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The Economics of Growth Fragility in Nigeria

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Abstract

The Nigerian economy has been structurally defective with average GDP growth rate of 2.0% trailing population growth rate at approximately 3%. A country where budgetary preparation is based on exogenous oil price for revenue and running on a rising debt profile with little or no infrastructure to show. Consequently, this study unravels the domestic and foreign risks to growth fragility in Nigeria using descriptive analysis and inference from theoretical perspectives. We then conclude by proposing that government makes rigorous efforts to reposition the economy if the current state of fragile growth, high unemployment and declining social welfare conditions are to be changed.

JEL Classification: 04, 011

Keywords: Growth Fragility, Domestic Risk Factors, Widening Fiscal Deficit, Descriptive Analysis.

1. Introduction

Nigeria, with a population of about 200 million people, growing at approximately about 3.0% p.a with a GDP of about ₦128 trillion is not only the most populous country but the largest economy in Africa. Ironically, the World Poverty Clock showed that approximately 98 million Nigerians now live in extreme poverty in 2019 representing about 49.0% of the estimated population. Recently, the UN multidimensional poverty index showed that in 10 years, poor Nigerians rose from 86 million to 98 million in 2019 which is about 1.2 million Nigerian entering the poverty line every year. UNICEF report also showed that 10.5 million children are not in school even though basic education is officially free and compulsory. According to this report, one in every five of the World's out-of-school children resides in Nigeria. Today, the country is bedeviled by rising insecurity and political tension in almost every region raging from Niger Delta militancy to Boko Haram, Herdsmen attacks and kidnapping, among others.

The economy is currently growing at an average of 2.0% with double digit inflation rate of around 11.0%, a misery index above 50.0%, unemployment rate at 23.1% and a per capita GDP of US$1,968. The GDP and population growths of 2.0% and 3.0% respectively are in no small measures responsible for the rising poor socio-economic woes bedeviling the system. This is because by the golden rule of seventy, it will take Nigeria about 35 years to double her GDP while taking around 24 years to double the population. This is a gap of about 9 years and the reason for unprecedented poor socio-economic conditions.

Over the years, various governments have considered economic diversification as the panacea to the country's economic woes. Many regimes at the centre have seemingly championed reforms and brought forth different developmental agendas in form of economic diversification but all to no avail. Some of these reform and diversification programmes of government include Structural Adjustment Programme (SAP), NEEDS, Seven Point Agenda, Transformation Agenda, VISION 2020 and currently the Economic Recovery and Growth Plan (ERGP). Despite the huge investment in these programmes, it has always been a mirage as government in and out seems not to unravel the misery. Available statistics showed that the non-oil sector contributes about 90.0% to GDP but contributes less than 10.0% to exports earnings. But the oil sector which contributes less than 10.0% to GDP contributes about 90.0% to exports earnings and around 75.0% to revenue. Ironically, oil price is exogenously determined and this has continued to expose the economy to negative global shocks even as budgetary preparation has always depended on the assumption of oil price.

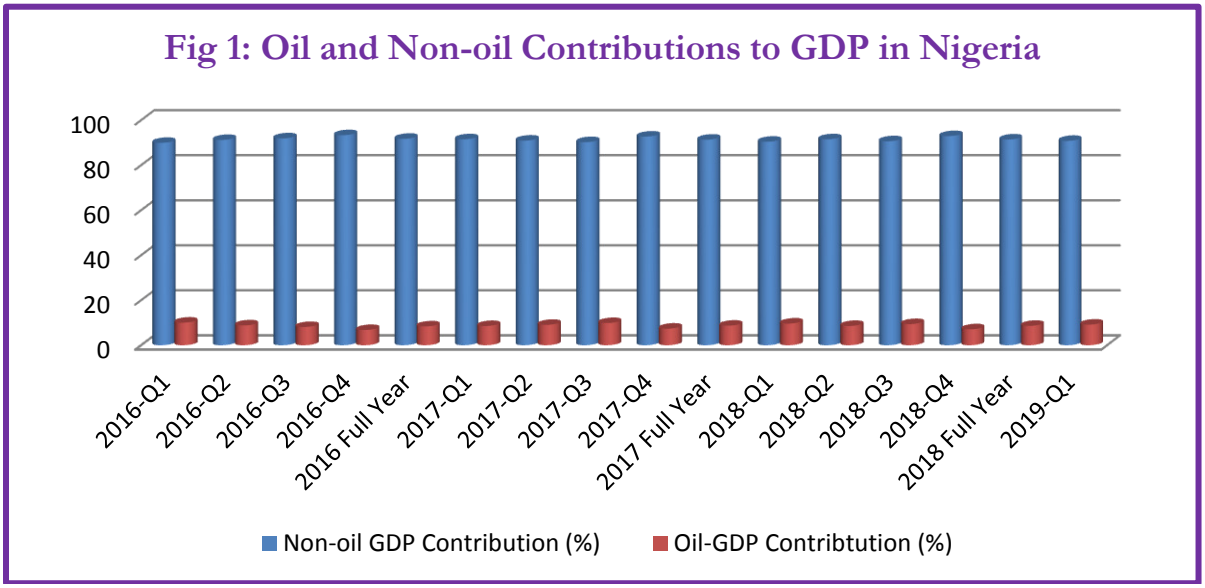
On policy response, government has been using countercyclical expansionary fiscal policy to stabilize the economy. In fact, government both at the national and sub-national levels have been running on deficits and currently the total debt of government is around ₦24.1 trillion. This is about 20.0% of GDP and a debt service-revenue ratio of about 60.0%. Despite this huge debt profile, the country is still battling with infrastructure deficit, which is around 25.0% of GDP. Now due to dwindling prices, the CBN has for a long time pursued contractionary monetary policy stance to curb inflation. Still in the spirit of contraction and stabilization of the foreign exchange market, the CBN excluded importers of certain commodities from accessing forex through the (cheaper) official window. The policy still subsists and additional commodities have been added to the list of initial 41 commodities restricted from access to forex through the official window.

Despite different policies of government, the current GDP growth rate is too sluggish to make any incursion into bulging population growth rate. In other words, various economic policies have not necessarily improved productivity and employment significantly. It is against this backdrop that we x-ray salient macroeconomic drivers of the Nigerian economy with a view to unraveling the domestic and global risks to sustainable growth, and to provide policy directions.

2. Nigeria's Macroeconomy: Some Stylized facts

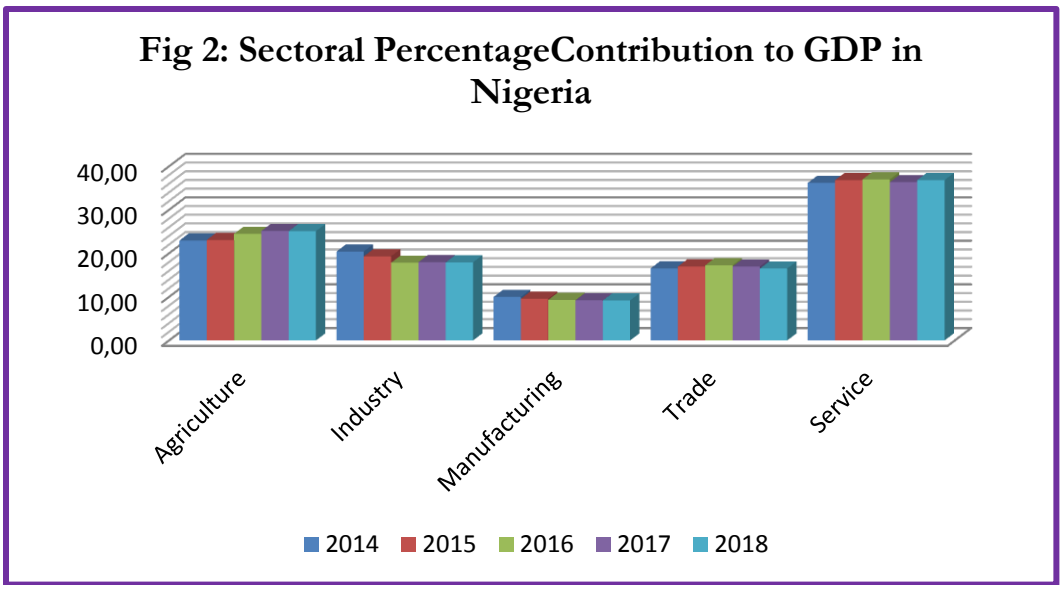
2.1 The Real Sector

There has been general concern over the years to diversify the Nigerian economy through several intervention programmes and policies targeted at boosting production in the real sector. The kernel of such intervention programmes are geared towards increasing productivity, employment generation and diversification of revenue sources to curb future exposure of the economy to global oil price shocks. Consequently, the imperativeness of the real sector of the Nigerian economy in achieving robust, sustainable and inclusive growth cannot be overemphasized.



Source: Authors Plot from NBS Statistics

A closer look at figure 1 shows that the oil sector contributes less than 10% to GDP in Nigeria as against over 90% contribution from the non-oil sector over the years. A disaggregation of the non-oil contribution as shown in figure 2 indicates that the service sector tops the non-oil contribution with about 36% followed by the Agricultural sector with a contribution of around 25%.

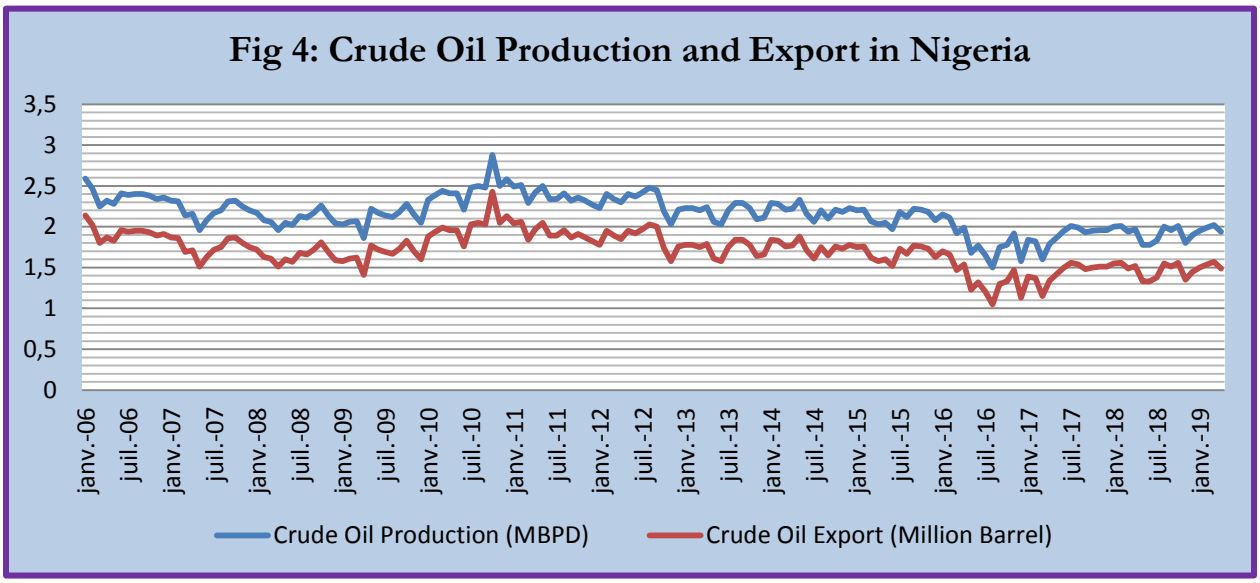


Source: Authors Plot from NBS Statistics

The figure further shows the industrial sector contributing less than 20% to the non-oil GDP with an average contribution of 17%. A further examination of the non-oil GDP shows that the manufacturing sector, which has the capacity for sustainable growth and employment generation contributes around 9% to GDP. This is at variance with known economic trend as the Nigerian economy jumped from agrarian-led economy to service-led-economy, skipping the industrial take-off to service-led. This is worrisome for Nigeria and an indication of lopsidedness for an economy where 90% of GDP comes from the non-oil sector.

Source: Authors Plot from NBS Statistics

This explains the unstable growth performance as shown in figure 3. A country with an average real GDP growth rate of about 6.0% for a decade (2010-2014), contracted into her worse recession in 1st quarter of 2016 with a real GDP growth of -0.6%. It took the country about six consecutive quarters of contracted real GDP growth till 2nd quarter of 2017 when the economy expanded by 0.72% which was informed by global demand picked up that transmitted into rising oil prices. Now, the economy on average is growing at 2.0% as against the population growth rate of about 3.0%. This explains the reason for rising misery index, alarming unemployment and poverty, rising drop out of school rate and infrastructural deficits. By the golden rule of 70, if current realities are unchanged, it will take Nigeria about 35 years to double her GDP as against 24 years to double population. This is a worrisome gap.



Source: Authors Plot from CBN Statistics

For a very long time, the discovery of oil in commercial quantity has shifted the country's focus from non-oil export to the oil sector. In fact, the national budget is significantly anchored on oil production and export. This has increased government effort to ensure stability in the Niger Delta. Figure 4 shows that oil production was on average of about 2.2 million barrel per day until around February, 2016 when production fell below 2 million barrel even though budgetary assumption has been around 2.3 million barrel per day. This also explains the decline in crude oil export as shown in the figure.

When the Nigerian economy went into recession, instead of prices to decline CPI inflation moved from single-digit to double digit worsening the standard of living of the populace as purchasing power declined substantially. This manifested in the Nigerian Labour Congress agitating for new minimum wage due to current economic fundamentals.

Table 1: Trend of Minimum Wage in Naira and Dollar Terms

Year	Exchange Rate	Minimum Wage ($)	Minimum Wage (₦)
2004	138.5	US$39.9	₦5,500
2010	156	US$116	₦18,000
2019	361	US$83.1	₦30,000

Source: CBN and NBS Websites.

The government therefore set up thetripartite committee on national minimum wage to come up with an optimum living wage but the committee after several meetings came up with the ₦18,000 minimum wage. Thereafter, the government set up the technical committee on the new minimum wage to advise government on modalities for its implementation. Table 1 presents minimum wage from 2004-2019. From table 1, the minimum wage as at 2004 was ₦5,500 which was equivalent of US$39.9. In 2010, a new call by organized labour facilitated the increase of the 2004 figure to a new minimum wage of₦18,000 representing about 227.3% and was equivalent of US$116. But,9 years after in 2019, the minimum wage is now increased by 67% to ₦30,000 which is equivalent of US$83.1. This raises the issue of whether the current wage is optimum or targeted at productivity. If minimum wage is not productivity driven, rising prices become eminent and this invariably affects growth and welfare.

2.2 Government and Public Sector

Nigeria operates under a federal system of government with three tiers of government: the federal, state and local governments. Table 2 presents federal government revenue and expenditure. The table shows that even though government budgeted expenditure in 2015 was ₦5.06 trillion, actual expenditure for the year stood at ₦4.98 trillion. But in 2016, despite the recession the federal government still increased the budget to ₦6.06 trillion with an actual spending of about ₦5.86 trillion. This expansionary fiscal trend continued with a budget of ₦7.44 trillion and ₦9.12 trillion in 2017 and 2018 respectively. By implication, the government finds it difficult to adjust her budget downward even in periods of declining revenue because the

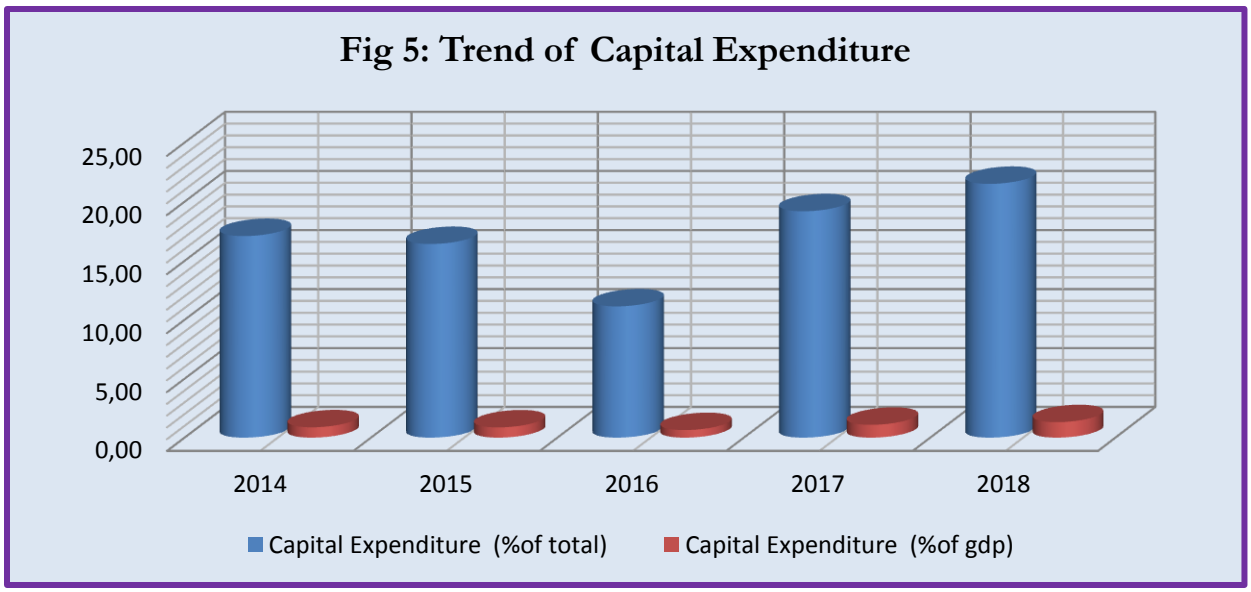
government always treats positive oil price shock as permanent and failed to save to ensure stability during periods of negative oil price shock. Hence, economic activities suffer thereby affecting growth trajectories.

Table 2: Federal Government Revenue and Expenditure for 2014-2018

Item	2014	2015	2016	2017	2018
Recurrent Expenditure (N' Trllion)	3.42	3.83	4.16	4.78	5.68
Capital Expenditure (N' Trllion)	0.783	0.818	0.653	1.24	1.68
Total Expenditure (N' Trllion)	4.58	4.98	5.86	6.46	7.81
Oil Revenue (N' Trllion)	6.79	3.83	2.69	4.11	5.55
Non-oil Revenue (N' Trllion)	3.28	3.08	2.92	3.34	4
Total Revenue (N' Trllion)	10.07	6.91	5.62	7.45	9.55

Source: Authors Plot from CBN Statistics

The above Table 2 shows that recurrent expenditure took more than 70% of total expenditure while capital expenditure took less than 30% on average over the year 2014-2018. It is also evident that oil revenue took a significant aspect of federal government total revenue except in 2015 and 2016 where there was a significant decline in oil revenue. This was due to negative oil price shock in these two years. A cursory look at federal government actual spending showed that government spending was less than 10% of GDP over the years questioning the insignificant size of government in the economy. With recurrent expenditure taking a significant size of the less than 10% government activities on GDP, the capacity of government to provide the needed infrastructures becomes a constraint. Nigeria's infrastructure to GDP ratio is currently around 25% as against that of South Africa of about 75% of GDP. This explains the high cost of production in the economy that affects production and invariably become a drag to growth.



Source: Authors Plot from CBN Statistics

Capital expenditure is a key aspect of government spending that facilitates growth and development in any economy as government ability to provide critical infrastructure depends so much on it. Figure 5 shows that capital expenditure-GDP ratio was about 0.9% in 2014/2015 but fell to 0.64% in 2016 and climbs to around 1.32%. In general, capital expenditure-GDP ratio is around 1.0% which is insignificant in the capacity of government to meet required infrastructural demand.

Table 3 presents Federal government budget process for 2008-2019. It is evident from the table that the budget was mostly presented to the NASS in December.

Table 3: Budget Presentation and Approval Circle 2008-2019

Year	Presentation at NASS	President Signed	Month Variance	Capital Spending Circle
		PDP Government		
2008	08/11/17	14/03/08	4	12/2008
2009	02/12/08	10/03/09	3	03/2010
2010	23/11/09	22/04/10	5	03/2011
2011	15/12/10	26/05/11	5	03/2012
2012	13/12/11	13/04/12	4	12/2012
2013	10/10/12	26/02/13	5	12/2013
2014	19/12/13	21/05/14	5	12/2014
2015	17/12/14	18/05/15	5	12/2015
		APC Government		
2016	22/12/15	06/05/16	5	05/2017
2017	14/12/16	12/07/17	6	06/2018
2018	07/11/17	20/06/2018	8	05/2019
2019	19/12/2018	27/05/2019	5.5	unknown

Source: Compiled from Budget Office Website

However**,** it takes between4-5 months to sign the budget into law from the date of presentation and the capital budget takes effect latest in March of the budget year from 2008-2015. But from 2016-2019, it is clear that it takes about 5-8 months to sign the budget into law from the date of presentation at the NASS. Also, there is a shift in the budget cycle as capital expenditure takes effect from May/June of the budget year. There has been concerted effort to correct this unstable budget circle to January-December but government has not been able to meet this circle. This has formed part of the reasons for abysmal performance of capital expenditure budget among others.

In fact, some of the reasons responsible for budget failure over the years in Nigeria are:

- Late approval and implementation of the budget
- Extension and dwindling Capital Budget Circle

- Institutions and mechanisms for oversight of the budgetary process cum implementation are weak.
- Plunge in Revenue
- Disharmony between the Executive and Legislative arms of the Government
- Unrealistic Budget Assumptions.
- Lack of transparency in budget processes and implementation.

Table 4 presents sub-national government finances and it is clear from the table that internally generated revenue (IGR) takes less than 20% of total revenue at the sub-national level. In fact, if Lagos State is excluded, some of the States recorded as low as less than 10% of IGR in total revenue. This questions fiscal sustainability at the sub-national level. The spending pattern at the sub-national level is not different from that of the national level. This is clear as recurrent expenditure topped the spending pattern as against the capital expenditure recording an insignificant share.

Table 4: State Governments' and Federal Capital Territory Finances (₦' Trillion)

Items	2011	2012	2013	2014	2015	2016	2017	2018
Total Revenue	3.41	3.57	3.91	3.67	2.86	2.47	2.99	3.75
(i) Federation Account	1.79	1.86	2.10	2.12	1.48	1.02	1.46	2.27
(ii) Value Added Tax	0.32	0.35	0.39	0.39	0.38	0.40	0.47	0.53
(iii) Internal Revenue	0.51	0.55	0.66	0.80	0.76	0.75	0.77	0.76
Recurrent Expenditure	2.06	1.66	1.95	2.12	2.27	2.01	2.66	3.25
Capital Expenditure	1.38	1.97	1.89	1.86	1.20	1.20	1.04	1.21
Total Expenditure	3.54	3.85	4.05	3.98	3.47	3.21	3.70	4.46
Overall Deficit (-)	-0.13	-0.27	-0.14	-0.31	-0.61	-0.74	-0.71	-0.71

Source: Compiled from CBN Statistics

It is also evident that recurrent expenditure increased continuously despite the recession period, while capital expenditure on the other hand has been on decline since 2015. Surprisingly, overall deficit over the years at the sub-national level has been widening despite the inability of the sub-national governments to pay salaries and capital expenditure has been declining. In fact, overall deficit doubled from 2015 and continued to widen. This only points to some level of leakages in the system.

Table 5 presents the country's debt situation in recent time. It is clear that the country's debt has been rising in recent times as total debt stock doubled from about ₦10.04 trillion in 2013 to ₦21.7 trillion in 2017. This shows that the country's fiscal position has worsened at all levels of government. The fiscal deficit-GDP ratio widened from -0.94% of GDP in 2014 to -3.24% of GDP in 2017 and the debt to GDP ratio has also been on a rising trend from 12.7% in 2013 to 18.2% in 2018.Though this is still below the World Bank CPIA's threshold of 56% and the WAMZ threshold of 70% but it raises two issues: (i) the possibility of a leakage since the ratio is on the increase instead of declining if borrowed funds were properly utilized (ii) the possibility of spending borrowed fund on unproductive infrastructure instead of on critical infrastructure that facilitates growth through reduced cost of production.

Table 5: Nigeria's Debt Profile

Series/Period	2017	2016	2015	2014	2013	2012	2011
External Debt (%GDP)	4.85	3.23	2.13	1.81	1.73	2.50	2.36
External Debt (% Total)	26.64	20.04	16.38	14,34	13.68	11.17	11.47
FGN Debt (%GDP)	10.54	10.36	8.93	8.79	8.97	16.10	14.94
FGN Debt (%Total)	57.95	63.7	68.56	69.47	70.88	71.79	72.61
Sub-National Debt (%GDP)	2.80	2.78	1.96	2.05	1.95	3.82	3.28
Sub-National Debt (%Total)	15.41	16.26	15.06	16.19	15.54	17.04	15.93
Total Debt (₦'Trillion)	21.7	17.3	12.6	11.2	10.04	9.1	7.7
Total Debt (%GDP)	18.2	16.4	13.02	12.7	12.7	22.4	20.6
Fiscal Balance (% GDP)	-3.24	-2.18	-1.65	-0.94	-1.44	-1.37	-1.83

Source: DMO Annual Reports

The country's tax-GDP ratio is hovering around 5% and debt service to revenue ratio or fiscal deficit to tax revenue ratio has been rising questioning issues of fiscal sustainability at all levels. The country's debt service to revenue ratio is around 60% implying constrain of 40% available revenue for infrastructural development. This calls for the need to increase domestic resource mobilization.

2.3 Financial Sector Development

The Nigerian financial sector has evolved over the years with the consolidation and post-consolidation reforms as well as the 2008/2009 global financial crisis that had a contagion effect on our financial system affecting both the capital and the money markets. In 2005, the Central

Bank of Nigeria (CBN) under Prof. Charles Soludo as the Governor required all Deposit Money Banks (DMBs) to recapitalize from the existing regulatory capital base of ₦2 billion to ₦25 billion by December, 2005 due to weak and low global competitiveness of DMBs in Nigeria to survive any negative shock and risk. This consolidation reform reduced the number of 89 DMBs to 25 through processes of merger and acquisition.

The consolidation reform therefore engendered a recapitalization process through the Nigerian Stock Exchange. The increased capitalization soon counteracted when it became obvious that most fund raised by the banks were loans obtained to buy their shares and borrowers lack capacity to pay back. Because of the borrowers' default to service their loan facilities, the banks started recording poor performance culminated in crashing value of their share. This caused liquidity constraints in the financial industry that made DMBs to borrow from the CBN's expanded discount window as lender of last resort (Phillips and Janes, 2014). The CBN therefore became aware of the frequency of several banks patronage in the discount window which prompted the proper examination of DMBs financial conditions.

The regulatory bodies, the CBN/NDIC then carried out a special audit of all DMBs in May/June, 2009 and the Audit Report revealed that 10 out of the 24 DMBs needed consistent and continued supervisory and monitoring interventions. From the report, eight (8)of the DMBs were in precarious financial condition as the banks were found to be grossly affected by sizeable volume of non-performing loans, poor risk management, and widespread malpractices with regards to corporate governance as well as substantial erosion of capital.

Table 6: Selected Financial Indicators of 10 Intervened DMBs

Details	June, 2009	Dec., 2009	Dec., 2010	Sept., 2011
Total Deposits (₦'Bn)	3,558	3,361	3,400	2,495
Total Loans (₦'Bn)	3,503	3,797	1,732	977
Non-performing Loans (₦'Bn)	1,471	2,464	609	333
Insider Loans (₦'Bn)	173	690	328	57
Recapitalization Reqd (₦'Bn)	594	1,889	1,768	1,274
Av. Capital Adequacy Ratio (%)	-26.89	-40.39	-67.26	-21.16
Non-performing loans/Total Loans (%)	41.99	64.90	35.18	40.05
Liquidity Ratio (%)	12.55	32.09	52.40	74.90
Exposure to Expanded Discount Window (₦'Bn)	329	600	600	550

Exposure to Inter-Bank Market (₦'Bn)	228	180	112	13

Source: NDIC Annual Reports

Table 6 shows the recapitalization requirement and other financial conditions of these ten (10) DMBs. The recapitalization requirement as shown increased from ₦594 billion in June, 2009 to ₦1.89 trillion in December, 2009 representing about 218% surge in six (6) months. This was attributed to capital erosion by loan loss provisioning requirements and disclosed operational losses. The Non-Performing Loans (NPLs) to Total Loans Ratio of these banks surged from 41.99% in June, 2009 to an intolerable value of 64.9% in December, 2009. The Insider loans to total loans ratio during the period also climbed from 4.9% in June to 18.17% in December, 2009 while total loans to total deposits ratio moved from 98.5% to 112.9% in the same period and this called for worry in these banks due to serious mismatch. In fact, the audit revealed that some of the banks were over exposed to the seriously dwindling Capital Market and also faced with over concentration of loans to Oil & Gas Industry.

Table 7: Merger and Acquisition of Intervened Four (4) DMBs

AQUIRED BANKS	ACQUIRING BANKS
Intercontinental Bank	ACCESS
Oceanic	ECOBANK
Finbank	FCMB
Equatorial Trust	STERLING

Source: NDIC Annual Reports

As a regulatory response, the National Assembly passed a Bill for the establishment of the Asset Management Corporation of Nigeria (AMCON) in 2010 with the mandate to purchase non-performing loans from these DMBs, recapitalize the technically bankrupt banks and boost availability of loans to the sectors that are fundamental to the economy. By February 2011, Unity and Wema Banks had fully recapitalized their banks while Intercontinental Bank, Oceanic, FinBank and Equatorial Trust Bank were acquired as shown in Table 7. By August 2011, Afribank Plc, Bank PHB Plc and Spring Bank Plc were unable tosecure merger & acquisition nor fully recapitalize. Consequently, the NDIC establish Bridge approach to bank

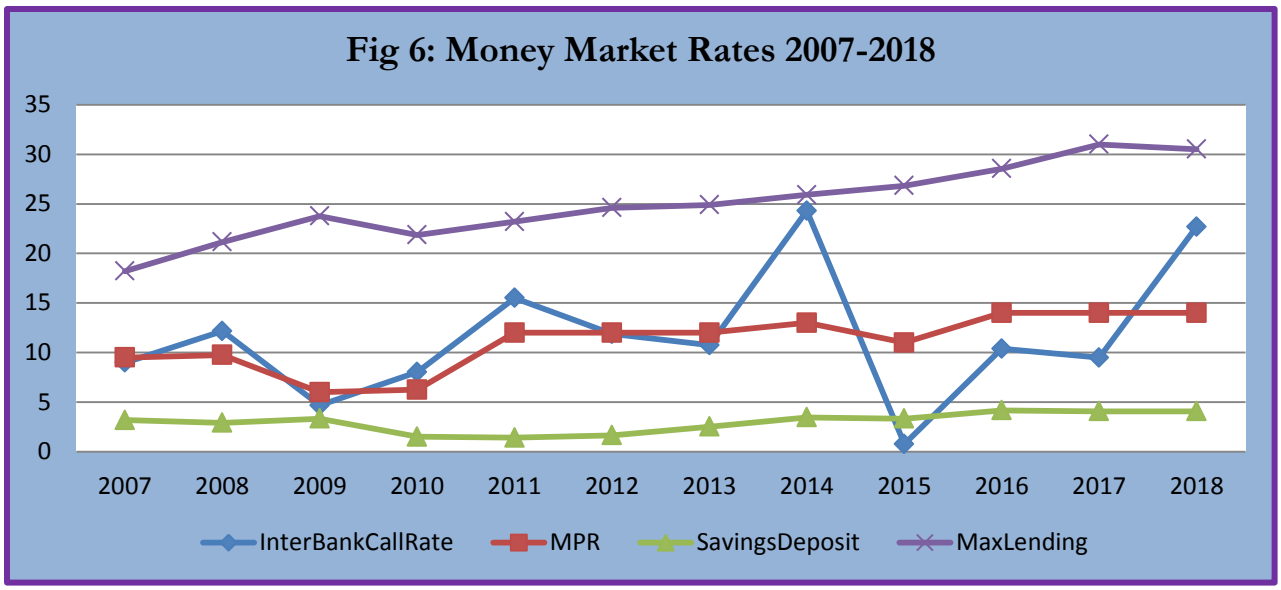
failure resolution and these three (3) DMBs were renamed as Mainstream, Keystone and Enterprise Banks.

Table 8: Money Growth in the Money Market (%)

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
Broad Money (M2)	1.32	20.64	5.82	42.30	0.59	-5.55
Net Foreign Assets	-4.26	-18.02	-20.35	61.85	69.63	18.54
Net Domestic Credit	14.47	29.84	14.52	24.27	-3.46	6.42
Credit to Government	-32.50	-145.74	281.92	68.52	-25.36	33.77
Credit to Private Sector	6.86	11.88	3.33	17.43	1.40	1.96
Net Domestic Assets	9.16	68.27	21.53	0.46	-8.95	14.26

Source: Calculated from CBN Statistics

Table 8 shows some indicators of credit growth in the money markets. It is clear from the table that money supply represented by broad money grew by 1.32% in 2013 but had s surge of about 20.64% growth in 2014. In 2015, broad money grew by just 5.82% but in 2016 experienced a surge of about 42.3% growth but maintained a lower growth rate of about 0.59% and a contraction of -5.55% in 2017 and 2018 respectively. A closer look at the table shows that net foreign assets which changes determine the evolution of foreign reserves maintained a contractionary growth from 2013-2015 but expanded by about 61.85% in 2016 and maintained a lower growth of 18.54% in 2018. But net domestic credit maintained a positive growth from 2013-2016 but contracted by -3.46% in 2017 before expanded by just 6.42% growth rate. Credit to government maintained a negative growth from 2013 till 2015 when it surged for about 281.9% and 68.52% in 2015/2016 before contracting by -25.36%. This trend is necessitated by declining government revenue that increased government domestic borrowing to meet up fiscal responsibilities having a crowding-out effect on the private sector as shown by the credit to private sector growth. The growth of credit to the private indicated a declining trend during the period. With the rising patronage of government in the domestic debt market, high cost of capital is unavoidable affecting real sector growth coupled with money market loan tenure of around 2 years.



Source: Authors Plot from CBN Statistics

Figure 6 shows the various money market rates. The figure shows a widening gap between the maximum lending rate and the savings deposit rate of about 15-26% from 2007-2018. This is because the maximum lending rate has increased from about 18.21% in 2007 to as high as about 30.52% in 2018 while the savings deposit rate has remained below 5.0% within the same period.

The alarming high lending interest rate has been a concern to stakeholders especially in the current economic situation where the real sector needs to be financed through lower user cost of capital. In fact, loan tenure has remained on average of 2 years implying that the financial sector is not capable to finance the real sector. A number of factors have constrained bringing the lending rate down and some of these drivers include:

- high cost of doing business.
- frequent government borrowings from the domestic market,
- high inherent risk in some critical sectors
- rising inflation rate.
- Sterilization Policy of CBN

Figure 6 also shows that interbank call rate has dwindled, responding to macroeconomic conditions as the rate moved from as low as 9.6% in 2007 to as high as 24.3% and 22.68% in 2014 and 2018. The CBN with the main objective of ensuring price stability has responded to price movement in the economy every two months under the Monetary Policy Committee to take

decision on the monetary policy rate (MPR). Over the years, the CBN has pursued various policy stances running from expansionary to contractionary policies to stem prices and support real sector growth. The MPR from the figure moved as low as 9.6% in 2007 to as high as 14% in 2016 when the CBN responded to rising inflation of about 18.55% in 2016 (see, Table 9) due to exposure of the economy to global commodity price shock. The CBN maintained this contractionary policy stance till early 2019 when the rate was reduced to 13.5%.

Table 9: Capital Market Capitalization

Series/Period	2017	2016	2015	2014	2013	2012	2011
CPI Inflation (%)	15.37	18.55	9.7	8.0	12.0	10.3	11.8
Equity Market Capitalization (₦'Trillion)	13.62	9.26	9.65	11.47	13.23	14.8	10.3
Bond Market Capitalization (₦'Trillion)	9.29	6.93	7.14	5.38	5.85	5.82	3.74

Source: DMO Reports

Table 9 shows that equity market capitalization has not really improved indicating an underdeveloped capital market with a GDP of about ₦128 trillion as equity market capitalization moved from about ₦10.3 trillion in 2011 to just about ₦13.62 trillion. The bond market which comprises mostly of Federal Government bond was as low as ₦3.74 trillion capitalization in 2011 but moved to around ₦9.29 trillion 2017 as a result of Federal Government frequent domestic borrowing in recent times as fiscal deficit widened. Market capitalization to GDP ratio in Nigeria is around 20.0% compared to South Africa with about 322.0% of GDP. This explains the level of private capital participation in the economy and the reason South Africa came out of recession is less than two quarters. It also explains the level of infrastructural development in South Africa with private capital involvement as infrastructure takes more than 75.0% of GDP as against that of 25.0% in Nigeria.

2.4 The External Sector

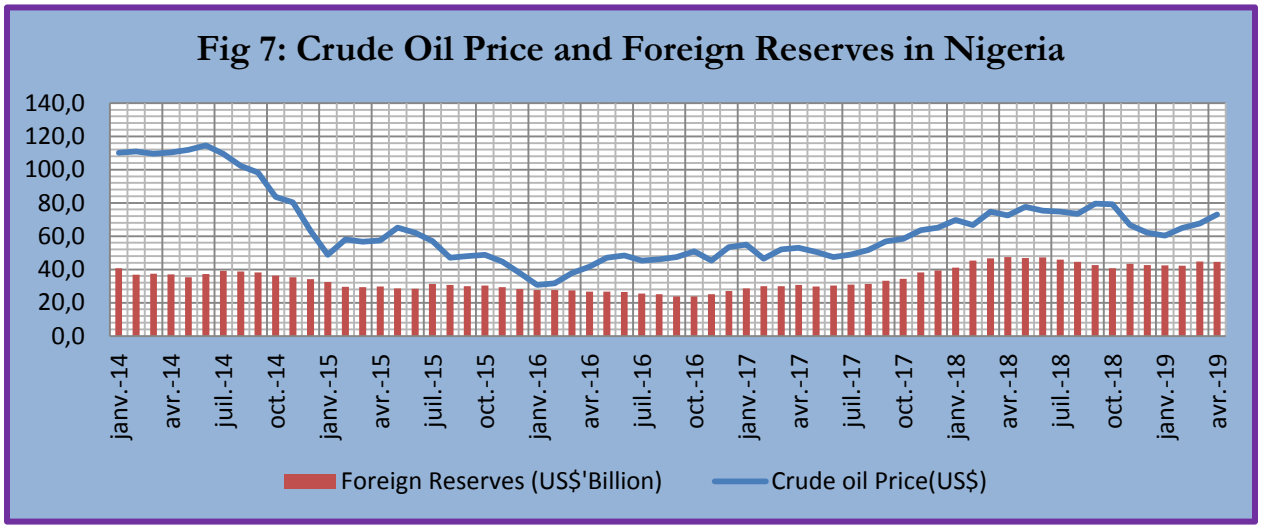
Prior to the discovery of crude oil in Nigeria, the Nigerian export sector was dominated by the non-oil sector specifically, agricultural export. However, this trend shifted with the discovery of oil in commercial quantity and the narrative seems to have come to stay. Despite several policy efforts by government over the years, the oil sector has continued to determine the country's export earnings. The irony is that the price of crude oil is exogenously determined and the country is continuously exposed to global commodity price shocks.

Table 10: Nigeria's Import and Export Situation for 2015-2018

Item	2015	2016	2017	2018
Import (₦'Trillion)	6.7	8.8	9.6	13.2
Export (₦'Trillion)	9.6	8.5	13.6	19.1
Trade Balance (₦'Trillion)	2.9	-0.29	4.04	5.9
Non-Oil Export (% of Total)	12.1	4.0	4.6	6.2
Oil Export (% of Total)	71.0	82.0	81.1	82.3

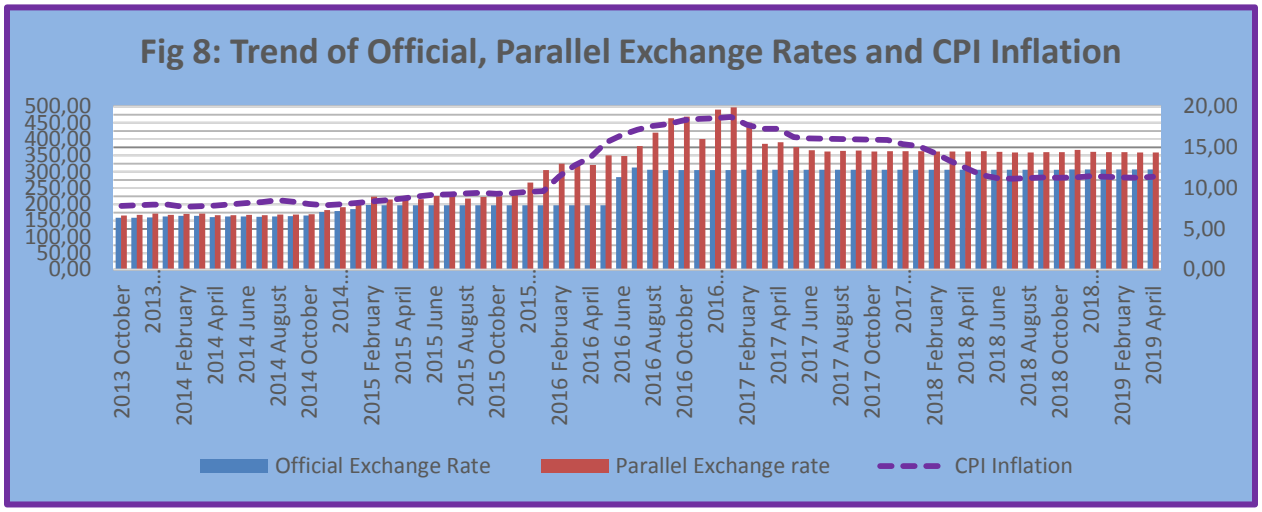
Source: Compiled from NBS Statistics

On the flip side, non-oil import has dominated the import sub-sector amounting to more than 89% of imports to the country in a country where non-oil production accounts for 90% of GDP. This portends a structural defect and explains the gravity of fragility in the economy. Non-oil sector contributes more than 90% to GDP, indicating that the oil sector contributes less than 10% to GDP but the country export sector is dominated by almost 90% from the same oil sector. This only points to a situation where the country's production is not globally competitive enough to cross her border. This provides support to the low level of the country's economic complexity or production sophistication. This questions the sophistication of our industrial production specifically the manufacturing sector which today contributes less than 10% to GDP. It is clear from table 10 that Nigeria's import has always been on an upward trend running from ₦6.7 trillion in 2015 to ₦13.2 trillion in 2018 while exports climbed from ₦9.6 trillion to ₦19.1 trillion in the same period. The country's trade balance went into a deficit or unfavourable position in 2016 to the tune of ₦0.29 trillion as a result of negative crude oil price shock.



Source: Authors Plot from CBN Statistics

This negative oil price shock as shown in figure 7 manifested in the depletion of the country's foreign reserves from around US$40.0 billion in 2014 to US$26.5 billion in 2016. And within this period, the official exchange rate remained at ₦197 which was not sustainable as foreign exchange demand outweighs the supply making foreign exchange scarcity eminent. Eregha at al. (2016) showed an overvalued misalignment of the exchange rate at this period and at the same time the country was clamouring for capital inflow amidst independent monetary policy which was at variance with the impossibility trilemma theory. The CBN also restricted 41 items from accessing the official window coupled with foreign currencies deposits restriction as policy responses. Despite the CBN policy responses, it became clear that it was not sustainable as there was widening exchange rate premium (see, figure 8) with the existence of a vibrant black market. This engendered increased macroeconomic instability as inflation doubled (see, figure 8) and government revenue declined substantially producing a twin deficit situation emanating in a rising debt profile. The aftermath effect was a worsening growth trajectory (economic recession) amidst rising prices termed stagflation even as unemployment became alarming.



Source: Authors Plot from CBN Statistics

The CBN then allowed a more flexible exchange rate by introducing the Investor and Exporter Window thereby replacing the official window with the interbank window (see, Table 11) that moved the exchange rate to ₦302/US$. This helped to bridge the widening exchange rate premium.

Table 11: Recent Exchange Rate Administration and Practices in Nigeria

Period	Exchange Rate System	Remarks
Prior to 1958	No Defined Exchange Rate Regime	No CBN so no foreign exchange policy in place
1959-1986	Fixed Exchange Rate Regime	Before SAP so foreign exchange was fixed
1986-1987	Dual Foreign Exchange Rate System: 1st& 2nd Tier Foreign Exchange Rate (SFEM)	Exchange Rate liberalized under SAP
1987	Single Foreign Exchange Rate Market	Exchange Rate Liberalized but merging of the dual system to single market
1988	Autonomous Foreign Exchange Market (AFEM)	This was to facilitate non-oil inflow
1989	Interbank Foreign Exchange Market (IFEM)	To allow interbank determined rate
1990	Retail Dutch Auction System (rDAS)	This was to curb volatility above acceptable limit of 5.0% premium
1992	Floating of the Naira	The market was fully deregulated due to internal & external imbalances
1994	Fixed Exchange Rate System	There was a temporary fixed system but it failed and the currency depreciated.
1995	Flexible Exchange Rate System	This was done with guided deregulation of the market to curb substantial depreciation & ensure efficient allocation.
1999	Re-Introduction of Interbank Exchange System (IFEM)	This was to further free up the market so as to restore stability
2002	Re-introduction of Retail Dutch Auction System (rDAS)	This is to further strengthen the naira
2006	Wholesale Dutch Auction System (wDAS)	This was to strengthen the gains of rDAS& further free up the market
2009	Re-Introduction of rDAS	This was due to the financial crisis of 2008 due to large foreign exchange outflow
2015	Closed Official Window	Due to demand and widening exchange rate premium, the CBN directed all demand to the interbank market
2017	Investors and Exporters Window	This was to ensure liquidity in the interbank market and narrow the widening premium

Source: compiled by authors from CBN (2016).

Prior to the establishment of the CBN in 1958, the nation's foreign exchange management was underdeveloped but with the CBN in place, the fixed exchange rate system existed up till the introduction of SAP where the system was liberalized. Historically, the monetary authority has introduced the fixed, flexible and a hybrid of both depending on the economic situation and objective of the government. Table11 provides a brief historical review of the various exchange rate management practices introduced in Nigeria.

The main thrust of the exchange rate management is price stability coupled with preservation of foreign reserves to defend the naira as well to ensure economic diversification and narrowing of the exchange rate premium.

3. Growth Fragility in Nigeria: Unraveling the Risk Factors

3.1 Theoretical Issues

As espoused from the Solow growth and the production models, economic growth is the accumulation of factors of production and the productivity of these factors. However, three factors have been identified in the literature as major constraints to productivity (Solow, 1956; Jones, 2008):

- Institutions and Governance
- Human Capital (Skill Knowledge/Stock)
- Technology (Innovation)

Romar (1989) developed the Long-run growth model of ideas. According to this model, new ideas or new ways of using prevailing resources is imperative to sustained long-run growth and ideas are nonrivalry which invariably results in increasing returns. Romar model stressed that resources are limited and growth sustainability depends on having better ways of converting available resources for use-new ideas. Consequently, new ideas are product of Research and Development that facilitates productivity for growth sustainability.

Conventional growth theories have continued to stress the need for physical and human capital; total factor productivity, technological innovation and knowledge creation to sustainable growth

process, a body of experts have recently recognized the increasing role of governance and institutional qualities (Kaufmann and Kraay, 2003, Avellaneda, 2006, Diop et al. 2010). In fact, Eregha (2013), Diop et al. (2010), Acemoglu et al. (2002), Easterly and Levine (2002), Alesina (1998) and Knack and Keefer (1995) are among empirical studies that provided empirical supports for strong institutions in driving sustainable growth. This is because institutional strength has the capacity to affect the incentives to innovation and accommodation of positive change.

Aschauer (1989), Barro (1991), Deverajan et al. (1996) also showed both theoretical and empirically the costs/benefits of productive and unproductive government spending to growth sustainability. According to these authors, government spending can be unproductive in hampering growth instead of facilitating growth but spending targeted at critical infrastructures portend the capacity to engender an enabling environment for private sector productivity. A recent study by IMF (2015) showed the important role of fiscal policy for long-run growth. The study stressed the need for efficient public investment, capital income tax reforms, reduction of distortions in tax system, and more equal access to quality education and health care to ensure human capital accumulation cum growth. Gemmell (2001) on the other hand, reiterated the fact that recurrent expenditure and welfare spending having weak effect on long-run growth.

Nigeria is a resource rich country but inefficient and unproductive spending has been recognized to distort oil rich countries. Consequently, five channels have been acknowledged as growth drag to oil rich countries like Nigeria. The rent-seeking channel where resource rich weakens institutions in diverting resources to unproductive use (Gelb, 1988 and Mehlum et al. 2006). The human capital channel that hinders human capital development due to resource rich (Aytac et al. 2016).The Dutch Disease channel which is sometimes seen as resource curse where resources relocate to tradeable sector (Corden, 1984 &Van Der Ploeg, 2011). The saving-investment channel that hinders saving for the future (Mehlum et al. 2006). The money-inflation and financial capital channel where financial capital is crowded-out

On the connection between fiscal policy cum domestic savings-investment link on growth and net-export, consider the national income identity for a small open economy thus:

$$Y = C + I + G + X - M \quad (1)$$

Where Y=national income, C=private consumption, I=national investment, G=government expenditure, X=exports and M=imports.

Current account is basically the difference between exports and imports or between national income and domestic residents' spending.

$$Y - (C + I + G) = NX \quad (2)$$

Equation (2) implies that current account deficit occurs when a country consumes more than it produces, hence need foreign capital. Equation (2) can be rewritten as;

$$S - I = NX \quad (3)$$

Equation (3) shows that an economy's net exports must be equal to the difference between its saving and its investment. The difference between domestic saving and domestic investment, S − I, is called **net capital outflow** (net foreign investment).

Table 12: Three Possibilities with Equation (3)

Trade Surplus	Trade Balance	Trade Deficit
Exports > Imports	Exports = Imports	Exports < Imports
Net Exports > 0	Net Exports = 0	Net Exports < 0
Y > C + I +G	Y = C + I +G	Y < C + I +G
Savings > Investment	Savings = Investment	Savings < Investment
Net Capital Outflow > 0	Net Capital Outflow =0	Net Capital Outflow <0

Source: Jones (2008)

Now, re-writing equation (1) and subtracting and adding Tax, thus:

$$Y - C - T + T - G + M - X = I \quad (4)$$

Equation (4) means that if government runs a deficit, it has to be financed from private savings or foreign savings if others options like seignorage or asset sales are not possible. This will then affect investment termed the crowding out effect.

Where, $T - G = Government\ Savings; M - X = Foreign\ Savings; Y - C - T = Private\ Savings$

The economic consequences of fiscal deficits and rising debt service-revenue ratio especially when seignorage and sale of assets are not a viable option for financing deficit in a country where domestic resources mobilization is weak, fiscal discipline is difficult and global commodity prices matter include:

- Possibility of High Inflation especially when it is monetized
- Intergenerational equity
- Crowd-out Investments.
- Debt Overhang.
- Repayment or refinancing risk.
- Current account imbalance (twin deficit).
- Exchange rate risk and foreign reserves depletion

3.2 Nigeria's Growth Risk: Internal Factors

Table 13 presents some key socio-political and economic indices of Nigeria as espoused from the 2018 global competitiveness report. Nigeria's growth over the years has been dwindling and unsustainable. This cannot be divorced from the level of institution and infrastructural qualities as espoused from the theoretical issues. A closer look at the report shows that Nigeria is ranked 124 and 127 out of 140 countries scoring 42% respectively on infrastructure and institutional qualities. On the use of ICT in tax and expenditure processes for transparency and efficiency, the country scored 26% ranking 123 out of 140 countries. This is an abysmal performance.

Table 13: Global Competitiveness Report 2018 (out of 140)

Item	Value	Rank
Institution	42	127
Infrastructure	42	124
ICT	26	123
Skills	40	124
Quality of Vocational Training	32.2	137
Skill Set of Graduates	32.1	135
Innovation Capability	31	93
Critical Thinking of Teaching	24.3	131
Digital Skill of Population	38.4	121
Financial System	44	131
Market Size	71	30
Distortion effect of Taxes and Subsidies	35.3	115
Economic stability	56	130
Organized Crime	47.5	115
Budget Transparency	38.5	110
Incident of Corruption	27	125
efficiency of clearance process	24.2	131
Global Competitiveness Index	48	115

Source: Extracted from Global Competitiveness Report (2018)

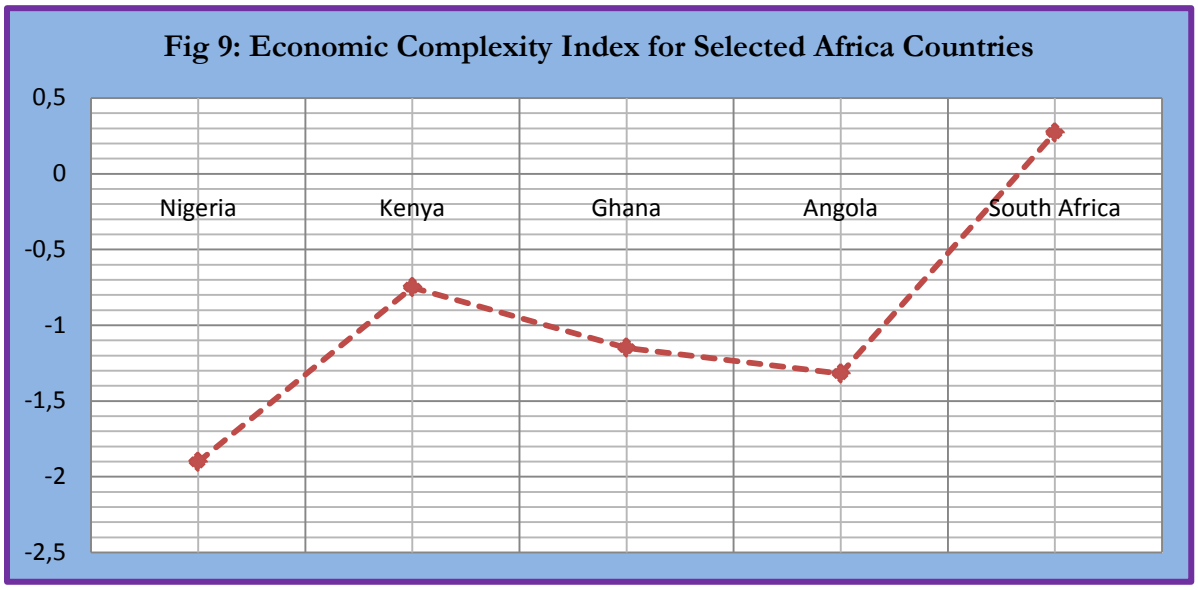
Conventional growth theories stressed the imperative role of human capital and/or skill knowledge stock of the populace because a country cannot grow beyond her knowledge stock. The table shows that Nigeria scored 40%, 32.2%, 32.1%, 31%, 24.3% and 38.4% on general skills, quality of vocational training, skill set of graduates, innovation capability, critical thinking of teaching and digital skill of the population respectively. This is far below the average score of 50% in all of these measures of human skill stock. Nigeria performed better only in market size and economic stability. On market size, the determining factor is the country's population and huge nominal GDP while on economic stability; recent rising oil price has helped to stabilize government fiscal position in facilitating external stability and improving foreign reserves. This in turn helps to ensure stability in the foreign exchange market. The Economic Growth and Recovery Plan (ERGP) 2017-2020 has three broad objectives which are not different from the NEEDS or Transformation Agenda or Seven Point Agenda. This shows that government policies and programmes over the years have not been able to tackle the main economic woes. The three broad objectives of ERGP are:

- Restore growth through macroeconomic stability and economic diversification.

- Build a globally competitive economy through investment in infrastructure, improve business environment and promote digital-led growth.
- Invest in the Nigerian people through programmes on social inclusion, job creation, youth empowerment and improved human capital.

From the statistics provided in table 12 and other available statistics as discussed, it is clear that except growth restoration which is still fragile, none of the broad objectives have been realized and 2020 is just around the corner. It very obvious that a number of factors account for growth drag and Nigeria is still struggling with these factors. On organized crime rate, Nigeria is rated 47.5%, while on budget transparency, incident of corrupt, efficiency of clearance process the country performed woefully as well scoring 38.5%, 27%, 27% respectively. On global competiveness of the country, Nigeria is ranked 115 out of 140 countries scoring 48% as against the rank of 112 in 2017.

Hausmann and Hidalgo (2011) and Hidalgo and Hausmann (2009) developed the Atlas of Economic Complexity as a key metric of trade, growth and economic transformation. According to these authors, it is a superior predictor of future growth as countries production sophistication; export sector sophistication and diversification are captured by the economic complexity index. Figure 9 presents economic complexity index for selected Africa countries.



Source: Authors Plot from Atlas of Economic Complexity (Hausmanand Hidalgo, 2011)

It is clear from the figure that Nigeria performed woefully in economic complexity with an index of -1.903 even though in terms of export value the country is leading among these countries but in the area of production sophistication, export sector sophistication and diversification, Nigeria is far behind. This further supports why non-oil sector contributes around 90% to GDP but takes less than 10% of the country's export sector implying weak production sophistication in making our products competitive enough to cross the country's boarder.

Table 14: HDI and Life Expectancy in Selected African Countries in 2017

Item	Nigeria	Kenya	Ghana	Angola	South Africa
Life Expectancy at Brith	53.9	67.3	63	61.8	63.4
Human Development Index	0.532	0.59	0.592	0.581	0.699
Rank (out of 189)	156	143	140	145	111

Source: UNDP Report, 2017

Table 14 presents another statistics from the UNDP human capital development report for selected African countries. For a rank of 189 countries, Nigeria is ranked 156 in 2017 with an index of 0.532 below Kenyan, Ghana, Angola and South Africa. Human capital development is a key factor for growth especially productivity is determined by skill stock. Human capital is determined by a country's education and health care system. This also reflects in the life expectancy at birth as the country still ranked low compared to other Africa countries. Nigeria's life expectancy at birth is 53.9 years by this report. This questions the country's health care system, a key component of human capital development.

Today Nigeria is bedeviled with rising insecurity (conflicts, kidnapping) and despite government continued efforts, the results seem to be insignificant over the years. Theoretically, Collier (1999) and Collier and Hoeffler, (1999, 2000) have identified Justice-Seeking and Loot-Seeking as reasons for conflicts but later revised them to be termed Greed and Grievances. It is well established that insecurity and rising conflict incapacitate growth and development through the following:

- reduction in human capital.
- loss to GDP and growth rate.
- reduction in tax revenue.
- narrowing external balance and budget deficit due to rising defense spending.

- loss of educational and health care opportunity
- internal displacement.
- loss of lives/properties.

While economic factors such as unemployment and poverty have been identified as the root cause of rising insecurity and conflicts, institutional qualities and governance are key to either curbing or fueling insecurity in fragile states. Strong institutions help to ensure peace and stability as well as manage resources efficiently to enhance the business environment which consequently boost investment and productivity for enhanced growth. Institution and human capital granger causes each other for growth. Strong institution enhances quality human capital while human capital also helps to build strong institutions. Growth and institutions also granger causes each other as there is a level of growth that can ensure strong institution just like strong institutions are sine-quo-non to growth sustainability.

Table 15: Institutional Quality in Nigeria

Year	Control of Corruption	Government Effectiveness	Political Stability	Regulatory Quality	Rule of Law	Voice and Accountability
2014	-1.28	-1.19	-2.13	-0.82	-1.05	-0.59
2015	-1.08	-0.96	-1.93	-0.85	-0.96	-0.37
2016	-1.03	-1.09	-1.88	-0.92	-1.02	-0.31
2017	-1.07	-0.96	-1.94	-0.89	-0.87	-0.34

Source: WDI Statistics

Kaufmann et al. (2010) constructed measures of institution and governance for countries to include control of corruption, government effectiveness (which also measure the competence of the government), political stability (a measure of political situation and processes), regulatory quality, rule of law (measures the supremacy of the law, government adherence to court orders), voice and accountability (measuring citizen's freedom of speech and the level at which the government is accountable to the people). When public policies are designed to benefit a few private individuals, institutions are termed as weak where few elites benefit from governance. Acemoglu et al. (2005) opined that weak institutions fuel poor economic performance through poor macroeconomic policies, weak enforcement of property and intellectual rights, rising debt and budget deficit, fragile growth and inflation. When a country is faced with rising insecurity, the quality of institution and effectiveness of governance matter in either combating or fueling insecurity beyond the fact that they can also be the root cause of it. In such situation, Crime of

Calculation is eminent where the gain from corruption outweighs the punishment if caught. This kills productivity and invariably undermines growth. Table 15 presents Kaufmann et al. (2010) measures of institution and governance for Nigeria. The index ranges from -2.5 (weak institution) to +2.5 (strong institution). The table shows that Nigeria has always performed dismally over the years in the six indicators of institution and governance. The political process is key to ensuring stability in the system and Nigeria political process has always been marred by violence which reflects generally in the system post-election. Instead of ideology driven political process, our system is breeding militant boys for the process with illicit control of sophisticated ammunitions. Saha and Yap (2013) opined that poor governance and weak institution provides an avenue for political instability to breed terrorist attacks.

In fact, one common threat to Nigeria's political process is state capture by the elites making even distribution of resources a mirage as these few individuals determine the selection of candidate for political positions. This does not only undermine the country's political institutions but also undermine inclusive and sustainable growth. State capture is at the expense of the people's choice incapacitating accountability to the people. State capture also breeds political recycling and detrimental political carpet-crossing that undermine socio-economic and political system.

3.3 Nigeria's Growth Risk: Some Global Concerns

Nigeria economy is not well diversified as discussed above either in terms of production or export earning as the country depends so much on oil exports or revenue for financing fiscal operations. This has always exposed the country to exogenous global commodity price shock due to uncertainties in the global environment affecting global demand. Table 16 shows some recent global risk to Nigeria's growth. The country went into recession because global demand dwindled affecting global commodity prices that transmitted into widening deficit fiscal position. Currently,the uncertainties surrounding the Brexit deal is a phenomenon growth threat to Nigeria as the country belongs to the Common Wealth of Nations and negative outcome from this scenario has the tendency to impact on the country's economic activities.

Table 16: Global Socio-Political Risk

S/N	Issue	Country	Remarks
1	Brexit Deal	UK	No Deal Uncertainty
2	Trade War	US-China	Rising Trade Tension and threat to global growth
3	Volatile Oil Prices	World Demand	Likelihood Downward Trend

Source: Authors Compilation

Nigeria budgetary preparation is assumed to rely on global oil price that is exogenous and currently the price is a bit stable due to OPEC output cuts but this is not sustainable as it is more artificial. The 2019 budget oil price assumption is US$60 per barrel and currently oil price is trending below it. This is detrimental to the country's fiscal position. Hence, a volatile oil price is worrisome to Nigeria's growth trajectory. Most important among the current global issues is the USA-China trade tension. These countries account for 34% of global output and mean a lot to global demand. With global growth recovery still very fragile, it implies that commodity prices might be affected via global demand channel. Currently, China has so much presence in Nigeria and any adverse effect on China will affect China's ability to fund materials imports from Nigeria and as well making debt payment obligations and investment decisions to be vulnerable.

Table 17: Selected Region/Countries Growth Rates.

Country/Region	2017	2018	2019	2020
World	3.8	3.6	3.2	3.5
Advanced Economies	2.4	2.2	1.9	1.7
EuroArea	2.4	1.9	1.3	1.6
SSA	2.9	3.1	3.4	3.6
USA	2.2	2.9	2.6	1.9
UK	1.8	1.4	1.3	1.4
China	6.8	6.6	6.2	6.0
India	7.2	6.8	7.00	7.2
Brazil	1.1	1.1	0.8	2.4
South Africa	1.4	0.8	0.7	1.1

Source: UNCTAD Statistics

China growth is declining already as shown in Table 17. With Global GDP still around 3.2% and advanced countries growth ranging around 2.6% or less as shown in Table 17, Nigeria's continued external dependency is disastrous to current growth expectation. With South Africa and Nigeria being the biggest economies in Sub-Saharan Africa (SSA) countries, growth in SSA is still fragile as these two economies are still fragile due to commodity price shock. South Africa and Nigeria growth rates are currently less than 2.0%.

4.0 Repositioning Nigeria for Growth and Prosperity

With the present economic realities and institutional cum structural imbalances as discussed, there is need for deliberate and concerted effort towards repositioning Nigeria for sustainable growth and prosperity. We therefore urge both the national and sub-national governments to focus on the following if Nigeria must be put on the path of sustainable growth.

With the exposure of the economy to exogenous shock through oil revenue, there is need for domestic resource mobilization in the area improving substantial non-oil revenue. Hence, government at all levels should embrace and adopt a technologically driven tax collection model for efficiency, block leakages and integrate the informal sector. This should be done by keeping track through the ICT process all sources of tax collections in the country. The model should allow tax payers through a transparent process make payment and generation of tax clearance on their own by a USSD code or through the website. This model should make all payable taxes transparent to all so as to eliminate illegal multiple tax collection.

We have found out that even in periods of recession, governments at all levels run expansionary fiscal policy with huge deficit amounting to sometimes 3.0% of GDP. This was rampant at the sub-national level where capital expenditure was declining but deficit was widening. Hence, a concerted effort is required in the area of fiscal discipline. Government treats positive oil price shock as permanent shock and finds it difficult to adjust spending even in periods of negative shock. Consequently, this should not be the case going forward. There is need for a transparent fiscal rule for Nigeria Sovereign Wealth Fund that sets a fixed rule of how excess crude wealth is remitted on consistent basis.

It was also clear that the country has performed abysmally in the area of institution and strong institutions are imperative for driving productivity. In fact, strong institutions can help to reverse

resource curse and develop human capital. So, the need for building strong institutions through improvement in the regulatory environment, rule of law, and adherence to court orders, speedy court processes, voice and accountability that allows freedom of speech and accountability to the citizens. Also, there is urgent need for the elimination of state capture through a free and fair and independent electoral process. A political process without any form of interference and a system that is ideology based instead of the use of tugs and ammunitions.

Growth and stability are macroeconomic objectives that can only be achieved with proper implementation of the right combination of macroeconomic policies. Any policy somersault has detrimental effect on the economy. Consequently, there is need for policy synergy between the monetary and fiscal authorities for targeted macroeconomic objectives. This can better be achieved with a macroeconomic model framework where scenarios of policies can be tested before their introduction for proper effectiveness.

Small and Medium Enterprises (SMEs) have been recognized as a path to industrial development and sustainable job creation. Most times, government often thinks that the major constraint to SMEs development is finance. SMEs operate in the informal sector and their main problem is lack of required skill, poor business model and lack of innovation. The main source of skill/technical capacity development to SMEs is vocational and technical education that is today relegated to nothing. Even, polytechnics, University of Agriculture and Universities of Science and Engineering are now running courses in social and management sciences deviating from their original focus. Hence, the need to review, redesign and revive the technical and vocational education to develop industrial relevant human capital. We also need to partner with China and other countries to train our youths in the areas of technical/vocational education, coding and App development, software development, Fashion design and others. We then set up industrial hub for different areas as they return.

The sub-national tiers of government are not competitive in baking the national cake instead the current system is promoting more of sharing the national cake. This promotes more of rent seeking and weakens our institutions especially political institutions that produce the wrong candidates for elective purpose hampering productivity. This is because the current revenue sharing formula discourages competiveness among states to bake the national cake. Hence, if the country is to be repositioned for productivity and sustainable growth, the need for current

revenue sharing formula that allows state control of their resources with a percentage paid to the federal. This will reduce the items on the exclusive list and reposition the states to be competitive in baking the national cake instead of the current state of sharing that breeds mediocrity.

No country grows more than her level of skill and knowledge. Human capital development is a major facilitator for innovation and productivity but it is also a main driver of strong institutions and sustainable growth. It was clear from the statistics discussed that the country is far behind in the area of human capital development. Human capital development through proper focus on education and health with a view to making education to help the learners discover, develop and deploy their abilities. Human capital is an inexhaustible resource for driving growth and education and health are the foundation of human capital development and economic inclusion. With the current revenue challenge, government should focus only on basic education and health care system to global standard. Education at higher level is a luxury good and those who demand for it must pay to ensure global standard. This is to make our higher education to compete among themselves and they are rated based on the employability of their products. Government should only provide grant to them based on societal relevant research and innovative technology developed. This will reposition the higher level education to contribute effectively to growth and development as against the current insignificant level. Education is a driver of innovation through research and development. And innovation facilitates productivity that engenders growth.

With government contribution amounting to less than 10.0% of GDP indicating that government is challenged and the current system where all infrastructures are financed and managed by government is not sustainable. Also, it will be extremely difficult to put the country on the path of sustainable growth. This is because government does not have the capacity to maintain and manage globally critical infrastructures especially with the rent seeking tendencies. Besides, government borrowing is rising and detrimental and the equity market portends opportunity for long-term capital for financing critical and integrated infrastructures. We therefore recommend securitization of government assets to reduce the burden of borrowing and reposition for growth. Securitization of asset allows private financing of revenue generating critical infrastructures for quality and efficiency. This will help government to divert scarce resources to basic and socially necessitated infrastructures.

Land and housing are major sources of collateral in accessing fund to finance the real sector and also an avenue for revenue generation. Today, the process for certificate of ownership is not transparent and tedious. It is also very difficult to confirm and verify the ownership of land and housing in this digital age. Hence, it becomes an avenue for laundering corrupt proceeds. Hence, government should adopt an ICT driven process for accessibility, efficiency and transparency in the value chain of land and housing ownership to curb corruption, generate revenue and ensure verifiable collateral for financing the real sector.

Today, there is high level of division and the promotion of regional cum religion interests above the national interest. This has called for various restructuring school of thoughts that are also selfishly oriented. This is not surprising because there is no national vision or philosophy driving the activities of the country. In fact, the country Nigeria has no solid foundation of national vision or philosophy. It is therefore imperative for the need to develop a national vision and philosophy that guides every activity such as the constitution, the political processes and the economy. This vision should then be inculcated into every aspect of the Nigeria state through a rebranding process by the National Orientation Agency.

With the rising debt profile and recurrent expenditure that can hinder domestic production and growth, petrol subsidy is not an effective policy stance especially in a country with high corrupt practices. Therefore, petrol subsidy removal is a sine-quo-non if the country is set to change the current realities and reposition for growth. Fuel subsidy on import only facilitates production abroad at the expense of the country. Petrol subsidy only fertilizes rent seeking and further weakens institution. The subsidy proceeds can be put to better use by financing critical infrastructures.

5. Concluding Remarks

With the fragile growth trajectory as discussed arising from undiversified economic structure, weak institutions, poor governance, rising and possible unsustainable debt level, poor skill/technical knowledge and exposure to global shock, the country needs to take concerted efforts to change the current realities. This is in a bit to making the country globally competitive and attracts more investment both domestically and globally.

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