide a favourable environment for knowledge (innovation) development and scale-up of millions of small businesses and startups. This includes investment in transformation readiness enhancement initiatives to drive innovation, digital infrastructure, industrially relevant skills and education, innovation in healthcare services, and support for the startup and entrepreneurial development ecosystem (see **Table 4**).

(3) Sub-National Economic Integration Strategy (SEIS)

This pathway stresses optimising Nigeria's abundant human and natural resources at the sub-national levels or states. The sub-national Economic Integration involves a deliberate attempt to tap into the mineral and natural endowments and economic advantages of all regions, states and local governments in Nigeria. Economic activities in Nigeria are often concentrated, which has created undue poverty concentration and massive rural-urban migration. The SEIS emphasises the need for collaboration between the Federal Government and State Governments through integration among states to develop the local economies and improve economic opportunities for the people. This strategy requires state and resources mapping, which aims at developing competitive and viable regions/sub-national economies that optimally exploit the resources of each region/state alongside the export market to create an equitable spread of opportunities across the country **(see Table 3).** The policy priority for the government includes developing a framework for the intergovernmental economic relationship, inter-state infrastructural development, establishing regional economic commissions, developing regional shared services and clustering, and strengthening regional value chain development **(see Table 4**).

Policy Imperatives

To achieve the economic transformation and inclusion agenda, the government must deliberately ensure that the necessary foundation is laid in the short to medium term to optimise economic benefits and outcomes. Successful offtake of an economic transformation agenda rests on the following priorities:

• **Provide a National Economic Policy Guideline:** Nigeria needs to optimise the federal system of government it practises, given the peculiarity of opportunities and economic challenges faced by the different regions. The government need to develop a framework to communicate the specific policy actions of the government to MDA as well as the specific role of subnational governments in the government's reform endeavours. This is important for proper policy implementation, policy and regulatory consistency and driving a long-term agenda.

• **Provide Investment Promotion Framework:** Given that the investment target is heavy on the private sector, the government must identify the specific investment it seeks to promote across sectors. This is important for the private sector to know where and how to tap into the government's drive for transformation.

• **Implement Civil and Public Service Reforms:** Effective economic transformation rests on civil and public servants' readiness to carry out the government's plans to the letter. Implementing previous plans suffered setbacks due to improper, saboteur and un-nationalistic disposition towards policy implementation by public and civil servants. Many of the recommendations of the Oronsaye Report on Civil Service Reform continue to be relevant. For instance, there is a need to institute a performance and merit-based management of MDAs and harmonise their activities to drive the implementation of the government's plans effectively.

• **Ensure Macroeconomic Stability and Policy Coordination:** Given the expected commitment from the private sector, the decisions of the government and MDAs need to signal confidence in the macroeconomic space. The private sector needs to commit to the economy in the long term and support economic diversification and socially inclusive economic growth.

• **Implement Capital Mobility Reform:** One of the banes to foreign investment inflows in Nigeria is the ad hoc nature of capital transfer policy and regulation and the entire financial system. The government needs to provide clarity concerning cross border movement of capital. Without this, private investments from foreign investors will be limited.

• **Strengthen the regulatory framework for PPP:** The Public-Private- Partnerships (PPP) funding model has become a significant avenue to mobilise resources to finance infrastructural development. The government needs to establish a legislative framework for PPP arrangements to thrive and create a legal backup for PPP projects in the face of changing government.

· **Improve the Security Situation:** The government must mobilise a cumulative estimate of US$7.16 trillion in private investment over the next 10-13 years to achieve a US$4 trillion economy by 2035. To encourage a private sector investment of that magnitude, lives and properties must be safe. Continued elevation of security threats and crimes will be a disincentive and limit private investments.

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