

# SUPPORTING ECONOMIC TRANSFORMATION IN NIGERIA PAPER LAUNCH, 31 MAY 2016, ABUJA

## Event Report

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## INTRODUCTION

On 31<sup>st</sup> May 2016, the Overseas Development Institute (ODI) in partnership with Department for International Development Nigeria (DFID) and Policy Development Facility II (PDFII) held a [launch event](#) for a new paper on Supporting Economic Transformation in Nigeria (available [online](#)). This event report summarises some of the discussions and key points raised by panellists and audience members.<sup>1</sup>

The purpose of the event was to disseminate the findings of a new paper written by ODI as part of the [Supporting Economic Transformation programme](#) (SET). The paper was written by experts including Dirk Willem te Velde (Director of SET), David Booth (ODI Senior Research Fellow), Danny Leipziger (Managing Director of the Growth Dialogue,) and Ebere Uneze (Executive Director of Centre for the Study of the Economies of Africa). The event was attended by private sector actors, donor agencies and Nigerian government representatives.

Distinguished panellists included:

**Mrs Aisha Abubakar:** Hon. Minister of State, Federal Ministry of Industry, Trade and Investment (FMITI)

**Mr Segun Awolowo:** Executive Director/CEO, Nigeria Export Promotion Council (NEPC)

**Mr Laoye Jaiyeola:** CEO Nigeria Economic Summit Group (NESG)

<sup>1</sup> This report represents the views of the author on behalf of ODI and not of the other agencies listed.

**Mr Muda Yusuf:** Director General Lagos Chamber of Commerce and Industry (LCCI)

**Dr Dirk Willem te Velde,** Head of International Economic Development Group and Director of SET, ODI

The event was moderated by **Boason Omofaye,** Head of Business News on Channels TV.

### Key Points

- **Business as usual is not enough** to generate increase in productive employment needed in Nigeria.
- In the past Nigeria persistently focussed on the **domestic economy** alone and had **weak coordination** of national development and state-building efforts.
- There is a need for Nigeria to become **more competitive** in exports e.g. cashew nuts.
- Focus needs to move away from **oil** to diversified **exports**.
- **Avoid negative view** of imports - sometimes you need imports to support exports.
- **Manufacturing is essential** as it provides employment and can reduce inequality.
- **Benchmark** Nigeria against other successful countries for lessons learned.
- Public and private sector together play a role in economic transformation. You need **trust and collaboration between public and private** sectors and both informal and formal ways of interacting.
- **Design an economic development plan** and ensure carry through. The public sector is the enabler; private sector is the **engine room**.
- The discussions and ODI's SET paper can provide inputs into a number of current and future policy processes, such as the new export policy.
- Having policy documents is not enough. They must be **respected and implemented**.
- **Demonstrate policy** for economic transformation with carefully selected projects

### KEYNOTE ADDRESS BY MINISTER OF STATE FOR INDUSTRY TRADE AND INVESTMENT



*Mrs Aisha Abubakar, Hon. Minister of State, Federal Ministry of Industry, Trade and Investment, Photo by iBlend Services*

Welcome to the audience, the panel and thanks to the organisers of this event. We know that growth in GDP not enough, there must also be growth in jobs. This requires skilled innovative human capital, and

good leadership. Focus needs to move away from raw materials to exports and manufacturing. This is essential as it provides employment and reduces inequality. Nigeria has been left behind. Regional integration is being encouraged by President Buhari, and he is focussed on diversification of economy. This paper is assuring and provides great opportunity to share reforms for creating jobs, prosperity and economic transformation. In Nigeria, key industries include cement, sugar, tomatoes and cotton. The NEPC and others have suggested diversifying away from oil to market-oriented exports. Nigeria has the labour force, resources and intellectual prowess for success. Nigerians must make sacrifices to take Nigeria to where it needs to be.

## DIRK WILLEM TE VELDE – INTRODUCTION TO EVENT

The SET Programme is working to support low/middle income countries to become more transformational with research papers and events.

GDP per capita in Nigeria has not been growing enough to keep up with China, Korea etc. Investment as a percentage of GDP in Nigeria is also very low. Real effective exchange rates have appreciated considerably over the last decade, which is worrying as this can lead to a loss in competitiveness. The complexity of exports in Nigeria is also low compared to other African oil-producing countries. Indonesia for example used to be similar in complexity (in around 1962) but now exports are much more diverse in Indonesia. Our research on export-based manufacturing in Sub-Saharan Africa indicates that if Nigeria had been more diversified, it would have been more resilient to economic shocks.

The lessons from countries that have transformed successfully show that:

- International competitiveness is a yardstick of success.
- Investments in infrastructure and skills are vital.
- Coherent industrial policy is important.
- Firms or sectors identified as competitive internationally should receive government support linked to export performance (e.g. Korea).



Dirk Willem te Velde, Photo by iBlend Services

In the report we look at how you “do” policy change. Crucial aspects of policy formulation and implementation include:

1. **Timing** of policy change
2. **Consistency** of policy packages
3. **Clarity** of objectives
4. **Gathering support** for policy changes
5. **Early wins** as well as commitment to long-term objectives
6. **Monitoring, evaluation, and corrective feedback** mechanisms.

Nigeria experienced a persistence of focus on the domestic economy alone and weak coordination of national development and state-building efforts.

President Paul Kagame in Rwanda talked about experimenting, adjusting and course correction and not getting stuck in unachievable targets. Regarding industrial policy - some things will work, others won't. If it works scale it up; if it doesn't close it down.

There is a reasonable consensus on what needs to exist for economic transformation (enablers):

1. targeted and core infrastructure (in power, integrated transport network, aviation);
2. access to finance, particularly for small businesses;
3. reduced business environment costs that can encourage high value-chain sectors (e.g. reducing multiple taxation, encouraging formal land titling);

4. lower import protection and lower trade costs reducing input costs;
5. skills building, particularly through entrepreneurial and management training, human capital development (health and education) generally.

There is also a reasonable consensus on which sectors to develop further. Promising sectors include food processing, assembly and light manufacturing and technology-intensive manufacturing.

How to make economic transformation happen in Nigeria:

- Important to think about demonstrating policy for economic transformation in a sector / niche.
- Experience in other countries points to ways of delivering such a demonstration initiative. Need to demonstrate coherent national strategies, competitiveness, exports. Example of Philippines, politically smart, right type of interventions. Most success stories in Asia started in a single sector, with a single, politically empowered public agency.
- Business as usual is not going to generate the large increase in productive employment that the country needs.
- Building on recent actions (fuel subsidy removal, moving towards a more flexible exchange rate and President Buhari's comments on 29 May on diversification, expanding industrial and manufacturing base and fiscal incentives for business that prove capable of manufacturing products that are internationally competitive).

### **Concluding messages by Dirk Willem te Velde (ODI)**

Business as usual is not going to generate the large increase in productive employment that Nigeria needs.

Successful transformation elsewhere has been supported by a co-ordinated push through a central agency or ministry pursuing a path of transformation based on competitiveness and openness.

In the past Nigeria experienced a persistence of focus on the domestic economy alone and weak coordination of national development and state-building efforts.

Nigeria needs to commit to economic development and promote carefully selected projects which demonstrate that progress in export-oriented transformation can be made, contributing to a shared vision of change.

### **PANEL Q&A CHAIRED BY HON. MINISTER OF STATE (HMS) FOR INDUSTRY TRADE AND INVESTMENT, MRS AISHA ABUBAKAR**

**HMS Aisha Abubakar:** Thank you Dirk Willem. We have heard that the best way forward is to benchmark Nigeria against countries that have developed. What can we do to skip the 5-year gap?

**Dirk Willem te Velde:** It is important to think of benchmarking to learn lessons. One lesson is that public and private sector *together* play a role. There is no one single institutional set up. The *form* is not clear, but the *functions* are clear. You need trust between public and private sectors and both informal and formal ways of interacting. Coordinating mechanisms are needed within federal ministries. Rwanda and Ethiopia are good examples of African countries leveraging successfully on 'Special Economic Zones' strategies.



**Muda Yusuf:** The private sector plays the biggest role in driving the economy. We must open as much of economic space as possible for the private sector to play its role as engine for growth. Nigeria is not the most attractive place for business. However, although the risks may be high in Nigeria, what investors really want to know is whether *returns* to investment are high too. While Western investors were worrying about country-risk analyses, MTN (South African telecoms company) made a bold and profitable entry into Nigeria. We need to solve policy issues, and consider political economy to make it happen. Think about railways, airports etc. An enabling environment is what the private sector needs to contribute meaningfully to the Nigerian economy, and remember the private sector creates more opportunities in a country's economy.



*Laoye Jaiyeola and Muda Yusuf, Photo by iBlend Services*

Mr Yusuf also gave an example of the impressive development in Nigeria's entertainment industry. "The development in the entertainment industry was not a deliberate attempt." He added that the barriers to entry were not too high and it is easier for young workers now to enter.

**Laoye Jaiyeola:** There is the issue of trust - there isn't a lot of trust between public and private sectors in Nigeria. Many would want to invest in the Nigerian economy but inconsistent government policy is impeding this, such as the flexible exchange rate issue. We need transformative policy and resources must be mobilised.

**Segun Awolowo:** This is a fantastic paper, and shows we are thinking along the same lines. There is now a lot of cooperation between public and private sector. What does Nigeria need? Three areas:

- 1) Jobs - Nigeria needs to create jobs which are important as they give people power and dignity.
- 2) Infrastructure - Nigeria needs to spend \$20 billion per year on infrastructure.
- 3) Foreign exchange – Oil exports are driving this and is being used to fund imports. The goods import bill is \$50 billion annually and mostly funded by oil. Nigeria has lost billions on oil prices – fallen from \$70 billion in 2014 to \$40 billion in 2015. We need foreign exchange from other baskets. The economy is not diversified in exports. If Nigeria is not exporting, then it is not ready to grow.

**Muda Yusuf:** We have a negative view of imports. But sometimes you need imports to be able to export - not all imported goods are for consumption. China imports close to \$2 trillion annually. We often get trade policy wrong, to protect local industry. But this is not always the right thing. Our goal should be competitiveness. Nigerian Customs recently lamented that a misalignment of both trade and industrial policy has negatively affected government revenue – which government needs to fix infrastructure.

**Dirk Willem te Velde:** Countries have not transformed by focussing only on domestic economy. Exporters are found to be more productive than non-exporters. John Page did an excellent study recently linking exports with productivity which showed that by exporting you gain productivity and learn. It helps to build up value chains. Export push is very important but that does not mean local policy and capabilities are not important.

**Laoye Jaiyeola:** Policy summersaults have been our greatest problem. Policies must be consistent, clear and talk to each other, to support firm clusters and SMEs, for example. There should be a stable power supply and an effective taxation system which makes doing business very easy, then investors

will bring their finance and invest here. Federal government is doing this, but you need to look at state buy-in.

**Segun Awolowo:** Just to clarify I was not saying that imports are bad, but rather asking how do you pay for them? Nigeria exports in GDP are 18% including oil, but only 1% when oil is removed. Exports create jobs, increases wages and competitiveness and supports macro stabilisation. By-products of petrol and plastics are also important. The function of the NEPC is to facilitate, create markets and provide the right information on logistics, and it is the private sector that does more of the exporting. Nigeria is currently producing 160,000 million tonnes of cashew nuts annually. More than 90% of the current cashew production is exported unprocessed to Vietnam. We have very little local processing capacity. Diversification is key to progress a nation's economy. The most endowed nation in terms of oil, Saudi Arabia is diversifying her economy from oil based exports only. Export business is tomorrow's business, exports build and revamp resources. We need to scale up productivity.

**Muda Yusuf:** We have issues with customs, who reports to FMITI. We don't have the powers.

**Boason Omofaye:** Dirk - you said Nigeria may need to narrow to a single product. What would you suggest?

**Dirk Willem te Velde:** It more important to emphasise new ways of working, than to suggest one single product. Experts have suggested several promising sectors, and cashew was just mentioned for example. The key challenge is not to select a key product, but to act on the challenges of developing that sector by joining public and private actors.

**Boason Omofaye** then summarised some of the questions and points coming out from this discussion: "Who should be the arrowhead? What does private sector need to start? The private sector is ready to drive the economy". He then invited HMS Aisha Abubakar to comment.

**HMS Aisha Abubakar:** There is a closed dialogue between private and public sector. We [FMITI] are heading an advocacy role and meeting on weekly basis. We don't want to kill investors or discourage them. In terms of policies - the issue of changing Naira to Dollar by exporters is currently being addressed.

## AUDIENCE Q&A



*Customs officer, Photo by iBlend Services*

**Customs officer:** We are here to facilitate trade and have worked hard over the years. Automation is very important. There is zero tolerance for corruption. The primary role is implementation of government policy - we don't make our own policy!

**Olu Ajakaiye:** Academic engagement is important - we don't forget the process. We should produce in excess of need and then export. Coordination, etc. is important, we shouldn't be sporadic. Nigeria needs a proper national economic development programme, and it needs to talk on binding constraints. The issues of foreign and domestic dichotomy are not needed - we should consider both as a single issue and produce enough products.

**Audience member** (trade and regional integration consultant): The paper says not to rely on business as usual. We need to think about what this means. Look at what has worked and what hasn't. We just need to look at one product or sector? For example, don't think

just about cashews, but what else we can make. Who is going to pioneer? It could be the four agencies represented today? Public-private partnerships are also important. Mexico is a good example of this.

**Audience member:** We should pay more attention/research to positive success stories that deviate from orthodoxy/received wisdom. For example, Korea for iron ore – the success went against its comparative advantage. In Nigeria we had the telecoms revolution. We should investigate these examples.

**Laoye Jaiyeola:** When I came to NESG, it was just a platform. There is a need to get involved, we now work with ten policy commissions. It allows experts and interested Nigerians to come contribute their skills and expertise. NESG is a platform for all. Another point - how much can think tanks shape how government works – does government listen?

**Muda Yusuf:** We do not have strong economic advocacy in Nigeria. The focus is typically on anti-corruption and human rights advocacy. We've surrendered all our economic advocacy in Nigeria to Labour Unions. We need structural engagement, and a framework for more effective engagement on economic policy. Government needs a team of technocrats, a team who can disagree with the president!

**Segun Awolowo:** There needs to be balance with domestic and foreign markets. Nigerian trade policy should be implemented. UK is an island and still imports bottled water - but look at its exports. Referring to cashew value addition – yes, we need two-pronged approach and to scale up production. Nigerians do not eat cashews, 90% are exported unprocessed to Vietnam! Enugu State Government has an ongoing partnership with a Mexican investor to grow and export pineapples. Where do we go from here? SET has presented a paper on what should be done, the Nigerian government must take it from there. The dialogue should continue.

**Dirk Willem te Velde:** Coordination function of public-private dialogue has to be right – and trust is needed. Singapore had economic development board which planned carefully and ran the country like a company. Start small with a strategy in mind. We (ODI/SET) have worked with Tanzania and found that when there was more than one ministry involved, implementation worked less well. When the private sector was involved, it did not work at all!

**Segun Awolowo:** The demonstration process is important. A quick comment on customs – it can be said that Nigeria used to treat it as means for revenue generation, but it should be seen as a trade facilitation agency.

**HMS Aisha Abubakar:** We need a detailed plan in 2017 and we have the first public hearing. We don't have a national development plan for now, but dialogue is still ongoing. To engage you can write letters, use the media. Whatever we are doing has to be realistic and sustainable. When it comes to talking about the way forward, we have a lot of platforms for us to be reached.



**Audience member**

**(consultant):** monitoring and implementation of policy needs to be done properly. This is essential.

**Audience member (Small and Medium Scale Association):**

I don't think export promotion agencies have engaged with SMEs sufficiently. We don't believe in just policy reform - we have policies, yet no good programmes in Nigeria. The engagement process is very inefficient. Until there are good programmes, the Nigerian economy cannot move forward.



*Hon. Aisha Abubakar and Segun Awolowo, Photo by iBlend Services*

**FINAL COMMENTS**

**Dirk Willem te Velde:** We must remember the importance of economic transformation and the role of both private and public actors in this process. Most comments today were on implementation. Things are beginning to move in the right direction. Nigeria can look at what Indonesia, Rwanda, Ethiopia have done, such as coordination, timely interventions, economic plans and working with local think tanks.

**Laoye Jaiyeola:** Papers enrich discussion, but there is delayed decision-making. We should not be knee-jerk or reactive. Public and private sectors need to work together. Most importantly, this must be coordinated. We should plan and ensure we carry this through. The public sector is the enabler, while the private sector is the engine room.

**Muda Yusuf:** We need to revisit export models. This paper talked about fiscal issues – we need properly funded plans. Government is doing a lot to cut costs etc. but they need to think about making tax system more robust (especially considering the informal sector). It is important to have a policy document that is respected. Protocols (such as ECOWAS) also need to be respected.

**Segun Awolowo:** We are engaging with ministries and working with SMEs. We must continue to work with think tanks as well. There is a commodities board – we are strengthening Nigerian commodities exchange. We will follow the six steps suggested by Justin Lin in his book when engaging with ministries. The NEPC is an incentives agency. This SET paper is very important paper for us, many thanks to the authors.

**HMS Aisha Abubakar:** In terms of programming for SMEs, there is the Industrial Training Fund (ITF), and at a recent retreat it was agreed to include other industries. We are currently undertaking a skills study supported by UNIDO. We are also developing a visa-on-arrival option for Nigeria, and eventually removing the requirement for a visa for other Africans. To the private sector – we didn't imagine we would do this without you. We will continue to engage, to dialogue, and listen. Monitoring is very important. We are looking forward to the zero oil export plan.

**Richard Ough (DFID Nigeria):** Final comments on discussions today and thanks to the panel:

- 1) The scale of economic challenges faced by Nigeria is now very apparent. The country is having a very tough time. There is a worry about diversification and relying on business as usual. In the last ten years, the major issues have not changed but the cost of not taking action has increased dramatically.



- 2) There is a need for collaboration between private sector and government. We need to get this right and dialogue will be critical.
- 3) There is a need to become competitive in Nigeria e.g. cashew nuts. This is a good time to get competitiveness into Nigerian economic strategy.

## MEDIA AND OTHER COVERAGE

Online (hyperlinks)	Print
<a href="#">Channel S TV, 31 May 2016</a>	Leadership Newspaper p38 – 2/6/16
<a href="#">Okrote Blogspot, 31 May 2016</a>	The Authority p8 – 1/6/16
<a href="#">Nigerian Times, 31 May 2016</a>	National Mirror p4 – 1/6/16
<a href="#">Business Day Online, 1 June 2016</a>	Nigerian pilot p7 – 1/6/16
<a href="#">Sarewah, 1 June 2016</a>	People’s Daily p22, 1/6/16
<a href="#">Leadership, 2 June 2016</a>	New telegraph p28 – 1/6/16
<a href="#">All Africa, 3 June 2016</a>	
<a href="#">This Day Live, 3 June 2016</a>	
<a href="#">News360, 3 June 2016</a>	
<a href="#">Bizwatch Nigeria, 3 June 2016</a>	
<a href="#">TechTrendsng, 8 June 2016</a>	
<a href="#">Friday Posts, 8 June 2016</a>	

### Storify (Twitter coverage):

A full summary of Twitter coverage can be found on the SET Storify page:

<https://storify.com/EconTransform/supporting-economic-transformation-in-nigeria>

#SETLaunch was the most trending hashtag on Twitter in Nigeria on 31 May 2016.



Audience, Photo by Sonia Hoque

The full report by ODI can be downloaded on the [SET website](#).