

ECONOMIC RECESSION AND THE FUTURE OF NIGERIAN ECONOMY: ISSUES, CHALLENGES AND PROSPECTS



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A LEAD PAPER PRESENTED AT THE NATIONAL STRATEGIC ECONOMIC
DEVELOPMENT CONFERENCE

HELD AT UNIVERSITY OF ABUJA, NIGERIA

24th - 25th MAY, 2017

a conference organized by the

INTERNATIONAL INSTITUTE FOR POLICY REVIEW & DEVELOPMENT
STRATEGIES

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1. Introduction

Unarguably, the centrality of the economy to human existence cannot be overemphasized. This is because, the material existence of man is a function of how he relates with his immediate environment and evolve adaptation forms for his comfort. In modern times and even in the distant past, the state has been standing as a platform for availing man this basic material needs, wants and desires. When the state through her formal institutions fail to perform this role, it is bound to retrogress and experience some level of reduction in overall economic activities exemplified in unemployment, decrease in standard of living, poverty, inequality, double-digit inflation amongst others. Hence, the collective effort of the individuals, groups and institutions in the state can aid the stability of the human society.

It is however apt to argue that it has not been rosy for states all over the globe whenever economic development comes to mind. States have often been challenged with the core mandate of achieving its central purpose which borders on political, cultural, physical, social and economic security of lives and property. Whether in capitalist or social; liberal or radical; open or close; democratic or reactionary states, the states' ability to deliver the goods of governance to her citizenry depends on its ability to manage and control the human and material resources within its confine. The resultant effect of the inability to do this is general economic retrogression.

With the above in mind, contextual analysis of global history would showcase a world that has in the past recorded two major economic depressions that sent shockwaves through almost all the countries of the world. These occurred between 1910 and 1930s. The latter was referred to as the “Great Economic Depression” (Dode, 2012). This though is not synonymous with economic recessions, which negatively impacts on national economies in lesser proportions than economic depressions.

It is equally noteworthy that recessions occur more frequently than depressions. This economic experience (recession) which nations and indeed leaders alike dread so much (which though analysts argue is a cyclical occurrence), was to be experienced in recent times (2007-2009). Economic analysts, depending on available economic indicators began to warn of an impending recession in the economies of the world from middle 2007 (Dode, 2012). These pointed at a number of predictive factors or indicators which were highlighted by these analysts.

It will suffice to state that by the last quarter of 2008, the reality of an economic recession had dawned on the economies of the world. International, multinational and local industries, firms, factories and companies had begun to feel the harsh economic environment and began to draw up equally harsh measures aimed at tackling the problems posed by the world economic down turn.

Some of these measures included staff rationalization, cut in the daily hours put into paid employment, temporary shut downs, and in some cases, outright shutting down of firms. These measures sent shock waves across the globe, especially beginning with the United States of America from where the entire problem emanated. This trend no doubt affected

several developing countries which out of material necessities depended on the West for their general economic progression. Although, some who had diversified economic base could contain the shock when interventions were resorted to, developing countries like Nigeria who solely rely on one major source of revenue would later experience some shortfalls exemplified in FOREX down-falls and general reductions in economic activities due to global oil glut.

However, the intervention measures taken by countries to alleviate or cushion the effects of the global economic meltdown on their citizens, to a large extent, have been practiced by advanced western economies and some member countries of the Asian Tigers. It must be observed that in Africa in general and Nigeria in particular, little or no intervention measures were put in place to tackle these global economic problems, with the understanding that in the contemporary world, no country is insulated from the goings-on in other sections of the globe. The reason for this largely lack-lustre attitude of African countries to this global problem, vary from one country to the other (Dode, 2012).

Meanwhile, the economic recession being witnessed by Nigeria in recent times, stems from the turmoil in global commodity markets, witnessed in the second half of 2014 which brought their full weight to bear on the Nigerian economy in 2015. Oil prices fell 66.8% from \$114/barrel recorded in June 2014, to \$38.0 by December 2015. Prices fell even further in 2016, to \$32.6 as at 3rd February, 2016. Beyond commodity markets, recent developments in the global economy created a trifecta of headwinds that the nation has to contend with (NBS, 2017).

Nigeria Bureau of Statistics (2017) went further to amplify the cause of this trend by affirming that the return of Iran to the global economy implies substantially larger crude oil supplies are to hit the global market in the near term, and thus the current consensus that oil prices are likely to remain “lower of longer”. The issue of lower commodity prices has been further compounded by the United States Federal Reserve (FED) raising key interest rates, after several years of a very accommodative monetary policy as a result of the global recession which began circa 2008. In December 2015, the FED raised the Federal Funds Rate by a quarter-point. Furthermore, the economy of the Euro Area, a key importer of Nigerian exports is still on the mend. According to recent statistics from the European Commission the Euro Area is expected to grow by 2.0% in 2016, up from 1.9% in 2015.

Accordingly, the government had used the 2016 budget as an opportunity to reset and redirect the macroeconomic dynamics of the country. The attempt to consolidate expenditure using the Treasury Single Account to plug leakages (even if this is only at the federal level) is a welcome first step. It was expected that the proposed 1.6 trillion which was invested in capital projects and other initiatives in particular in Power, Works and Housing were likely to bode well for the economy (NBS, 2017). In addition, the establishment of the Efficiency Unit to identify and surgically eliminate inefficiencies without hampering productivity is also another development (EU, 2016).

2. Conceptual Clarifications:

2.1. Global Economic Recession

This refers to a period when the world's economy begins to experience a downward trend. To Biafore (2009), recession refers to a “slowing in economic growth”. The period in view showcases a world economy where jobs are lost in their numbers, much money chase few goods and currencies are largely devalued, among other harsh economic indices. It is in the light of these realities that Igwe (2005) has observed that recession refers to:

A backward march, or reversal, of the economy over a relatively long term, believed by some economists to be part of a regular cyclical phenomenon of decline which must inevitably follow some periods of sustained growth or “over-heating”. There is no scientific basis for the cyclical theory of Recession, for such a theory must equally embrace a Recession in other spheres of existence, including the individual, family, group, as well as national and international. Recessions are an unavoidable crisis of any imperfect or unjust economic systems, such as the variants of capitalism, including unequal competitions, rivalries and mutual struggles, often develop a negative character, one of whose many consequences can be a Recession.

In economic studies, “recession is referred to as a general slowdown in economic activity over a sustained period of time, or a business cycle contraction” (<http://www.merriam-webster.com/dictionary/recession>). Economists thus argue seriously that during recessions, many macroeconomic indicators vary in a similar way. Hence, production as measured by Gross Domestic Product (GDP), employment, investment spending, capacity utilization, household incomes and business profits all fall during recessions.

On the effects of recession on the state of a nation's economy, Biafore (2009) notes that while compounding the problem of the economy, “recessions lead to lower interest rates on savings because the Federal Reserve Board cuts the federal funds rate to boost the economy. Worse yet, layoffs are common during recession”. This aspect of course explains the massive retrenchment of bank workers in Nigeria recently. On the predictability or timing of the occurrence (of recessions), scholars are not fully agreed on whether it is predictable or not.

To Biafore (2009) “the problem is, recessions are difficult to recognize when they arrive and almost impossible to predict. In fact, it takes a while, sometimes a long while, to find out that a recession has already began”. During the 2007- 2009 recession though, economists identified a number of possible predictors before the world economy went fully slow. These predictors included a staggering fall in the mortgage market, a significant stock market (investment) drop, with that of Nigeria almost gone comatose, inverted yield curve and three-month change in the unemployment rate and initial jobless claims, among others.

3. Mono-Product Economy

A clear understanding of the word economy would make for a better understanding of the major subject matter of this paper which is on economic recession. Igwe (2005) has

observed strongly that the economy refers to “the system of production and production relations peculiar to a society, characterized in each epoch by identifiable means and modes of production”. The economy thus refers to the chain (web) of economic activities that keep the economic life of man in a particular society, revolving. It is worthy of note that the economies of nations have moved from one economic type (relationship) to another, over generations.

In this vein, the world has recorded periods when economies revolved around the post-wandering bands primitive-communal system, slave-owning societies of slavery and serfdom, to the feudal system. The latter gave way to a system based on trade by barter; mercantilism and then capitalism (Igwe, 2005). A mono-product economy, from the foregoing, implies an economic system that is essentially based on the existence of only one major economic product; depended upon for the economic sustenance of that economy (Dode, 2012). The implication is that the economic life of that economy revolves around the existence, relevance and currency of that product. That economy remains a potentially buoyant one only if such product does fine in the international market. The reverse though would be the case, if it's showing at that level is poor.

Nigeria has the potential to become a major player in the global economy by virtue of its human and natural resource endowments. However, this potential has remained relatively untapped over the years. After a shift from agriculture to crude oil and gas in the late 1960s, Nigeria's growth has continued to be driven by consumption and high oil prices. Previous economic policies left the country ill-prepared for the recent collapse of crude oil prices and production. The structure of the economy remains highly import dependent, consumption driven and undiversified. Oil accounts for more than 95 per cent of exports and foreign exchange earnings while the manufacturing sector accounts for less than one percent of total exports.

The high growth recorded during 2011-2015, which averaged 4.8 per cent per annum mainly driven by higher oil prices, was largely non-inclusive. Majority of Nigerians remain under the burden of poverty, inequality and unemployment. General economic performance was also seriously undermined by deplorable infrastructure, corruption and mismanagement of public finances. Decades of consumption and high oil price-driven growth led to an economy with a positive but jobless growth trajectory.

After more than a decade of economic growth, the sharp and continuous decline in crude oil prices since mid-2014, along with a failure to diversify the sources of revenue and foreign exchange in the economy, led to a recession in the second quarter of 2016. The challenges in the oil sector, including sabotage of oil export terminals in the Niger Delta, negatively impacted government revenue and export earnings, as well as the fiscal capacity to prevent the economy from contracting. The capacity of government spending was equally constrained by lack of fiscal buffers to absorb the shock, as well as leakages of public resources due to corruption and inefficient spending in the recent past.

The current administration recognizes that the economy is likely to remain on a path of steady and steep decline if nothing is done to change the trajectory. It is in this context that since inception in May 2015, Government has made several efforts aimed at tackling

these challenges and changing the national economic trajectory in a fundamental way. The earliest action was the prioritization of three policy goals: tackling corruption, improving security and re-building the economy. Consequently, the Strategic Implementation Plan (SIP) for the 2016 Budget of Change and even the 2017 budget of economic recovery was developed as a short-term intervention for this purpose. Visible successes and achievements have been recorded. However, it is recognized that more needs to be done to propel the country towards sustainable accelerated development.

The Economic Recovery and Growth Plan (ERGP), a Medium Term Plan for 2017 – 2020, builds on the SIP and has been developed for the purpose of restoring economic growth while leveraging the ingenuity and resilience of the Nigerian people – the nation's most priceless assets. It is also articulated with the understanding that the role of government in the 21st century must evolve from that of being an omnibus provider of citizens' needs into a force for eliminating the bottlenecks that impede innovation and market-based solutions. The Plan also recognizes the need to leverage Science, Technology and Innovation (STI) and build a knowledge-based economy. The ERGP is also consistent with the aspirations of the Sustainable Development Goals (SDGs) given that the initiatives address its three dimensions of economic, social and environmental sustainability issues (Dode, 2012).

4. A Brief Review of the Nigerian Economy

Prior to the civil war, Nigeria was mainly an agrarian economy, running a regional system of government where regions contributed a percentage of resources to the parliamentary central government. These regional governments, despite relying on external donations for projects, were sustainable; they all had recurrent surpluses (based on internal revenues) to cover their recurrent expenditure (BudgIT, 2017).

This meant that there was no such occurrence as is being witnessed today, where 27 of 36 States struggled to pay salaries based on a drastic drop in Federation Account Allocation Committee (FAAC) disbursements. The regions were a creation of the unitary system of government formed in 1966. In that year, the entire Federation ran a surplus budget of £18mn, with the Federal government and the Northern Region having the highest amount of extra funds in their coffers. The Western region spent almost all its entire revenue on recurrent expenditure, a bellwether of an expansive social policy that prioritised education and health programs. The fiscal dynamics of this period show an even split along economic and social projects, with a focus on building dams, bridges and schools. Capital expenditure was also amply financed from borrowings and internally-saved funds, budget surpluses and transfers from the Federal government (BudgIT, 2017).

Just less than half a decade later, in 1970, the dynamics of Nigeria's economy changed, as average oil production rose to 1.08million barrels per day, heralding a new era of Crude-driven government earnings. Despite the rise in oil production, Crude prices at \$3.407 in 1970; oil revenue was a mere 26.2% of Total federally-collected revenue, which rose from N448.8mn in 1970 to N1.4bn as at 1972 (BudgIT, 2017).

In 1973, the start of the Arab Oil Crisis made the price of Crude quadruple, from \$4.73 in 1973 to \$12.21 per barrel in 1975. By the end of 1975, it was evident that Nigeria was willing to let Crude take the lead, with oil accounting for 77.5% of government revenue. The influence of this hitherto relatively insignificant hydrocarbon resource suddenly grew within a decade, as global interest in the oil and gas sector skyrocketed. A strong case exists for the argument that the seed for Nigeria's obsession with, and longstanding reliance on Oil started with the price glut of 1973; as Arab nations shut down production, Nigeria's Sweet Crude blend fast became the toast of the industrialized world (BudgIT, 2017).

As Oil flowed out of Nigerian soil and returned as foreign exchange into the country's purse, in 1972, the government notably expanded its spending with the "Udoji award," named after the Jerome Udoji Commission report which led to various policies, including a rise in public servants' salaries. Mainly on the back of Oil, government revenue grew from N631mn in 1970, to N5.5bn in 1975. During this period, Nigeria's debt also expanded significantly; from N756.4m in 1970 to N3.72bn in 1975, caused by a sudden jump in the value of imported goods and services (Igwe, 2005).

The beginnings of Nigeria's addiction to Crude revenue likely went up a notch at this time, as the government's policy thrusts were seemingly based on the assurance of a continuation of the Oil boom. Two things illustrate this point: rather than invest earnings in the diversification of export and public revenues, leaders favoured a bloat in Recurrent Expenditure, which rose from N963mn in 1973 to N2.73bn by the end of 1975 - a 183% increase over just two years (Bafore, 2009).

Secondly; the government also created more States, expanding bureaucracy at all levels and unwittingly establishing the foundations for the ghost-worker syndrome that blights Nigeria's civil service till date. This increasing dependence on black gold persisted, and by the time the military government prepared to handover to civilians, Federal government spending ballooned by 196% over a five-year period; from 1974 levels of N2.7bn to N8bn in 1978 (BudgIT, 2017).

Nevertheless, Nigeria kept up its public spending figures, in tandem with public debt - by 1980, Total government spending topped N14.98bn. In 1981, Crude prices averaged \$35.75 per barrel, as against \$14.95 per barrel in 1978. However, Nigeria's production numbers plummeted to 525.5 million barrels per annum, from 1979 levels of 752.2 million barrels, tilting the economy towards a recession (BudgIT, 2017).

In spite of this sag in oil production and a mild Oil price crash in 1982, the Nigerian government continued enlarging its debt profile. By and large, the government prioritized agriculture and steel projects which were scattered across the country, borrowing heavily to build them. Foreign debt came to N8.8bn in 1982, from N1.25bn in 1978, and Oil revenues which rose to N12.35bn in 1980, sunk to N7.81bn in 1982. This slide persisted, with Oil production figures plummeting in 1986, taking Nigeria down from the peak production levels enjoyed in 1979 (Igwe, 2005).

These trends culminated in a lack of confidence in the Nigerian economy and massive capital flight -estimated at US\$14bn between 1979 and 1983. By the mid-1980s, Nigeria's currency was presumed to be over valued, and foreign exchange reserves lay in a relatively weak position. The country began to ration foreign exchange, and placed a series of tariffs on imported materials. General Buhari's government put up tight restrictions on currency control but this did not stop a slump in the economy.

General Ibrahim Babangida seized power via a military coup, and the presumption was this government had the opportunity to confront Nigeria's worsening economic realities using a more open, pragmatic approach. However, oil prices nosedived in 1986, reducing by 46.36% from an average of \$26.92 per barrel in 1985, to \$14.44 per barrel in 1986. Under Babangida, Nigeria adopted measures that included the Structural Adjustment Programme. Yet, increasing levels of corruption, poor economic advisers and unrestrained inflation due to poor monetary policies deprived Nigeria of tangible infrastructure and social development, as well as other gains that should ordinarily come with oil production.

Dual exchange rates created colossal rent-seeking, with many cronies of the ruling elite buying forex at the official rate and reselling at four times the value in the black market. Corruption became institutionalised, and as soon as General Abacha announced himself Commander-in-Chief to the sound of martial music, he brought all the controversial privatisation programs of the Babangida government to a halt. Abacha reduced the inflation rate of 57.165% inherited from the Babangida administration to 9.96%, between 1993 and 1998.

However, General Abacha presided over the illegal transfer of foreign reserves and his human rights record gradually turned Nigeria into a pariah state with a collapsing economy, where rising costs of business shrank the manufacturing components of the country's revenue base. Oil, Nigeria's primary commodity was priced under Abacha at an average of \$17.39 per barrel, yet the country became a perpetual importer of petroleum products, as all her refineries packed up (Sanusi, 2010).

Abacha's death led to the end of military rule, and Olusegun Obasanjo was elected President amid low oil revenue and production, weak public revenue, patchy reserves and huge external debt servicing costs. Though the price of Brent averaged \$17.9 per barrel, Obasanjo however confronted the looming crisis of external debt and successfully negotiated a relief package with the Paris Club of creditors, leading Nigeria to make a payment of \$12bn (Sanusi, 2010).

Noteworthy is that Obasanjo's government enjoyed an uptake in oil pricing, as well as a series of monetary and fiscal reforms that resulted in Nigeria's external reserves growing to hit \$45bn in 2006. However, civil unrest in the Niger Delta, and post-2007 election violence created an Oil production crisis for Nigeria, with annual crude production dropping from a peak of 918.96 million barrels in 2005 to 768.7 million barrels in 2008. The consequences on the Treasury were further exacerbated when Brent Crude prices dropped from \$147 to \$43 per barrel in 2009.

The presence of fiscal buffers such as the Excess Crude Account helped the government weather the storm, but a sharp rise in oil prices in 2010 speedily brought the economy to greater viability. Successive President Goodluck Jonathan's government also witnessed relative oil price growth, as the hydrocarbon sold at \$100 for over 42 months.

The hallmark of all governments since Nigeria's return to democracy was that though the economy grew above 5%, endemic corruption (mostly through public contracts and oil subsidies) meant prosperity eluded the vast majority of the population.

In 2016, under current President Buhari, Nigeria's economy tipped into recession, largely due to global Oil price slumps and a trailing off of production. Despite recent reports that Nigeria is out of recession, the country's economy continues to suffer from its vulnerability to oil pricing, production swings and endemic corruption, as well as poor visioning that continually subvert sits potential to uplift the living standards of its citizens.

5. Issues and Challenges Facing the Nigerian Economy

As explained before now, Nigeria is a mono-product economy with the bulk of government revenue coming from oil exports which is susceptible to shocks in the international oil market. Moreover, many other solid minerals with which the country is richly endowed with remain generally untapped. More fundamentally, the economy has disproportionately relied on the primary sector (subsistence agriculture and the extractive industry) without any meaningful value addition. In light of this, the little growth recorded in the economy, thus far, has been without commensurate employment, positive attitudinal change, value reorientation, and equitable income distribution, among others (Sanusi, 2010).

The above could be attributed to poor leadership, poor implementation of economic policies, weak institutions, poor corporate governance, endemic corruption, etc. The challenge, therefore, is how to deploy/manage the receipts from the oil and gas exports to achieve the highest value for money in the economy; develop on a sustainable basis, the many untapped solid minerals; improve agricultural productivity by cultivating more of the available arable land with improved technology; process and preserve primary produce with the aim of increasing value addition; manufacture the basic durable and non-durable goods needed by Nigerians and the West African sub-region, market and ultimately looking at export such goods and sustain manufacturing by providing the core industries; and remain competitive by developing and improving on the investment climate of the country. These challenges according to Sanusi, (2010) have remained largely unresolved owing to the myriad of problems:

I. Macroeconomic Challenges: The Nigerian macro economy is still characterized by structural rigidities, dualism and the false paradigm model. Generally, the sectors of the economy are in silos to the extent that the primary sector does not relate meaningfully with the secondary sector and the same for the secondary and the tertiary sectors. Agricultural produce end up as final consumer goods as only a small quantity is processed or used as raw materials for local manufacturing industries. Also, the products of the extractive industries are exported in their raw forms without local value addition.

Given the higher incomes in the oil and gas sub-sector of the extractive industry, attention is concentrated there to the almost total neglect of the mainstream economy. Consequently, the economy is broken into the very rich (relying on the oil and gas industry) and the very poor (relying on the mainstream economy) with almost a complete vacuum in-between these two. The false paradigm model also plays out in the economy in the sense that while the few very wealthy group clamour for relevance in the context of 'expert' advice, the very poor suffer from ignorance, disease and malnutrition. Thus, there is no structural change and, hence, the attitudinal changes expected of economic transformation are absent.

ii. Infrastructural Challenges: one of the main challenges facing the economy is poor economic and social infrastructure: bad roads, erratic power supply, limited access to portable water and basic healthcare, and much more. Building a vibrant economy or restoring growth to a sluggish economy takes resources. To ensure long-term growth and prosperity, Nigeria must use its resources wisely, invest in advanced technology and rebuild the infrastructure without which the economy will not gain from the 'power of productivity'. A nation enjoys higher standards of living if the workers can produce large quantities of goods and services for local consumption and extra for export. The deficiencies in the economy lead to low productivity, poor quality products and noncompetitiveness in the global market place.

iii. Poor Institutions and Corporate Governance: Another important challenge to sustainable economic growth in Nigeria is lack of effective institutions and good governance. These factors have been hindering various efforts and reforms of the government to stimulate economic growth for sustainable development in Nigeria. The prevalence of weak institutions and poor corporate governance as well as poor ethical standards in most public and private organizations, hinder the attainment of the goals of economic policies in the country. Poor corporate governance has adversely affected the quality of institutions to the extent that public and private institutions are used for selfish interests, thereby, making regulation and law enforcement ineffective.

iv. Corruption Challenges: Although corruption is a global scourge, Nigeria appears to suffer particularly from it. Everyone appears to believe that the nation has a 'culture of corruption'. Over the years, Nigeria has earned huge sums of money from crude oil, which appears to have largely gone down the sinkhole created by corruption. In an article, "Oil giant that runs on grease of politics," Nigeria was described as a rich nation floating on oil wealth "but almost none of it flows to the people" (San Francisco Chronicle, March 11, 2007). Corruption has denied Nigerians the value of the petro-dollar that has accrued to the country over the years. The failure of infrastructure, political and ethical standards as well as moral and educational standards can easily be traced to corruption.

v. Low Quality of Education: Education is an important factor in economic growth and development. But the nation's educational system has been facing myriad of challenges, which prevent the country from achieving its economic objectives. The problems include inadequate funding and planning and management, inadequate infrastructure, irrelevance of curricula to industrial needs, and inadequate commitment on

the part of students and teachers, among others. All these have combined to hinder the production of a high quality work force to propel the economy (UNESS for Nigeria: 2006-2015). As Dike (2006) noted, the state of a nation's educational sector, among other things, determines the economic health of the nation.

vi. The Dutch Disease: Since the oil price boom of the early 1970s, the country abandoned the agricultural and industrial sectors of the economy to the old and weak. Both the public and private sectors of the economy concentrate their efforts in the oil and gas industry to the extent that the mainstream economy is denied funding, requisite investment and even managerial capabilities. Thus, the mainstream economy has become uncompetitive globally while the country has turned into a trading outpost for foreign companies. This has hindered the much-needed transformation of the economy in the last four decades.

vii. Poor Investment Climate: The consequence of all that have been said above is the poor investment climate in the economy that has rendered the economy uncompetitive. In the absence of adequate infrastructure (power, roads, water, etc.) the cost of doing business in the country remain high, forcing to neighboring countries even companies that had existed in Nigeria for upwards of four decades.

6. Prospects and Opportunities of the Economic Recession

Nigeria has the potential to become a major player in the global economy by virtue of its human and natural resource endowments. However, this potential has remained relatively untapped over the years. After a shift from agriculture to crude oil and gas in the late 1960s, Nigeria's growth has continued to be driven by consumption and high oil prices (Ministry of Budget & National Planning, 2017). Previous economic policies left the country ill-prepared for the recent collapse of crude oil prices and production. As indicated in previous session of this paper, the structure of the economy remains highly import dependent, consumption driven and undiversified. Oil accounts for more than 95 per cent of exports and foreign exchange earnings while the manufacturing sector accounts for less than one percent of total exports.

The high growth recorded during 2011-2015, which averaged 4.8 per cent per annum mainly driven by higher oil prices, was largely non-inclusive. Majority of Nigerians remain under the burden of poverty, inequality and unemployment. General economic performance was also seriously undermined by deplorable infrastructure, corruption and mismanagement of public finances. Decades of consumption and high oil price-driven growth led to an economy with a positive but jobless growth trajectory.

After more than a decade of economic growth, the sharp and continuous decline in crude oil prices since mid-2014, along with a failure to diversify the sources of revenue and foreign exchange in the economy, led to a recession in the second quarter of 2016. The challenges in the oil sector, including sabotage of oil export terminals in the Niger Delta, negatively impacted government revenue and export earnings, as well as the fiscal capacity to prevent the economy from contracting. The capacity of government spending was equally constrained by lack of fiscal buffers to absorb the shock, as well as leakages of public resources due to corruption and inefficient spending in the recent past (Ministry of Budget & National Planning, 2017).

The current administration recognizes that the economy is likely to remain on a path of steady and steep decline if nothing is done to change the trajectory. It is in this context that since inception in May 2015, Government has made several efforts aimed at tackling these challenges and changing the national economic trajectory in a fundamental way. The earliest action was the prioritization of three policy goals: tackling corruption, improving security and re-building the economy.

Consequently, the Strategic Implementation Plan (SIP) for the 2016 Budget of Change was developed as a short-term intervention for this purpose. Visible successes and achievements have been recorded. However, it is recognized that more needs to be done to propel the country towards sustainable accelerated development.

Be that as it may, certain prospects and overall improvement of the economic lot of the Nigerian state is evidenced in the proposed the Economic Recovery and Growth Plan (ERGP), a Medium Term Plan for 2017 – 2020, which builds on the SIP and has been developed for the purpose of restoring economic growth while leveraging the ingenuity and resilience of the Nigerian people – the nation's most priceless assets. It is also articulated with the understanding that the role of government in the 21st century must evolve from that of being an omnibus provider of citizens' needs into a force for eliminating the bottlenecks that impede innovation and market-based solutions.

The Plan however considers the need to leverage Science, Technology and Innovation (STI) and build a knowledge-based economy. The ERGP is also consistent with the aspirations of the Sustainable Development Goals (SDGs) given that the initiatives address its three dimensions of economic, social and environmental sustainability issues.

7. Reviewing the Economic Recovery and Growth Plan as Antidote to Nigeria Economic Recession

Unarguably, the ERGP which is midterm development plan of the Nigerian state differs from previous plans in several ways. First, focused implementation is at the core of the delivery strategy of the Plan over the next four years. Accordingly, several principles have driven the thinking and the development of this Plan and they marshaled out as follows:

Focus on tackling constraints to growth: Economic growth in Nigeria faces various supply constraints including fuel, power, foreign exchange, and business unfriendly regulations. In addition, there is a shortage of requisite skills and appropriate technology necessary to drive growth. This Plan focuses on overcoming and resolving these challenges.

Leverage the power of the private sector: Economic recovery and transformative growth cannot be achieved by the government alone. It is essential to harness the dynamism of business and the entrepreneurial nature of Nigerians, from the MSMEs to the large domestic and multinational corporations to achieve the objectives of this Plan. The Plan prioritizes the provision of a more business friendly economic environment.

Promote national cohesion and social inclusion: Nigerians are the ultimate beneficiaries of more inclusive growth and therefore, the initiatives set out in this Plan are aimed at ensuring social inclusion and the strengthening of national cohesion.

Allow markets to function: The ERGP recognizes the power of markets to drive optimal behaviour among market participants. The Plan prioritizes the use of the market as a means of resource allocation, where appropriate. However, the Plan also recognizes the need to strengthen regulatory oversight to minimize market abuse.

Uphold core values: The ERGP is rooted in the core values that define the Nigerian society as enshrined in the 1999 Constitution, notably discipline, integrity, dignity of labour, social justice, religious tolerance, self-reliance and patriotism. It requires all citizens and stakeholders to adhere to these principles. Other strategic solutions to driving overall economic recovery in the face of the economic recession include:

Restoring Growth: Macroeconomic stability will be achieved by undertaking fiscal stimulus, ensuring monetary stability and improving the external balance of trade. Similarly, to achieve economic diversification, policy focus will be on the key sectors driving and enabling economic growth, with particular focus on agriculture, energy and MSME led growth in industry, manufacturing and key services by leveraging science and technology. The revival of these sectors, increased investment in other sectors, less reliance on foreign exchange for intermediate goods and raw materials and greater export orientation will improve macroeconomic conditions, restore growth in the short term and help to create jobs and bring about structural change.

Investing in our People: Economic growth is beneficial for society when it creates opportunities and provides support to the vulnerable. The ERGP should invest in the Nigerian people by increasing social inclusion, creating jobs and improving the human capital base of the economy.

Social inclusion: The Federal Government should continue to provide support for the poorest and most vulnerable members of society by investing in social programmes and providing social amenities. Targeted programmes will reduce regional inequalities, especially in the North East and Niger Delta.

Job creation and youth empowerment: Interventions to create jobs should be core part of the ERGP, which aims to reduce unemployment and under-employment, especially among youth. The ERGP accordingly prioritizes job creation through the adoption of a jobs and skills programme for Nigeria including deepening existing N-Power programmes, and launching other public works programmes. The partnership for job creation will also focus on the policies required to support growth and diversification of the economy by placing emphasis on Made-in-Nigeria, public procurement which takes account of local content and labour intensive production processes. All initiatives under job creation would prioritize youth as beneficiaries. Accordingly, all capacity building and skills acquisition interventions will be targeted at youth-dominated sectors such as ICT, creative industries, and services. Furthermore, concerted efforts would be made to encourage youth to venture into other labour intensive sectors such as agriculture and construction.

Improved human capital: The Federal Government will invest in health and education to fill the skills gap in the economy, and meet the international targets set under the UN's Sustainable Development Goals (SDGs). The ERGP will improve the accessibility, affordability and quality of healthcare and will roll out the National Health Insurance Scheme across the entire country. It will also guarantee access to basic education for all, improve the quality of secondary and tertiary education, and encourage students to enroll in science and technology courses.

Building a globally competitive economy: Restoring Nigeria's economic growth and laying the foundations for long-term development requires a dynamic, agile private sector that can innovate and respond to global opportunities. The ERGP should aim to tackle the obstacles hindering the competitiveness of Nigerian businesses, notably poor or non-existent infrastructural facilities and the difficult business environment. It will increase competitiveness by investing in infrastructure and improving the business environment.

Investing in infrastructure: The ERGP should emphasize investment in infrastructure, especially in power, roads, rail, ports and broadband networks. It builds on ongoing projects and identifies new ones to be implemented by 2020 to improve the national infrastructure backbone. Given the huge capital layout required to address the massive infrastructure deficit in the country, the private sector is expected to play a key role in providing critical infrastructure, either directly or in collaboration with the Government under public private partnership (PPP) arrangements.

Improving the business environment: Nigeria's difficult and often opaque business environment adds to the cost of doing business, and is a disincentive to domestic and foreign investors alike. Regulatory requirements must be more transparent, processing times must be faster, the overall economy must be more business-friendly.

Promoting digital-led growth: To make the Nigerian economy more competitive in the 21st century global economy, its industrial policy must be linked to a digital-led strategy for growth. The ERGP will build on The Smart Nigeria Digital Economy Project to increase the contribution from ICT and ICT-enabled activity to GDP. The overall goals of a digital-led strategy for growth centre on the establishment of an ICT ecosystem in Nigeria. This is enabled through significantly expanding broadband coverage, increasing e-government, and establishing ICT clusters, starting in the SEZs. Government will also drive a programme to build the skills in this sector, focusing on training IT Engineers in software development, programming, network development and cyber security.

Urgently increase oil production: Restore production to 2.2 mbpd in the short term and 2.5 mbpd by 2020 to increase export earnings and government revenues by an additional N800 billion annually.

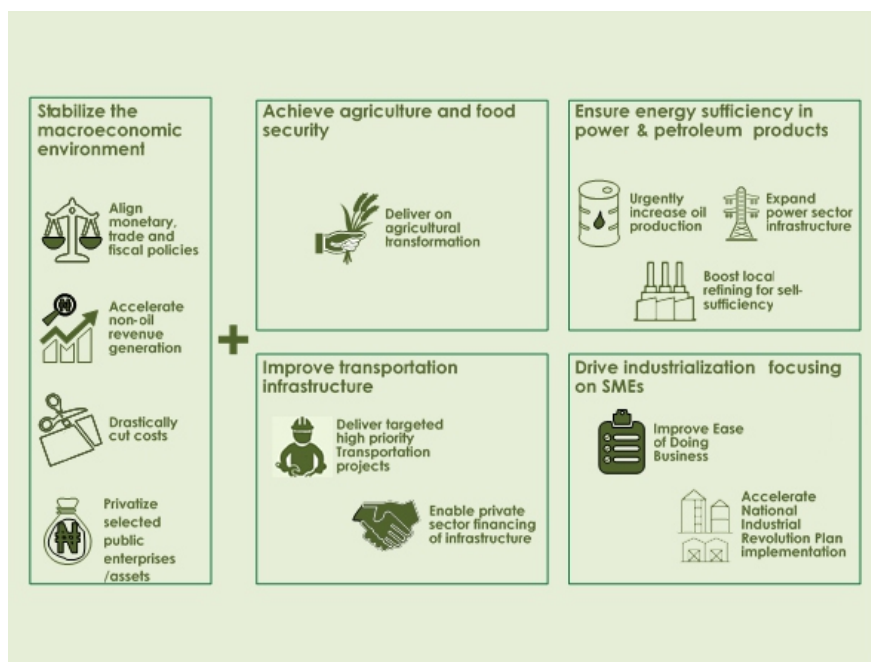
Boost local refining for self-sufficiency: This can only be achieved by reducing petroleum product imports by 60 per cent by 2018, so as to become a net exporter by 2020, save foreign exchange and prevent reversion to the fuel subsidy regime.

Transportation infrastructure: Nigeria's transport infrastructure stock is inadequate for the size of the economy and constitutes a major cost and constraint for both large and small businesses. Investments in strengthening Nigeria's infrastructure will make a significant contribution towards building a competitive economy. Given the scale of the investment required, partnering with the private sector will be critical, and significant effort will go towards attracting private sector investment, and ensuring agreed execution priorities and timelines are effectively delivered.

Industrialization focusing on Small and Medium Scale Enterprises: The strengthening of small-scale businesses & the promotion of industrialization should be priorities for economic recovery. Nigeria's manufacturing sector has been particularly vulnerable to the stagnant economic conditions. It contracted by 4.38 per cent in Q3 2016 largely due to the difficulty of accessing foreign exchange to import intermediate goods and raw materials, and falling consumer demand. This contraction is as a result of infrastructural bottlenecks and an uncompetitive business environment. The sector is expected to contribute to growth in the short term through policies to improve the usage of existing capacity, through increased availability of foreign exchange and greater domestic value addition. One major strategy is to accelerate implementation of the National Industrial Revolution Plan (NIRP) through Special Economic Zones (SEZs). The focus will be on priority sectors to generate jobs, promote exports, boost growth and upgrade skills to create 1.5 million jobs by 2020.

A revitalized manufacturing sector will create jobs, stimulate foreign exchange earnings and grow micro, small and medium enterprises (MSMEs). The involvement of small businesses in the service sector is a major lever for economic recovery. The service industry accounts for 53 per cent of GDP and contains key sectors that can contribute to short-term economic growth and longer-term structural change. While the telecommunications and information and communications technology services (ICT) sector grew in absolute terms by 9.26 per cent in Q3 of 2016, it offers huge scope for further growth, especially from opportunities in the digital economy. Creative industries, especially music and film, also have great growth potential, as do both financial services and tourism.

These above priorities are to be underpinned by a focus on governance and delivery, which have been identified as crucial to the successful implementation of the Plan. Transparent, effective and fair governance is being deepened through the continued fight against corruption, strengthening the security system, public service reform, and reinforcing sub-national coordination.



Source:Ministry of Budget and National Planning, 2017

8. Conclusion

As Sanusi Lamido Sanusi (2010) the former CBN governor had opined, the prospects for growth in Nigeria are very bright going by the achievements recorded during the last ten years and the current reforms in the various sectors. However, for Nigeria to consolidate these economic gains and move higher in the frontlines of growth and development, it must deepen reforms that improve human capital, promote high-quality public infrastructure, and encourage competition. The pillars to sustain this consolidation must include a firm fiscal policy, transparent fiscal operations, development-oriented monetary and exchange rate policies, strengthening of the financial sector and strict adherence to the rule-of-law and respect for the sanctity of contract as well as commitment to fighting corruption and corrupt practices.

In all of these, Nigeria has opportunity for progress. We must break away from the past to deliver a new Nigeria that the future generations of Nigerians would be proud of. Our electoral process must not only be credible, but must be seen to be credible, since robust economic performance necessarily requires a robust political environment to happen. It is also recommended that to cushion the effect of future economic doom, the country in line with the ERGP should comprehensively diversify the sources of her revenue and probably co-opt and improve on agricultural development, manufacture and growth of local industries, development of the mines and steel industries and create a synergy between the state and the private sector in availing the good governance expected for the citizenry.

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