

5 Recommendations for Nigeria's Resilient Economic Recovery and Post COVID-19 Development Financing

Authored by :
Kwaji Ngida

The onset of the COVID-19 pandemic and the resulting drop in commodity prices greatly affected Nigeria's economy. A series of macro-economic challenges followed, including a significant rise in inflation, a waning balance of payment position due to the drop in foreign exchange inflows from the sale of crude oil and Foreign Portfolio Investment, and a significant decline in government revenues. As a result, the Nigerian economy fell into a recession in the 3rd Quarter of 2020.

Accommodative monetary and fiscal measures taken by the government and relaxation of containment measures and improvements in the crude oil price helped bring the Nigerian economy out of the recession in the 4th Quarter of 2020. Nevertheless, GDP growth remained below pre-pandemic levels in 2019, and the population growth rate continues to exceed growth in the economy, which is likely to present socio-economic challenges in the future. For the economy to experience faster growth, there is an urgent need for the government to implement critical macroeconomic policies to set its economy on a pathway towards higher growth rates.

The Federal Government should consider the following recommendations to drive improved economic productivity and hasten its economic diversification efforts.

- 1. Agricultural policies and investments:** The agricultural sector has proven to be a resilient and progressive sector over time, and it continued to support the economy's growth during the pandemic. However, average farmer productivity levels remain low relative to their peers in countries like Kenya. In addition to improving access to funding for farmers, the government should also prioritize high yield seeds to farmers to boost agricultural productivity. Secondly, measures should be taken to boost irrigation facilities' availability to aid all-year-round farming in Nigeria. These two measures would increase crop production in Nigeria and help curtail low agricultural productivity, a significant reason for the country's high prevalence and persistence of high food inflation.

2. **Information and Communication Technology:** With the recent development and growth of the ICT sector, the federal government should leverage the ability of the ICT to support growth and job creation in Nigeria. A report by World Economic Forum shows that a 10% digitization increase of a country would result in a 0.75% increase in GDP per capita with a 1.02% drop in the unemployment rate. The pandemic has accelerated the pace of digitization globally. Better enabling conditions for remote work to support activities in other parts of the globe could help improve skills transfer, job creation, and improved forex inflows from the export of ICT enabled services in Nigeria.
3. **Access to Credit:** The monetary authority should review and maintain policies to boost access to credit. These measures include providing credit bureaus with more data to assess the creditworthiness of borrowers and driving financial inclusion to enable financial institutions to mobilize more deposits. This would increase the availability of funds available for lending, and banks will be more aware of borrowers likely to default. It would also reduce the cost of borrowing by manufacturers in the country. Currently, Nigeria has one of the highest lending rates in sub-Saharan Africa, pegged at a double-digit of 11.5%, compared to Kenya, Ethiopia, Namibia, whose MPR is pegged at single-digit rates.
4. **Access to Forex:** The apex bank should support policy measures to increase forex supply into the country. Accessing new channels such as diaspora remittances and export of ICT enabled services from Nigeria could help in addressing the challenge around accessibility and affordability of forex.
5. **Tackle Insecurity:** The federal government should address the insecurity challenges in the northern and eastern parts of the country, which has constrained investments in agriculture, mining, and other resilient sectors. This would attract both domestic and foreign investors to leverage the potential in these sectors with robust prospects.



**ADVISORY | GOVERNMENT RELATIONS |
REGULATORY AFFAIRS | INVESTMENT FACILITATION |
POLICY ADVOCACY**

ACIOE Associates is an advisory services firm providing solutions in Strategy, Government Relations, Regulatory Affairs, Economic Development, Advocacy, Investment Facilitation, and Policy Analysis.

Our team provides advisory services on critical sectors, including Health, Agriculture, Social Impact, and Government relations.

We have supported governments (Federal and Subnational), development partners, and organizations around sustainable solutions to the challenging economic, political, and development issues within the countries we operate.

FOR MORE INFO VISIT

www.acioe.com

contactus@acioe.com