VISION 20-2020 AND NIGERIA'S POVERTY ERADICATION STRATEGY: RE-ENERGISING THE POLICY AGENDA

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Memorandum to the Federal Government by Civil Society Organisations for the Dialogue on Nigeria's Current Development

Introduction

In 2004, the administration of President Olusegun Obasanjo developed a strategic blueprint towards addressing the nation's development challenges – the National Economic Empowerment and Development Strategy (NEEDS). NEEDS was an attempt at a comprehensive reform strategy addressing economic and social, political and institutional issues at the same time and in a multi-faceted way. NEEDS promised to implement a priority action plan of wealth creation, create seven million new jobs, alleviate poverty and eliminate corruption during its first four year implementation cycle (2004 – 2007). It failed in achieving these basic objectives.

The administration of President Umaru Musa Yar'adua has proposed to provide élan for our development process by setting the target of catapulting Nigeria to become one of the top 20 economies in the world by the year 2020. They have tagged this ambitious long term perspective plan Vision 20-2020. Recently, the President inaugurated the National Council and the National Steering Committee on Vision 20-2020. Civil society is concerned that during the first year of the administration, there has been virtually no civil society engagement by the Yar Adua Administration on its poverty eradication programme and economic policy direction. We recall that in his campaign manifesto entitled, ***End Poverty, Develop Nigeria***, President Umaru Musa Yar'Adua promised Nigerians that "the United Nations Millennium Development Goals is our guide" and commits himself to "confront poverty and develop Nigeria" if elected into office. He articulates a seven point agenda to do this by pursuing:

i. Energy Emergency
ii. Agriculture and Food Security
iii. Wealth Creation and Poverty Alleviation
iv. Land Reform
v. Security of Lives and Property
vi. Human Capital Development including compulsory Education for Children
vii. Transport Revolution including improved Mass Transit

Nigerians are about to mark the one year anniversary of the present administration and they are yet to feel the pulse of the economic agenda of the government. There is the urgent need to move beyond plans and policies to taking practical steps toward achieving developmental gains. In this regard, we believe that the collaboration between governments and civil society is crucial in creating the necessary synergy to ensure that we achieve the Millennium Development Goals (MDGs) over the next seven years and define economic priorities and strategies in a way that works for the majority of our citizens. It is in this context that we in civil society address this memorandum to the Government.

Nigeria has a population of over 140 million people, which makes the country the biggest market in Africa. The history of economic crisis and reforms in Nigeria dates back to 1982 when the civilian administration of President Shehu Shagari introduced Austerity Measures aimed at reducing public and private expenditures and stabilizing the balance of payments position. Average growth of GDP between 1980 and 1985 was 1.7%. An attempt to reverse the negative trend in economic behaviour through the "stabilization policies" and "austerity measures” in the early 1980s could not stem the secular tendency towards decline and stagnation. The Structural Adjustment Programme (SAP) attempted to address these imbalances based on market directed principles. Under SAP, the liberalization of the foreign exchange market was also undertaken, especially with respect to the Second Tier Foreign Exchange Market (SFEM) and shifts in trade regimes. The fixed official exchange rate was replaced with a floating, market determined exchange rate system. As a result, the exchange rate of the Naira depreciated from ₦1: US$1 at the beginning of 1986 to ₦63.2: US$1 by the end of the year. The policy of import and export licensing were abolished as most prices within the economy were deregulated.

The immediate effects of these reforms were the restoration of incentives to export, reduction of the incentive to import, and increase in the profitability of agriculture. While oil prices remained low during most of this period, the non-oil sector especially the agricultural sector recorded positive growth. With a shift in relative prices in favour of the rural sector, production of traditional food crops and cash crops increased, and agricultural outputs grew at an annual rate of 3.5 percent during 1987-1992 periods (CBN Statistics, 1995), with real GDP growth rate averaging 5.3 percent. The share of agriculture to GDP increased and averaged 37 percent during this period and that of domestic manufactures declined to about 5.6 percent in the same period. The SAP failed to mobilize sufficient savings due to the unfriendly investment climate, as the ratio of Domestic investment to GDP dropped from 15.3 percent in 1983-1986 to an average of 9.9 percent during 1986-1992. However, the savings-to-income ratio improved as the average increased from 7.9 percent in the preceding period to 12.7 percent

But the move to partially relax some of the prescription of the structural adjustment program in the early 1990s could not reverse the negative performance of the macro economy in an environment of weak institutions, made worse by a rapacious military administration. It was thus not surprising that the negative trend in economic performance could not be reversed as evidenced by an average growth rate of GDP of 1.3% between 1994 and 1996, which was far less than the average for sub-Saharan Africa. Such negative performance was as bad for the overall GDP as it was for its key components: negative private investment performance was not less alarming when considered in contest of its GDP contribution, which fell from 10.9% in 1992 to 5.72% in 1998 without prejudice to an increase to 11.61% in 1994.

In terms of socio-economic indices, the fact is well documented that the SAP led to massive welfare losses for the vast majority of Nigerians. Unemployment reached unprecedented proportions, thanks to the secular trends towards de-industrialization occasioned by the closure of factories and the decline of the manufacturing sector. Given the significant reduction in social expenditures, the incidence of rural as well as urban poverty increased dramatically. Clearly, therefore, the SAP project, from a poverty alleviation point of view, was a failure.

The Age of Reform

It is clear that the macroeconomic environment in Nigeria, prior to the commencement of democratic governance in 1999, was largely unstable. The growth in real gross domestic product was sluggish; it averaged 2.9 per cent between 1991 and 1999. This was significantly lower than the average of 5.1 percent for developing countries in the same period. Inflation was also volatile and remained high at double digit, averaging 33.2 per cent in the ten-year period. The overall balance of payments was in deficit for most of the period, while the country accumulated debt service arrears in order to build external reserves. In addition, the financial sector was characterised by instability; money banks were undercapitalized and distressed for a number of reasons, which included issues on overtrading, insider abuses and large non-performing portfolio.

In the post – SAP period of guided deregulation, many of the policies that contributed to growth were reversed. Consequently, the economy again started to decline. Real GDP growth rates fluctuated between 2.3 percent in 1992; 0.2 percent in 2004; 4.4 percent in 1996 and 0.4 percent in 1999. The share of agriculture to GDP declined to 35 percent and that of the manufacture equally fell to 4.5 percent. In 1994, the government introduced a new budget of “guided deregulation” and began reversing some of the previous policies that had contributed to stagnation, high inflation and reduction in income. As a result of the policy reversals, Gross fixed capital investment as a percentage of GDP further declined to 7.4 percent, while, gross savings income ratio stood at 8.2 percent. This reflects decreased propensity to save as inflation rose much higher than the real interest rate.

The National Economic Empowerment and Development Strategy

National Economic Empowerment and Development Strategy (NEEDS) covering the period 2003—2007 has been anchored on wealth creation, employment generation, poverty reduction and value reorientation. The three main pillars or strategies of NEEDS are: empowering people, promoting private enterprises and changing the way government does business. NEEDS is a medium term strategy (2003-2007) sharing the country's long term goals of poverty reduction, wealth creation, employment generation and value orientation. The vision was to consolidate on the achievements in 1999-2003 and build a solid foundation for the attainment on Nigeria as the largest and strongest African country. To achieve success in the reform process, certain strategies were adopted. These include:

- Reforming the way government works and its institutions;
- Growing the private sector;
- Implementing a social charter for the people and
- Re-orientation of the people with an enduring African value system.

Under this programme, government privatized major companies including NITEL and the down-stream oil sub-sector. NEPA has also been unbundled in readiness for its privatization. The key elements of NEEDS include but are not limited to the following:

(a) Stable, predictable and sustainable macroeconomic environment;
(b) Non-inflationary, non-oil GDP growth (for poverty reduction);
(c) Low and stable price level;
(d) A stable and competitive exchange rate regime; and
(f) Sound monetary and fiscal policy regimes.

Through the NEEDS agenda, adverse macroeconomic effects of oil dominance are being better addressed, the efficiency of public spending is being enhanced, and several other distortions that constrained the economy's competitiveness and productivity are being tackled. The debt burden on the economy has been reduced through the debt deal with the Paris Club and the country has received its first Sovereign Debt rating at a respectable BB-. Nigeria is in a good position to break with its past history of economic stagnation and leverage its considerable oil resources and the ongoing oil boom effectively to create the foundations of a competitive, diversified and rapidly growing economy.

In terms of price stability, although the achievement of single digit inflation is yet to be attained, the inflationary pressures in the economy have been managed in such a way that will ultimately achieve the target. For instance, despite food shortages in neighbouring countries that peaked non-core inflation at 38% in August 2005, by November, headline inflation was brought down to an estimated 15.1% while core inflation averaged 6.8 percent. Following the reform programme, exchange rate stability was maintained around the predetermined band of plus/minus 3%. In fact, exchange rate of the Naira appreciated by 3.1% in 2004 and 3% in 2005. This goes further to reinforce the confidence of investors in the economy. Sound economic reform under NEEDS and its successful implementation led to the external debt relief of US$18 billion. The NEEDS document and commitment to its implementation formed the bedrock upon which the Paris Club group of creditors assessed Nigeria for debt relief. As at February 2008, external reserves stood at over US56 billion, representing 28 months of import cover, the highest in Africa. As a complement to price stability, interest rates have also moderated, reflecting the impact of effective coordination of monetary and fiscal policies. The impact of these policies on policy alleviation has however been limited. Indeed, the key issue is that NEEDS has not succeeded in alleviating poverty and placing Nigeria on the path to achieving the MDGs.

Poverty and the Millennium Development Goals

In the year 2000, the Nigerian government and 188 other governments across the world made the millennium declaration containing the Millennium Development Goals (MDGs) committing to eradicating poverty and injustice in the world. One major failure in the economic reform agenda is making an impact on poverty alleviation. Government at all levels in Nigeria have not properly addressed the issue of poverty and thereby condemning the majority of Nigerians to a life of misery. Less than mid way into the MDGs time frame, this is what the situation is in Nigeria:

i. 54% of Nigerians live below $1 (N120) a day
ii. More than 6.8m Nigerian children of primary school age are out of school
iii. Net enrolment for girls in primary and secondary school in the north is 34% and 10% respectively
iv. 197 out of every 1000 Nigerian babies die before they are 5 years old
v. An estimated 800 Nigerian women die for every 100,000 live births
vi. There were 300,000 deaths related to HIV in 2003/4. It is estimated that 70m Nigerians have one episode of malaria annually
vii. It is estimated that Nigeria is currently losing about 350sq km to desert encroachment annually
viii. Globally there is a challenge of fair trade especially between the developed countries and the emerging economies, mostly poor countries.

It is estimated that in order to achieve the MDGs in Nigeria by the year 2015, $5 billion to $7 billion must be channelled to MDG programmes per annum. The government is presently allocating about $1billion annually out of which $750 million is by the Federal Government and about $250 million by state governments. The numbers do not match and it is clear that the public expenditure levels by the three tiers of government are not sufficient to meet the MDGs as demonstrated in the Nigeria MDG report 2006. The report shows that at the present rate, the only MDGs we have the potential to meet by 2015 are:

i. Achieving universal primary education
ii. Combating HIV/AIDS
iii. Ensuring environmental stability
iv. Developing a global partnership for development

Even these four are highly problematic. Enrolment in primary education is certainly growing at a high rate. However, the quality of teachers is not improving significantly, especially in the North and the schools are not well equipped. Indeed, in some Northern states, growing enrolment is proceeding with growing illiteracy.

The admission in the 2006 Report that we might meet four of the MDGs is disturbing. It means that we are not on course to meet the key MDGs that are the most critical:

1) Eradicating extreme poverty and hunger in spite of the fact that 69 million Nigerians are affected
2) Achieving gender equality in our primary schools and empowering women
3) Reducing child mortality with under-5 mortality for 2005 being 197 for every 1,000 live births
4) Improving maternal healthcare given our mortality rate of 800 for every 100,000 live births

We clearly need a major policy summersault to get us back on the road map to achieving the MDGs by 2015. We need a policy shift that would prioritise and significantly increase social expenditure and include the poor in public budgeting.

Public budgeting and the Poor

Several issues arise in an attempt to assess the impact of public budgets on the poor. In Nigeria, four sectors have been identified as critical to making the NEEDS framework more effective. These are agriculture, infrastructure, education and health. Analysis of budgets in the last four years shows that recurrent expenditure has more than doubled investments. The huge recurrent expenditure in education is understandable, but does not explain the incomparably low capital expansion in the sector in view of low education outcome, and for that matter in view very low access to education by the lower income categories of the population. It shows inadequate concern for the sector and for programmes articulated in the NEEDS like the UBE. A similar situation can be inferred looking at the health sector expenditures. The reality of our public budgeting is that it is characterised by the dominance of expenditure on administration over other functional categories.

The fiscal policy introduced by President Obasanjo is based on the oil price rule which was introduced in 2004. Each year, the government sets a pre-determined price for petroleum at a level that would be certainly lower than the market price. The government then saves the difference between the pre-determined price and the actual price to build foreign reserves and create confidence in the economy. Based on this criterion of fiscal prudence, the International Monetary Fund (IMF) authorised its Policy Support Instrument (PSI) for Nigeria in October 2005. The agreement with the IMF on fiscal policy was done surreptitiously and Parliament was not consulted. The Obasanjo regime therefore made commitments on significant cuts to public expenditure without the accord of the Nigerian people.

A policy shift that will bring the poor into public budgeting concerns is therefore necessary. The World Bank's Poverty Task Force has identified the following as the main causes of poverty:

i. Inadequate access to employment opportunities
ii. Inadequate physical assets (land, capital, credit)
iii. Inadequate support for rural development in poor regions
iv. Inadequate access to markets
v. Low investment in human capital
vi. Destruction of natural resources (environmental degradation and reduced productivity)
vii. Inadequate assistance to women and vulnerable groups
viii. Lack of inclusive participation

Several factors explain why despite all the efforts and public expenditures, poverty alleviation programmes do not seem to work. These factors include:

1. Programmes were mostly not designed to alleviate poverty
2. Lack of clearly defined policy frameworks with proper guidelines for poverty alleviation.
3. Political instability, and macroeconomic dislocations
4. Policy inconsistency and lack of continuity
5. Corruption and the politics of 'capture'
6. Lack of monitoring and evaluation
7. Absence of accountability

8. Ineffective bureaucracy and institutional failures

In seeking a way forward, the following considerations are important:

1) Excessive fiscal prudence has reduced our capacity to address issues of poverty in our society and we need to improve expenditure in the social sector.
2) There is a goal conflict between the focus on macroeconomic stability; single digit inflation and stable exchange rate objectives based on fiscal restraint and meeting the objectives of the social charter of NEEDS
3) The tactic of Government on focusing on macroeconomic stability has been executed through less-than-full implementation of budgets during the NEEDS period. Budgets are laws that governments have an obligation to obey as enunciated in the principles of the rule of law.
4) The due process requirement currently enshrined in the Public Procurement Act has slowed the pace of budget implementation and we need to implement both the due process mechanism and the budget.

To make budgeting work for the poor, there is need to re-focus public policy on a number of key priorities. First, focus must be on the social services and infrastructure as enunciated in NEEDS. A key conclusion from our review shows that both pattern and trends in public expenditure did not change significantly to reflect NEEDS priorities. Going forward, it will be helpful to ensure that expenditures truly reflect key priorities with sectoral budget benchmarks clearly specified in NEEDS II so as to constrain discretion, and sufficiently flexible to allow reasonable manoeuvres in the event of a shock. A range target could be considered for key sector only.

Secondly, there is need for to focus on human capital. One way to reduce the incidence of poverty is to increase public investment in education and health. The main economic argument for the investment in education is that not only that it increases labour productivity; it also raises the productivity of other workers as they co-operate with one another. In other words, raising the educational level of the society increases the productivity of the economy. Investment in education leads to improved efficiency in management and in more rapid technological and organizational change, and thus more rapid economic growth and higher per capita real incomes. *Should education be available only in the market place, it may not be accessible to the poor*. The poor may have access to non-formal education that is unlikely to include literacy and skill development. Thus, economic growth, which may arise from this situation, will be of little benefit to the poor. So far the statistics do no suggest priority in terms of the distribution of public expenditure was accorded both sectors. This is abnormal and needs to be addressed in NEEDS II.

Thirdly, there is need for the reform of the public expenditure process itself. During the period under review, quite a number of public expenditure reforms were brought on stream – Procurement reforms (Due process), Medium-term expenditure framework (M-TEF), Fiscal responsibility bill, etc. These reforms need to be deepened at the federal level and extended to the states where a significant public resource leakage was also taking place. More importantly, the reforms need to address the more fundamental issue of capacity at the level of the implementers and demand for accountability at the level of the citizenry.

Fourthly, there is need to increase the scope and quality of monitoring and evaluation. Very many activities fall in this category. Our emphasis however is on the need to institutionalize expenditure tracking at both private and official levels. At the official level there is no gain saying that there is need to strengthen audit mechanism, especially at the state level. But beyond that reviews such as this are very helpful but limited in terms of revelation for the simple fact that we are dealing with secondary statistics. A public expenditure tracking survey (PETS) would definitely reveal more as it involving collection of direct information for the target group, in this case low income of poor households. Both government and not-for-profit organizations should spearhead this. The key issue nonetheless is that the country needs more of either PERs or PETS or some kind public expenditure benefit incidence analysis as a way of making public spending more effective in poverty reduction. Most of the methods, except incidence analysis, are capable of exposing fiscal leakage and PEM weaknesses that call for urgent redress. Incidence analysis seeks to identify who gets the benefits of public expenditure management and it is a very useful tool in designing pro-poor fiscal policy management. The adoption of public expenditure tracking methods in the country will go a long way in blocking fiscal leakage's and contribute to good governance and sustainable fiscal management.

With regard to poverty in general, Nigeria can learn from the lessons of international best practice which indicate the following as necessary ingredients to an effective anti-poverty strategy:

1. Rural development for food security

2. Increased investments to enhance rural access to transport, information and communications
3. Safe drinking water, sanitation & energy
4. Urban renewal and job creation
5. Supporting poor people's own efforts to build decent new housing
6. Improving universal access to health systems
7. Improving the quality of education, and human capital (universal primary, expanded post-primary, and expanded higher education)
8. Promoting gender equality
9. Environmental conservation
10. Building national capacities in Science, technology, and innovation

Strengthening public institutions is clearly a critical ingredient for successful development in general and for effective policy alleviation strategies in particular. Institutions are broadly defined as "the rules of the game" that govern the protection of property rights and that also underpin the rule of law and the sanctity of contracts. It is important that the institutions that currently exist be made to work, especially those relating to the judiciary and anti-corruption, in particular, the EFCC and the ICPC. It is also imperative to ensure that regulatory agencies such as the CBN, SEC and others actually perform their functions effectively without government interference or rent-seeking by their incumbent operatives.

Nigeria is blessed with a wide expense of land and water resources covering an area of roughly 98.321million ha. Present land use pattern comprise 9.83 million ha of forest reserves, 34.22 million ha under arable and permanent crops, 39.82 million ha that could be brought under cultivation and 14.45 million ha of permanent pastures built up areas and uncultivable waste lands. Agriculture is the dominant sector of the Nigerian economy. It accounts for 35% - 40% of the GDP and employs two thirds of the Nigerian labour force. Nigeria has highly diversified agro-ecological conditions could allow production of a wide range of agricultural products including both tropical and more temperate products. Three main types of production systems can be distinguished:

(i) Medium and high potential mixed systems in the humid south (dominated by cassava, yam, maize, and tree crops);
(ii) Medium and high potential mixed systems in the semi-arid middle belt (dominated by maize and sorghum); and
(iii) Low potential livestock-based systems in the arid north (dominated by livestock, millet, and sorghum).

Production of crops dominates other agricultural sub-sectors contributing about 85 percent to agricultural GDP, livestock production activities about 10 percent, fisheries about 4 percent, and forestry production about 1 percent.

Before the oil boom of the 1970s and 80s, Nigeria had a vibrant agricultural sector. The country was food self sufficient and a key exporter of several agricultural commodities notably cocoa, oil palm, rubber, groundnuts. Excessive real exchange rate appreciation and overvaluation following the oil booms and other distortions introduced by implementation of an import-substitution industrialization policy reduced agricultural competitiveness and incentives for investment in agriculture. Large commercial private estates that made Nigeria a major exporter of tropical commodities declined in importance and large food manufacturers who used to grow a proportion of their own raw material needs withdrew from farming. As agriculture declined, Nigeria became a significant food importer and agricultural exports all but disappeared.

Nigerian agriculture is predominantly small holder, subsistence based and weather dependent. Most farmers produce mainly food crops using traditional extensive cultivation methods, making limited use of modern technologies and purchased inputs. The capacity of the agricultural research, extension and input distribution systems are weak and where available, modern technology cannot reach farmers. The country's vast irrigation potential remains largely unexploited: less than 1 percent of cultivated area is under irrigation. Activity in the sector is also characterised by significant post harvest losses due to difficulties in reaching markets and the high cost of transporting produce to markets.

Productivity has declined for both commercial and food crops in Nigeria over the last twenty years. For commercial crops production levels have fallen as well. In contrast, production levels of food crops have increased substantially and Nigeria has overcome its extreme import dependence. However, this growth has been driven by steady and substantial increase in the area cultivated and harvested and crop land expansion is increasingly taking place on marginal land where yields are lower. Productivity as measured by yields per hectare have therefore declined whilst internationally, yields have been rising. In the case of roots and tubers for example, a fourfold increase in area planted since the mid 1980s has been accompanied by a decline in yields in excess of 40 per cent. Similar, but less dramatic outcomes are observed for cereals, beans and groundnuts. Thus the current strategy of targeting output increase based on area expansion is unsustainable over the long term.

The poor constitute the dominant proportion of Nigeria's population and a substantial proportion of currency outside bank vaults is in the rural areas. To this extent, the importance of the rural and informal sectors in economic development cannot be underestimated. Despite past attempts at getting financial services delivered to the rural populace, low access to bank credit and other financial services to the active poor have continued to constitute a serious challenge. The evolving microfinance sub-sector in the country is a another attempt at widening the horizon of the dynamic poor in the rural areas to have unfettered access to credit and other financial services in order to stimulate growth and development of the rural economy and, by extension, the national economy. It is in recognition of this that the Federal Government launched the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria on December 15, 2005.

Hitherto, microfinance was reckoned with more as a fringe activity associated with non-profit organizations. But the United Nations redefined that perception in 2005 when it declared the year as the International Year of Micro Credit (IYMC), thus making microfinance as the in-thing in the first decade of the 21st century and also to highlight its importance as a veritable tool to fight extreme poverty in the world. In February 2007 President Umaru Musa Yar'Adua launched a 50 billion Naira Microfinance Development Fund. Clearly, microfinance is considered the key policy instrument of Government to achieve the revitalisation of the rural sector and to achieving the Millennium Development Goals (MDGs), which governments worldwide have committed themselves to achieving by 2015.

In response to these challenges, the Federal Government of Nigeria has identified seven core areas of focus which define the government strategic vision for growth and development. These core areas of focus are in line with NEEDS II. Agricultural sector is central to President Umaru Yar'Adua's agenda since four of the core areas identified aim to revitalize the sector in order to attain food security, increase production and productivity, generate employment, expand the export base and reduce food imports. This has become even more urgent in light of the growing food crisis both within and outside the country. Recognizing the importance of agriculture as well as the challenges manifested by weak economic linkages and a disconnect among stakeholders, weak policy environment and poor service delivery, the administration is embarking upon the process of developing a comprehensive agricultural development strategy that aims to transform the agricultural sector and achieve its targets and policy objectives. Some of the policy objectives included in his agenda which are in line with the vision and policy thrust in NEEDS II include:

a) Ensuring food security for the Nigerian people;
b) Generation of employment in the agricultural sector, especially for the growing number of the unemployed youths;
c) Promotion of investment in large scale agricultural production and transformation of subsistence agriculture to modern commercial agriculture;
d) Increase production and productivity in crop, livestock and fisheries sector;
e) Promotion of sustainable land use and management;
f) Promotion of export-led and market oriented production for strategic commodities such as cocoa, coffee, cotton, rubber, groundnuts, fish and poultry products.
g) Undertake land policy reform to secure land rights and enhance agriculture productivity.

While significant work and strategic vision have gone into defining areas of intervention to achieve agricultural growth and development, the Federal Ministry of Agriculture and Water Resources will need to design evidence based agricultural policy and development strategy that will define priority areas for policy action and investment. The challenge in developing a comprehensive agricultural development strategy as an effective road map to realize the country's agricultural policy objectives include:

i. Determining and sequencing the right mix of priority actions and investments to drive both sectoral and growth priorities that would generate wealth and employment, ensure food security, and achieve desired poverty reduction targets;

ii. Mobilizing the required resources and investment (both public and private), not only resources in the agricultural sector, but also broad investments that support agricultural growth;
iii. Efficient allocation of resources among sub sectors and among different levels of authority at Federal, State and Local levels;
iv. Improving efficiency in the use of these public resources by improving local governance and institutions, and
v. Building the long term country capacity in supporting the formulation and implementation of policies and development strategies for long-term sustainability.

Nigeria's ability to realize its vision of becoming one of the twenty largest economies in the world by the year 2020, is hugely dependent on the capacity to jump start its economic and industrial base. Agriculture is the basis of Nigeria's sustainable economy, however it is characterised with low productivity due to low technology employed, inadequate information or modern knowledge. Improving the productivity of all agricultural units from their abysmal low level of yields and poor quality of products to commercial beneficial levels could only be achieve through the dissemination, application and utilisation of up-to-date knowledge and information on modern production technologies along its supply and value chains.

Information delivery globally has been digitalised and business is conducted at the speed of thought. Nigeria' agriculture cannot therefore afford to deliver information at the pace of walking or at best at the speed of motor-cycle. To be among the top twenty economies of the world, Nigeria's economic base will have to comply with the global standards, i.e. doing business at the speed of thought through the information super highway. India has already started doing this with their rural communities!

Formulating and implementing an effective development strategy for agricultural transformation in Nigeria requires long-term commitment and extensive consultations. Moreover, the strategy must remain flexible and dynamic so as to accommodate refinements in its design and objectives over time as socioeconomic and political conditions change. In addition, building the country's long-term capacity in supporting development strategies will ensure sustainable success in achieving the development goals of these strategies.

Typically, an agricultural-led Industrialisation strategy should focus on improved agricultural packages, proper use of land and water resources, access to improved rural finance, better functioning, markets and better roads and other infrastructures. The overall objective is to enhance productivity of the economy and development of high value products for world markets anchored on a philosophy of structural transformation and outward-oriented development.

Vision 20-2020

We in civil society welcome the initiative of Vision 2020 which aims to put Nigeria among the 20 most developed economies by the year 2020. But we note that the Vision is yet to be backed by a comprehensive strategy with a detailed roadmap. This is a critical role for the National Planning Commission to play. In pursuing Vision 2020 we believe that we have a lot to learn from the Asia Pacific experience.

The spectacular growth rate experienced by the many economies of East Asia, especially with respect to the most successful economies of Hong Kong, Korea, Singapore, Taiwan and Malaysia puzzled many developmental economists. While many people have appreciated the growth achievements in these countries, there is no agreement on the single most important factor that led to the tremendous growth rate experienced by these Asian countries. However, there is no doubt that the implementations of sequential and coordinated government policies had helped jump-start and sustain the growth process for as long as they lasted. The East Asian economies accumulated both physical and human capital much more rapidly and consistently than other developing economies. They encouraged investment by putting in place adequate infrastructure to complement private investment. Also, they created an investment friendly climate through a combination of legal, tax and other measures that lowered the relative prices of capital goods by maintaining low tariffs on imported capital goods. While savings were increased by ensuring positive interest rates and deposits, lower lending rates subsidized investments and production costs of corporation. Nigeria needs to do likewise.

Reclaiming Lost Ground

After one year in power, it would not be unfair to say that the current government's economic strategy has been at best unclear. In a rapidly emerging economy, the absence of a clear policy direction sends not only the wrong signals; it gives the impression of intellectual as well as operational laziness. Such a situation is completely untenable.

The outgoing regime of President Olusegun Obasanjo could be accused of many faults. But one thing its critics cannot hold against it is the lack of policy. The Economic Team set very clear priorities and the public was left in no doubt as to where they were heading. They showed vigour, energy and passion in pursuing what they believed in. Today, unfortunately, much of the public is at a loss as to where the country is heading economically.

There are several economic schemes competing for attention. There is Vision 2020, which aims to put Nigeria among the twenty most developed economies by the year 2020. There is also the Financial Sector Strategy for the year 2020

(FSS2020) which the Central Bank promulgated last year that aims to make Nigeria the financial hub of the African continent by the year 2020. In addition, we have the Millennium Development Goals (MDGs), an internationally agreed development programme that aims to halve the number of our citizens that currently live below the poverty line by 2015. There is also the National Poverty Eradication Programme (NAPEP) which is supposed to be doing exactly the same thing. More recently, we have the State Empowerment and Economic Development Strategies (SEEDS) and its local government counterpart, the Community Empowerment and Economic Development Strategies (CEEDS) added to the National Empowerment and Economic Development Strategy (NEEDS). This cacophony of programmes and agencies need to be rationalised into a comprehensive programme with a clear strategy focus and roadmap.

Call for a New Policy Thrust

Nigeria needs to define an economic philosophy underpinning a rational planning framework. Given that the vast majority of our people live in the rural areas, we cannot escape the question of agriculture and rural development. But that alone will not guarantee national transformation. Agriculture must be linked to a comprehensive industrial strategy so as to create jobs for the teeming millions of our unemployed youth. Nigeria's future lies in an agriculture-led industrialisation strategy, in which enhanced productivity in rural agriculture leads to industries that create new products that are higher up in the value chain and that aim at capturing international niche markets. We have opportunities to leapfrog our development by tapping into the potentials of sustainable energy systems and using ICT technologies to enhance productivity and welfare.

The government of President Yar'Adua has talked about transformation rather than mere reform. It needs to translate this rhetoric into a clear and workable programme with clear milestones and a roadmap. It must move with speed and avoid tentativeness and prevarication. The economic team needs to be re-invigorated. Economic actors, local as well as international, need clear signals that government is committed to forging ahead, not merely concerned about correcting past mistakes. This is the only way to guarantee policy credibility and success in the years ahead.

If the government wants to make a real difference it must strengthen the technocratic capacity for policy making and implementation. The administration needs an injection of new talent that enhance its vigour and energy. In addition, it is imperative that the Economic Team approaches its task more vigorously and that the public are continually informed of the key initiatives government is undertaking. The bane of Nigeria's economic administration rests on the sticky issue of policy implementation. This explains why the power and infrastructures sector are in such a mess. Government must find a new way of doing this; indeed a better and more effective way of getting things done is the most critical challenge in the years ahead.

Macroeconomic reform in Nigeria has certainly brought significant benefits in terms of structural stability of the economy, although the welfare benefits remain unsatisfactory. There is mass disenchantment with the manner the reforms have been implemented, which seems to have a bias in favour of the banking and financial industry rather than the needs of the majority of workers and peasants. Rightly or wrongly, there is the general perception that the benefits of reform are accruing disproportionately to the wealthy. The challenge ahead is therefore to promote growth with equity and to translate the dividends of democracy and reform into measurable benefits for ordinary citizen.

The implementation of the NEEDS has also thrown up a number of issues that might need more diligence in policy formulation. For instance, observers point out (constructively), that while the current reform agenda has resulted in higher growth (measured in real GDP), the employment content of these growths are not as glaring. The Nigerian Statistical Fact Sheets on Economic and Social Development gave the rate of unemployment in the country as 11.8 per cent in 2007, up from its level of 10.8 percent in 2003. This is a major source of worry if we juxtapose this figure with the GDP growth rate of 7.1 per cent achieved in 2005. It is therefore appropriate to mainstream employment as a driving force for sectoral growth in the Post-NEEDS Agenda.

Furthermore, despite progress recorded in the growth of real GDP in the past few years, the issue of poverty alleviation is critical and still remains unresolved.

Ranking 158 (out of 177 developing countries in the report), with a Human Development Index, (HDI) of 0.453, and Human Poverty Index, (HPI-1) of 38.8% Nigeria remains one of the poorest Nations of the world. Income distribution is highly skewed as the richest 20% of the population controls 55.7% of National Income while the poorest 20% of the population has a paltry share of 4.4%. (Human Development Report, 2005: 272). It is therefore pertinent that the issue of poverty alleviation, especially income distribution is addressed with more vigour than hitherto obtained. Agenda for post-NEEDS development strategy should therefore focus on poverty and income distribution if a meaningful result should be expected.

It is also hoped the post-NEEDS agenda should add more vigour to the issue of corruption and institutional reforms. This will certainly improve service delivery in the economy. While the current efforts in this direction by the present administration are commendable, it is worth mentioning here that much still needs to be done. Attitudes and beliefs must change for Nigeria to make a quantum leap out our present condition.

There is no doubt that the institutionalization of the banking reform is posing a major challenge to all the stakeholders, especially the regulators. There are a number of Bills pending before both the National Assembly and the Executive to ensure that the reforms are carried through with the least hindrance. These include the Central Bank of Nigeria Act, the BOFIA and Asset Management Corporation of Nigeria Bill. It is hoped that the enactment of these Bills into laws will finally address some of the grey areas in the reforms. The implementation of the bank consolidation programme has been generally adjudged to be a success. It has dramatically changed the Nigerian banking landscape for good. We now have 25 strong banks, some of which have recently received very favourable international ratings.

The Obasanjo economic reforms have created a contradictory legacy. There has been some success in macro-economic stability but the poor have not benefited from it and the strategy is based on a market driven model that makes it impossible to achieve the noble aims of the NEEDS social charter. A "successful" economic reform that leaves the majority of the people behind is a failure.

The Way Forward on the Policy Agenda

1) The Nigerian people will benefit from the pursuit of an agriculture-led industrial strategy that harnesses natural resources into creation of labour-intensive increasingly high value industrial products geared to both domestic and foreign markets. Current macroeconomic reforms, though still not adequate, provide some progress along the road towards successful industrialisation.

2) In pursuing a strategy of agriculture-led industrialisation, Nigeria can learn from the Asia Pacific experience. The key to Asian success can be attributed to sound economic fundamentals. Macroeconomic performance was usually stable, providing the necessary framework for private investment. Policies to increase the integrity of the banking system and make them more accessible to non-traditional savers increased the levels of financial savings.

3) Under the administration of Alhaji Umaru Musa Yar'Adua, the Government is aspiring to reach a growth rate of 13% annually, a rate that is considerably higher than the historical trend of lower than 4 percent. This will require raising the productivity of the economy and improving the capacity of domestic firms to compete effectively in domestic and eventually in regional and international markets.

4) The Administration must therefore vigorously develop measures for a war against poverty and hunger in Nigeria. A new development model anchored on agriculture-lead industrialization, inclusive development and equity would have to be designed. Linked to this is the need to empower women, youth and other vulnerable groups.

5) Combating poverty and achieving the MDGs must be a key component of the kick starting programme. It is estimated that in order to achieve the MDGs in Nigeria by the year 2015, $5 billion to $7 billion must be channelled to MDG programmes per annum. The government is presently allocating about $1billion annually out of which $750 million is by the Federal Government and about $250 million by state governments.

6) Combating poverty and achieving the MDGs cannot progress without reviewing the Obasanjo policy of excessive fiscal prudence immortalised in the International Monetary Fund (IMF) which authorised its Policy Support Instrument (PSI) for Nigeria approved in October 2005. The Obasanjo regime therefore made commitments on significant cuts to public expenditure without the accord of the Nigerian people. The way forward therefore requires considerable increase in public spending for power generation, infrastructure, health and education.

7) Raising public expenditure is not easy. Two main challenges are posed. The first is raising the absorptive capacity of MDAs. The recent report of the monitoring and evaluation (M&E) of the Debt Relief Gains spent on the MDGs in 2006 already reveal that MDAs have been unable to expend a significant portion of the monies allocated. The second challenge is the possibility of inflationary trends.

8) Governments in Nigeria have lost the capacity of monitoring and evaluation of programme implementation. Only the MDG and the Ministry of Health currently have function M&E units. It is imperative that the Government prioritises M&E. In so doing, a participatory process that involves civil society and the legislature is essential.

9) To achieve the targets set for 2020, the question of absorptive capacity is a larger one. It relates to the capacity of institutions to perform their functions efficiently. This means the reform of public administration must be pursued vigorously to improve the capacity if the state to deliver public goods. At the same time, human capital development is a vital aspect of the conditions for economic take-off.

10) Education is the engine of growth. The countries that have industrialised in the recent past have done so on the basis of promoting primary and secondary education. The process generated rapid increases in labour force skills. Agricultural policies stressed productivity change and adaptation of technologies that enhance production of value-added products for world markets. Such policies also did not tax the rural economy excessively. These economies kept price distortions within reasonable bounds and were open to foreign ideas and technology. Nigeria should learn lessons from this. Current indications are that the Yar Adua Administration is unclear on how it wants to “reform the reform” of the education sector. As the crisis of the education sector deepens, the time has come to declare a state of emergency in the educational sector.

11) Growth is sustainable if it is based to research and development of technology. No country that has not made significant investment in its universities and research institutions has been able to sustain growth. For poverty to be significantly reduced overall growth has to be value-added and productivity driven. Increasing the technology content of production while reducing dependence on nature is a key factor. So far, improved performance of the agricultural sector in Nigeria was made possible by

favourable weather in addition to the support provided by government through the Special Initiatives.

12) In Nigeria, the manufacturing sector that holds the key to income generation and poverty reduction has remained small in terms of share of GDP. This sector has not recorded improved growth performance during the NEEDS period and its contribution in terms of employment and to GDP has been quite low given its size of about 4 per cent of GDP.

13) The poor state of infrastructure has been a major contributor to the decline of manufacturing. Massive investments in the power and transport sectors are necessary to cover last ground.

14) Clearly, recent economic reforms have resulted in some gains in terms of improved macroeconomic conditions. But there is still a lot that remains to be done especially in terms of deepening the reforms, enhancing competitiveness and building solid institutions that can drive growth and long-term structural transformation. Re-focusing on agriculture and on its linkages to industrial development opens a window of opportunity that would absorb a bourgeoning labour market into productive activities that enhance creation of value added products that enhance livelihoods and boost national output. Nigeria has the potentials and the capability to grow its economy to heights that would equal those of the best of East Asia. It is hoped that the current leadership will commit to building on the foundations that have been laid, and reengineer a new prosperity that will enhance welfare for all and help to create an industrial-technological state of the first rank among the nations.