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A Marshall Plan for Nigeria
Stimulating Rapid Economic Growth

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HEINRICH BÖLL STIFTUNG
NIGERIA

Preface

How should the 'Giant of Africa' develop, and what role should the 'Power House of Europe' play in this development, if any? The question is not new, and since Nigeria's independence in 1960, countless policies and papers have been written by in Nigeria, Germany and Europe on how to develop, collaborate and grow. Alas, not much has come from the wave of papers, at least not in the view of the majority women and men living in Nigeria, whose living standards have been in decline ever since. This gap between policy and reality might be the reason why there has been a curiously enthusiastic reaction by different Nigerian players to the German Ministry for Economic Cooperation's (BMZ) invitation to comment on their proposed 'Marshall Plan With Africa'. The BMZ's 2016 proposal for a Marshall Plan called for a change of parametres, a new eye-to-eye approach between mature nations on the one planet that we all inhabit.

It is in the search for practical approaches to a development that has the majority citizens as its centre that the Nigeria Office of the Heinrich Böll Foundation commissioned this paper. The Foundation has worked in Nigeria long enough to understand that the main actors in the development space are the formal and informal private sector, which need support from government policy making and civil society watchdog-ing. In reality, it is striking to observe how both government and civil society often leave out the private sector when they define development and draft development policies – only to find out that the policies and communiqués remain on the shelf without much implementation.

This paper is meant to spell out the private sector view on people-oriented development, and it was developed in collaboration with the Nigerian Economic Summit Group, NESG, as the main private sector platform of Nigeria. The task for the authors from the NESG was to identify the most suitable entry points for genuine, people-focused economic and social development for Nigeria - starting right now, right here - and to identify the parameters for fair and constructive international support that would reflect the historical obligations by industrialised countries.

Christine K
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Background

Young people need jobs. Forty million jobs are needed in Nigeria by 2030, so there is great urgency to open up the economy to create new jobs, especially for youths, women and the informal sector. The time is limited as the world is on the cusp of a digital transformation and robotic technology that could increase manufacturing several fold, lowering prices and driving competitiveness to levels that could stall industrial growth and the creation of new jobs in Nigeria. Nigeria's historical dependence on crude oil exports has proven unsustainable. Against a backdrop of countries elsewhere that are working hard to achieve energy independence, Nigeria's situation looks like a double challenge: Not only has the oil wealth failed to translate into any concomitant local refining and generation of badly needed electricity for the country's teeming population, the much quoted concept of 'economic diversification' has also not translated into meaningful livelihood strategies for the majority of small scale farmers and business operators in the informal sector. This means that 'the 90 per cent' of Nigerians have been without growth prospects.

The short term goal for Nigeria over the next 3 years is to generate job opportunities for about 12 million youth through upskilling, social entrepreneurships and new jobs across six rapid growth sectors, namely agriculture, infrastructure, clean and renewable power, ICT, construction (housing) and trade. The prioritisation of and the development of detailed roll-out plans for these six growth sectors is not only a result of the NESG's analysis, but has already reflected in the Job Creation Programme of the Office of the Vice President.

The medium to long term goal (2030 to 2050) needs to see Nigeria ensuring that the pyramidal growth structure changes to a diamond growth structure as the middle class grows significantly due to the success of the rapid growth during the short term period (2017 to 2020). Inclusive growth which targets the bottom of the pyramid and opens up new economic areas is the most effective approach but massive efforts are required to bridge the gaps between the formal and informal sector ensuring that the formal sector guarantees offtake of goods and services produced by the informal to meet its needs, thus driving new jobs, foreign earnings and revenues.

The potential for significant short term rapid growth is very high given Nigeria's retail strength of $400 billion, a possibility to harness $750 billion post-harvest losses and the 23 million housing deficit all presenting new opportunities for inclusive growth, building out new cities to support new economic business ecosystems from the six rapid growth sectors.

Policies to sustain such economic growth, improving the ease of doing business and social protection, as well as sustainability and natural resource protection are critical benchmarks to maintain growth and sustain standards by 2050, thus aligning with the targets of the African Union for 2063. By the time the current young generations are attaining old age, the potential support ratio which determines ratio of working age people (between 15 to 64 years) to those above 65 years would be a concern if social protection for an ageing population is not in place.

The other important factor is to ensure that Nigeria is on a safe path towards energy sufficiency by 2030 to support industrial growth that would cope with the advent of global digital transformation which with its high production and lower prices would drive stiff competition for quality products. As world energy production steers towards renewables, crude oil markets could crash further so this compels urgency for the arguments for balanced trading and urgent actions for inclusive growth as the fastest way to trigger new economic opportunities.

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Economic Recovery and Growth through Agriculture

Agriculture is the foundation for new growth

Agriculture is the leading sector to drive economic diversification, food security, import substitution and job creation with a potential to attain 7% growth in GDP by 2030.

The Economic Growth Recovery Plan, EGRP, launched by Nigeria's federal government in February 2017, sets short term targets towards 2019 for '*agriculture and food security; improve transportation infrastructure; ensure energy sufficiency in power and petroleum products and drive industrialization focusing on SMEs*' which aligns with the targets that the NESG summed up in its concept for a Sustainable Economic Development Corporation of Nigeria, SEDCON (see annex 1). This concept aims to scale growth in six sectors and trigger rural economies and real GDP growth that impacts the majority of Nigeria's citizens.

The silent agricultural majority

- 60 % of Nigerians work in agriculture.
- Agriculture contributed 24% to GDP in 2016.
- Women supply 70 per cent of agricultural labour, 50 per cent of animal husbandry related activities and 60 per cent of food processing.
- 1 ha is the average size of a Nigerian farm.
- Only 5 % of farmers have access to climate resilient seeds.
- As the Sahara is expanding southwards by 400 m per year, desertification is affecting 14 million Nigerians in the northern part of the country and 43 percent of the country's land mass.
- Soil quality is dropping drastically even in the agricultural heart lands of the middle belt and the south east.

In spite of the significant setbacks in post-harvest losses of about $750bn annually – about 40 per cent of harvests, depending on the sector, the government and the private sector are confident that successful harvests will reduce inflation and promote economic diversification. The ERGP focuses on prioritizing food security by ensuring an enabling environment for national self-sufficiency in rice by 2018 and wheat by 2019/2020[1].

The potential to open private sector led opportunities lies with the inherent capacity of the Nigerian entrepreneurial spirit, the massive capacity of the formal and informal sector and with provision of the right incentives and infrastructure. The Energy Commission of Nigeria in 2007[2] projected that agribusiness and other key growth sectors would need 28,360 MW by 2015 and 50,820 MW by 2020 to drive 7% growth in alignment with the country's official development

[1] The EGRP is a product of the public-private sector engagement at the NESG's Economic Summit held in October 2016.

[2] Energy Commission of Nigeria on the Role of MDGs in Growth 2006

vision called 'Vision 20:2020' (developed in 2006) for Nigeria's growth towards becoming the 20th largest economy in the world[3]. But lack of coherence of successive governments interrupted growth of inter-dependent sectors. So new growth approaches for agriculture and food security must consolidate and drive cohesion across these inter-dependencies especially for power and infrastructure for agriculture.

Big or Small Infrastructure?

The above constitutes a new approach in Nigerian agricultural policy, based on the acceptance that Big Infrastructure – like the national electricity grid or regional crop processing zones – is not always the smartest answer to Nigeria's big problems. To the contrary: applied in the thousands and millions, it is Small Infrastructure – such as off-grid electricity and small-scale processing facilities at community level – that will create jobs and improve agricultural outputs, both in quantity as well as in quality, within a shorter time span.

Infrastructure Gaps in Agriculture

- Less than 50% of Nigerians have access to electricity (2 bulbs per capita).
- 90% of farming is rain fed.
- On-site agricultural processing is practically non-existent.
- The majority of farms are not connected to a road network.
- 40 % post-harvest losses in fruit and vegetables mean that Nigeria is losing USD 750 billion of income per year.
- Low first stage processing.

Sector Value chains are the most effective ways to trigger rapid growth because investments are specific with measurable outputs. For example, to tackle post-harvest losses, sector value chains focus on improved energy access especially for first stage processing within farm clusters and hubs. This relieves farmers of the burden of sourcing processing power and markets. Significant losses that have occurred annually are primarily due to lack of power access, poor road access, fragmented distribution networks and markets. With appropriate scaling of the first stage processing within farm clusters and hubs, secondary manufacturing would then have the raw material base to scale industrial growth. Top on the agenda for economic diversification, food security and import substitution are crops like cotton and rubber for agro-allied markets; and maize, sorghum, cassava, rice, oil palm and other crops for local consumption, food industry and pharmaceuticals.

[3] Vision20: 2020 Projections for Nigeria's Economic Growth

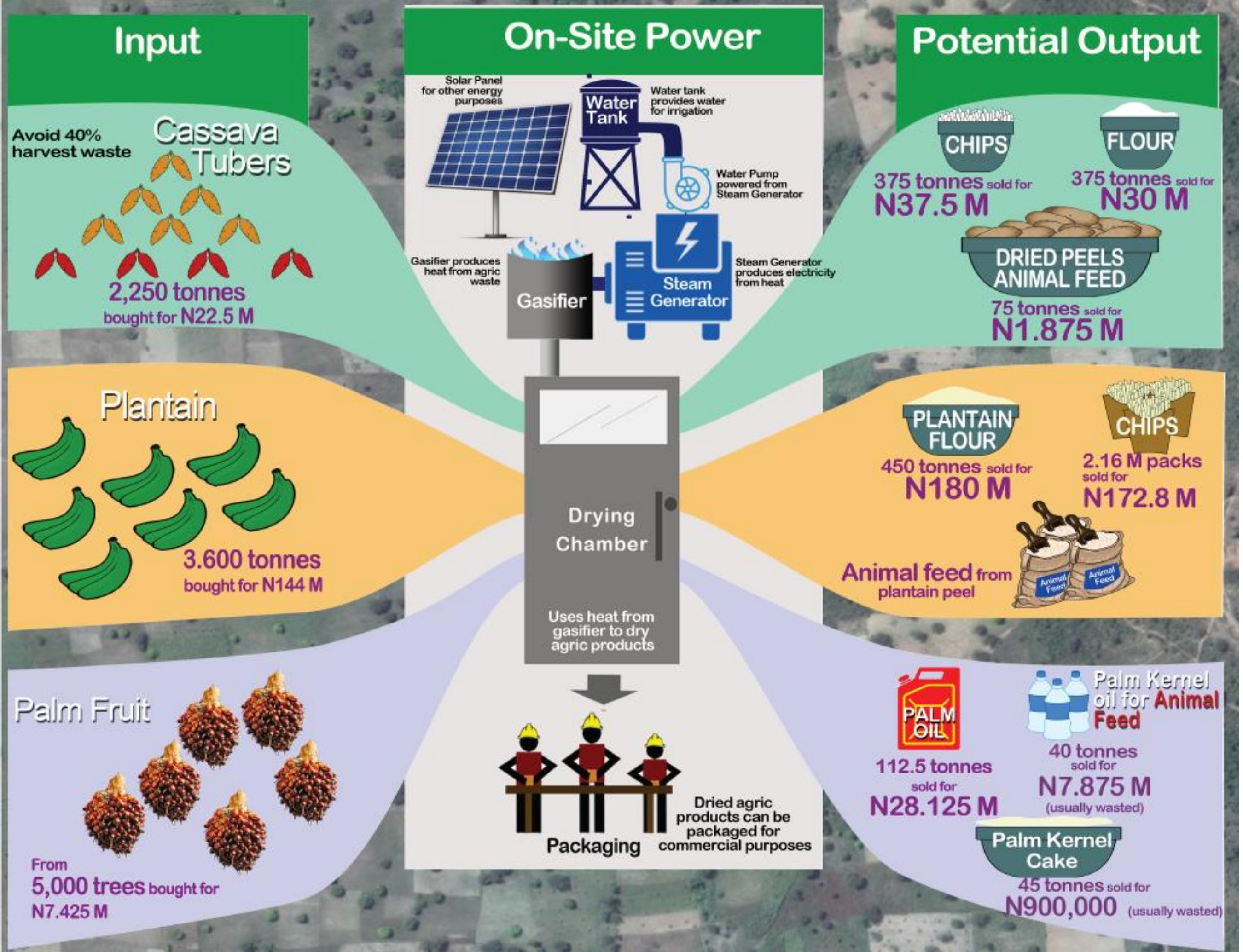
On-Site Power for Agric Processing

Because most Nigerian farmers do not have access to on-site processing, they lose a substantial percentage of their harvest every year. 40 per cent of cassava (20m tonnes) spoils before it reaches market – that's Naira 200bn of missed income for Nigerian farmers. For palm trees, many farmers use mortars or their bare feet and huge amounts of firewood to produce palm oil. However, with electricity, they could double their production and sell it to a hungry market. In 2015, farmers could have sold another 500,000 tonnes of palm oil (over and above existing sales), thus earning an additional N 125 billion, but without processing, this income was lost.

Off-grid electricity allows farming clusters anywhere in Nigeria to avoid waste, produce and earn more. Off-grid electricity installations powered by solar, wind or biomass are cheaper than generators over time: they do not need fuelling and are not subject to price hikes. Agricultural waste – such as palm kernel shells and other agric waste – can be turned into fuel for electricity production from biomass.

This hypothetical example looks at the investment opportunity for industrial processing facilities anywhere in Nigeria. Running on solar and biomass energy – which can be installed anywhere in Nigeria, independently of the grid – the industrial processing caters for a farming cluster or agricultural cooperative of about 80 households, i.e. 160 to 200 hectares. Break-even point is reached in less than 2 years.

Investment:55M ■ Break-Even: 2 Years ■ Farm Size:<200ha



Driving the sector value chains for enhanced agribusiness performance

The Alakpe cassava cluster in Kwara State is a typical example of the scale that can be achieved rapidly with the right infrastructure, farming techniques and guaranteed markets. This cluster was inspired by the Agricultural Transformation Agenda of the Goodluck Jonathan government (2010 to 2015), which was a restructuring of agricultural production primarily based on aspects of the Brazilian farming model to enhance access to farmers through several small groups of four to six persons working within a cooperative network. This was to ensure that small groups of farmers could access various forms of support offered by the government quickly. For the Alakpe farming cluster, an international (technical) Anchor was willing to invest $100m into a starch processing factory located within proximity of the 10,000 ha farms to trigger the growth of a new business ecosystem in collaboration with the state government. The Anchor sought fiscal incentives to ensure profitability as they would provide inputs and equipment and guaranteed markets in Europe.

Even though the project has not achieved its delivery timelines due to lack of access to power in that locality [sic!] amongst other reasons, it represents a relevant model because it is aimed at implementing complementary and inter-dependent sector- activities within an agribusiness value chain that would drive food security and economic diversification with new approaches such as:

a.) Expanding the agricultural business ecosystem to have multiple crops (e.g. cereals) with short harvest cycles;

b.) New private sector investments in power instead of awaiting the grid;

c.) Expanded agro-processing with a bias for on-site processing;

d.) Expanded housing to accommodate new workers and business owners;

e.) Additional roads and ancillaries to create new and replicable inter-dependent sector value chains.

> **"Nigeria needs to ring fence the space for small scale farmers"**

What Nigeria needs – but has not implemented – is a private sector led agricultural model that does not only provide a space for large scale agro-businesses, but ring fences a space within which small scale farmers can thrive without being dependent on government pricing or subsidies. The private sector is working on a model that would exclude such subsidies that negatively impacts production and productivity, as well as drives inflation (the SEDCON model is explained in detail in annex 1).

Certainly, land tenure in Nigeria is vested with communities and inclusive growth is compelled by this legal arrangement, so where new business ecosystems require large farmlands of

100,000 ha or more, the business model would arrange aggregations of farmlands with communities. The potential to achieve food security and significant revenues through exports and industrialization is feasible when one takes into account the over 34 million hectares of uncultivated arable land in Nigeria that can grow a host of vegetables and crops for export.

The land tenure system in Nigeria vests the ownership of land in communities—this was to ensure that communities are not disenfranchised by large scale farming. However, the down-side has been that large scale farms have to scale the hurdle of such ownership by signing MoUs of at least 75 years with communities which gives them a share of the profits, usually about 10% of net incomes and ensures that the majority of farmers would be from within the community.

The private sector had for many years proposed to involve small scale farmers in meaningful and fair outgrower schemes, but it was only in 2013 that the then Agriculture Minister (now heading the AfDB) heeded the call by introducing a Nigerian version of the Brazilian model of agricultural support. The feature of the Brazilian model (introduced under Silva da Lula) which is relevant to Nigeria is the recognition of social currencies and the leveraging of such social capital to drive channels of growth through organized MSME groups which then market to the formal sector. Essentially, several small groups of 3 to 6 persons form the basic components to set up one network. These networks are responsible to drive the ethics and validate projects for their members. Several of such networks already exist in Nigeria and have successfully accessed loans from foreign investors through the Cooperative Funding Agency of Nigeria (CFAN), although given the size of the country and its population, the Nigerian cooperatives do not play anywhere near the role that they could occupy and this aspect is what needs to be scaled up significantly for inclusive growth in the six key sectors selected for rapid growth.

“Recognizing social currency”

The following table summarises the job creation potential envisaged by the SEDCON model[4]:

NESG JCU Initial Project Bundles Based on Dalberg Report (3yrs)

CLEAN & RENEWABLE ENERGY CAPTIVE & EMBEDDED (Mini-grids)	RE-BUILD DESERTIFIED ECONOMIES THROUGH NEW BUSINESS ECOSYSTEMS	NEW FACE OF AGRI-BUSINESS CLUSTERS NEW BUSINESS HUBS
•1510 mini- grids nationwide •11 training centers currently existing •12 Training Centres •Rooftops solar power for 3000 MSMES •6mw Gas/solar installation to provide base-load for grid trial •Biomass technology to reduce wastage in farmgate10mw to 100 mw • LPG captive power in communities •. LPG cool/ cold chain business	**DESERTIFCIATION CONTROL** Awareness & cap bldg for 120 MSMES Growing to 3000 MSMES nationwide Agro-forestry & re-greening activities Milk clusters to trigger ranch growth **LPG JOBS CHAIN** 6m cylinders distributed via MSMES Revive 5 cook-stove & g as Plants 50- 100 gas processing plants in 5yrs 5 inland terminals for the NE,NC,NW 5000 additional LPG Trucks & vessels 774 additional Skids nationwide 1000 filling plants 600,000 more LPG outlets by MSMES	• 2000 Farms @ 8 Jobs / 5ha Farm; • Assets Managers on Site + Supervisors • Processing --Handlers, Facilities, Truckers • Distributing-Truckers, Handlers, Sales • Power Infrastructure, Cabling, Operations of Power Facility • Rural roads--Supervisors, Technical Engineers & workers • 500 low cost homes • 1 clusters = 25,138jobs • 18 cluster targeted
1,265,185	**1,925,358**	**4,524,484**

TOTAL JOBS CREATED OVER 3 YEARS: 7,715,027

The face of Nigerian agriculture

Nigeria is very likely to remain an agrarian society for many decades to come, given the huge numbers of people working in agriculture and the massive demand for food by a growing population. The bulk of today's agriculture production for consumption and industry in Nigeria comes from an ageing population of farmers using subsistence methods of farming in aggregates. Their farms have an average size of less than one hectare. In contrast, the bulk of today's profits in agriculture are made by a small group of middlemen and big agro-businesses dominating the food and beverage industry.

The development challenge is how to increase agricultural outputs through small farm aggregates and at the same time ensure a fairer distribution of wealth amongst those who work in the agricultural sector. For this to happen, the face of agriculture must change at two levels:

A. A step change for millions of small scale farmers: moving from subsistence farming to selling produce within integrated sector value chains, facilitated by cooperatives;
B. A new generation of agro entrepreneurs to own large farms and produce sustainably: working with cooperatives as out-growers and applying environmental standards.

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[4] Report by NESG, Job Creation Unit at The Vice President's Office, NIRSAL, as drafted by Dalberg Consultants

A. Cooperatives: Moving from subsistence farming to selling produce

The majority of Nigerian food production today comes from an ageing farm population (mainly women) who have experienced huge post-harvest losses of about $750bn annually, with cassava alone accounting for about $46bn in 2015 after the successes of primary production techniques were not translated to revenues.

Large scale job creation is possible by attracting young people back into small scale farming, with the prospects of selling beyond subsistence. This can happen by assessing production capacities and potentials at local and regional level, and enable first stage processing capacity within proximity of their farms. These could be cost effective biomass or solar powered technologies that can ensure that by 2019, Nigeria attains self-sufficiency in rice and by 2020 for wheat, maize and sorghum. The SEDCON business model proposed by NESG would target small farmers in cooperative networks as channels to deliver inputs and loans and eliminate the subsidies that federal government currently deploys overtime.

Farmers in Anambra State in the South East of Nigeria export about $ 5m worth of organic vegetables quarterly working with cooperative networks set up by churches, which are predominant in that area, creating over 1,000 jobs directly and indirectly and changing the livelihoods of such famers[5].

"Profit making, but recognizing social capital"

The SEDCON scheme is profit making but recognizes social capital and therefore loans and inputs would be repaid over a specified time. The role of the cooperatives is the social validation of the beneficiaries who are also part guaranteed by the government's risk-sharing and lending agency, NIRSAL. For example, the SEDCON model proposes that a single rice cluster of about 2,000 ha would produce 10,000 tonnes of rice per cycle – and with irrigation (either solar powered or otherwise) farmers can produce three cycles per annum. This is the output already demonstrated by several clusters. With digital marketing and service centers enabled through SEDCON, markets are guaranteed. These are beginning to happen and will be scaled very quickly as the model becomes active.

B. New agro entrepreneurs

The very few mechanized farming operations in existence in Nigeria today are developed by investors to meet specific demands of the food and beverage sector. But the future for

[5] http://www.vanguardngr.com/2016/07/anambra-records-5m-vegetable-exports-europe/

agriculture lies with young populations who have to be specifically captured through new business ecosystems that suit their needs and style of living.

The image below shows a model for a new generation of agro entrepreneurs, aiming to build new business ecosystems in new cities based on an agribusiness model that embraces the six inter-dependent growth sectors to create new jobs and opportunities along the value chain in one hub. Through rapid upskilling young farmers would use mechanized modern tools and digital marketing to produce and sell high quality crops matching demands for the local and international markets such as the food and beverage industry, textile, rubber or other manufacturing. This concept - designed to trigger the rural economy through growth of new cities - captures all the elements of an economic and sustainable business ecosystem[6].

Masterplan for production of cassava based food grade starch in Alakpe, Kwara State. Such projects could trigger growth of new cities along sector value chains stimulated by various key crops, such as maize, cassava, sesame seeds and sorghum. Such mechanized farms would attract young populations into agribusiness.[7]

Productivity from the new generation farmers in new business ecosystems would be much higher as they would use mechanized methods and much larger farms. One million hectares

[6] The SEDON concept has been designed by a collaboration of sustainability economic developers at the NESG and Deloitte West Africa, in collaboration with the Office of the Vice President on Jobs Creation.

[7] Union Bank Plc Nigeria, Agribusiness Unit for a presentation to the Federal Ministry Agriculture 2016

could trigger growth of such new cities delivering thousands of jobs where the business ecosystem is complete with all the inter-dependent growth triggers – power, digital networks, roads, housing, schools, centers of worship, recreation and modern landscaping – the aim is to attract young people and women with their families to settle in and build their future. If successful, this kind of 'community building' could challenge the economic and social status quo of Nigerian society in a positive way, as it would distribute wealth at community level, with the potential to curb brain drain and reduce emigration of skilled youths.

The only internationally recognized success story of Nigerian agricultural growth built on the success of small scale farmers within an aggregate of farmlands is that of Rotimi Williams, a 36 year old Nigerian who owns the second largest rice farm in Nigeria at 45,000 ha, employs 600 farmers and workers directly and was featured by Forbes in 2015. Williams' business model[8] was based on providing small scale infrastructure to women and men within a scheme called FOOP Farm Out of Poverty Initiative). He leans on the culture and wisdom of the natives to manage the farms and the people and this is the secret of his success. His economic success translated into a tangible improvement in the living standards of small scale farmers, through educational schemes ensuring tertiary level of education for about 30 young people annually. Such success stories appeal to the young population who with women are key target groups for the agriculture sector based on dynamically different economic models for both demographics.

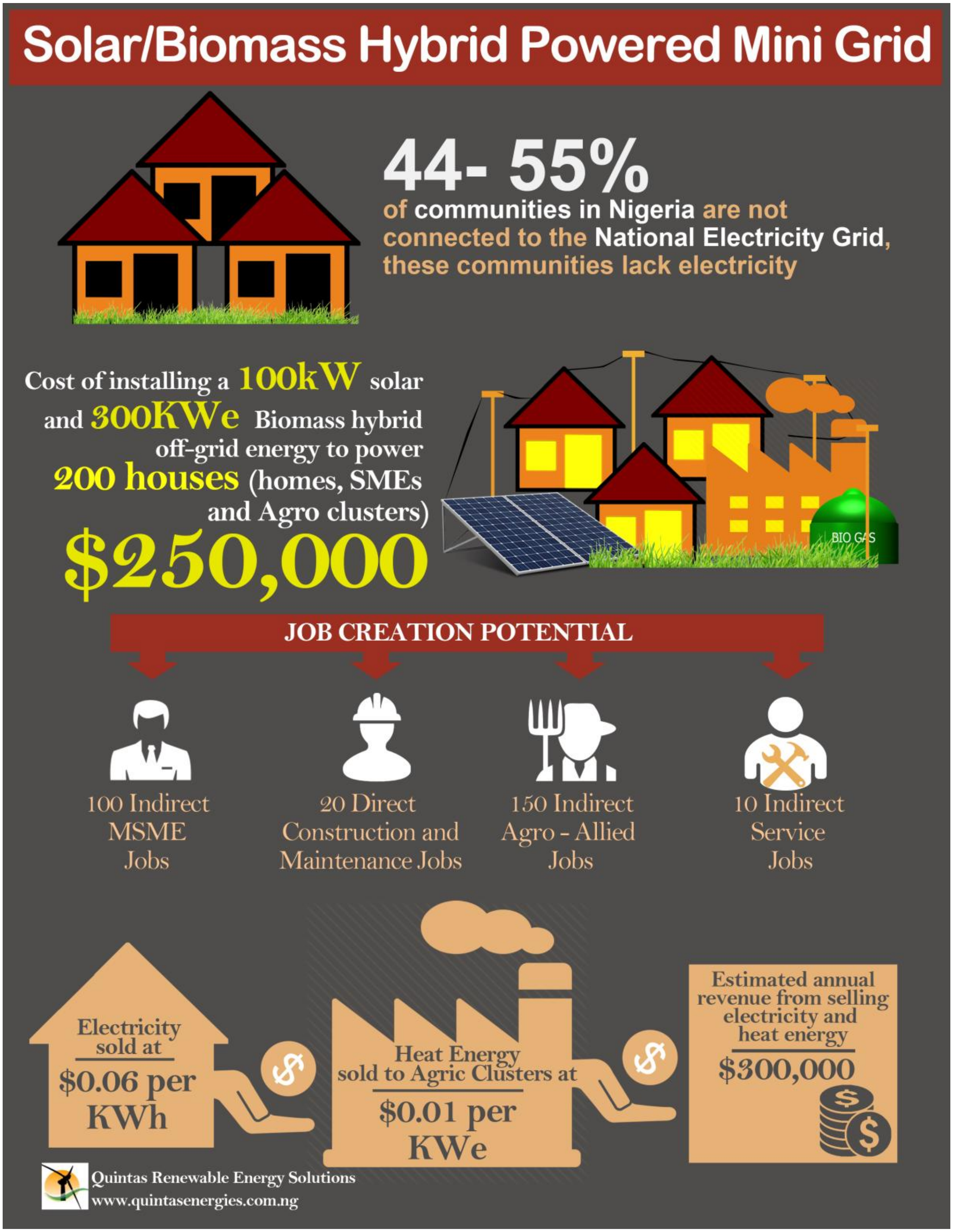
Powering agribusiness

Power is an important and first trigger for agribusiness. The models can be replicated where the power sources have been mapped, crops and markets known and signed on. For example, Gombe State is an agrarian state with potential to grow significant quantities of sorghum, maize, cassava and other staple and cash crops; it also has significant coal deposits, five hydro dams, and huge potentials for solar and biomass technologies. The state sits on an economic corridor with access to existing railways and road networks so distribution chains would access markets easily. Solar and gas innovations for cold chains would ensure that farmers get more value for money and so this area could become a cash crop hub for north eastern Nigeria, creating new jobs and opportunities through the six interdependent growth sectors. Innovations in solar cooling chambers by a

8 https://colournigeria.wordpress.com/2016/07/23/rotimi-williams-owner-of-the-second-largest-rice-farm-in-nigeria/

young Nigerian innovator indicates ability to scale a business model for market women to store vegetables with just $10,000 making a turnover that can repay itself within 4 years. However, to ensure growth of such innovations, cost effective strategies for clean energy power would be needed over coal to drive a thriving agribusiness in the state. These are examples of the thought processes for food security.

Similarly, other states have various comparative advantages for power. For example, Anambra state has significant gas (over 1.3tr scf based on 2-d seismic surveys) and crude oil reserves (with API 48) to give the south east region an advantage to scale energy needs rapidly through gas and also petroleum products. This energy value chain is already tested and taking it to scale to deliver over 5,000 MW and 50,000 litres of petrol per day aligns with the Economic Growth and Recovery Plan that seeks rapid impact investment streams to generate revenues for growth of other sectors in order to achieve the short term goals for rapid growth by 2019.


Solar/Biomass Hybrid Powered Mini Grid
44- 55%
of communities in Nigeria are not connected to the National Electricity Grid, these communities lack electricity
Cost of installing a 100kW solar and 300KWe Biomass hybrid off-grid energy to power 200 houses (homes, SMEs and Agro clusters)
$250,000
BIO GAS
JOB CREATION POTENTIAL
100 Indirect MSME Jobs
20 Direct Construction and Maintenance Jobs
150 Indirect Agro - Allied Jobs
10 Indirect Service Jobs
Electricity sold at $0.06 per KWh
Heat Energy sold to Agric Clusters at $0.01 per KWe
Estimated annual revenue from selling electricity and heat energy $300,000
Quintas Renewable Energy Solutions
www.quintasenergies.com.ng

The Role of Germany

Nigeria needs international support to allow the country to grow into a middle income nation that is at par with emerging economies such as Brazil and India in the near future. In fact, McKinsey[9] had predicted in early 2016 that Nigeria would become the 19th largest economy before Brazil at number 20. But neglect of the informal sector with over 120 million people burst that bubble that was based on growth of its middle class which had been estimated at 20% of the population. Since the official declaration of Nigeria's recession in 2016, the informal sector shrank rapidly and has proved the point that growth based on the sale of raw commodities does not create jobs. Furthermore, applying traditional Overseas Development Cooperation concepts and going through government as the main implementing partner does not promise immediate results.

"Private sector as main implementing partner"

The most energetic and dynamic operating units to drive growth, inviting Nigerians to stay in their country to be part of this growth, and stimulating more Diaspora investments are private sector operators in the informal and formal sectors. SMEs and small-scale farmers can be empowered to make a decent living; Nigeria can change – under a different set of parameters that take into account the history of governance and the governed. The Nigerian government has long focused on the most powerful business elites and has traditionally overlooked working with the informal sector, because it is their belief that the formal sector would create more jobs and opportunities, but this has not happened because the formal sector accounts for only 8% of the labor force and seeks ways to optimize profits and not inclusive growth. The track record of government agencies is abysmal: Even where support has been offered to the informal sector through development banks or other such schemes (YouWin, CBN Anchor Borrower Schemes for Agriculture, to name just a couple), the implementation was often marred by intractable levels of bureaucracy and outright corruption. If the private sector itself holds the key to growth and development, the challenge to provide transparent, accountable service to operators in the

Independent development

Efe Soje runs his barbing saloon in Lagos entirely on solar energy. He is off-grid and not looking back. "I got tired of waiting for government, the solar has brought me more business than anything else before."

[9] Lions On The Move I : Realizing The Potential Of Africa's Economies Jan 2016

informal and formal sectors will be huge (see annex for a discussion on appropriate strategies).

Capacity Building

Germany's technical cooperation with Nigeria already points at important priorities for supporting the kind of development proposed in this paper. As part of the giz programme on energy and small/medium enterprises, Germany offers capacity building to the private sector in the areas of off-grid renewable energy and business development for small and medium size enterprises in agricultural value chains such as rice. There is need to scale up this kind of intervention and make professional training in various shapes and sizes available to the informal and formal sectors.

The SEDCON model envisages a job creation programme with a large scale job upskilling programme to generate fast tracked skills for young women and men, preparing them for new jobs. These would include low, medium and high level technical and management training for various skills. This programme has to identify existing training institutions, technical anchors and mentors to support growth of skills. Some sectors such as ICT require longer training periods and an initiative has already been flagged off since 2016 by the Office of the Vice President on Job Creation in collaboration with the private sector. Some other skills just require re-tooling in the first phases, such as technicians for solar installations. The Renewable Energy Association of Nigeria (REAN) and the NESG intend to collaborate to select and develop training schemes around the country that could roll out skills for the different value chains rapidly.

Germany providing capacity building at large scale and on a grant basis would form an important contribution to Nigeria's development.

Channeling and Tracking of Funds to Beneficiaries

The SEDCON model provides for a separate platform to access beneficiaries through cooperative groups and networks. Individual companies and cooperatives would be screened by the existing coop mechanism, the Cooperative Funding Agency of Nigeria (CFAN) to access funds through so-called AgFin Centers, which work like 'middle men' between farmers and the Fund. Similar to Micro Financial Institutions (MFIs), the AgFin Centres would have expanded responsibilities to include asset leasing/hiring, laboratories for soil and crop analysis to name a few. AgFin Centers are the face of SEDCON in the communities and are owned 60% : 40% by cooperatives and SEDCON. Digital platforms for mobile money are the preferred mechanism through which traditional Financial Institutions may breach the difficulty they currently face in banking for the informal sector.

An independent private sector led Business Roundtable will also align with SEDCON and CFAN ensuring that the ethos of inclusive growth is maintained.

Funding from Germany and abroad could be channeled through the Development Bank of Nigeria, the Central Bank or other commercial banks to reach the SEDCON Fund. The Development Bank of Nigeria is set to open before the end of the second quarter of 2017 and is to fund SMEs when it becomes operational; it has been funded with about $1.3bn by the KfW, the African Development Bank and the French Development Bank.

Long tenored funds

The SEDCON model is a socially inclusive model that envisages long-term funding for agriculture, ICT, SME and housing developments. Long-term funding is not available to most Nigerians, as Nigerian banks only offer short term, high interest bearing loans that are not suitable for such development activities. German funding will guarantee financial access needed for the informal sector is inclusive through several small loans with long tenors directly accessed by informal sector operators through SEDCON thus become a viable development tool because such funds with longer payback periods enable the borrower to grow and sustain the business. This is the most critical setback from Nigerian Financial Institutions as they do not have development friendly loans. Only 6% of the informal sector and the formal sector can afford their terms because they simply transfer the burden to the consumers.

> **"German funding will guarantee financial access needed for inclusive growth through several small loans with long tenors"**

Support to Market Scalers

A $2m loan would empower a Solar Company to deliver 1 MW of power through proven Mini-Grids or Stand Alone Systems for about 200 SMEs or agricultural producers & processors. But for this to be done profitably and sustainably, the Solar Company would have spent about $250,000 on market intelligence and feasibility to demonstrate to the investor that the business is profitable. Such high start-up costs are not affordable and when added to the loan, it distorts operational capital, increases service costs and stalls growth by making their service unprofitable. Yet without these data, Financial Institutions will not be able to assess business viability of such market scalers. German funding could produce the necessary market data, feasibility and business advisory services to support these market scalers with business models that will pass FIs/MFIs' screening for loans.

Business models that capture the interest of impact investors under the Marshall Plan With Africa or other development agencies would be produced to fund market scalers and market innovators who are at the bottom of the financial pyramid and enable them go to scale. Such long tenored funds would lower costs of production and allow enough time for the market scalers and innovators to gain stability. These for-profit investments take into account current market indicators for pricing. For example, the renewable power providers who power agro processors could produce power at N68 - N75/kwh[10] (currently electricity from diesel/petrol[11] is about N91/kwh). The Mont Bellevue pricing index for gas is equivalent to petrol at today's prices but when gas is priced locally, the tariffs are much lower at N48 - N52/kwh – e.g, local production in Anambra state[12]. Therefore, sources of power would impact production and finished goods; but pricing of goods could also be lowered by high volumes of production and demand, and as inflation drops.

De-risking investments through training and guaranteed funds

The people centered growth proposed in this paper is new to Nigeria, and players like banks and government are not used to supporting operators in the informal sector, nor do they have in-depth knowledge of new approaches such as investments into off-grid renewable energies. To help this situation and make access to finance possible to cooperatives, small and medium sized companies (such as agribusinesses, solar installers or green housing construction companies), two lines of action are needed:

A. Capacity building for commercial banks in Nigeria on all relevant investment areas, including agricultural value chains, green housing, ICT and renewable energies
B. Financial de-risking: the key challenge with foreign loans is the currency risk as loans are given in mixed currencies. Development funds from Germany would need to deepen considerations to hedge against currency fluctuations along the lines that the World Bank proposes using institutions like MIGA etc.

Technology Transfer

Much touted during global climate negotiations and in relation to the Green Climate Fund, the transfer of modern, climate friendly technology concepts from Germany to Nigeria would enable agricultural and industrial growth in a low-carbon manner. Nigeria, unlike other major economies like South Africa and China has not conducted a Technology Needs Assessment. The cost of this exercise in China amounted to more than US$ 4m. However, the Nigerian exercise would be less costly and if supported by Germany, would drive SME development and clean technologies in areas such as:

- Climate resilient seeds and appropriate research methodologies for organic crops;

[10] Quintas Energy Solutions Limited

[11] Nigerian Liquefied gas Association 2016

[12] Orient Petroleum Limited estimates for 2017

- Low carbon technologies for industries, such as DC operated rice milling machines, welding machines and other DC appliances that work with solar scaled into agricultural clusters to support post-harvest agro processing;
- The German system of vocational training could serve as an example for Nigerian companies that find it challenging to recruit engineers with the right skills straight out of university;
- Germany is world-renowned for SME engineering expertise in the field of electrical control systems and small purpose-built engines for industrial processes. Training and internships for Nigerian engineers from established companies could deepen the relationships with German business interested in African markets.

International Trade

The proposed Economic Partnership Agreement (EPA) between the European Union and the West African trading block ECOWAS poses hurdles to the kind of development envisaged in this paper. At the moment there is only a 6% advantage for Nigeria/West Africa and disadvantage in trade for 2,388 products; most of these products are suggested as export commodities with limited or no allowance for first stage processing, which could potentially stall industrialization because if the laws are more favorable to export unprocessed materials there would be very little incentives to industrialize and create more jobs if the EPA is not reviewed and revised appropriately. As the world is on the verge of the 4th industrial revolution through digital transformation, the current trade regimes do not help Nigeria to produce 40 million jobs by 2030.

"De-coupling technical assistance from trade relations"

It is important that technical assistance be de-coupled from trading relationships. Whilst Germany's technical assistance makes an important contribution to knowledge and capacity building within the Nigerian commercial and banking sector and even in academic institutions, Nigerian companies should be able to use this knowledge to freely decide which German companies or investors to work with.

The annual Nigerian Economic Summit could offer a special platform to demonstrate inclusive growth mechanisms and German and Nigerian companies would use the Summit to discuss new business relationships, relating to SEDCON and other development initiatives, to highlight new ways to grow the economy based on ongoing research, business models that are fit for purpose and straddling cross-cutting rapid growth sectors with models for investments, implementation and trajectories to track and monitor impact.

Parliament and the Ease of Doing Business

These proposals to drive inclusive growth are new to both the formal sector and government and so appropriate policies backed by legislation would be needed to ensure that the processes are appropriately institutionalized. The National Assembly Business Roundtable (NASSBER) anchored by the NESG is crucial as it is embedded within the National Assembly to track legislation for growth. So the German or other development funds are needed to support such activities related to reviewing and updating legislations.

Private Sector – Parliament: Collaboration for Development

The National Assembly Business Roundtable, NASSBER, allows the private sector to engage and lobby members of the national parliament in a structured and development oriented manner. In a country like Nigeria, this kind of collaboration serves as an antidote to corruption and inertia. An example would be the Competition Bill which NASSBER turned around to make it work for business, and for Nigerian citizens. The bill which has awaited passage for 9 year may result in a 10% reduction in prices in uncompetitive sectors and a 1% economy-wide price reduction, both of which manifests as an income effect, especially for poor households; 318,021 additional employment over 5 years, with average yearly job creation of 63,604 and total income effect estimated at an average of ₦148.30 billion yearly; and ₦741.52 billion over a 5-year period is also projected. The resultant reduction in poverty, greater employment and lower prices may precipitate an 11.8% reduction in relative poverty over a 5-year period.

The role of the NESG's Public Policy and Institutional Center is to track and review growth policies whilst also ensuring continuity of such policies when government is in transition or evolving new laws for the country. This Center currently collaborates with the Office of the Vice President to improve the ease of doing business which is costing Nigeria a lot of FDIS as the country ranks 169 out of 190. Issues like starting a business, access to electricity, getting construction permits are receiving top attention on this private sector – government platform.

Conclusion

Germany can assist Nigeria to create 40 million jobs in a market economy that is dominated by an entrepreneurial spirit and equal access for Nigeria's young women and men who are ready to engage in improving their livelihoods. There might be need for special delivery tools for such support programmes in conflict ridden areas such as the North East and the Niger Delta, but in principle the strategy of open access, transparent and accountable handling and long tenored approaches to financing apply to all sections of Nigerian society and of the country in equal measure. Whether it is the Marshall Plan With Africa concept, a Compact With Africa, or the SEDCON concept of the NESG, the nexus between people centered economic growth and security can become a positive spiral for millions of young Nigerians, who are eager to stay at home and make a living. The positive spiral will be driven more by Small Infrastructure delivered directly into needs, which provides ample space for low-carbon development, empowerment for women and development carried and driven by people themselves.

Annex 1: SEDCON, the Sustainable Economic Development Corporation of Nigeria

Sustainable Economic and Inclusive Growth

The Nigerian Economic Summit Group anchors a proactive job creation programme in collaboration with the Office of the Vice President in response to the World Bank Report on Trade and Competitive Practice that urges creation of 40 million jobs by 2030[13].

This job creation programme has two themes; the first theme is the jobs upskilling programme to generate fast tracked skills for young people and women, preparing them for new jobs. These would include low, medium and high level technical and management training for various skills. This programme has to identify existing training intuitions, Technical Anchors and Mentors to support growth of skills. Some sectors such as ICT require longer training periods and this has already been flagged off since 2016. Some other skills just require re-tooling in the first phases, such as technicians for solar installations. The Renewable Energy Association of Nigeria (REAN) and the NESG intend to collaborate to select/ develop training schemes around the country that could roll out skills for the value chain rapidly.

The second theme is an economic growth managed through the Sustainable Economic Development Corporation of Nigeria (SEDCON), an investment platform to deliver '*shovel ready jobs*' and new entrepreneurial opportunities mainly for the informal sector but with the formal sector engaging to offtake raw materials and provide financing. Small, medium and micro businesses need significant buffers against high risks that they currently encounter in setting up their businesses especially in view of infrastructure challenges and funding. SEDCON would recognize social currencies like talents, skills, an entrepreneurial spirit of young people and women, thus leveraging such social capital to design opportunities for employment based on the new business ecosystems that SEDCON seeks to build. For employers in the informal sector, such support includes market intelligence, access to markets and information for services, access to training and employees/ employers and access to funds and financial services.

Scaling Inclusive Growth

But the overall ethos of SEDCON is to drive inclusive growth based on the World Economic Forum's paradigm that there is a direct relationship between growth and distribution and that self employment and SMEs constitute a very high percentage of income (except in the wealthiest households) and the informal sector in Nigeria provides 92% of jobs.

Six inter-dependent sectors constitute the framework for the sector value chains to drive inclusiveness as indicated in the table below.

[13] World Bank Report on Trade and Competitive Practice 2016

Mapping growth sectors to mainstream inclusive growth. Each box represents issues to be evaluated for each growth sector based on inclusive parameters impacting them.

For example, with inclusive growth in food security, it is envisaged that Nigeria would become self-sufficient in rice, wheat and maize by 2019. Also the import dependency of the food and beverage sector, textile and other agro allied businesses could be reversed within 5 years. The textile belt in the north has not been productive due to competitive disadvantages over imports. However, after the textile industry went into rapid recession when it could no longer access foreign exchange to purchase raw cotton—a crop that is grown in Nigeria—it became clear that local production must be scaled. Therefore inclusive growth fiscal policies to encourage local production and inputs for better seeds would be taken into account to grow raw materials for the highly profitable textile, garment and fashion industry in Nigeria. Therefore, only crops that offer a comparative and competitive advantage in terms of revenues, jobs, and familiarity with the local populations will be used in the key growth pillars for SEDCON: Economic Diversification, Food Security, Import Substitution and Jobs Creation.

The formal and informal sectors are poised to participate as off-takers of raw materials, and sustain expansion of the model through corporate investments.

The reality of Inclusive Growth

The SEDCON model leverages experiences of groups like Omidiyar Networks[14] who understand and appreciate that 'early stage investing requires not only a keen understanding of the market and excellent business judgment; it also requires a commitment to identifying top entrepreneurs and helping them scale up their capabilities and their team'.

[14] Priming the Pump: The Case for a Sector Based Approach to Impact Investing 2012

The reality, of course, is that if we wish to build an impact investing industry that successfully delivers on the promise of bringing market-based solutions to disadvantaged populations, our success depends on our support for these early stage innovators. It is today's fledgling innovator who sets the stage for tomorrow's next great scalable innovation that can also produce strong financial returns.

Market scalers enter a sector after a generic model has been de-risked. They accelerate the growth of a sector by scaling as individual firms. They may also tend to refine and enhance the generic model. Example: Grameen Bank took 15 years to reach its first million customers with its pioneering model of microfinance, while Indian microfinance firm Equitas (which entered the market in 2007, nearly 30 years after Grameen) scaled from zero to one million plus customers (and from one to 40 million dollars in revenue), in less than five years.

Some of the customer base for SEDCON are market scalers e.g., the renewable energy power providers who have successful demonstrated their innovations and need business support to go to scale. Ageing famers have shown over the decades how they can produce raw materials to scale growth if the right infrastructure is provided. The young face of the farmer represented by Rotimi Williams[15] shows that with the right support young people who do not originally have a farming background but have the entrepreneurial spirit can scale modern agriculture methods for food security.

Fiscal sustainability during rapid economic growth is crucial to reducing inequality gaps and preventing a lull in growth because there is a direct relationship between growth and distribution of wealth as demonstrated by the World Economic Forum models[16].

Example of Funding Model from SEDCON

The informal sector needs accessible funding mechanisms that are structured as debt–equity finance with access to loans through social platforms like building societies, cooperatives and micro-finance schemes.

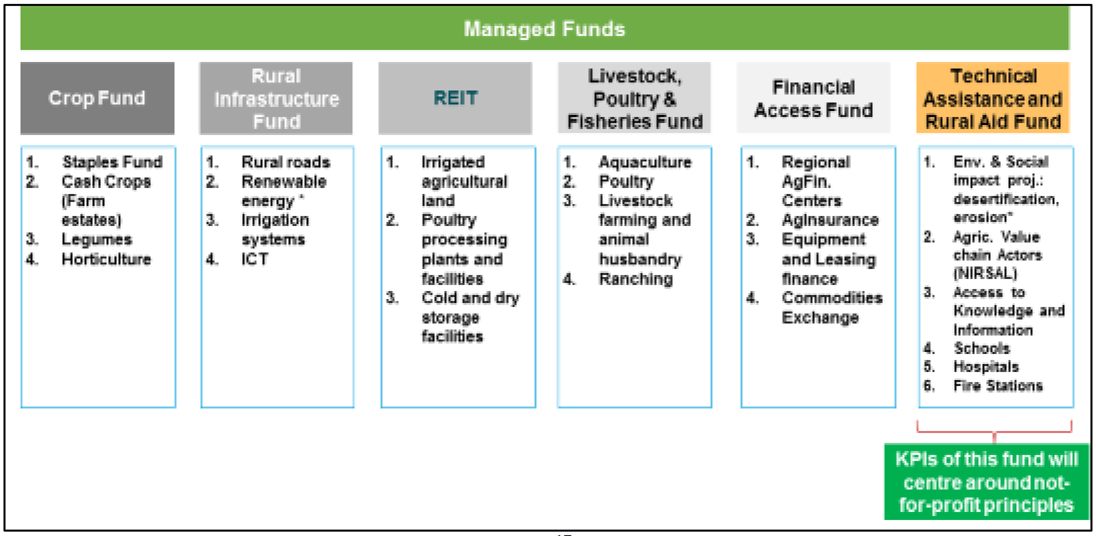
These mechanisms also recognize and build capacity for vulnerable groups by finding innovative ways to deliver funding for their growth. For example, the World Bank report on Trade and Competitive Practice in Nigeria 2016 segregates the informal sector into two broad groups, namely household enterprises (HEs) - which are generally operated by a single person - and microenterprises (MEs) – defined as NFE which hire workers who are not members of the household and/or not registered with the Corporate Affairs Commission (CAC). This sector of the economy accounts for 92% of jobs and over 112million people. It is market that can revive and re-engineer FIs to adopt new approaches in banking. So SEDCON has evolved sustainable ways to leverage their social capital or currencies and translate those to services, products or

[15] https://www.forbes.com/sites/mfonobongnsehe/2016/06/27/meet-the-36-year-old-entrepreneur-who-owns-nigerias-2nd-largest-rice-farm/#31ce00e14dd6

[16] World Economic Forum : The Inclusive Growth and Development Framework 2015

funds for businesses. Therefore SEDCON recognizes skills, talents and socio-economic needs as social capital and has designed ways to leverage them into productivity.

SEDCON has six legally independent but correlated funds, each with its own Fund Manager. Each fund is structured to deliver both social and economic returns generated from the activities in the specific sector. The illustration below gives an overview of the managed funds:



Principal and Corporate Fund structure for SEDCON[17]

Crop Fund will facilitate the effective and efficient cultivation of high quality food and cash crops. This will be a relatively short-tenured fund.

Rural Infrastructure Fund will facilitate the planning, preparing, and financing of infrastructure projects that encourage job creation and capital investment in rural communities. These include rural access roads, renewable energy, ICT infrastructure, and irrigation systems. This will be a long-tenured fund.

Real Estate Investment Trust Fund (REIT) will facilitate the development of affordable green homes and other structures for agri-businesses. Using the REIT model, it will generate income to investors through its income-producing real estates, growing organically into cities. This will be a long-tenured fund.

Livestock, Poultry & Fisheries Fund will facilitate the growth of livestock, poultry and fisheries, as well as their by-products. This will be a relatively short-tenured fund.

Financial Access Fund will ensure that agriculture MSMEs have access to financial support at low interest rates. This will be a middle-tenured fund.

[17] Department of Agribusiness Union bank Plc, Nigeria 2016

Technical Assistance and Rural Aid Fund is a social fund that will provide financing for public investments and infrastructure projects targeted at meeting the needs of low-income and vulnerable communities. This fund will have no expected financial returns and as such, will be sourced primarily from donor agencies.

All other funds apart from the Technical Assistance and Rural Aid Fund will generate long-term economic returns for the investors.

Fund Managers for each will raise and disburse approved funds e.g, for agribusiness funds through Agricultural Finance Centers (AgFin Centers), for onward distribution to farmers who are organized in cooperatives. Cooperatives are responsible to track performance and liaise with SEDCON to carry out monitoring and review of fund performance.

The **Agricultural Finance Centers (AgFin Centers)** will be operated by third-party entrepreneurs with microfinance banking experience or established microfinance banks. In addition, the center will have, as one of its partners, technical expertise tailored to the particular needs of the cluster it is serving.

SEDCON will screen these businesses using a defined set of criteria (covering financial and technical expertise) before their engagement into AgFin Centers.

SEDCON will also own 40% of the AgFin Center upon its setup. AgFin Centers will operate in a Cooperative Banking Model. Here, the Centers are owned by its customers (the farmers), with each of them getting one vote.

The Centers will carry out daily operations towards the achievement of SEDCON's strategic objectives and ensure that linkages between SEDCON and the farmers are efficient and effective. The AgFin Center is the middle-man between the Fund Manager and farmers and collaborates with technical partners that assist in providing services to the farmers.

Cooperative Financial Mechanisms de-risked by Government Guarantees

Cooperatives provide social collaterals to micro-finance and development institutions because they are able to track beneficiaries to their locations. They form social security bonds with their members and so partly guarantee social risks. To strengthen this the government through the Central Bank of Nigeria established a de-risking mechanism-- Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL).

The NIRSAL mechanism would therefore de-risk small farmers borrowing from the AgFin centers for all inputs and equipment needs. The AgFin Centers would lend to farmers and other SMEs within the SEDCON model. Other borrowers for housing etc would need similar building societies to anchor their borrowing. Such are the mechanisms that the Marshall Plan could support to truly motivate, stimulate and activate the informal sector growth.

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