



Diversifying towards non-oil exports in Nigeria

Nigeria's dependency on oil exports for government revenue (80%) and foreign exchange earnings (87%) has long been at odds with the sector's contribution of just 8.33% to the country's gross domestic product (GDP). Over 89 million Nigerians live in poverty, and there is huge potential to leverage non-oil sectors to benefit them – particularly in the aftermath of the global oil shock triggered by the COVID-19 pandemic, which has exposed Nigeria's economic vulnerability: GDP growth declined by 6.1% and 3.6% in the second and third quarters of 2020.

Building on the Zero Oil Initiative

The Zero Oil Initiative was developed by the Nigerian Export Promotion Council (NEPC) to pivot the economy away from its over-reliance on oil. It identified 22 products based on ease of production and the country's comparative advantage, but noted that the contribution of non-oil products to the economy remains limited. The NEPC therefore commissioned a market analysis of these products, selecting six for an in-depth study of their export potential: soya, rubber, sugar, leather, cocoa beans and ginger.

The study 'Diversification and Non-Oil Export Opportunities for Nigeria States Post-COVID-19' was commissioned by the NEPC through the Policy Development Facility (PDF) Bridge Programme for use by public and private sector stakeholders. Ernst & Young conducted a market analysis on six prioritised products from the Zero Oil Initiative and provided strategic recommendations.

Full report: Ernst & Young 2021. Diversification and Non-Oil Export Opportunities for Nigeria States Post-COVID-19. www.pdfnigeria.org/rc/diversification-and-non-oil-export-opportunities-for-nigeria-states-post-covid19/

“NEPC is always a willing partner. These recommendations are not for the NEPC: they are for Nigeria, so we have to come together.”

Dr Ezra Yakusak, Director, Policy and Strategy, Nigeria Export Promotion Council, PDF Bridge Roundtable Event

Diversifying through micro, small and medium enterprises

Product prioritisation relies on the 'multiplier effect' of enhancing key aspects of the Nigerian economy through efficient and enabling trade structures. The study identified micro, small and medium enterprises (MSMEs) as the building blocks of Nigeria's economic diversification: 41.5 million such enterprises employ about 50% of labour and comprise 90% of activities in the agricultural and manufacturing sector.

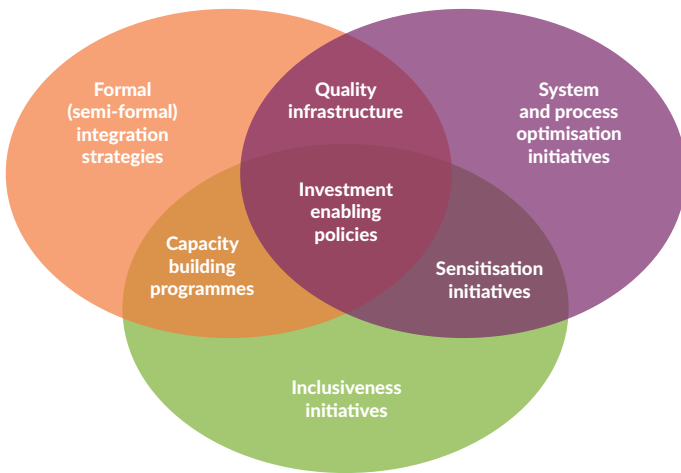
Despite the key role to be played by MSMEs in the growth trajectories of the six prioritised products, the sector's small-scale informality is a significant constraint. Employing an average of about 11 people, with two thirds of surveyed businesses generating an average turnover of less than ₦ 5 million annually, Nigeria's MSMEs are often unaware of, or remain unconvinced by, the advantages of formalisation through business registration, access to banking, taxation and standardisation of processes and products. Their limited capacity is paralleled by that of the government, and is further discouraged by infrastructural deficits and inefficient customs and border processes. The few regulations that do exist to provide an enabling framework for trade are ill-coordinated and badly communicated.

Strategic recommendations for a diversified economy

The study deployed a three-pronged focus on the development of MSMEs, the optimisation of the regulatory and trade environment, and the inclusion of socially excluded groups, particularly women.

MSMEs

TRADE ECOSYSTEM



GENDER INCLUSION

Formalisation and integration

National and regional schemes already exist to assist integration of the informal sector through:

- Awareness and sensitisation to improve MSME understanding and support
- Demand-pull incentives that create links between large enterprises and MSMEs
- Liberalisation to allow MSMEs to scale up before they become liable for taxation.

Trade system and process automation

Improved systems will boost transparency and drive down time and costs for clearance of goods. Proposals include:

- Nigeria Single Window as the centrepiece of a digitally enabled trade facilitation system
- Automated truck call-up system to allocate port access time to exporters on completion of requirements for cross-border trade
- Annual time-release study to provide auditable, real-time feedback on compliance and port time
- One-stop border posts to expedite the movement of people and goods.

“Where officials are not fit for purpose, we need to train them, and they will come to know the benefit to the economy and to the nation.”

Dr Lateef O.T. Shiitu, Executive Director, Strategy and Research, Nigeria Governors Forum, PDF Bridge Roundtable Event

Capacity building

- Detailed capacity audit and training programmes to improve the knowledge base and capacity of government officials
- Training for MSMEs on certification, standards and digitisation of the system.

Investment-enabling strategies

To encourage business links with the agricultural value chains of the prioritised products, the study recommends:

- Organised outgrower schemes in the form of a partnership between the NEPC and organised private sector associations
- Value-chain financing through links between aggregators and small-scale producers.

Quality infrastructure and standards compliance

The national quality policy will set the scene to drive harmonious compliance with standards through:

- A strengthened Nigeria National Accreditation System to expedite private sector participation in the local adoption of international standards
- A standards committee, including relevant public and private sector bodies for continuous monitoring and evaluation of quality infrastructure in Nigeria.

Gender inclusion

Inclusive policies are needed to ensure the women that make up 70% of the informal sector can be integrated into the formal economy:

- Sensitisation of women’s rights in relation to property ownership and economic participation
- Increased formalisation aligned with reduction of costs associated with intermediaries and corrupt officials
- Digital solutions to eliminate avenues for corruption and harassment
- Increased access to finance for women producers and traders.

Information dissemination

Better communication strategies are needed to bridge the gap between MSMEs and key trade agencies:

- Detailed export market information disseminated through the use of information and communication technologies
- Direct dissemination of information on procurement opportunities and government policies to identified industrial clusters and trade associations.



About us

The Policy Development Facility (PDF) Bridge Programme, funded with UK aid from the UK government, is a flexible, rapid-response facility that supports Champions of Change in implementing economic and social policies that lead to poverty reduction in Nigeria. Its goal is to provide Champions of Change with improved capacity and evidence to enable them to pursue vital economic and social reforms.

